



National Technical University of Athens
School of Rural and Surveying Engineering

RESIDENTIAL PROPERTY TAXATION IN GREECE

1-5 DECEMBER 2013, GÖRLITZ

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content

(1/2)

- Objectives, methodology
- Taxes on residential properties in Greece (transfer & periodic)
- The Objective Mass Valuation System in Greece
- Case Study



Objectives-Methodology

(2/2)



- Residential property:
 - **Housing needs**
 - the most conservative and **low risk type of investment**
 - the most **widely recognized evidence of creditworthiness**

➤ **Objectives of this research:** to identify the *differences between the "objective" (tax) values and the current true market values* of residential real estate in Greece.

➤ **Methodology:**

- (a) research on the tax values & the manner of their definition;
- (b) classification of all taxes currently levied on residential property both *on the transfer* (property transfer tax) and *on the possession of residential properties* (annual taxes);
- (b) calculation of the "tax values", by the objective mass valuation system of the Greek tax authorities;
- (c) case study: solid criteria for the sample selection, comparison of results

Taxes on residential properties (I) (for the transfer)

- **Value added tax (VAT)** for newly built residences (3472/2005)
 - Liable:** construction companies, for properties whose building permit was issued after 1/1/2006. (in fact the tax is transferred to the buyer)
 - Taxable value** for VAT: the value mentioned in the deed (usually the objective tax value).
 - Tax rate:** 23%. **First residence buyers are exempted from this tax according to the preconditions**
- **Transfer tax** (borne by the buyer)
 - Liable:** any property transfer or transfer of any right in rem
 - Taxable value:** objective tax value
 - Tax rate:** scalable depending on the value of the property; it is set at 8% for property value up to 20.000 euro and 10% for the excess of this amount.
 - First residence buyers (Greeks and/or EU citizens who live & work in Greece) are exempted from this tax (for residence value up to 200,000-270,000 euros) –preconditions:** no other sufficient ownership or right to use in a municipality >3,000 citizens; buyer should hold the ownership for 5 years at least.

Taxes on residential properties (II) (for the transfer)

- **Municipal transfer tax:** 3% on the transfer tax, borne by the buyer
 - **Surplus Value Tax:** Law 4172 26.07.2013
 - Liable :** properties sold at a higher price than the acquisition price (applied in case of an increase of the objective tax value)
 - Taxable value:** difference between selling & acquisition tax value
 - Tax rate:** 15% * holding time(0.95 up to 5 years~0.61 for>25 years)
- Exception: profit up to 25,000 (property held for 4 years & tax payer no other transfer during this period)
- **Inheritance Tax, parental transfer of property tax, donation tax**
 - Tax rate for category A:** for taxable value up to 150,000 euros: 0%; from 150,000-300,000 euros: 1%; from 300,000-600,000: 5%, above that: 10%.
- donations are not due to exemptions
For other categories: 20-40%. (1st residence)



Taxes on residential properties (I) (for the possession of residential property)

Only applicable to:

1. properties within the city plans (plots, buildings, apartments) and
2. buildings within the rural areas (those with a building permit)



Taxes on residential properties (I) (for the possession of residential property)

- **Real Estate Ownership Tax:** applied in the periods:1975-1980, 1982-1993
1997-2007: tax on *large immovable property* was levied
2008-2009: the **flat fee on immovable property (ETAK) on the portfolio** for a total **portfolio** value> 300,000 euro, with a fee rate of 0.1%. (age coef?)
- 2009: **ETAK + a special scalable tax** on large immovable **portfolio** was levied with the following tax scale

Portfolio VALUE IN EURO	TAX RATE
- 400,000	0%
401,000 – 600,000	0.1%
600,001 – 800,000	0.2%
800,001 – 1,000,000	0.3%
1,000,001 – 1,300,000	0.4%
1,300,001 – 1,600,000	0.5%
1,600,001 – 2,000,000	0.6%
2,000,001 – 2,500,000	0.7%
2,500,001 – 3,000,000	0.8%
3,000,000 -	0.9%

(2009) Real Estate Ownership Special Tax Scale and Rate

Taxes on residential properties (II) (for the possession of residential property)

