



## Greece – July 2019

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### ENFIA property tax reductions and upgraded 120-instalments plan in Greece

Businesses will also be eligible to enter a 120-instalments debt settlement scheme with a strong incentive of reducing interest and penalty charges between 75-95 pct if they opt for lower instalment schemes (up to 36 months).

The Greek government's new draft tax bill, tabled in parliament on Friday, envisages more favourable provisions to taxpayers, private and corporate, to settle their debts with tax agencies, according to ANA.

Under the draft legislation, which will be debated and voted in Parliament under fast-track procedures, taxpayers will be offered lower monthly instalments (20 euros), lower interest rates (from 5.0 pct to 3.0 pct) and a bonus for higher advance payments.

The draft legislation also envisages reductions in a special property tax (ENFIA) by an average weighted 22 pct, offering a respite to real estate owners in the middle class and low-value owners. The ministry said that this scheme will be the last chance for taxpayers to settle their debt with favourable conditions and that after completion of the scheme, all debts will be settled through a permanent debt settlement mechanism.

Cuts in ENFIA, according to the total value of real estate assets, will be: 30 pct for property up to 60,000 euros, 27 pct for property up to 70,000 euros, 25 pct for property up to 80,000 euros, 20 pct for property up to 1,000,000 and 10 pct for property more than 1,000,000 euros.

Taxpayers' arrears will be eligible for inclusion in a 120-instalment scheme for debts up to December 31, 2018.

Moreover, both private and corporate tax debtors, the latter owing up to 1 million euros, can save on surplus charges depending on any of the following number of instalments, the percentage corresponds to surcharges and interest saved:

- 100% if the full amount of the debt is paid off in one single transaction
- 95% for 2-4 monthly instalments

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- 85% for 5-12 monthly instalments
- 80% for 13-24 monthly instalments
- 75% for 25-36 monthly instalments
- 45% for 37-48 monthly instalments
- 30% for 49-60 monthly instalments
- 20% for 61-72 monthly instalments
- 10% for 97-120 monthly instalments

Finally, the minimum amount of a monthly instalment is set to 20 euros while the suspension of enforcement of claims on debtors' properties is also included in the new taxation bill.

### **Adjustment in store for rental income rates**

Tax rates for conventional property rental revenues are set for an adjustment, provided the Finance Ministry makes a calculation of the cost of its interventions for the next few years. At the focus of attention is the medium bracket of incomes that incurs a particularly high tax rate of 35 percent.

Incomes from real estate utilization are taxed separately from other incomes today, with takings up to 12,000 euros incurring a tax of 15 percent, those between 12,001 and 35,000 euros a 35 percent rate and any income topping 35,000 being saddled with 45 percent tax bill.

The ministry now intends to bring the second tax rate down from 35 percent to 25 or even 20 percent. If the cost of that interventions appears prohibitive, the change will be postponed until 2021.

In total, the owners of leased properties declared rental incomes of 6.107 billion euros for 2017, after declaring 6.192 billion euros for the year before; this means that their declared rental incomes shrank by 85 million euros within a year.

Tax on property has soared by 600 percent since 2010, while property incomes have shrunk by 32 percent over the same period.

### **Greece approves cut on property tax, eases arrears repayment**

The Greek parliament approved an across-the-board reduction of a deeply unpopular property tax on Tuesday, fulfilling an election pledge of new prime minister Kyriakos Mitsotakis.

The bill, which was submitted to parliament as a priority by the newly-elected conservative government, cuts the property tax by up to 30 percent, depending on the total estimated value of a taxpayer's assets.

"No one will be exempted from this generous relief," Mitsotakis said before the vote, adding that four million Greeks would soon benefit from the new measure.

The annual budget cost of the cut is estimated at 205 million euros. (\$228.55 million)

The draft law also eases the repayment of tax and social security contribution arrears to the state. It stretches out payment plans by up to 120 monthly installments to more debtors, offers discounts and cuts the minimum monthly repayment to 20 euros.

