



Greece – October 2019

PROPERTY-RELATED TAXES TO DROP NEXT YEAR.....	1
BIG FINES FOR UNDECLARED PROPERTY ASSETS.....	1
CORRECTING INEQUALITIES IN PROPERTY TAX.....	2
WHY ARE PROPERTY TAXES IN GREECE HIGHER THAN OTHER PARTS OF EUROPE?	3

Property-related taxes to drop next year

Property taxation will ease further next year, according to Finance Ministry plans, as the inclusion of new areas in the system of zone rates used for tax purposes (the “objective values” system) is creating some fiscal leeway for interventions as of 2020.

A ministry official has told Kathimerini that the dry run of the new objective values will be completed in May and the result will reveal whether there is any scope for a further reduction in property tax rates. “I have the feeling there will be some fiscal leeway” from this exercise, the ministry official said, assuring that there will be no regressing on the cuts already implemented this year.

The inclusion of 7,000 new areas in the objective values system is expected to fetch revenues of 400-500 million euros, an amount that is absolutely realistic according to ministry sources. The additional revenues to stem from the inclusion of new areas and the increase in the Single Property Tax (ENFIA) due for them will be used to ease taxation on the following:

- * Inheritances and parental concessions, with the government examining either the increase of the tax-free threshold from the current level of 150,000 euros, or the reduction of levy rates;
- * The rates of the supplementary property tax, with plans including both an increase in the tax-free level and a reduction of rates;
- * The ENFIA rates, as the adjustment of objective values will in certain cases lead to an increase in ENFIA dues. In order to avoid any regression on this year’s ENFIA reduction (by 22 percent on average), the necessary adjustments will be implemented to ensure the 2020 tax remains at at least the same level as in 2019, if not lower.

The adjustment of objective values aims to close the gap with market rates. As things stand at the moment, areas likely to see objective value hikes include more than half of central Athens, i.e. neighborhoods such as Exarchia, Kypseli, Ambelokipi, Ilissia and Pangrati, and suburbs such as Maroussi, Halandri, Glyfada and Elliniko.

Big fines for undeclared property assets

Huge fines are on the way for property owners who have not declared the actual size of their assets in a bid to dodge taxes, as the Independent Authority for Public Revenue will proceed with the online connection of the tax authorities’ databases with the national cadaster upon the latter’s completion.

The interconnection will allow IAPR inspectors to gain full access to the property register, allowing them to identify all the properties and rights therein, both within and outside town planning. They will then crosscheck the cadaster data with what taxpayers have declared on the E9 forms of their income tax declarations, which concern their properties.

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.

The Finance Ministry has indications that a number of owners have not declared the entire set of their real estate assets on the E9 forms, either by hiding some of their properties or by deliberately declaring false data, such as stating that a property is smaller than it actually is. Lying about the size of one's property assets reduces not only the Single Property Tax (ENFIA), but also transfer taxes.

Once the IAPR has its systems interconnected with the cadaster's database, it will be able to identify owners who have not declared the true value of their real estate and to seek out taxpayers with overdue arrears to the tax authorities that have gone unpaid without any settlement arrangements despite the ownership of large property assets.

Today the tax administration does not have the full picture regarding real estate ownership in the country. Therefore, in cases of taxpayers with expired dues, it is unable to secure the state's requirements (such as mortgage underwriting, property confiscations, auctions etc).

The taxpayers found after the cross-checking to have concealed property assets or made false declarations will not only face a higher ENFIA and supplementary property tax, but also an additional tax calculated as interest for belated submission and a fine for the submission of incorrect property tax declarations.

Correcting inequalities in property tax

The Finance Ministry is seeking to remedy some serious inequalities in property taxation over the coming months in cooperation with real estate associations, part of another effort to adjust the property rates used for tax purposes and known as "objective values."

This concerns various asymmetric methods in the calculation of values as well as the Single Property Tax (ENFIA), placing an excessive tax burden on properties (especially older ones) in major cities, while luxurious mansions or plots of land by the sea have very low taxation, benefiting from the fact they have been left out of the objective value calculation system.

A typical example of uneven property taxation is seaside plots in areas of high tourism interest. These properties – despite their increased commercial significance – are treated by the tax authorities as farmland. For instance, at the moment there is an 8,000-square meter plot near Santa Maria beach on the island of Paros, in the Cyclades, for sale for 460,000 euros with a building permit for the construction of houses totaling 400 square meters. The objective value of the plot comes to 134,000 euros, and the annual property tax is just 21 euros.

Likewise, a super-luxurious 550 sq.m. villa at Kalo Livadi on Mykonos, which is about 20 years old, with six bedrooms and five full bathrooms, and unhindered views of the sea comes with annual ENFIA dues of 1,010 euros, which amounts to just 1.8 euros per square meter, while the asking price for the property is 3.5 million euros. The objective value of the plot comes to just 150,500 euros because it is not within town planning.

