



## Greece – December 2019

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### LUXURY HOMES TO GET ENFIA HIKES ..... 1

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#### Objective rates to determine ENFIA breaks

The new property rates used for tax purposes, known as objective values, that will apply from June 2020, will be used to determine the level of the reduction of the Single Property Tax (ENFIA) for each property separately.

According to Prime Minister Kyriakos Mitsotakis’ announcement in Parliament last week, the average level of the ENFIA reduction next year will come to 8 percent. However, some owners will see their property tax drop less than 5 percent from 2019, while others will enjoy a reduction of as much as 12 percent.

The government is seeking to ensure that the increase in objective values will not result in excessive hikes for property owners in areas where the distance between objective values and market rates remains large, so that the ENFIA reduction by 22 percent this year is not rendered invalid.

Objective values are likely to grow in areas such as the Athens city center, where prices have soared in the last few years, as well as in cheaper areas where objective values remain low. In those areas ENFIA will only have a minimal reduction. Property taxes will actually rise for owners of properties in popular tourism destinations that will enter the objective value calculation system next year.

#### New property tax cut on the way

Implementing its pre-election pledges earlier than originally announced, the government will proceed with a new reduction in the ENFIA property tax in 2020.

Speaking in Parliament on Wednesday, the third and final day of debate to approve next year’s budget, Prime Minister Kyriakos Mitsotakis said that when next year’s budget is voted on, the reduction will be by an average rate of 8 percent, while overall cuts in the two-year period 2019-20 will reach 30 percent.

For example, someone who paid 500 euros for ENFIA in 2018 will pay 350 euros in September 2020 – a 150-euro cut. However, the 8 percent reduction in ENFIA will be targeted rather than horizontal.

The greatest reductions will be in areas where so-called objective values (property rates used for taxation purposes) are set to increase, as the government’s goal is to keep taxpayers from having to pay higher rates because of adjustments in objective values.

According to a Finance Ministry official, objective values will be harmonized with market values in the first six months of 2020 and this will not lead to horizontal reductions in the property tax, but to other solutions that will measure how much the value of real estate will increase in some areas and how much it will decrease in others.

A case in point is properties in downtown Athens where prices have already risen significantly, leading in turn to a significant rise in objective values.

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With this in mind, additional changes must be made to the property tax scales for properties in such areas in order to ensure that the reductions for property owners made in 2019 (an average of 22 percent) are not offset, and so that they can reap benefits, albeit smaller ones, from the second round of property tax cuts.

The government's fundamental aim is for objective values not to become a tool in the drafting of policy, but to create values that will help the property market, which in turn will bring revenue into the state coffers through real estate transactions.

### **Luxury homes to get ENFIA hikes**

Owners of luxury properties will see their Single Property Tax (ENFIA) bill grow, as the government will introduce criteria related to the quality of construction and this will be one of the parameters that determine the taxable rate of each property, known as the "objective value."

Therefore, luxury properties will have a higher objective value than simpler constructions of the same age on the same street.

At the same time, one of the parameters for the objective value of an office will be the existence of a bathroom: This is because most old offices in the center of Athens share one or two toilets on the same floor. Sources say that offices without a toilet will obviously have a significantly lower objective value.

The property market regards this development as very positive, arguing that there ought to be a distinction between luxury and simpler properties, similar to the rules that apply in France.

However, the problem in the adjustment of property rates in the first half of 2020 will be their harmonization with market prices. It is almost impossible for the Finance Ministry to achieve that as hardly any transactions have been recorded in most areas.

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