Mitsotakis, who came to power on July 7 unseating leftist leader Alexis Tsipras, called on debtors to "take advantage of a very generous repayment scheme" adding that it was a last chance for such flexibility and that future schemes would have stricter terms.

Greece emerged from its third international bailout in August last year and has been outperforming fiscal targets agreed with its international lenders.

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## **New Greek government bill will cut ENFIA property tax by more than 20%**

The government also plans to cut to 24 percent the corporate rate that was raised by Tsipras to 29 percent as part of an avalanche of tax hikes and new taxes to satisfy the country's creditors

ATHENS – Keeping his vow, new Prime Minister and New Democracy leader Kyriakos Mitsotakis' government is planning to cut the hated ENFIA property tax surcharge by 20 percent, a mostly unfulfilled promise by the previous ruling Radical Left SYRIZA.

The tax was put into effect during Greece's now 9/1-year-long economic crisis and former Premier Alexis Tsipras walked back his pledge to eliminate it and then kept and increased it under orders from the country's European creditors.

He moved to cut it as well during the waning days of his administration just before he was bounced out in July 7 snap elections New Democracy, the party he had unseated in January 2015 when it was led by then-Premier Antonis Samaras.

The total cost of the cut has been estimated by Finance Ministry experts at around 565 million euros (\$634.59 million,) said Kathimerini, with 265 million euro (\$297.69 million) already set aside in this year's budget by the SYRIZA government.

The bill will end the SYRIZA-introduced provision that was designed to cut the ENFIA by 10 percent but only for those who owned properties up to 200,000 euros (\$224,670), leaving The New Democracy plan would cut 20 percent for all property owners in their entirety in 2019. The reduction in 2020 will be 10 percent. It will be part of a mini-tax bill going to Parliament in August.

The government also plans to cut to 24 percent the corporate rate that was raised by Tsipras to 29 percent as part of an avalanche of tax hikes and new taxes to satisfy the country's creditors, the Troika of the European Union-European Central Bank-European Stability Mechanism (EU-ECB-ESM).

That was part of the memorandum Tsiporas signed in the summer of 2015 to get Greece a third bailout, this one for 86 billion euros (\$96.61 billion) that he said he would never seek nor accept but did both.

The high corporate rate, along with elements in SYRIZA trying to keep out foreign businesses, had scared off foreign investors Tsipras said were crucial but as his government simultaneously stymied them.

The proposed cuts in the property and corporate taxes so far have not met objections from the Troika, whose envoys will monitor Greece's economic progress for decades to make sure fiscal targets are hit, otherwise automatic spending cuts would be triggered.

The same bill will include changes to the 120-installment scheme for settling debts in taxes and social security contributions to make it more attractive, the paper said, likely allowing businesses with up to one million euros (\$1.12 million) owed the state to take part.

But Mitsotakis won't be getting a break from fellow center-right leader German Chancellor Angela Merkel who said her government – German banks put up the bulk of the bailouts – won't let Greece get a "discount" on its debt owed the lenders.

She told reporters her government will keep a wary eye on Mitsotakis' plans, said the Greek business newspaper Naftemporiki.

"We'll have to see what developments will arise," she said while calling this past week's successful issuance of a seven-year bond by the Greek state, with a yield of 1.9 percent, as "very positive," as Greek is trying to make a full return to markets.

Both Merkel's ruling CDU party and New Democracy (ND) are members of the center-right European People's Party (EPP) grouping in the European Parliament.

## **Government to submit provision for slashing ENFIA tax by 20 pct in August**

Seeking to lift some of the burden on property owners and to expedite its relief measures, the government is planning a 20 percent reduction of the highly unpopular ENFIA tax as of this year.

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The total cost of the cut has been estimated by Finance Ministry experts at around 565 million euros. Of this amount, 265 million euros have already been earmarked in this year's budget by the previous government – leaving an additional cost of 250-280 million euros, which will be covered by this year's budget.

The measure will abolish a provision introduced by the previous leftist government, which envisaged the reduction of the ENFIA tax by 10 percent on average for 2019 which, however, only applied to owners of properties worth up to 200,000 euros. This meant that 470,000 owners, who pay for almost 50 percent of the total property tax, were left out of the reduction plan.