- 2010: **Special sclb tax + an annual sclb tax (FAP)** with the following tax scale (ETAK was replaced by FAP) (portfolio value) :

Portfolio VALUE IN EURO	TAX RATE
- 200,000	0%
200,001 – 500,000	0.1%
500,001 – 600,000	0.3%
600,001 – 700,000	0.6%
700,001 – 800,000	0.9%
800,001 – 5,000,000	1%
5,000,000 -	2%

- 2011: **Special sclb tax + EETIDE+ sclb FAP** (tax scale for FAP changed to):

Portfolio VALUE IN EURO	TAX RATE
- 200,000	0%
200,001 – 500,000	0.2%
500,001 – 600,000	0.3%
600,001 – 700,000	0.6%
700,001 – 800,000	0.9%
800,001 – 5,000,000	1%
5,000,000 -	2%

Taxes on residential properties (III) (for the possession of residential property)

- **Temporary special sclb fee for residential properties connected to electricity networks (EETIDE)** (Property surface \times special fee rate \times increasing factor \times (zone value of each individual property))

Zone value/ m ²	Special fee rate in euro/m ²
Vulnerable social groups	0.5
- 500	3
501 – 1,000	4
1,001 – 1,500	5
1,501 – 2,000	6
2,001 – 2,500	8
2,501 – 3,000	10
3,001 – 4,000	12
4,001 – 5,000	14
5,000 and more	16
Property age in years	Increasing factor
>26	1
25 - 20	1.05
19 - 15	1.10
14 - 10	1.15
9 - 5	1.20
4 - 0	1.25

25% increase of objective values for the newly built properties

With social exemptions

- **2012, 2013: [Special tax + FAP] sclb on the portfolio + sclb EETIDE**

Taxes on residential properties (IV) (for the possession of residential property)

- **Residential Property Income Taxes**
Tax on rental income; tax sclb rate: 10 – 33%; tax for Agricultural Insurance Organization: 3,6%; extra tax on rents: 1.5%-3.0%; for living in owned or leased residence (main or secondary)
- **Taxes, Fees and Contributions to the Local Authorities**
Immovable Property Fee (TAP) on buildings and plots. Scalable rate: 0.25 – 0.35 ‰; Contribution in land and in cash for new infrastructure provision; Cleaning fee; Municipal tax for areas connected to the electricity networks; Municipal fee in case of sidewalk occupation; Potential municipal fees; Drainage fee.
- **Taxes and Fees to various third parties** (fee to benefit the Law Practitioners Pension Fund 7,75‰; deed transfer fee 4,5 - 7,5 ‰; Cadastre € 35/registration plus 1‰ on the tax value)

THE OBJECTIVE MASS VALUATION SYSTEM

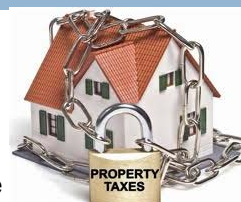
Established in 1985 for the determination of the tax values (in **transparency and without corruption**)

- The base of this system is the “**zone value**” (used for urban properties) and the “**initial base value**” for the land parcels (both have been **revised** several times but **not regularly**)
- valuation methods used for the calculation of the tax value for the **transfer taxes**:
 - (a) **comparative data** and (b) **depreciated replacement cost**
- factors to be taken into account for the **transfer tax**:
façade; floor; surface; age; special conditions; completion; quality of construction materials ;according to the **facilities; co-ownership**
- “**zone value**” < “**market value**” for 2 reasons: (a) it should correspond to the lowest value of each zone and, (2) due to political pressures.
- **Taxes for the possession of property are based on the zone value of each property and are scib on the total portfolio value**

The state of the Greek property market

The main characteristics of the current period (**buyers' market**) are the following:

- The **drop in prices** is accelerating
- **Rent prices decline**
- **Weak Market activity** (unclear strategy, uncertainty due increased and unstable property taxation, foreclosures, high transaction costs, decreased credit)
- **Construction Investment and Employment** are in free fall
- **Construction Costs remain high** despite the declining labor costs (the material costs have increased due to the increase of the gasoline price)
- **Credit expansion remains negative** and NPLs (20.2% of the total housing loans in 2012, ~33% in 2013) increasing
- Constructors and consumers remain pessimistic

