



GREECE – February 2022

CONTENTS

HANDING OUT CASH.....	1
ENFIA'S WINNERS AND LOSERS	2
TAX TRAP FOR PROPERTY OWNERS.....	3
ENFIA: 5M PROPERTY OWNERS WILL SOON SEE SUBSTANTIAL REDUCTION	4
LOWER ENFIA PROPERTY TAX POSITIVELY RECEIVED BY REAL ESTATE MARKET	4
GREECE TO REDUCE PROPERTY TAX BY 13%.....	4
TAX BREAKS TO BE PERMANENT AND FAIR, SAYS STAIKOURAS	5
ENFIA TO HAVE NEW BRACKETS.....	6

HANDING OUT CASH

There are two dangers lurking in the global trend of rising interest rates: One is that it will halt the post-Covid economic recovery (this worries European Central Bank head Christine Lagarde, as recovery in the eurozone is still weak), and another that it will cause great damage to heavily indebted countries, companies and individuals. Greece could be affected by both.

There is also a third, more specific risk, for our country: its creditworthiness which, after three bailouts, remains in the “junk” category. If this does not change, if the rating does not rise by two notches to investment level, the cost of servicing our debt will increase many times over. This is a great danger – which many have been aware of over the previous 10 years – that could cast a heavy shadow on Greece. These are not just theories and not just distant scenarios. One of the first to feel the risk of an uncontrollable rise in borrowing costs is a strategic link in the economy – the banks.

In the next four years, by 2026, it is estimated that banks will have to raise 14 billion euros from the markets to continue meeting their minimum requirements for own funds and

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.

eligible liabilities (MREs). In the face of rising interest rates, this alone would be enough to challenge some imaginative profitability scenarios that are circulating.

The situation seems more complicated if some invisible consequences of the Hercules bad loan reduction scheme are taken into account. In order to meet the plan's requirements, the banks "burned" capital. Thus, their capital adequacy fell significantly compared to the European average and, at the end of 2022, when the period of supervision ends, we will see whether or not new capital increases are required.

Neither the banks, nor the big companies, the state, nor employees will be unaffected by the increase in the cost of borrowing. Reaching investment grade is urgent. The alarm should have been sounded. Yet the opposite is happening.

Fiscal policy seems to be moving in line with the extended pre-election phase. So, instead of exercising fair fiscal management, the ENFIA property tax (in a sense, one of the fairest taxes) has been drastically reduced for everyone – both for those who own small properties and for those who own a lot of real estate – at a cost of 350 million euros for the state coffers, instead of the 70 million euros written in the 2022 budget.

And instead of exercising prudent fiscal management, the government has decided to give away 6 of the 8.3 billion euros that was initially distributed as repayable advances during the pandemic to support businesses, while the possibility of even greater generosity is being considered – cutting or writing off the remaining 3 billion euros altogether.

In short, government decisions that serve political patronage send messages to foreign and domestic observers that undermine the key national goal. To the outside world, they tell them to be skeptical when looking at Greece's creditworthiness, because it is a country that, despite owing 200% of its GDP – over 350 billion euros – doesn't hesitate to take advantage of relaxing European rules to borrow even more for pre-election handouts.

In Greece, the message is that they can relax, because there is money, and above all, there is a government that manages the crisis by handing out cash – not like the others, in the past, who imposed taxes. And if today there is a strong belief that, supposedly, if it wants, the government could handle the tsunami of price hikes at no cost to us, it would be unfair not to recognize the government's contribution to this belief.

ENFIA'S WINNERS AND LOSERS

Who will benefit from and who will miss out from the cuts of the new Single Property Tax?

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.

Some 180,000 property owners around Greece will face a bigger property tax bill this year, as their assets are located in zones where prices have gone up considerably. They are among the minority of owners who will not benefit from the Single Property Tax (ENFIA) cuts announced on Wednesday.

ENFIA hikes will also be coming to those whose assets have just entered the system of so-called “objective value” determination. In some cases their dues will be twice as high as in 2021, though this will be ascertained at the completion of the process and the incorporation of all zones into the dry run the Finance Ministry is in the process of performing.

The abolition of the supplementary property tax for individuals will lead to a reduction of ENFIA for many property owners, though not for those with very valuable assets. As the ministry announced, there will be an additional tax imposed on assets worth over 400,000 euros, with a special set of rates.

Nevertheless, that will not be the sole addition to the burden on some owners. Ministry sources explain that particularly large properties will also have additional coefficients that will increase their tax, working the opposite way to the discount coefficients for small properties.

For example, for assets worth up to €100,000 there will be a 30% discount on the tax normally stemming from the rates. The discount is calculated on the sum of one’s assets. For properties up to €150,000 the discount drops to 25% and shrinks further as the property grows in value. At a certain point that coefficient will come to zero and then start a reverse course, imposing an increase on the tax dues. It is not yet known where the zero-point will be set at.

Crucially, the new ENFIA will be calculated separately on each asset. Once the tax is estimated based on the set rates, the sum of dues is calculated and then the discount coefficient will be factored in, as the discount (or its reverse coefficient) is based on each individual owner’s property and not on each asset.

TAX TRAP FOR PROPERTY OWNERS

The increase in objective values will lead to higher dues for many through income taxation

The Single Property Tax (ENFIA) may obtain new calculation rates that offset the effect of the new taxable property prices (the “objective values”), but the maintenance of the same rates for the establishment of taxpayers’ actual earnings through their property assets will lead to higher income tax for thousands of people.

