New Greek Accounting Standards – A first step towards IFRS

With effect as of 1 January 2015, Law 4308/2014 as in force currently, has introduced significant changes and novelties compared to the previously applicable Greek Accounting Standards and fiscal framework. Interpretative guidelines are in place which were issued back in December 2014 but also most recently in October 2015. As we are already in the period of finalization of the financial statements of Greek undertakings, those FYs that have ended on 31/12/2015 are the first to be impacted by the obligation to “transpose” their financial statements into the new system of either full IFRS or the new Greek Accounting Standards.

First of all, the new Accounting Standards establish bookkeeping and financial statements obligations that are based on IFRS principles, although with some differences to the direction of more “flexible” treatment e.g. the optional application of deferred taxation.

The adoption of full IFRS, instead of the new Greek Accounting Standards, is optional, subject to management decision, except for specific undertakings that are obliged to adopt full IFRS (Law 4308/2014 exhaustively lists these cases). Nevertheless, once adopted, IFRS should be applied consistently for at least five consecutive fiscal years.

Companies are further subject to different compliance obligations depending on the size of the undertaking based on specific quantitative criteria (total value of balance sheet, net turnover and average number of employees of the undertaking). The volume of these obligations is escalated from micro-undertakings to large undertakings, while for smaller undertakings special exemptions and simplifications apply.

Either under the Greek Accounting Standards or the IFRS, the accounting system used by the undertaking must monitor in parallel both the accounting and tax basis of expenses, revenues, assets, liabilities and equity elements, in order to be in compliance with tax legislation. The Interpretative Circular indicates specific methodologies and examples for the fulfillment of such requirement; the most representative one is the dual monitoring of depreciations per the useful life accounting standard and per the tax rules depreciation rates applicable for tax purposes.

What is more, the new law contains “illustrative” financial statements, individual and consolidated models thereof. The obligation to draft consolidated financial statements depends on the categorisation of Groups into small, medium-sized and large, based on specific thresholds. New requirements are also set in relation to the drafting of Notes to the accounts which should provide detailed information (narrative and quantitative) regarding the financial statements’ accounts/figures, depending again on the size of the undertaking.

A further area that has been subject to significant amendments under the new law is the measurement and recognition rules. Most of the amendments in this area are in line, if not totally similar, with IFRS respective rules. Some key aspects of these rules are outlined below:

- Depreciation may be calculated based on the estimated useful economic life of assets instead of deemed tax depreciation rates applicable for tax purposes only from now on.
- Assets can be subject to impairment.

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- Leases are categorised as financial or operating, depending on the economic substance criteria set by the IFRS and also reflected in tax law (previously all operating leases were not possible to be re-qualified).
- Provisions for employees' severance indemnity are measured either based on the nominal amounts according to employment legislation or based on accepted actuarial studies
- Establishment expenses, R&D expenses and income tax (current and deferred) constitute elements of the P/L statement.

Additional IFRS inspired principles that have been introduced are the materiality and going concern concept, fair value measurement and deferred taxation. For those applying the new Accounting Standards, interpretative guidance may also be sought from the IFRS, as long as same is in line with the provisions of the new law.

The transition procedure will involve the restatement of items of the previous two Fiscal Years as well, so that the comparative figures are in line with the new standards, as it would be the case upon the implementation of IFRS ("first time adoption"). The volume of work involved will depend largely on the type of business of a company as well as the items affected. The law and interpretation thereof, however, provide for some exemptions and simplifications upon the initial adoption of these new standards considering the cost and administrative burden that may be raised for Greek undertakings due to this transition, especially for smaller ones.

It is believed that the introduction of the new Greek Accounting Standards is a first step towards IFRS and that in the future the adoption of the IFRS in full may become obligatory for all Greek undertakings. Despite the cost and technical expertise necessity, this may prospectively enhance the comparability and reliability of Greek undertakings' financial information as well as facilitate consolidation procedures for multinationals operating in Greece.

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