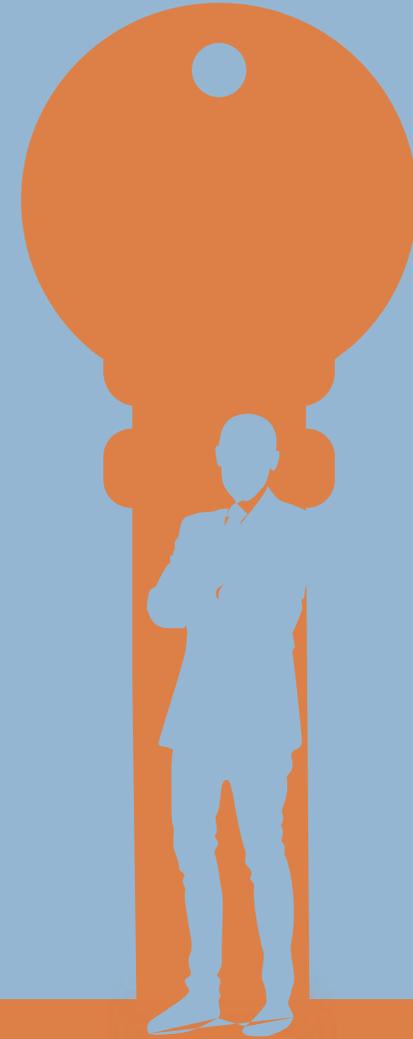


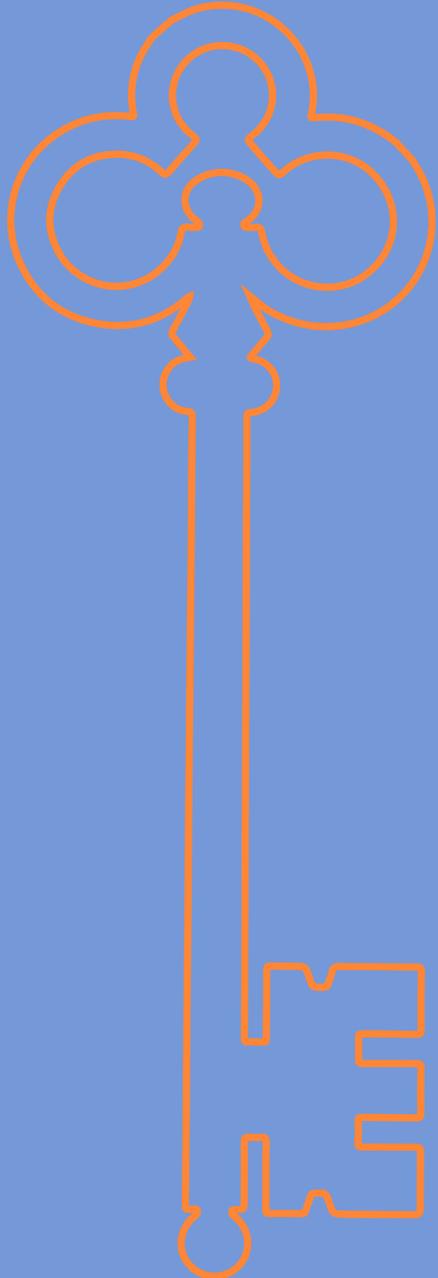
## 2.3 Insurance and tax issues of Social Enterprises in Greece and Bulgaria



ReinFORCE SOCIAL Entrepreneurial Spirit through setting up Innovative Support Structures in the cross-border Territory “Social Forces”

4.9.2: Design and Development of the Training Material





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## Tax Obligations of Social Enterprises in Greece (1)

*According to Law 4430/2016,*

Social Cooperative enterprises have **the same tax obligations** with any private entities in Greece, regardless of their social nature, vis-à-vis the tax authority.

They are obliged to:

- issue the **documents** defined by the Transaction Tax Reporting Code
- keep **records** of all transactions

They are subject to income tax.

- ❖ Social cooperative enterprises have the **same tax obligations** (income tax, VAT reimbursement, etc.) as any other private entities.
- ❖ The enterprises' profits are taxed at a **rate of 29%** and can apply a **single-entry** or **double-entry bookkeeping system** depending on their gross revenue.

