



## GREECE – June 2021

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### CYPRUS

#### ***Overview Of Cypriot Real Estate***

Rental income and capital gains of Cypriot real estate

Taxpayer	Basis of tax	Tax levied	Tax rates (2021)
Resident individual	Rental income	Individual income tax	20%-35%*
		Special Defence Contribution	3% on the 75% of rental income
		GHS contributions	2.65%
	Capital gains	Capital gain tax	20%
Non-resident individual	Rental income	Individual income tax	20%-35%
		Special Defence Contribution	Not applicable
		GHS contributions	2.65%
	Capital gains	Capital gain tax	20%

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Resident company	Rental income	Corporation tax	12.5%
		Special Defence Contribution	3% on the 75% of rental income
	Capital gains	Capital gain tax	20%
Non-Resident company	Rental income	Corporation tax	Not applicable
	Special Defence Contribution	Special Defence Contribution	Not applicable
	Capital gain	Capital gain tax	20%

**\* The first €19,500 of the gross income are tax free for income tax calculation purposes.**

## RENTAL INCOME

### Individuals

#### *Introduction*

Rental Income is taxed as part of individual's ordinary private or business income.

#### *Liability to tax*

Rental income received by individuals is subject to individual income tax and Special Defence Contribution.

Special Defence Contribution (SDC) is a local tax of Cyprus, applicable to Cyprus tax resident individuals and companies only and applies only on dividend income, passive interest income and rental income.

Cyprus tax resident individuals should also be domiciled in Cyprus in order to be subject to SDC.

The rental income earners are also subject to GHS contributions at 2.65% irrespective if they are Cyprus tax residents or not. In case of non-resident individuals, they are taxed at Cyprus sourced incomes.

#### *Basis to tax*

When the rental income is received either from another individual or a company, for habitation or business purposes, it is subject to individual income tax rates. The Cypriot tax system furnishes the taxpayer with some deductions i.e. 20% of the gross rental income and the whole amount of interest related to the acquisition of the rented property.

Referring to Special Defence Contribution, for rental income generated where the tenant is a Cyprus Company, SDC is withheld at source and it is payable at the end of the month following the month in which the rental income is earned. In all other cases the SDC on rental income is payable by the lessor in 6 monthly intervals on 30 June and 31 December each year. The same conditions apply for GHS contributions.

### Companies

#### *Introduction*

Rental income is taxed as business or as passive income. Rental income can be considered as business income in cases where the taxpayer operates in the industry of immovable properties i.e. developing real estate and rental income is received through subsequent letting of the real estate. Rental income can be considered as passive income in cases where the taxpayer does not receive rental income as part of its main corporate activities.

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*Liability to tax*

Rental income earned by companies is subject to both corporation tax and Special Defence Contribution.

*Basis to tax*

Business income is taxed at 12.5%.

Passive income is taxed with SDC at the rate of 3% after the deduction of 25% of the gross rental income.

**CAPITAL GAINS***Individuals**Introduction*

Capital Gains can be generally subject to both personal income tax and Capital Gains Tax, subject to conditions below.

*Liability to tax*

Capital Gains are subject to personal income tax if the individual is a tax resident in Cyprus and if it is proved that the sale was executed as part of the individual's regular trading activities.

However, capital gains are subject to Capital Gains Tax if the sale is not part of trading activities. Capital Gains Tax applies irrespective if the individual is resident or not.

*Basis of tax*

Capital gains are subject to personal income tax if it can be proved that the transaction is one or a series of trading transactions. In such case, the applicable rates will be from 20%-35%. Incomes up to €19,500 are tax free.

In all other cases, capital gains are subject to Capital Gains Tax of 20% on the gains arising from the disposal of a chargeable property. Chargeable property is a property situated in the Republic of Cyprus or shares in a company owning an immovable property situated in Cyprus.

*Companies**Introduction*

Capital gains can be taxed under corporation tax or under Capital Gains Tax subject to conditions.

*Liability to tax*

Capital Gains are subject to Corporate tax if the Company is a tax resident in Cyprus and if it is proved that the sale was executed as part of the Company's regular trading activities.

