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Greek Property Federation: Overtaxation Turning Away Investments

Overtaxation is turning away investors, buyers are preferring to spend money on real estate in tourist destinations, while all the more Greeks are unable to pay the property tax (known as ENFIA), according to a nation-wide survey released over the weekend by the Hellenic Property Federation (POMIDA) on the occasion of its 35th jubilee Panhellenic Conference.

Conducted by Kapa Research, the poll found that Greek property owners are unable to pay real estate tax. Indicatively, 38.3 percent of respondents said they found it difficult to pay the ENFIA tax and 25.4 percent said they would be unable to cover the tax.

Meanwhile, of those polled, one in two expect investor interest in the real estate market to grow in the next two years, particularly in coastal areas or on the islands.

The president of the federation, Stratos Paradias, underlined that replacing ENFIA with a new tax dubbed FAP would be a blow to large but mainly medium-size property owners “exposing thousands of taxpayers to risk”, adding that with the current tax regime “no one should expect to see investment activity on the real estate market”.

According to the survey, a high percentage of tenants are paying their rents late while the majority (76 percent) of property owners said they had reduced rents, some by as much as 40 percent, over the past three years in order to get tenants.

At the same time, the report found that 63.3 percent of real estate owners said leasing property was a loss, 30.2 percent said they intend to sell in the next two years, while 20.3 percent said they plan to buy property in the next two years.

Objective values adjustment project turns into a fiasco

The adjustment of the “objective values” (property rates used for tax purposes) is evolving into a fiasco: Not only is the time remaining for the credible completion of the project running out fast, but several areas in Greece won’t get any proposals from the property surveyors who have undertaken to determine the new zone prices around the country.

According to surveyors’ data, up to yesterday afternoon no more than 100 certified surveyors had applied to take part in the project, while the adjustment of the objective values will require at least 400 to 500 such experts, according to Finance Ministry estimates.

It is possible that there will be multiple applications from surveyors in certain areas, such as in the capital. However, Finance Ministry officials say that no applications are anticipated in some prefectures, such as Florina, Serres and Kozani. It remains unknown how the ministry is going to handle this matter.

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The new zone rates are supposed to enable the calculation of new objective values for 2018, retroactively from January 1, on which property taxes including ENFIA will be based, but surveyor representatives describe a procedure that is bordering on parody.

The surveyors argue that a central authority should have already been set up to manage and coordinate the project of determining the objective values, along with safeguarding the quality of assessments.

They say that the entire process is haphazard, adding that the consequences will become obvious once the new objective values come into force at the end of March.

What nobody can deny is that the new taxable rates will further burden working-class neighborhoods in Attica such as Keratsini, Perama, Drapetsona and Ilion, where objective values are seen soaring by up to 50 percent, while in the northern suburbs of Athens the rates are expected to be slashed by 30-40 percent.

Crushed by Taxes, Greeks Moving Away from Home Ownership

With three-quarters of Greeks owning their own homes, ranking 26th in the whole world, that is changing after an avalanche of tax hikes and property tax surcharges and government assessments showing the properties are worth far more than they are during a depressed market and nearly eight-year-old economic crisis.

People who own more than one property are renting them out to meet the costs of owning them and some 30 percent are willing to sell, a nationwide Kapa Research survey has found, some driven to do so by taxes they can't afford to pay and even though there are few buyers despite home prices being low.

The ruling Radical Left SYRIZA, breaking campaign promises, is also allowing banks to foreclose on homes and has continued the hated ENFIA property tax surcharge that Prime Minister Alexis Tsipras swore he would scrap.

Almost half (49.2 percent) of those who feel forced to sell said they would even if they could only get a price equal to or below the the objective value used for tax purposes.

The survey found that the rate of homeownership in Greece, traditionally among the highest in Europe, has dropped to 73.9 percent from 81.6 percent in 2006 and that some 76.8 percent said property tax rates are too high.

And 75 percent consider the abolition of the tax discount for properties that don't provide any income because they're empty isn't right. Of 28.7 percent of owners who have taken out a mortgage loan, one in four (24 percent) said they can't pay it, making them targets of banks who want to take homes under pressure from SYRIZA and international lenders demanding seizures.

No council tax on properties that have been empty

Ombudsman Andreas Pottakis is calling on local authorities to stop charging council tax for properties that are untenanted and no longer have power, regardless of when they were declared as such.

In a letter sent to local authorities, Pottakis calls on them to comply with existing legislation and accept retroactive declarations by owners regarding empty properties, which can be cross-checked with their income tax declarations and power supply termination documents.

The initiative follows numerous complaints by homeowners across the country that have been asked to pay large amounts of council taxes for the years before their empty assets were declared to local authorities.

According to the federation of property owners (POMIDA) the above practice by municipal authorities constitutes a "hidden tax" that was revealed by the federation's branch on Rhodes, where the local authorities charged excessive amounts of council tax for years on the pretext that the date of power cut-off was not declared to the municipality's financial department.

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The ombudsman stressed to all local authorities that the law is clear in that properties are exempt for as long as they remain empty.

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