



# GREECE - July 2018

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## **ENFIA bills to come after the festivities**

Property owners will only find out about their Single Property Tax (ENFIA) dues this year after the celebrations for the end of the bailout program in August – and probably after the Thessaloniki International Fair in September too.

The government’s intention is to avoid issuing the ENFIA pay slips before the feel-good events it plans to stage, but still have the first tranche of the tax due by the end of September.

The calculation of the property tax for each of the 6.4 million property owners in Greece will start as soon as the income tax statements have been processed; the amounts will be confirmed in mid-August, but taxpayers will not be informed before mid-September. The first of the five monthly tranches will be payable by September 28.

This year’s ENFIA load will be heavier for about 1 million owners, who won’t learn that their dues have increased until mid-September, a few days before the first installment will have to be paid, along with the second tranche of income tax, also due by September 28.

The new “objective values” (property prices used for tax purposes) will lead to a considerable ENFIA hike for owners of medium-sized and large properties – typically assets adding up to over 250,000 euros.

Examination of the new objective values shows that in many suburbs of Athens where zone rates ranged between 1,100 and 2,500 euros per square meter the objective values have now soared by 300 to 600 euros/sq.m. Such increases lead to property tax hikes of up to 1,500 euros per year.

While the majority of those owners may see their ENFIA dues stay the same as last year, it is the supplementary property tax that is about to jump, and the government is once again shifting the load to owners of large or expensive properties so as to keep assets in neighborhoods with lower rates at a low tax level.

Real estate experts have spoken of fake objective values created through surgical interventions by the government that are out of touch with the market reality just so it can achieve the collection of 2.65 billion euros from ENFIA and the Supplementary Property Tax.

## **Each residential property has two different objective values**

In what is yet another Greek tax travesty, the state continues to use different “objective values” (property prices used for tax purposes) for the taxation of residential properties, with one used for the calculation of the Single Property Tax (ENFIA) and another when the property is sold.

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This is due to property assets being used by the Greek state as an instrument to plug fiscal holes, and effectively having one value if they are sold and another if they are just owned. The result of this policy is that the construction sector contributes less than 1 percent toward gross domestic product, with investment in housing having dropped to 0.6 percent from 11 percent in 2007.

A revealing example of this travesty is the age coefficient for the objective values, which is the exact opposite of the factors that apply in ENFIA calculation. For ENFIA there is in effect the application of a “freshness” coefficient, as there is a 25 percent tax hike on newly built properties, even though the zone rates have just been determined according to the values of new homes.

For example, a 100 square-meter apartment that is three years old with a zone rate of 2,500 euros/sq.m. will not be taxed for a value of 250,000 euros but as if it had a 312,500-euro value due to the additional application of the 1.25 multiplier imposed on buildings less than four years old. Yet if that same property were to be transferred, the transaction tax would be calculated on a value of just 225,000 euros thanks to the 0.90 age coefficient!

This is a case of over-taxation through a “reversed” age coefficient for ENFIA, which taxes old properties as if they were new and new ones even higher. As Babis Charalampopoulos, former president of the Hellenic Valuation Institute, notes, “while the taxation of properties, whether for transfers or ENFIA, should be based on the same taxable value for tax justice purposes, we see a distortion, with taxes based on fake values.”

Similar problems arise with the coefficients on commerciality and floor level, as there are major differences between the values used for ENFIA calculation and for property transactions.

Therefore property market professionals are calling for a radical overhaul of the property taxation system, with values updated annually to reflect the going rates.

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