*Basis of tax*

Capital gains are subject to Corporate tax if it can be proved that the transaction is one or a series of trading transactions. In such case, the applicable rate is 12.5%.

In all other cases, capital gains are subject to Capital Gains Tax of 20% on the gains arising from the disposal of a chargeable property. Chargeable property is a property situated in the Republic of Cyprus or shares in a company owning an immovable property situated in Cyprus.

**CYPRUS VAT & TRANSFER TAXES**

<b>Taxpayer</b>	<b>Basis of tax</b>	<b>Tax levied</b>	<b>Tax rates (2021)</b>
Resident individual	Rental income	Value Added Tax	19%

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	Transfer of real estate*	Value Added Tax	19%
	Transfer of real estate	Transfer fees	3%/5%/8%
Non-resident individual	Rental income	Value Added Tax	19%
	Transfer of real estate*	Value Added Tax	19%
	Transfer of real estate	Transfer fees	3%/5%/8%
Resident company	Rental income	Value Added Tax	19%
	Transfer of real estate*	Value Added Tax	19%
	Transfer of real estate	Transfer fees	3%/5%/8%
Non-Resident company	Rental income	Value Added Tax	19%
	Transfer of real estate*	Value Added Tax	19%
	Transfer of real estate	Transfer fees	3%/5%/8%

***\*Normally a sale of real estate which does not qualify for as a new immovable property, is not subject to VAT. VAT is charged when the real estate qualifies as new immovable property or the risks and rewards of ownership are transferred (see below).***

#### VALUE ADDED TAX

##### Individuals

##### *Introduction*

Value-added tax is a tax based on the supply of goods and on the provision of services within Cyprus, as well as on the acquisition of goods from Member States of the EU and importation of goods from third countries.

Through the relevant legislation, taxable persons charge VAT on their taxable supplies (output tax) and are charged by other taxable persons with VAT on goods and services they receive (input tax). Where output tax is in excess of the input tax, a VAT tax liability is created, and a payment is due to the VAT authorities. If the opposite stands then a credit is created and either it is set off against future VAT tax liabilities or an immediate refund to the taxpayer takes place.

##### *Liability to tax*

Rental income and the supply of real estate and non-developed buildable land are subject to Cyprus VAT, subject to conditions.

##### *Basis of tax*

##### *Rental income*

Generally, the lease of immovable property for residential purposes is exempt from VAT. However, VAT at the standard rate of 19% must be charged on lease of immovable property when the lessee is a taxable person and is engaged in taxable activities by at least 90%.

##### *Sale of real estate*

Normally a sale of real estate which does not qualify as a new immovable property, is not subject to VAT. However, VAT is charged when the real estate qualifies as new immovable property, or the risks

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and rewards of ownership are transferred. "New" immovable properties are those which are supplied for first use. A new immovable property is not:

1. A property that was leased or rented out.
2. Self-occupied.
3. A transformed, converted, renovated building.

Provided that an immovable property is supplied as a "new" immovable property, a reduced VAT rate of 5% is eligible to any citizen (Cypriot or not), who acquires such property with the intention to use this as their primary permanent place of residence in Cyprus. However, this is subject to the following conditions.

1. The reduced rate is imposed only after obtaining a certified confirmation.
2. The eligible person must submit an application which will state that the house will be used as the primary and permanent place of residence.
3. The applicant must attach several documents supporting the ownership rights on the property and evidencing the fact that the property will be used as the primary and permanent place of residence.
4. The application must be filed prior to the actual delivery of the residence to the eligible person.

As from 8 June 2012 eligible persons include residents of non-EU Member States, provided that the residence will be used as their primary and permanent place of residence in the Republic.

The documents supporting the ownership of the property must be submitted together with the application. The documents supporting the fact that the residence will be used as the primary and permanent place of residence (copy of telephone, water supply or electricity bill or of municipal taxes) must be submitted within six months from the date on which the eligible person acquires possession of the residence.

In cases where persons who cease using the residence as their primary residence before the lapse of the 10 years, must notify the Tax Commissioner within a period of 30 days. In such cases, the person must pay the difference between the reduced rate and the standard rate of VAT attributable to the remaining period of 10 years of which the property will not be used as primary residence.