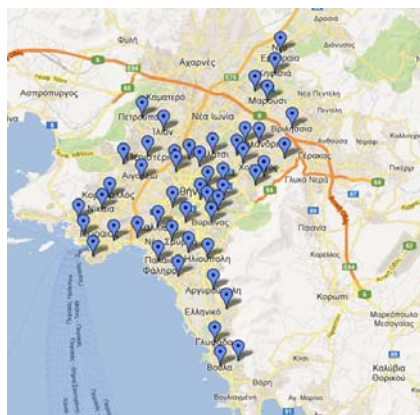


CASE STUDY Jan 2013

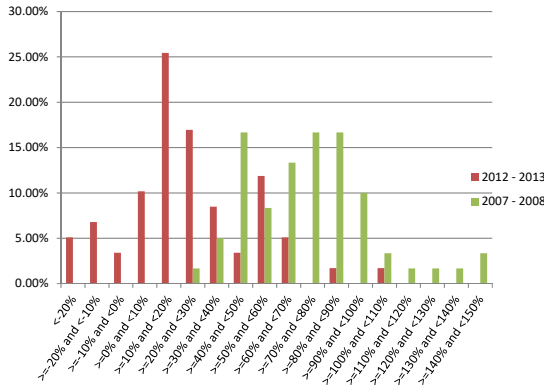
- 2007:
 - last revision of the tax zone values
 - real estate prices peak
- Location: the prefecture of Attica** (36% of the total population; 35% of the total number of transactions 2008-2011; various types of residences)
- Type of residence: apartments** (typical urban residential property, homogeneous, the majority of mortgaged real estate) – **more accurate results**
- Methodology:**
 - collection of “asking prices”;
 - processing of “asking prices” (every 3 months ~28% reduction; adjusted & not adjusted to the crisis) – **not reliable**;
 - transaction prices? (in 2012 transactions fell 34.2% compared to 2011-most inheritances, etc) – **few, not helpful as they show the tax value**;
 - **info derived from real estate agencies?**(many have closed) – **reliable but few**;
 - Assessment of the objective tax values of the recorded transactions
 - comparison

sample

- 252 transactions
- 48 interviews with real estate agents within a 6 months period

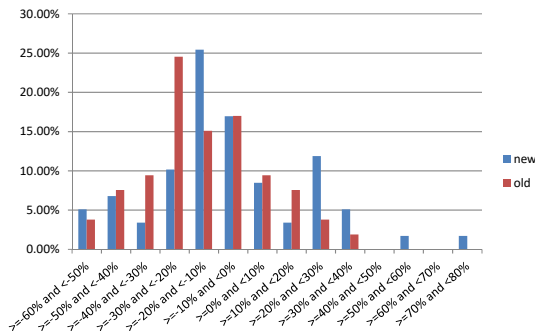


Distribution of Differentials Newly Built 2012 - 2013 and 2007 - 2008



in 2007 - 2008 the actual prices of newly built apartments were on average 70% higher than the “objective” tax values; Beginning of 2013 the same value was 19%. In 2013 almost all transactions (in 23 areas) were lower or equal to the tax value: only in 3 areas the market value was higher than the tax value; the rest was either similar or lower.

Distribution of Differentials New and Older Properties 2012 - 2013



Newly built properties had an actual value above the “objective” tax value, whereas the older properties were sold below the “objective” tax value. Older properties as an average were sold at 82.8 % of their respective “objective” tax value. The owners of elder properties paid proportionally much higher transaction taxes than the owners of the newly built ones

First Findings-Proposals?

- Property taxes are changed continuously, instead of updating the tax values
- Property taxes are unfair –they do not affect equally all real estate
- Rural parcels are not taxed & undeclared informal constructions are not taxed
- Taxes for the possession are calculated based on the portfolio value based on the zone individual values
- Zone values should be annually adjusted, especially during the crisis
- Age factor % influence should be adjusted
- Market values have been further reduced ~20% in 2013

