



# Greek Startups Say Tsipras's Taxes Are One More Reason to Leave

by **Paul Tugwell**

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- Many foreign investors want Greek startups to locate HQ abroad
  - Lack of financing, bureaucracy, taxes drive startups away
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Greek startups have weathered political turmoil, violent riots, a withering economy and brinkmanship that nearly drove the country out of the euro. Now, a new round of tax increases may be the last straw for fledgling companies with dreams of making it big.

### QuickTake

## Greece's Financial Odyssey

What startups need is a break, says Vassilis Sioros, chief executive officer of [Ardustech P.C.](#), a small company with big

plans for the use of olive oil in the pharmaceuticals, food and cosmetics industries.

“No startup is asking the government for money,” he said in an interview from Athens. “The state can invest without giving money by allowing startups to pay no tax or social security contributions for one year, or at least reduce them. This can help give at least another year of life to a startup allowing for the creation of one or two more jobs.”



Startups have become a key piece of any revival for Greece's economy, which has shrunk by more than a quarter since 2008 and where almost 25 percent of the workforce



Vassilis Sioros, right, and Akis Kapeta. Source:  
Ardustech P.C.

is without a job. The number of such firms has almost doubled each year since 2010. With many still struggling to find funding,

startups see the taxes and charges agreed to between Prime Minister Alexis Tsipras's government and European creditors as adding yet another wrinkle to their already difficult environment.

## **Driven Away**

“Greece has competitive advantages for startups, such as excellent and internationally-recognized scientists and engineers, and low personnel costs and operating expenses,” said Vassilis Stivaktakis, chief executive officer and founder of [OSEVEN](#), which provides a smartphone-only solution for insurers to collect accurate data on drivers. “However, the overall economic picture of Greece weakens these advantages in the eyes of investors.”

The latest [increase](#) in taxes and social charges is part of a deal with Greece's creditors, who [agreed](#) in May to release 10.3 billion euros (\$11.6 billion) in more aid and pledged to reduce the country's debt burden down the road. In exchange, the government introduced austerity measures equal to 3 percent of gross domestic product, potentially further [damping](#) economic activity.

The measures were needed to complete Greece's first bailout review and this "will create a much more stable macroeconomic environment necessary for giving impetus to the economy," George Stathakis, Greek economy minister, said June 10. "There will be no other measures," he said.

## **Not Encouraging**

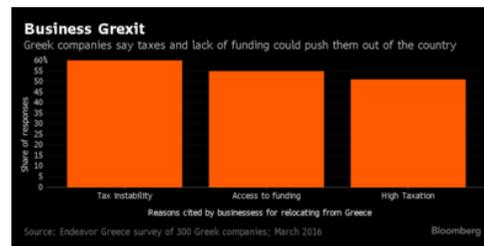
Still, for Ardustech, the tax hikes come as the company is targeting its first clients and planning test production in September for its product, said chief operating officer Akis Kapetas. The company wants to transform traditional Greek olive oil into powder form using micro-encapsulation technology for use in food, cosmetics and pharmaceuticals.



Stivaktakis at OSEVEN -- which raised capital a year ago, signing term sheets with investors on June 28 only to see capital controls imposed the next day -- says the government needs to encourage startups, not drive them away.



Vassilis Stivaktakis Source: OSEVEN



“The government should provide a five-year plan for startups, at least for ones backed by venture capital as their potential has been recognized, and that would help investors look differently at the Greek startup landscape and at the same time contribute to the restarting of the Greek economy and the much expected development,” he said.

## Moving Overseas

An estimated 250,000 qualified professionals have left Greece in the past five years, a 300 percent increase on an annual basis from pre-crisis times, said Haris Makryniotis, managing director of Endeavor Greece, part of a New York-based non-profit organization that backs entrepreneurs in the country.

A survey of over 2,000 university students by Endeavor found that while 81 percent had a positive view of entrepreneurship, most were concerned by the bureaucracy and constraints in starting a new business.

A standoff last year between the government and creditors over the

terms attached to Greece's bailout lifeline resulted in the imposition of capital controls and restrictions on ATM withdrawals, as well as a month-long forced bank holiday in July 2015.

OSEVEN was forced to move its headquarters overseas amid the turmoil and registered in London on July 7.

"London-based venture capital investors supported our idea, but asked for the company's headquarters to be set up in the U.K. given the uncertainty over Greece's financial future," Stivaktakis said.

## San Francisco

The government should understand that Greece has creative individuals with talents matching those found in London, Berlin or Israel, said Conno Christou, co-founder of [Avocarrot](#), a mobile ad exchange for so-called native ads that blend into the surrounding style of an app, making them less intrusive than banner ads and more profitable.



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Founded in London in 2013 by four Cypriot college mates, Avocarrot is now headquartered in San Francisco after receiving \$2 million from U.S., U.K. and Greek investors. While business development is located in



the U.S., the company chose to base research and development operations in Greece, hiring 18

people in the past 12 months with the goal of reaching 30 by the end of 2016. The number of ads transiting Avocarrot's exchange currently stands at 4 billion a month, rising from 80 million in the past year.

"Greece's underutilized top talent, low rents and operational costs mean that getting \$2 million here is like getting as much as \$8 million in San Francisco or London in terms of investment return for each dollar," Christou said. "To attract investors and more startups like us, the government should empower the ecosystem by providing incentives for investors to support the new companies."

The U.K.'s seed enterprise investment scheme that offers tax benefits to investors for early-stage startup investments is a good model, he said.

## **Social Impact**

Markos Kiosseoglou, co-founder of Reload Greece, a London-based hub for youth entrepreneurship that helps young Greeks connect with global entrepreneurs who act as mentors and investors, says there's little understanding in the government of the multiplier effect startups have.

“It is possible for Greek startups to be headquartered abroad but to have operations and/or use resources in Greece thereby helping the country,” he said. “It’s not just about technology, but ideas that create a social and economic impact.”

For example, [Mastiha World Ltd](#), a startup by young Greek expatriates based in Oxford, U.K., imports the finest quality mastiha liqueurs from Chios, helping producers on the island, he said.

“Startups are one piece of a puzzle, not the puzzle,” Endeavor’s Makryniotis said. “Greece doesn’t need startups just for jobs, but for innovation, research and development, transformation, and for inspiration as role models .”

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