## Tax Obligations of Social Enterprises in Greece (2)

- ❖ Social enterprises:
  - must issue proof of receipt and do not pay tax
  - are exempt from VAT for income from occasional events when organizing them for their financial support, provided that these events do not exceed two per year and subject to a written permission from the competent tax authority.
- ❖ Donations and sponsorships received, are not subject to taxation.



## Distribution of profits

- ❖ A **withholding tax** is applied to the **distribution of profits** to employees, as well as for any other **legal entities** under Article 101 of the Income Tax Code.
- ❖ **The profits distributed** to the employees of the Social Cooperative Enterprise are added to their salary and taxed in accordance with the applicable **tax rate for natural person income**.



*The way of profit distribution of Social Cooperative Enterprises is as follows:*

- 5% for tactical reserve
- Up to 35% to employees
- The rest mandatorily remains to the Social Cooperative Enterprises to achieve its objectives



# *Insurance Obligations of Social Enterprises in Greece*

- ❖ The **members** of the Social Cooperative Enterprise may also be **employees with an employment relationship**.
  - Employees in Social cooperative Enterprises are paid for their services and have all the rights and obligations arising from labor and insurance legislation. The Social Cooperative Enterprise is obliged to pay to social security organizations all the legal social security contribution.
  
- ❖ The **members of the Social Cooperative Enterprise, are not required to be insured only with the cause of participation to the social enterprise**.
  
- ❖ The **Management Board members are not obliged to have "special insurance scheme" due to representation of the Social Cooperative Enterprise**.



# Employment Volunteers of Social Business in Greece

- ☑ There is the possibility of using volunteers and non-workers but **in no case can the employment exceed 16 hours a week.**
  - In this case there is an obligation to be concluded a contract of employment between the individual and the Social Cooperative Enterprise, which clearly describes the service provided.
- ☑ Social Cooperative Enterprise must keep a **Volunteer Registry**, in which volunteers-nonmembers who support its actions are recorded.
  - 💡 A Social Cooperative Enterprise **has no insurance obligations towards volunteers-nonmembers**, provided that voluntary actions do not generate revenues and are pre-decided by the Management Board of the Body.



## Tax Obligations of Social Enterprises in Bulgaria (1)

- The **profits** of all **domestic and foreign legal entities**, whose activities are concentrated in Bulgaria, **are taxed in accordance with Bulgarian tax legislation.**
- The rate of income tax is **10%** and it is a **single** tax for all enterprises.
- The different types of taxpayers refer to all **domestic and foreign legal persons** whose main activity is in Bulgaria or their income derives **from a source in Bulgaria.**



## *Tax Obligations of Social Enterprises in Bulgaria (2)*

There are **different rules** referring to the **taxation of domestic and foreign legal entities**.

- **Domestic legal entities** are taxed on profits from domestic and foreign sources.
- **Foreign legal entities** are taxed on profits related to their activities in Bulgaria.



The taxable income is declared until 31 March of the following year and the corporate tax in Bulgaria is annual.

# Insurance Obligations of Social Enterprises in Bulgaria (1)

✦ The Bulgarian social security system covers all the risks that can affect the health of the individual, such as:

- ⇒ accidents at work and their consequences,
- ⇒ illness,
- ⇒ unemployment,
- ⇒ aging,
- ⇒ the need for nursing care.



- ✦ The insurance system is **unified** for all types of businesses, **including social enterprises**.
- ✦ *General principle of the system:* **every employee is automatically required to be insured!**
- ✦ One of the characteristics of the employer-employee's relationship is that **the employer is the economically powerful part, with the employees depending on him.**

## *Insurance Obligations of Social Enterprises in Bulgaria (2)*

**Basic Social Security** is 17,3% of gross salary, **pension insurance** is 5% of the gross salary, **health insurance** is 8% of the gross salary.

The **employer** must pay **60% of the insurance contributions** and the **employee** the remaining **40%**.

The **employer** must bear the cost of **professional accident insurance** ranging between **0,4% and 1,1%** of the gross salary, depending on the job.