



## PROPOSED BILL ON SUSPENSION OF VAT ON PROPERTY SALES FROM DEVELOPERS, BUILDING ACTIVITY & FURTHER PROPOSED REFORMS

*By Ioannis Valmas*

A newsletter offering a brief interpretation & analysis of the announcements made by Greece's Prime Minister in relation to - among others - reforms on property transfer taxes & construction activities in Greece.

### A LOOK AT THIS ISSUE:

*REFORMS WITH A VIEW TO  
BOOSTING THE REAL ESTATE  
MARKET - 02*

# PROPOSED BILL ON SUSPENSION OF VAT ON PROPERTY SALES FROM DEVELOPERS & FURTHER PROPOSED REFORMS

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**The below newsletter is an interpretation & analysis of the announcements made by Greece's Prime Minister in relation to - among others - reforms on property transfer taxes & construction activities in Greece. These were made during a gala event organized by The Economist in Athens Greece on October 23rd 2019**

## **CURRENT PROPERTY TRANSFER TAX REGIME:**

Pursuant to current Greek tax law, 24% VAT is imposed on the first acquisition of apartments and properties for which the building permit was issued after the 1st of January 2006. All other properties are exempt from VAT and a 3.09% property transfer tax is imposed on the buyer.

## **PROPOSED BILL'S PARTICULARS:**

1. The Greek Government plans to pass a new law soon, suspending VAT for 3 years on unsold brand new properties from developers for which the building permit was issued after January 1st 2006 and - at least - until the lapse of the 3 year suspension.
2. In an effort to further boost the real estate market in Greece, the government shall further suspend VAT on properties not yet completed for which building permits were acquired from 1/1/2006 as well as on newly or to-be-acquired building permits within this period of suspension. This way, the government aims to jump-start building activities. The details of the above bill have not been fully disclosed yet.
3. According to the announcement from the Prime Minister (during The Economist's gala event), the suspension of VAT shall also affect property owners who acquired apartments under the *antiparochi* (αντιπαροχή) system. Antiparochi (αντιπαροχή) is a sui generis Greek arrangement, whereby the owner of a plot of property is compensated with apartments in lieu of payment for the land that he relinquished to the developer who built an apartment block on the plot. We will keep you posted when the final bill has been implemented in national legislation.

## **HOW WILL BRAND NEW PROPERTIES BE TAXED IF VAT IS SUSPENDED:**

The most probable scenario is that sales of the above properties will be taxed with 3,09% property transfer tax, (that is imposed on buyers of second hand properties) instead of the current 24%.

## EXAMPLE:

In practice if a buyer acquired a brand new apartment at 200,000 EUR today, he/she would be called upon to pay 48,000 EUR on VAT. When the new law comes into effect, in most circumstances, they will be called upon to pay just a little over 6,000 EUR for a property purchase value of 200,000 EUR which is what second hand property buyers pay. The saving in the above example is 42,000 EUR.

## OTHER ANNOUNCEMENTS:

### Betterment Tax for Sellers

Pursuant to Article 41 of Law 4172/2013, a betterment tax on the transfer of real estate, will be imposed on the seller of real estate property in Greece with a coefficient of 15 percent calculated upon the profit the seller made by the sale of the property when compared to the original purchase value of the property. This law's coming into force is going to be suspended for a further 3 years. The government has also announced that it will examine the abolition or amendment of this law at the lapse of the suspension period.

### Deduction of Income Tax for Works Carried out on Properties towards their Aesthetic & Environmental Upgrade

This is a proposed law that is still being debated.

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