On the other hand, the new provision of the center-right government envisages a reduction of 20 percent for all property owners in their entirety in 2019. The reduction in 2020 will be 10 percent.

The specific provision for the reduction will be included in the mini-tax bill that will be submitted and voted in Parliament in early August.

Moreover, according to reports, the government also plans to proceed with the slashing of corporate tax rates from 28 to 24 percent for income in 2019.

According to sources, this measure will not burden this year's budget, but that of 2020.

Both these measures – the reductions of property and corporate taxes – reportedly find Greece's creditors in agreement in principle, as they are viewed as growth-friendly.

The same bill will include changes to the 120-installment scheme for settling debts in taxes and social security contributions to make it more attractive.

According to the most probable scenario, the scheme will also allow businesses with debts of up to one million euros to take part.

## **Greece to Cut Controversial Property Tax by 30 Percent Over Two Years**

The new Greek government will introduce new legislation before Parliament by the end of July which would reduce the Single Property Tax (ENFIA) by approximately 30 percent for all property owners within a couple of years, starting in 2020.

According to government sources, quoted by Greek newspaper Kathimerini, the changes which will begin to be applicable as of next year foresee a horizontal 20 percent reduction in 2020 and a further ten percent in 2021.

The changes which will be introduced mean that property owners who currently pay 500 euros in ENFIA each year will see a 100-euro reduction in 2020, paying 400 euros, and a further reduction by 50 euros in 2021, to 350 euros.

Owners of large properties paying 2,500 euros in ENFIA per year will get a 500-euro reduction next year, paying 2,000 euros. Kathimerini reports that a further ten percent decrease will apply beginning in the year 2021.

### **ENFIA to be cut by 30 pct in two years**

The new tax bill that the Finance Ministry plans to submit to Parliament by the end of the month will provide for the reduction of the Single Property Tax (ENFIA) by about 30 percent for all owners within a couple of years, starting from 2020.

According to sources, the changes to property taxation that will start applying as of next year foresee a horizontal 20 percent reduction in 2020 and a further 10 percent in 2021.

This will come to a cost for the budget in 2020 of 565 million euros plus an additional 285 million euros in 2021.

The changes that will be introduced mean that property owners who currently pay 500 euros in ENFIA each year will see a 100-euro reduction in 2020, paying 400 euros, and a further reduction by 50 euros in 2021, to 350 euros. Owners of large properties

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paying 2,500 euros in ENFIA per year will get a 500-euro reduction next year and pay 2,000 euros. A further 10 percent decline will apply from 2021.

This year's ENFIA will be calculated in August, when the pay notices will be forwarded to owners, with the first of the five installments due by end-September and the last one due by the end of January, 2020.

### **Tax bill being prepared will cut rates for individuals and firms**

*The new government will seek to reduce the Single Property Tax (ENFIA) by 30 percent for all property owners within the first couple of years.*

New tax legislation with provisions that will apply as of January 2020 will be among the first few bills Greece's new government is expected to bring to Parliament. Some of the provisions, however, such as changes to the debt repayment plan in up to 120 tranches, will apply immediately and provide for a lower interest rate for debtors, as well as the inclusion of businesses in the settlement plan under more favorable terms.

The bulk of the bill, as Prime Minister-elect Kyriakos Mitsotakis has said, will concern measures to bolster the middle class and reduce tax rates for companies.

Sources say that the new finance minister, who will be announced soon, will have a series of contacts with the country's creditors and the heads of the European institutions so as to present the new government's program on taxation and the way it will be financed.

The new administration's plan for individual taxpayers provides for the lowest rate to drop to 9 percent from 22 percent today and the highest to 40 percent from 45 percent today. The tax-free ceiling will remain at 8,636 euros per year.

In the next couple of years the annual fee to practice a profession will be abolished altogether, and the solidarity levy – which was supposed to be terminated from end-2014 – will also be gradually scrapped.