The lessor has the right to opt not to impose VAT on the specific property. The option is irrevocable.  
*Sale of non-developed building land*

As from 2 January 2018, the sale of a non-developed building land attracts VAT at the standard rate of 19%. The definition of non-developed land includes land intended for being used in carrying out business activity. VAT does not apply on the purchase or sale of land which is located in livestock zones or areas which are not intended for development.

*Leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property*

As from 1 January 2019 leases of immovable property which effectively transfer the risks and rewards of ownership of immovable property are considered to be supplies of goods. They also become subject to

VAT at the standard rate.

*Interaction with transfer tax*

On transactions of immovable property on which VAT has been imposed, no transfer fees apply.

On acquisitions of properties that are not subject to VAT, a 50% discount on transfer fees is allowed.

**Companies**

**International Property Tax Institute**

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The same rules as for individuals apply.

## TRANSFER TAXES

### Individuals

#### *Introduction*

The department of land and surveys charges the acquirer of the immovable property transfer fees on the transfer of the ownership of immovable property.

#### *Liability to tax*

The transfer fees are due when the transfer of the Title Deed in the name of the Purchaser takes place. The Purchaser is solely responsible for the payment of the Transfer Fees. The rates are on a graduated scale.

#### *Basis of tax*

The value of the immovable property is taxed at 3%/5%/8%, based on the value of the property on a scale. 'Value' in these cases refers to market values as at 1 January 2013 as these were estimated by the Department of Land and Surveys.

#### *Exemptions*

In the case of companies' reorganisations, transfers of immovable property are not subject to transfer fees.

#### *Interaction with VAT*

On transactions of immovable property on which VAT has been imposed, no transfer fees apply. On acquisitions of properties that are not subject to VAT, a 50% discount on transfer fees is allowed.

### Companies

The same rules as individuals apply.

## CYPRUS LOCAL TAXES

Taxpayer	Basis of tax	Tax levied	Tax rates (2020)
Resident individual	Market value	Local authority fees	Depends on the municipality
	Market value	Municipality tax	Depends on the municipality
	Market value	Sewage Tax	Depends on the municipality
Non-resident individual	Market value	Local authority fees	Depends on the municipality
	Market value	Municipality tax	Depends on the municipality
	Market value	Sewage Tax	Depends on the municipality
Resident company	Market value	Local authority fees	Depends on the municipality
	Market value	Municipality tax	Depends on the municipality
	Market value	Sewage Tax	Depends on the municipality

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Non-Resident company	Market value	Local authority fees	Depends on the municipality
	Market value	Municipality tax	Depends on the municipality
	Market value	Sewage Tax	Depends on the municipality

#### *Introduction*

Every municipality levies annual local authority fees, municipality taxes and sewage taxes. Every municipality determines the value of such taxes.

#### *Liability to tax*

All registered owners of immovable properties in Cyprus are required to pay on an annual basis the local authority fees, municipality taxes and sewage taxes.

#### *Basis of tax*

#### *Local authority fees*

Depending on the size of your property, local authorities charge between €85 – €500 per annum for regular refuse collection, street lighting, sewerage and similar community services. Communal Services fees are payable to your local municipal authority.

#### *Municipality tax*

As the registered owner of the property, you are required to pay an annual Municipality Tax, calculated on the market value of the property as at 1st of January 2013. Rates vary from 1% – 2%. Municipality tax is payable to your local municipal authority.

#### *Sewerage tax*

As the registered owner of the property, you are required to pay an annual Sewerage Tax, calculated on the market value of the property as at 1st of January 2013. Rates vary from 0.5% – 3%. Sewerage taxes are payable annually to your local sewerage board.

#### *Cypriot Net Wealth/worth taxes*

There is no net wealth/worth tax for individuals or companies owning real estate in Cyprus.

