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GREEKS PAY THE HEAVIEST PROPERTY TAX AFTER THE FRENCH AND THE BRITS 1

Gov't plans property tax changes

The government is considering a new property tax to replace the existing ENFIA after 2018, whose calculation will be based not only on the value of each taxpayer's property assets but also on their annual income.

The new tax, which is seen producing revenues of about 1 billion euros less than ENFIA's 2.65 billion per year, is expected to be included in a package of tax cuts whose enforcement will only be allowed if the fiscal targets are met. The government's aim is for the new tax to partly offset the losses salary workers, pensioners and farmers incur from the reduction of the income tax discount and pensions. The plan will form part of the negotiations with the country's creditors set to start in Athens on Tuesday.

The Greeks won't have an easy time getting the creditors to sign off on the new tax though, as they would prefer to see a drop in the income tax rates of taxpayers and corporations. Moreover, to date ENFIA has consistently delivered the revenues it promises, and the creditors are generally not partial to changes and interventions, to say nothing of the fact that the government's plans lead to an extra burden on medium and high income earners. According to the creditors, these two groups deserve some relief, as they have already suffered considerably.

The prime minister's office has deliberately leaked details saying that the tax to replace ENFIA will fetch 35 to 40 percent less revenue into the state coffers and will be based on data from the Asset Register ("Periousiologio"), which will contain information about the all the property holdings of each taxpayer and will become fully operational from October 2018.

The reasoning behind the government's plan is that combining the value of property assets with incomes would offer a better picture of taxpayers' ability to pay, in turn allowing for the rebalancing of the property tax. The intention is to expand the number of property owners that pay property tax with the inclusion of all properties without exception, and with the abolition of exemptions or special statuses that currently apply with ENFIA. The new system is seen becoming operational after the adjustment of the property values used for tax purposes (known as "objective values") to market rates.

Greeks pay the heaviest property tax after the French and the Brits

High property taxation is hampering the recovery not only of the real estate market but also that of the economy in general. After successive property tax hikes in recent years Greece has one of the European Union's highest property tax burdens as a ratio to gross domestic product.

European Commission statistics show that Greece is behind only France and Britain in terms of property tax as a percentage of 2015 GDP. Greek owners have to pay what amounts to 2.5 percent of this country's GDP, while in Germany the amount does not exceed 0.5 percent. The rate is even lower for neighboring countries such as Italy, Cyprus, Bulgaria and Turkey.

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In its latest economic bulletin Alpha Bank argued the Single Property Tax (ENFIA) continues to put people off investing in the real estate market, where transactions have all but dried up, while obstructing the rebound of construction activity in the country. “It is also a considerable obstacle to any increase in residential property prices, along with the expected recovery of GDP,” Alpha analysts stress. On the other hand, it is remarkable that despite the burden on households from ENFIA, the tax continues to fetch revenues, as property levies of various forms showed an increase for the fifth consecutive year since 2011, when ENFIA was first introduced (as EETIDE).

However, the issue now is the discrepancy seen between the increased rates and citizens’ diminishing taxpaying capacity, as the gap has broadened, according to Alpha’s report. The Bank of Greece agrees, saying in a recent report that the high taxation deters investors, with a clear impact on the market and the entire economy.

The federation of property owners (POMIDA) has warned that the tax burden many owners face grows every year, while it is actually the number of those who pay that should increase.

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