



## GREECE – October 2020

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### ENFIA's complex equation

The recommendations of property surveyors for major hikes in the zone rates will undergo extensive scrutiny by the government, whose top objective is for the majority of owners to pay less than, or at least the same toward their Single Property Tax (ENFIA) next year as this year.

The draft budget provides for the collection of about 2.6 billion euros in 2021 from all property taxes.

The Finance Ministry is aware that the expansion of the system calculating property prices for tax purposes – known as objective values – to more areas, the increase in zone rates as proposed and the declaration of hundreds of thousands of square meters of properties settled during 2020 will lead to additional taxable material of at least €100 billion.

This stock can be used to finance the ENFIA discounts, which also affect the supplementary tax on large properties, and lead to a drop in ENFIA dues even in areas where the zone rates will see a 20 percent hike.

Through that cocktail of measures, which will favor mainly those with small properties, it is certain that owners with assets in areas with a reduction or no change in their zone rates will pay less ENFIA next year, along with those where zone rates will rise by up to 10%-15%.

The owners set to pay more will constitute a minority. They will be those with assets in areas to endure zone rate hikes of more than 30%, justified by the specifics of each area. Their list will include particularly popular areas such as tourism destinations that are currently undervalued in tax terms mainly because to date they have been kept out of the objective value determination system.

The entire ENFIA construction for 2021 will require plenty of preparation so as to match the new ENFIA discount rates with the adjusted objective values and the ownership brackets.

To achieve the desired result, the entire package of interventions will be activated after June 2021 – i.e. very close to the time when next year's ENFIA will be calculated.

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### **Property rates set to increase**

Property surveyors have submitted their recommendations for the adjustment of zone rates to the Finance Ministry, with the system for the calculation of the so-called objective values – property prices used for tax purposes – including an additional 3,000 areas.

The new values will start applying from January 1, 2021, provided developments on the coronavirus pandemic front allow it, otherwise it will be postponed till the second half of next year.

The competent committees of the Finance Ministry will process the surveyors' recommendations and if they identify an area with two very different estimates by surveyors, a third will be invited to give their view.

Once the process is completed, the ministry's political leadership will decide whether the new zone rates will be brought to the same level as the market prices or will be slightly below the going rates. In any case, the pledge of the ministry to the country's creditors is for objective values to be on a par with the market rates.

Sources say that there are recommendations for a 10%-15% hike in the objective values of areas such as Agia Paraskevi in northern Athens and Karpenisi in central Greece. As for the caldera area of Santorini, the zone rate currently stands at 1,600 euros per square meter while the surveyors are recommending that the objective value there should rise to €3,000/sq.m. However, the actual market prices there range between €4,000 and €4,500/sq.m. In this case the objective value will not be equal to the market price but up to 50% below it.

The surveyors' proposals point to hikes in the center of Athens, which benefited in recent years from the rapid rise of the short-term rental market, as well as to less privileged areas where the objective values have been kept at low levels on social grounds.

Besides the above areas, one should expect hikes in another 4,132 areas around the country where the previous government decided to keep the objective values at the same level during the latest adjustment so as not to lead to tax hikes.

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