According to property market professionals, the reason the property taxes of countryside homes are so low is that 90 percent of the properties for sale on the islands are outside town planning, therefore the zone rates (through which ENFIA is calculated) are particularly low. On the other hand, countryside homes in Greece are also the most attractive to foreign buyers, not only thanks to their exceptional quality-price ratio, compared to other regions in the Mediterranean, but also due to the very low tax they incur.

At the same time, 40- or 50-year-old flats in neighborhoods of central Athens such as Patissia, Kallithea, Kypseli, Pangrati, Ambelokipi and Vyronas bear double the ENFIA of the Mykonos villa: In Kypseli and Patissia the ENFIA rate ranges around 3.6 to 3.8 euros/sq.m., while in Pangrati and Ambelokipi it stands at 4.5-4.7 euros/sq.m.

The injustice is even greater if one considers the fact that these Athens properties have a commercial value that is at least eight times less than those of luxurious holiday homes. Therefore, not only do they incur a proportionately higher ENFIA, but they sell for a fraction of the price that country villas can fetch. True, they are within town planning, with the advantages this has in terms of utilities and infrastructure, but a rational adjustment is necessary.

It is this adjustment that is the objective of the Finance Ministry in the coming months. As the 2020 draft budget notes, "the adjustment of objective values based on actual values will contribute toward increasing the tax collection rate for properties in areas of the country where the objective value level is currently lower than the commercial value, as well as in regions with very

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 anyh opinions expressed in the articles.

high property values (luxury tourism areas) that were not taken into account until today. This intervention will allow for the further reduction of the burden on citizens who have paid disproportionately high property taxes.”

Early last week the committee set up by the Finance Ministry to reform the system of objective values held another meeting. Sources say that the immediate priority of the government for the time being is to avoid the errors made in the most recent adjustment procedure, when surveyors were granted just two months to recommend new zone rates, without allowing those with a personal understanding of their local areas to propose rates for them.

The long-term target is to create a system that will merge all existing databases from which information could be drawn about the actual market prices of properties, such as the register set up at the ministry in early 2018 to record all transactions through the contracts submitted online by notaries. There are also the databases of the Public Properties Company (ETAD) and the National Defense Ministry. The aim is to allow those that make estimates on the zone rates to have access to real market transactions.

Babis Haralambopoulos, former president of the Hellenic Valuation Institute (ELIE), says, “A full review of the commercially coefficients is required, as in some areas stores have shut down, while in others commercial activity has developed.” He adds that “the age coefficients should expand to properties that are more than 26 years old (i.e. built before 1993), with them being lower in areas where plots are more expensive (such as in Kolonaki, central Athens) and higher where the plots are cheaper.”

Haralambopoulos further notes that it is important for every property to have a single objective value, whether it concerns the transaction tax or ENFIA, “because today we have one value for transactions and another for ENFIA,” he points out.

Why Are Property Taxes in Greece Higher Than Other Parts of Europe?

Taxes rose during the last financial crisis, but they're still much lower than the U.S.

The annual real estate holding tax, or ENFIA, in Greece is in the upper 25% of European countries, according to George S. Kounoupis, a lawyer at Hahalis & Kounoupis, which has offices in New Jersey, Pennsylvania and Greece.

Indeed, the Washington, D.C.-based Tax Foundation found that property taxation in Europe averages at 4.6% of the tax revenue the country makes, but in Greece, it's 8.1%.

Currently, homeowners in Greece pay a “basic tax,” which varies depending on where the property is located, as well as other factors like its age and condition, according to the Greek Law Digest. An annual supplementary tax is also charged, which is a progressive tax that ranges from 0.15% to 1.15% of the value of the property exceeding €200,000 (US\$220,484).

Mr. Kounoupis noted that a typical home that's valued at around €400,000 might have annual taxes of about €600.

“Compared to the U.S., they are ridiculously low,” he added. In addition, the government is currently rolling out changes to the tax law that will reduce the tax for many homeowners by 2020.

However, Prime Minister Kyriakos Mitsotakis, who took office in July, and his administration are working to lessen the burden for home owners in the country, Mr. Kounoupis said.

His administration has cut the tax for 2019, according to the National Herald, the U.S.-based newspaper that is published in both Greek and English. Rates have dropped between 10% and 30%, depending on property values.

Those with total real estate assets valued up to €60,000 will see a 30% decrease, while those with property valued at more than €1 million will see a 10% drop. Additional reductions are expected for next year, Mr. Kounoupis said.

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 anyh opinions expressed in the articles.