#### **VEHICLES FOR CYPRUS REAL ESTATE**

Commonly used vehicles for Cyprus real estate

#### *Corporate entity*

Limited liability companies are the most frequently used vehicle for the ownership of Cyprus real estate. The equity is divided into shares and the shareholders are not personally liable for business debts. Companies that are considered Cyprus tax residents are taxed on their annual income accrued and derived from all taxable sources in Cyprus and abroad. A company is considered Cyprus tax resident if its management and control are exercised in Cyprus. Corporation tax rate for all companies is 12.5%. In cases where foreign taxes are paid, these can be credited against the ultimate tax liability in Cyprus. Shareholders are taxed based on their individual tax residency status. In case where the shareholders are Cyprus tax residents, i.e. if they spend more than 183 days in a calendar year, they are subject to personal income tax rates in Cyprus of 20%-35%.

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Dividend income is exempted from Cyprus personal income tax. However, such income is taxed under Special Defence Contribution if and only if the shareholder is considered both Cyprus tax resident and domiciled in Cyprus. For Special Defence Contribution purposes, a person is considered domiciled in Cyprus via domicile of origin (acquired at birth) or domicile of choice (indication of an intention of permanent residence). In cases where the taxpayer resides in Cyprus at least 17 out of the 20 years immediately prior to the tax year of assessment, this person is considered domiciled in Cyprus.

### *Partnerships*

Partnerships is not a frequently used vehicle for holding real estate in Cyprus.

The final taxable income which is calculated for such type of business form is attributed to each individual partner in accordance with the partnership agreement regarding distribution of profits. Therefore, each partner is taxed based on the personal taxation rates as mentioned above.

### *Joint Ventures*

A Joint Venture can be in the form of company or partnership and the tax treatment will follow the same principles as its underlying structure. It is normally a cooperative enterprise entered by two or more business entities for the purpose of a specific project or another business activity. The reason for a joint venture is usually some specific construction project. It is not usual in Cyprus to use a Joint Venture to generate rental income.

### *Trusts*

A legal arrangement whereby the owner (settlor) of an immovable property situated anywhere, place such property under the management and control of a trustee. The trustee administers the said property for the benefit of the beneficiaries in such a way that benefits from the trust belong to the beneficiaries and not the trustee. The income of a Trust is assessed in the name of the Trustee who acts as a representative of the beneficiaries. Since the beneficiaries are the persons entitled to the income of a Trust, they are also entitled to the tax on that income. Therefore, the trustee is responsible to distribute the incomes to the beneficiaries net of any Cypriot tax.

The taxation of the income of a Trust depends on the tax residency of the beneficiaries and where the income comes from. The beneficiaries are entitled to all the tax exemptions and deductions relating to their income, as if they were receiving the income directly. The normal rules of Cyprus taxation apply for all residency status e.g. Cyprus tax resident and domiciled individual, Cyprus tax resident and not domiciled individual, Non-Cyprus tax resident individual, Cyprus tax resident company, Non-Cyprus tax resident company.

The tax residence of the trustee is irrelevant to the determination of the taxability of the Cyprus Trust Income.

## **SPECIFIC REAL ESTATE VEHICLES FOR CYPRUS REAL ESTATE**

### *Real Estate Alternative Investment Funds*

There are Cyprus real estate funds whose investment portfolio will be comprised by rental properties and whose units will be offered predominantly to foreign real estate investors.

Funds whose management and control is exercised in Cyprus are considered tax residents in Cyprus and are subject to taxation in Cyprus. In cases where the funds have compartments, each compartment is taxed separately.

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No Capital Gains Tax applies on the sale or redemption of units in funds, unless the funds own immovable property in Cyprus. However, if a fund owns immovable property, no Capital Gains Tax applies, if this fund is listed in a recognised stock exchange.

### ***Greek real estate property tax values increase***

How are the various taxes affected?

The Greek Ministry of Economics recently announced the increase of real estate property tax values as of 1 January 2022.

Such values are the basis upon which taxes are calculated and assessed. Hence, an increase on tax values, automatically leads to an analogous impact on property taxation.