The plans also provide for the reduction of the Single Property Tax (ENFIA) by 30 percent for all property owners within the first couple of years, a move that will come at a cost of 850 million euros. The corporate earnings tax will drop from 28 percent today to 24 percent next year and to 20 percent in 2021. Taxes on dividends will fall from 10 percent to 5 percent next year.

The capital gains tax on properties will continue to be suspended and the value-added tax on construction activity will be suspended for three years. The general VAT rates will drop from 13 percent and 24 percent today to 11 and 22 percent, with the lowest rate of 6 percent remaining unchanged.

On the question of how the measures will be financed, New Democracy officials say the redistribution of expenditure will lead to savings of some 2 billion euros, while structural reforms lead to the expansion of the gross domestic product.

### **Factbox: Main policies of Greece's July 7 election rivals**

Greece will hold a national election on July 7 with the conservative New Democracy party leading ruling left-wing SYRIZA by 9-11 percentage points in opinion polls after it won European Parliament elections last month by a wide margin.

Main opposition New Democracy conservative party leader Kyriakos Mitsotakis waves to supporters during a pre-election rally in Athens, Greece, July 4, 2019. REUTERS/Alkis Konstantinidis  
The following are the main policies of the two contenders:

#### **NEW DEMOCRACY**

Conservatives are running on promises of lower taxes and strong growth to generate better paid jobs. Greece has committed to primary budget surpluses of 3.5% of GDP up to 2022 and New Democracy officials insist public finances will remain in line with lenders' demands. Further down the line, however, they hope to negotiate a lower surplus target.

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- Leader Kyriakos Mitsotakis plans to cut corporate tax from 28% to 20% in the next two years and slash the tax rate on dividends to 5% from 10%.
- He wants to legislate a growth clause on the minimum wage, meaning increases will be twice the economy's expansion rate. The minimum wage will rise to 730 euros a month in three years from 650 euros currently, New Democracy projects.
- Tax relief will include cuts in VAT taxes to 22% and 11% from 24% and 13% currently and an unspecified reduction in the supplementary solidarity tax on incomes.
- The tax rate on incomes up to 10,000 euros will be lowered to 9% from 22% and the top income tax rate will also be reduced to an unspecified percentage from 45% now.
- Social security withholdings will be reduced gradually to 15% from 20% currently in the next four years.
- It plans incentives for businesses to offer additional benefits to workers, including free transport to work, stock option plans and more insurance coverage.
- Real estate tax (ENFIA) on property owners will be reduced by 30% across the board in two years. Also capital gains tax on real estate sales will be ended for three years.
- There will be a 2,000-euro handout for each newborn child.
- It plans to hire 1,500 more police staff to man the so-called DIAS motorized force and strengthen neighborhood patrols.
- In the public sector there will be one new hire for every five retiring workers.

#### SYRIZA-PROGRESSIVE ALLIANCE

Greek Prime Minister Alexis Tsipras says his plan for the economy will include tax relief for those who suffered more during the crisis years. A lighter tax burden for corporates will also help boost growth with Greece now out of the bailout straitjacket. SYRIZA has not called for a lowering of the budget savings targets agreed with lenders.

- SYRIZA promises 500,000 new jobs in the next four years and 25,000 hirings in the public sector, helping to reduce unemployment to EU averages from 18.5% currently.
- The monthly minimum wage will be raised by 7.5% in 2020 and by another 7.5% in 2021.
- Real estate tax (ENFIA) on property owners will be cut by 30% on average in 2020. The planned reduction for small to medium-size property holdings will reach 50%.
- The lower income tax rate will be cut to 20% from 22% while the solidarity tax for incomes up to 20,000 euros annually will be ended. Tax rates for higher incomes will also go down by an unspecified percentage.
- Tsipras promises further cuts on income tax in small islands with populations of up to 3,100 people as well as lower property tax in islands with no more than 1,000 inhabitants.
- Corporate tax will be gradually lowered to 25% from 28% and the VAT tax rate on foods will be cut to 11% from 13%.
- In the public sector, the current policy of one new hire for every one retiring civil servant will be maintained.

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