The upward shift of objective values as of January 2022 will therefore have a direct impact on the taxable value of taxpayers’ assets used to establish their real incomes, known in Greek as “tekmiria,” thereby raising their tax dues in many cases for this year onward.

For instance, in areas where objective property values have climbed above the rate of 2,800 euros per square meter, the tekmiria based on the residences used for the determination of people’s taxable incomes will grow by 40%. In areas where objective values have grown above the rate of €5,000/sq.m., the houses’ tekmiria will expand 21.43%.

Such cases are the 3rd district of the City of Athens (including Petralona, Metaxourgeio, Thiseio etc) where zone rate rise from €2,300/sq.m. to €3,200/sq.m., as well as the 1st district of Thessaloniki, and areas in Piraeus and Palaio Faliro in Attica. On Santorini and Mykonos, where objective values have soared above €5,000/sq.m., property owners will likely face a significant income tax hike too.

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 tax administration regularly compares the taxable assets of taxpayers to their declared income to establish whether the incomes justify the maintenance or acquisition of the properties. If someone's tekmiria are too high for their declared income, there is a separate set of rates imposed on the income estimate, taxed according to the salaried labor taxation or the rates from business activity. That also leads to the payment of the solidarity levy.

Last year as many as 2,032,887 taxpayers fell into the tekmiria trap, and were assessed to have an extra income of €6.35 billion, with their income tax dues rising accordingly.

ENFIA: 5M PROPERTY OWNERS WILL SOON SEE SUBSTANTIAL REDUCTION

Thousands of property owners in Greece will soon see substantial reductions in property tax (ENFIA), Finance Ministry sources told Athens-Macedonian News Agency (ANA-MPA) on Saturday.

Of the approximately 6,200,000 property owners currently paying ENFIA, an 80 pct, that is some 5mln of them, will see a distinct reduction in comparison to last year's rates. Some 900,000 owners will see no change, while 320,000 will actually see a slight increase, sources added.

This overall reduction comes as a last-minute move, they noted, as the government has decided to axe ENFIA charges by 350mln euros, against a state budget reduction figure of 70 million euros.

LOWER ENFIA PROPERTY TAX POSITIVELY RECEIVED BY REAL ESTATE MARKET

Roughly 5 million taxpayers, will pay a lower property tax than they paid last year

Greece's finance ministry released the previous week the main guidelines of the new Uniform Real Estate Ownership Tax (ENFIA), according to which eight out of ten property owners, corresponding to nearly 5 million taxpayers, will pay a lower property tax than they paid last year.

Market representatives who spoke to the Athens-Macedonian News Agency (ANA) noted that the decision to reduce ENFIA is a positive one, which on the one hand contributes to the support of households and businesses and on the other hand is a tool for economic development.

According to the new ENFIA, 14 pct of property owners, about 875,000 taxpayers, will pay the same tax they paid last year.

Of the remaining 6 pct, ie 375,000 property owners, half, ie 187,500 taxpayers, will have a surcharge of up to 50 euros and the rest depending on the zone where their properties are located.

GREECE TO REDUCE PROPERTY TAX BY 13%

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.

Greece's PM Kyriakos Mitsotakis announced on Wednesday that he plans to permanently reduce the unpopular property tax, ENFIA, by 13 percent.

"We are moving forward to a new brave permanent reduction of ENFIA by 13%. We continue to cover part of the increases in electricity bills due to the international energy crisis, while on May 1 we will implement a second significant increase in the minimum wage," Mitsotakis said.

Mitsotakis described this as a "fair decision for society and beneficial for the economy." He also explained that it was a realistic move, which does not exceed the fiscal margins, stressing that "every step forwards must be taken in such a way that it does not lead to two steps back."

80 percent in Greece to pay less property tax

"Under the new rules eight out of ten property owners will pay an even lower rate," Mitsotakis said. "A fair share will pay the same contribution, while a small minority, around 6 percent, will see a reasonable increase," he said.

According to the conservative premier, the overall reduction of the new ENFIA dues will be around 350 million euros, much higher than the 70 million euros foreseen in the 2022 budget.

Electricity hikes

In the same message, he also announced that the government will continue to subsidize part of the hikes in electricity bills "due to global energy crisis" and added that a "second significant increase of the minimum wage will be implemented from May 1."

Electricity prices in Greece have skyrocketed in recent months, putting increasing pressure on the government to act.

"Energy prices have gone beyond the unthinkable," Greek Minister for Development and Investment, Adonis Georgiadis said in December.

"The geopolitical game with natural gas is leading the EU economy into a crisis. Greece does not have the most expensive prices, but at this height, it matters little. Coordinated action is needed," Georgiadis added.

TAX BREAKS TO BE PERMANENT AND FAIR, SAYS STAIKOURAS

Most Greek taxpayers will pay lower property taxes on a permanent and fairer 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 totaling 808 million euros, while outstanding cases, mostly related to subletting, are expected to be resolved by end-February, he 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 any opinions expressed in the articles.

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

On small border islands and in areas hit hardest by natural disasters, the government is legislating that the Single Property Tax (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 fairer way – announcements will come in the following weeks,” Staikouras said.

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.

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.