



## GREECE - November 2017

---

**RULES LAID OUT FOR TAXATION OF SHORT-TERM PROPERTY LETS ..... 1**

**ONE FIFTH OF GREEKS COVERING 83 PCT OF ANNUAL INCOME TAXES ..... 1**

**NEW OBJECTIVE VALUES NOT BEFORE MARCH; FMAP SHELVED FOR NOW ..... 2**

---

### Rules laid out for taxation of short-term property lets

The Greek state appears to be moving closer to making some money out of the short-term apartment and room rental sector, which has managed to remain under the taxman’s radar since it first started to take off in Greece thanks to international online platforms such as Airbnb, Homestay and others.

The Independent Authority for Public Revenue on Friday announced the signing of a decision determining the process to declare income from short-term leasing, which is taxed at rates ranging from 15 to 45 percent. The exact rate depends on the total amount of revenues each owner makes, with the same brackets as for conventional rentals.

The decision rules that, for 2017, income from short-term rentals will be declared as a sum in a separate section of the tax declaration. However, as of early 2018, property owners will need to enter the Short-Term Residence Property Register (STRPR), which is expected to be set up in the first quarter of next year.

They will also have to submit a Short Stay Declaration per guest/tenant, through which they will provide the STRPR with all the necessary data for the calculation of their annual incomes. The data will include the owner’s registration number, the total price agreed, the name of the online platform, the details of the tenant, the period of the lease (start and end dates), and the method of payment.

The IAPR has begun correspondence with the online platforms with the aim of receiving lettings data on a regular basis and identifying owners who fail to declare this form of income. A few days ago, Airbnb responded to accusations it is not cooperating with the tax authorities, saying that while it wants its hosts to pay their tax dues, it must also adhere to strict privacy rules. The booking platform added that it is sharing information with Greece regarding property rentals and that personal data are only shared after a valid legal application in accordance with national and European legislation on data protection.

Airbnb in effect declared that it will not disclose owners’ tax registration numbers (AFM) to the Greek authorities, although it knows that almost 40 percent of its customers/hosts from Greece have multiple properties listed on Airbn, enabling them to engage in tax-free business activity.

### One fifth of Greeks covering 83 pct of annual income taxes

The left-led government’s blase response to criticism of its overtaxation of the middle class can be explained by the fact that it actually only affects a relatively small section of the population: From a total of about 8.8 million taxpayers, 80 percent, or 7.1 million, pay from zero to 100 euros per month in taxes. As for the Single Property Tax (ENFIA), four in five property owners also pay from zero to just 42 euros per month.

### International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

An analysis of tax declarations reveals that 80.8 percent of taxpayers – those who declare a low income – are responsible for just 16.8 percent of the total income tax on individuals, meaning that the remaining 83.2 percent of that tax is covered by 19.2 percent of Greeks.

This is because 7,091,832 taxpayers pay an average of 190 euros per year to the tax authorities, while 1,676,485 taxpayers with relatively higher incomes pay 21 times more on average, or 3,985 euros per year. It also explains why Finance Minister Euclid Tsakalotos had no qualms about admitting to overtaxing the middle classes, given that four in five Greeks are not actually affected by it.

With the exception of the reduction of the tax-free threshold – which was something the country's creditors insisted on so as to broaden the tax base – all of the other measures adopted by this government have contributed to concentrating the burden on a small section of the population: changes in the calculation of social security contributions and the solidarity levy, the new income tax brackets, changes to the way freelance professionals are taxed, the increase of the burden on people who receive both a salary and work freelance, and shifting part of the ENFIA load through the supplementary property tax.

In ENFIA's case in particular, from a total of 6,390,936 individuals who receive a payment notice, some 77 percent, or 4,924,012 property owners, have to pay no more than 500 euros per year. This adds up to 911 million euros, which is only one third of the amount individuals pay for the property tax. Consequently, the remaining 1,466,924 people, or 23 percent, have to cover the rest, which is 1.8 billion euros or two thirds of the ENFIA collections the Finance Ministry expects every year from individuals.

#### **New objective values not before March; FMAP shelved for now**

The government is asking creditors to grant another extension to the deadline for updating objective values – the property rates used for tax purposes – while the replacement of the Single Property Tax (ENFIA) by a Large Property Tax (FMAP) is put off for at least a year.

Sources say that in the last round of talks with creditors' mission chiefs in Athens, the government asked for the adjusted objective values to apply from March 2018 instead of January 1 as foreseen in the bailout agreement.

The Greek side has once more cited its inability to bring objective values down to market prices, forcing the Finance Ministry to resort to the traditional method of changing the official rates through local committees. If the creditors' representatives are convinced upon their return at the end of the month that the necessary actions have been taken they will grant the extension, though that would have significant consequences on the calculation of property taxes.

To begin with, all transactions and property concessions such as inheritances will have to be recorded according to existing objective values. Obviously an extension would increase uncertainty in the market as possible buyers will have to guess whether the property they intend to acquire will sustain an increase or a reduction to its objective value.

Second, next year's ENFIA will probably have to be calculated based on the old objective values, unless the calculation is postponed until March so that the new values are used, generating changes and concerns among property owners.

What is certain is that ENFIA will continue for another year at least, as plans for the FMAP are postponed due to fiscal and technical problems, even though the government was eager to push this measure through and provide some relief to the owners of smaller properties.

Were FMAP to be introduced with the goal of bringing in 3.2 billion euros, the 2.5 million owners of assets valued at up to 50,000 euros and the 1.5 million owning assets of up to 100,000 euros would have to be exempt, passing the burden to the rest of the owners; they would face an average rate of more than 1 percent of their assets' value every year, which would constitute the world's biggest property tax.

#### **International Property Tax Institute**

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.