



## GREECE – January 2022

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### PROPERTY TAXES TO LOWER FOR MOST GREEKS IN 2022

Most Greek taxpayers will pay lower property taxes (ENFIA) on a permanent fair basis as of 2022, Finance Minister Christos Staikouras reiterated at the 39th annual national conference of the Hellenic Property Federation (POMIDA) on Saturday.

Representing the prime minister at the conference, Staikouras said that real estate property was recovering from the multi-year financial crisis and the previous government's excessive taxation.

He also thanked owners for assuming some of the debts from the government's plan to provide rent subsidies to renters.

The government has provided refunds through consolidation of debts or direct deposits totalling 808 million euros, while outstanding cases, mostly related to subletting, are expected to be resolved by end-February, he said.

Among other things, the Finance minister also said the government was improving the efficient use of public real estate assets, including through reducing tax calculation factors.

In small border islands and areas hit hardest by natural disasters, the government is legislating that ENFIA be abolished, while it is reviewing the entire tax calculations for property nationally.

"It is absolutely feasible that most of our compatriots will pay even lower ENFIA, on a permanent basis, as of 2020, in a socially more fair way – announcements will come in the following weeks," Staikouras said.

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## ENFIA TO HAVE NEW BRACKETS

*Local objective values will determine whether each owner faces a cut or a hike this year*

The new ENFIA blueprint that the government has presented to its creditors contains changes to the rates and the brackets of the Single Property Tax in a bid to avoid any hikes that the new taxable prices of properties, known as objective values, would generate. Otherwise – i.e. with the rates unchanged – ENFIA would have shown hikes of up to 60%, according to Finance Minister Christos Staikouras.

Speaking on Skai TV, Staikouras said the new ENFIA will be ready within two weeks, noting that the “rates have been tweaked for the better, so as to prevent any hikes.”

He added that, overall, the 2022 ENFIA will be reduced from 2021 for most owners and noted that any hikes for those who used to pay a supplementary property tax (which is now incorporated into ENFIA) will depend on how much their zone rates have increased. He explained that the supplementary tax concerned 5% of owners but accounted for 15% of property tax revenues from individuals.

In 2021 the supplementary tax amounted to 646 million euros, with €368 million originating from individual taxpayers and €278 million from corporations. Sources say the 68,652 enterprises will continue to pay the supplementary tax in 2022.

The scenario presented to the country’s creditors, in the context of the 13th post-bailout assessment, provides for changes to brackets, but also introduces a limit for specific cases where the tax rate has soared due to the increase in objective values.

The Independent Authority for Public Revenue has already received all the parameters from the competent committee of the ministry and is set to begin the simulation procedure for the tax each owner will have to pay. Based on the sum the IAPR will come up with, the ministry will have a clear picture of who will enjoy a property tax cut this year and who will need to shoulder more dues. The outcome of the exercise will be forwarded to the creditors for approval before the bill is submitted to Parliament for voting by the end of February.

## WHICH AREAS FACE PROPERTY TAXATION HIKES

Over 7,000 property zone rates have gone up as of January 1 with the application of the new taxable value of properties, known as “objective values.” That pushes up dozens of taxes and charges related to real estate, as well as raising the cost of property transactions.

For example, on the island of Mykonos the transfer tax for a 100-square meter property has gone up by 8,250 euros. Within Attica, in Dafni the same tax for a similar property has soared from €3,000 to €5,250 (up 75%), in nearby Argypoli from €4,800 to €7,050, and in Kamatero from €2,400 to €3,900 (a 62.5% increase). As for Lagonisi in eastern Attica, the transfer tax has jumped 93.3% from €2,250 to €4,350.

Several areas of the country were previously not included in the objective values system, such as Zakynthos, Cephalonia, Chios, Samos, Patmos, Karpathos, Ilia, Nafaktos, Kythira and other areas with significant tourism activity. In those areas the Single Property Tax (ENFIA) used to be calculated based on the lowest zone rate of the

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same municipality or regional entity. Now each property's ENFIA is based on its own features – i.e. the real value of each asset – taking dues much higher.

The new zones (new inclusions and extensions of existing ones), which number 3,643 (or 26% of all zones in the system), face considerable changes: Rates have jumped by 225% in three zones on Mykonos to €3,800-3,960 per square meter, while Ithaki has seen a 250% leap to €2,100/sq.m. and Rhodes has been hit with a 200% hike in objective values to €2,100/sq.m. On Kos values have risen 108% to €1,350/sq.m., at Kassandra in Halkidiki by 94% to €1,550/sq.m., on Cephalonia by 79% to €1,250/sq.m. and at Hersonissos in Iraklio on Crete by 75% to €1,050/sq.m.

There have also been huge zone rate increases in the center of Athens, as well as the capital's southern suburbs, with objective values matching market rates to a great extent.

At the same time several areas have seen their zone rates drop compared to the previous system, especially those that used to be calculated by estimate, having been outside the system. There have been reductions in 1,509 zones, including Florina (down 50% to €300/sq.m.), Chios island (down 44% to €450/sq.m.) and Orestia (down 20% to €400/sq.m.).

## FACING THE ENFIA CONUNDRUM

*Finance Ministry committee exploring various scenarios to keep property tax fair and even*

The overhaul of the Single Property Tax (ENFIA) is causing major headaches at the Finance Ministry, as the transformation of the supplementary property tax into a levy on the sum of one property has created problems for the competent committee that has to find a solution without adding to the burden of most property owners.

The new, increased taxable rates for properties – known as objective values – combined with the incorporation of the supplementary tax have led to distortions that are endangering the initial concept of the ENFIA overhaul, which is to secure a uniform tax status for all areas and social justice.

In practice, the restructuring of ENFIA with a fiscally neutral result and while safeguarding small and medium-sized properties from extra tax are the two objectives the committee seeks to attain, having tried various solutions since last fall without success.

These are the why the announcement of the new ENFIA was cancelled last month, as had been scheduled. It has now been put off until February, when the committee is expected to be ready.

This means that in the upcoming 13th post-bailout assessment of the Greek economy by the country's creditors, the government will not be in a position to inform the mission chiefs of developments on the new property taxation, an obligation that the Finance Ministry keeps postponing.

Nevertheless, a top ministry official argues that despite the problems the vast majority of property owners will not only avoid any tax hikes but will actually pay somewhat less as of this year.

Sources tell Kathimerini that the scenario providing for the ENFIA overhaul through the introduction of a system whereby the tax rate would grow according to each property's value has now been abandoned because it would create distortions mainly for medium- and high-value properties. Instead, the competent

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officials are opting for radical changes to tax brackets and rates to cover the objective value hikes, mainly in the country's biggest cities.

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