



## GREECE – November 2018

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### **Greek Single Property ENFIA tax relief only for those who pay little**

*The middle classes will enjoy practically no tax relief in 2019*

Instead of abolishing the Single Property Tax (ENFIA), or at least revamping it, the Greek government is only reducing it slightly for the majority of owners next year, by an average of 50 euros per annum for those with assets worth up to 150,000 euros, ekathimerini.com reports.

Owners of larger properties, typically the middle classes, will enjoy practically no tax relief in 2019.

In all, the government intends to collect 263 million euros less next year to ease the burden on the 5.12 million owners who pay about half the ENFIA revenues, or 1.4 billion euros, every year.

On the other hand, the owners of medium-sized or large property worth over 150,000 euros – who account for 48% of ENFIA revenues – will have to wait until 2020 to see their dues shrink somewhat.

Figures show that 3.488 million owners with properties worth up to 60,000 euros will see an ENFIA reduction of 45-50 euros, or up to 30 percent from 2018; about a million owners of properties worth 60,00-100,000 euros are set for a 60-70-euro drop in their bills (up to 21 percent); and owners of assets worth 100,000-150,000 euros will pay 45-50 euros less (a discount of up to 9.5 percent).

The ENFIA bills of those with assets worth between 150,000 and 200,000 euros will be reduced by only 6 million euros in total, meaning a negligible difference for them. According to Stratos Paradias, the head of the federation of property owners (POMIDA), “instead of abolishing it or slashing it, or at least a fair, balanced and substantial reduction of ENFIA for all taxpayers – as they all need it – today the road chosen is that of excluding those who continue to suffer the greatest burden, and easing the load by just 48 euros on average for the rest.

The economy cannot be restarted with such tricks – that needs substantial measures to ease the tax load on real estate, to create employment in the construction and innovation sectors and all the relevant professions.”

The government has also told the European Commission that it will adjust the country’s objective values (the property rates used for tax purposes) both in 2019 and 2020, which will also affect each owner’s ENFIA dues gradually starting next year.

### **Lower property tax to boost consumption and real estate in Greece**

Investment spending on construction projects across Greece dropped to 9.0 billion euros in 2017, from 33.6 billion in 2007, the Foundation for Economic and Industrial Research (IOBE) said, according to ANA.

### **International Property Tax Institute**

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In a survey announced on Monday, IOBE noted investments on home building accounted for 0.6 pct of GDP in 2017, from 10.8 pct in 2007, while investments on other construction projects accounted for 2.0 pct of GDP in 2017.

Economic recession negatively affected investments on homes throughout Europe, but the drop in Greece was three times greater. Building activity remains stable at a very low level, with a total of 14,000 building permits issued in 2017, from 79,000 in 2007. The number of transactions involving real estate assets was down 4.5 times compared with 2005 levels, while apartment prices fell 41 pct in the 2007-2017 period (the second largest drop in the EU-28).

IOBE said that property taxes accounted for 8.5 pct of tax revenue (2015 figures), up from an OECD average of 5.8 pct. The survey said that prices were down around 19 pct for the majority of buildings with an official value of up to 200,000 euros due to high property taxes. Property tax revenue totaled 5.7 billion euros in 2016, or 3.2 pct of GDP, from 1.9 pct of GDP in 2004.

### Property taxation damages Greece's economy: study

The existing property tax framework in Greece hampers the expansion of its real estate sector, finds a report published on Monday in Athens.

The study by the Foundation for Economic and Industrial research (IOBE) noted that the introduction of the Single Property Tax (ENFIA), including its supplementary tax concerning ownerships of more than 200,000 euros, at the height of the country's economic crisis has reduced yields in property sector investments, diminished transactions and discouraged investors from acquiring more properties in Greece.

It said that abolishing one of the taxes would boost the country's output and employment.

The economic impact of property taxation is estimated at an annual 6 to 9 percent of the country's GDP, and a total of 70,000 to 100,000 jobs, the report pointed out.

It also entails the loss of tax revenues between 2.3 - 3.3 billion euros (2.6 - 3.7 billion U.S. dollars) per year from economic activity reduction.

If the government abolished the supplementary property tax, the report estimated, it would bolster property prices by 5.1 percent and increase the country's GDP between 1.1 and 1.4 billion euros, or by 0.6 - 0.7 percent, every year till 2022. It would also add some 33,000 jobs over the five years after abolition.

The report highlighted that with ENFIA in place, "investment in real estate becomes less attractive in terms of returns the greater the total value of a taxpayer's assets is. Yields even turn negative when an owner's total property exceeds 870,000 euros."

It worried that this would discourage the acquisition of additional property.

European Commission data showed that in 2016 Greece had the fourth highest ratio of property taxation in the European Union, at 3.2 percent of its gross domestic product. (1 euro = 1.12 U.S. dollars)

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