



GREECE – February 2020

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Greeks Lining Up to Pay State Debts in 10-Year Installments

Those Greeks who pay taxes – many do all they can to avoid it or lessen what they owe – are taking advantage of a scheme giving them up to 10 years to make a settlement after being hammered by austerity measures during an economic crisis.

That has seen them lining up in state tax offices to try to get rid of what they owe over installments after many couldn't pay after being hit with big pay cuts, tax hikes, slashed pensioners and worker firings over the previous decade.

According to data by the Parliamentary Budget Office, the numbers of payments made by the end of 2019 amounted to 6.1 percent of those due, or 6.5 billion euros (\$6.92 billion) compared 3.5 percent owing 3.6 million euros (\$3.89 billion) a year earlier.

Before the term was extended to 120 months, it was only 12 months, or one year, which meant most debtors couldn't meet the requirements that would have taken most or all of their monthly salaries over that period.

In October, 2019 – three months after New Democracy ousted the former ruling Radical Left SYRIZA – the Conservatives said their bid to lessen the tax burden after cutting the corporate rate from 29 to 24 percent was being thwarted by high rates set by their rivals.

The International Tax Competitiveness Index by the US-based Tax Foundation placed Greece 30th among the 36 member-states of the Organization for Economic Cooperation and Development, a Paris-based group, said Kathimerini.

Since 2014 – when a previous New Democracy government was ruling – and through the 4 ½ years of SYRIZA's reign, Greece has been stuck between 27th and 32d place in the index which was first published that year.

Greece ranks 29th in corporate taxation and 28th in property taxes, with New Democracy also planning to cut the hated ENFIA property tax surcharge that SYRIZA kept after then-Premier Alexis Tsipras said he would eliminate it.

The Tax Foundation's analysts note that many property taxes tend to be highly distorting and complicate taxpayers' lives and doing business, another obstacle, as excepting land taxation, most asset taxes increase economic distortions and bring about long-term negative effects on the economy and its productivity.

In August, Finance Minister Christos Staikouras told The Financial Times that tax reforms are his "key priority," to accelerate a slow recovery from a 9½-year-long economic crisis a year after the end of 326 billion euros (\$362.03 billion) in three bailouts.

He said the government is planning "a comprehensive tax reform that will have a four-year horizon and will accelerate growth," that will focus also on cutting income taxes and the Value Added Tax (VAT) providing tax incentives for investors and ending the hated ENFIA property tax surcharge demanded by the country's lenders.

International Property Tax Institute

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“The fundamental objective is to achieve sustainable high growth rates so as to gradually restore the country’s lost wealth,” Staikouras told the site.

Objective values are likely to grow by 20 percent on average

Property surveyors commissioned by the Finance Ministry to recommend new zone rates aimed at matching market prices are expected to submit proposals for a rise in taxable rates – known as objective values – that would be higher by 30-35 percent in Attica and the country's most popular tourism destinations.

Their recommendations will not be binding for the ministry, which will likely contain the hikes in zone rates, particularly in more densely populated areas. In any case, however, it appears that the new rates which will be used for this year’s Single Property Tax (ENFIA), and probably from January 2021 for property transactions as well, will be 20 percent higher on average. Just a few areas are set to see reductions, especially in the northern suburbs of Athens, while major hikes are anticipated in the areas currently outside the system of objective value assessment.

The average growth of objective values by 20 percent – a forecast that also converges with estimates by the country’s creditors who expect the taxable value of Greeks’ property to rise by about 100 billion euros – will split owners into two categories.

The first category will comprise those who will pay less ENFIA: They will be property owners in areas where zone rates will either go down, stay unchanged or rise at such a rate that it will not affect the ENFIA calculation rate. This category will see an average 10 percent reduction in their ENFIA tax from 2019 that the government is planning.

The second category concerns owners who will pay more ENFIA in 2020 than last year: The general reduction of ENFIA will be offset for them by the increase to their zone rates by over 30 percent.

The argument of surveyors in favor of considerable hikes to zone rates is based on the following factors: In 2018, when the last adjustment of objective values took place, they were not brought on a par with the going rates, as only part of the market price increase was incorporated. Furthermore, property rates have increased further since 2018, as Bank of Greece data also confirm. Finally, zone rates are supposed to reflect the cost of construction for the first floor of a block of flats, including the value of the plot. Therefore, in theory, there should be no rates below 700-800 euros per square meter, surveyors argue, which is set to lead to major hikes as in some areas zone rates currently start at 200 euros/sq.m.

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