Further on, we will review some, amongst others, taxes that are increased:

#### *Annual taxes on property ownership:*

- ENFIA (Land Tax) payable annually, irrespective if the property is rented out or not
- Additional ENFIA on individuals owing property worth more than 250.000 euros
- Council Rates (TAP) on buildings and lots (0,025-0,035 per cent)
- Taxation of property owned by offshore companies (15 per cent)

#### *Conveyancing taxes:*

- Stamp duty (property sale tax), that is a percentage of 3 per cent on the tax value of property to be conveyed, plus Municipal Tax (3 per cent), plus Public Roads Maintenance tax (7 per cent) on such stamp duty (paid by the buyer)
- Adverse possession tax (3 per cent)
- Capital Gains Tax (15 per cent – currently suspended)
- Value Added Tax (ΦΠΑ) 24 per cent placed on new developments – of non-first-home buyers (currently suspended)
- Tax on Exchange of properties (1,5 per cent)
- Tax on Distribution of properties. (0,75 per cent)
- Analogous fee payable to the Land Registry (Ypothikofylakeion) for the registration of Conveyance Deeds to a percentage of 0,475 per cent. A percentage of 0,5 per cent – 0,1 per cent for the registration of such Deeds to the newly established Land Registry Cadastral (Ktimatologio), both calculated on the tax value of the conveyed property.

#### *Taxes on Inheritances, Gifts and Parental Gifts of real estate property:*

- From 1 to 40 per cent, depending on the consanguinity of the Deceased with the Heir or the Donor with the Grantee. The tax exemption bracket for Parental Gifts is currently at 150.000 Euros (on the property's tax value).

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Analogous fee payable to the Land Registry (Ypothikofylakeion) for the registration of Gifts and Parental Gifts to a percentage of 0,775 per cent. A percentage of 0,8 – 0,1 for the registration of such deeds to the newly established Land Registry Cadastral (Ktimatologio), both calculated on the tax value of the conveyed property.

#### *Income tax from property:*

- Imputed (assessed) income placed on the use of a residence without exchange (for free) to a percentage of 3 per cent on the tax value of such property. Such use is tax exempted if used by parents or children and it does not exceed 200 square meters
- Imputed (assessed) income for living in your primary or secondary residence (depending on its dimensions and tax value)
- Imputed (assessed) income for using your commercial property (3 per cent of its tax value).

#### *Payments to Councils and Municipalities (OTA):*

- When farmlands are classified within the Zoning Planning, a payment of up to 25 per cent is payable to the Council. Additional conveyance of land can be demanded (10 to 50 per cent).

#### *Fines on legalization or use of premises with building violations*

Fines by building authorities are calculated according to the tax values of the properties.

Having analysed all relevant taxes that are about to increase, it is recommended to those that plan gifting property to their children or buying property, to proceed as soon as possible in order to avoid the upcoming (unnecessary) tax burdens.

### ***ENFIA Cuts for most owners***

*Taxpayers with assets in areas with an objective value hike up to 20% will see dues drop*

The taxable value of Greek citizens' real estate property is set to rise by at least 100 billion euros next year, topping €700 billion in total.

The inclusion of about 3,500 regions to the system of automatic calculations of property prices used for tax purposes (known as "objective values") will mean the coverage of about 98% of the population, followed by the remaining 2% later in 2022. That will be the first time the Single Property Tax (ENFIA) will be imposed on such an expanded tax base.

Based on the current ENFIA calculation rates, individual owners and companies would have to pay an additional €3 billion in main and supplementary property taxes. However, as the collection target for next year will remain at around €2.6 billion, the Finance Ministry will have six months to decide which way it will redistribute the tax load of €350-400 million.

The ministry will use the modification of the ENFIA calculation rates, the change to the calculation brackets for the supplementary tax (imposed on large ownerships) and the adjustment of the discount rates introduced in 2019, so as to allow a fairer distribution of the tax burden on owners.

Millions of taxpayers, and even property owners in areas where zone rates will go up 10%-20%, will be asked to pay less for their ENFIA in 2022. On the other hand, owners in areas where the objective values will increase considerably (the list will introduce hikes up to 40%) will have to pay more in 2022 than this and last year.

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The valuation of Greeks' real estate assets will be carried out on the basis of the new objective values the independent Authority for Public Revenue will publish probably on Monday.

The highest property taxable value ever recorded will allow the ministry to implement in full the ruling party's pledge before the last election about an average decline of ENFIA by 30%. Already dues have declined by 22% from 2019 and discount rates are set to increase in 2022, bringing the average drop of the ENFIA obligations to about 30%.

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