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# GREEK LAW DIGEST

The Official Guide to Greek Law

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## Valmas & Associates

## ACQUISITION, OWNERSHIP & SALE OF REAL ESTATE IN GREECE: COSTS, TAXATION & BENEFITS

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# REAL ESTATE

NOMIKI BIBLIOTHIKI

# ACQUISITION, OWNERSHIP & SALE OF REAL ESTATE IN GREECE: COSTS, TAXATION & BENEFITS

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## Introduction

Greece's real estate market has been demonstrating clear signs of recovery and Athens, among other areas, has been at the epicenter of real estate investments from investors from all over the world. Local prices are still well below pre-crisis levels making Greece an undisputed buyer's market. According to the Bank of Greece, in Q1/2017, Athens property was 44% cheaper than its 2008 peak.

## 1. Costs related to the purchase & sale of real estate property in Greece

### 1a. Costs for Purchase of Property in Greece

A purchase agreement for Real Property in Greece is effectuated through the drafting of the notarial deeds and the subsequent signing of the final Contract for the Sale of Property by the seller and buyer (or their proxies).

Buying Real Property in Greece bears various associated costs/fees which can be divided in the following sub-categories:

**(a) Notary fees:** They are paid by the buyer of real property, and cover the drafting and approval of certificates provided by the sellers (approximately 1.2-1.4% of the tax value or purchase value of the property although they can considerably vary as page numbers, copies of deeds etc. increase costs particularly in respect to transactions of low value properties)

**(b) Legal Fees:** They are paid by the party that the lawyer represents, and albeit not compulsory they are strongly advised as a lawyer shall, among others, commence due diligence and a historical check of the titles (deeds) from previous to current owners, proof reading of the contracts for sale, representation of the buyer at the signing of the deeds making sure everything is in order, registration of titles to the Land Registry and Cadastral Authorities etc. Lawyer fees are freely negotiated between the parties and vary depending – among others - on the experience of the lawyer, the complexity of the matter at hand etc.

**(c) Realtor Fees:** The estate agent's fees are not specified by law and fees are freely negotiated between the contracting parties and subject to a written agreement. Usually a fee of a percentage of 2 percent of the purchase price of the property is agreed between the realtor and the seller/buyer (2 percent charged to each side), yet this arrangement may vary, depending on the transactional value and various additional factors that may raise or decrease the said norm of 2 percent. The legal framework for the conditions of providing realtor services as well as the rights and obligations of realtors are determined by the Greek

Civil Code (703-707) and Law 4072/2012 (Articles 197-204). Fees/costs can be higher for low value property transactions.

**(d) Property Registration Fees:** Fees related to the Registration of Real Property in the relevant Land registry and/or Cadastral Office (0.5-0.7% of the property value). Fees/costs are higher for low value property registrations.

**(e) Property Transfer Tax:** As of 01/01/2006 (in respect to buildings for which the building permit was issued after the said date), a VAT of **24 percent** is imposed on the purchase value **on the first sale** of newly built buildings by a manufacturer, or by a person who deals professionally with the construction and the sale of buildings.

For all other properties that do not fall under the above category, the transfer is charged with a real estate transfer tax at **3.09 percent**.

**Assessment of Property Value**

The value of property in Greece is assessed according to the so called system of objective value (also known as tax value). This system provides for a minimum value of real property according to objective criteria such as location, size, shared facilities in the area, age of a building etc. This system has been imposed so that the tax authorities have a minimum value as reference when imposing taxes in relation to property ownership/purchase-sale/inheritance. In cases of sale of property, the transfer tax is calculated on either that "objective value" or the value agreed in the purchase agreement, whichever is the highest. The objective values are usually significantly lower than the market values. Since not all areas in Greece have been valued/assessed, when there is no such assessment, the tax authorities make an estimate of the value according to similar transactions in the area or other available data.

**(f) Golden Visa Government Fees:** Additional Duties apply to the applicants of Golden Visa, i.e. to people who immigrate to Greece by Investment in Real Estate over the value of € 250,000 under the auspices of Article 20, paragraph B of Law 4051/2014. Although these duties **are not related to the property transaction**, they should be taken into consideration when evaluating costs. According to Article 38 paragraph 8 of Law 4546/2018, with effect from September 12th 2018, in regards to applications for residence permit for owners of real estate property, the State Fee will be **€ 2,000** per adult. This fee will be borne by both new applicants or applicants who renew for another 5 years. The residence permit must be renewed every 5 years. As aforementioned this State fee is for the grant of the residence permit and not property related.

**1B. Costs for Sale of Property in Greece**

**(a) 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. There are reduction factors limiting the amount of tax a seller will be called to pay upon the profits from the resale of his/her property based on amount of time they kept ownership and other factors.

In the event a property has not been purchased and e.g. has been inherited or gifted, then the acquisition price will be based on the tax originally paid when one inherited or was gifted the property.

The coming into effect of the above provision has been keeping on getting postponed since its inception and subsequent enactment and it has now further been suspended until the 31th of December 2018.

**Simplified Example:** An individual buys on the 1st January 2019 an apartment for € 20,000. and sells it within the same year for € 30,000. They will subsequently be taxed with 15 percent tax upon the € 10,000 profit, i.e. their tax will be € 1,500 and will have to be paid with a payment order before the notary public (who will in turn hand the payment to the tax office) at the day of the sale.

However, the longer an owner keeps ownership of the property the less of the betterment tax they will be called to pay. The following table demonstrates the progressive reduction.

| Years of Ownership | Percentage of Betterment Tax to be Paid |
|---|---|
| 1 | 100,0% |
| 2 | 98,2% |
| 3 | 96,4% |
| 4 | 94,7% |
| 5 | 93,0% |
| 6 | 91,2% |
| 7 | 89,5% |
| 8 | 87,8% |
| 9 | 86,1% |
| 10 | 84,5% |
| 11 | 82,8% |
| 12 | 81,1% |
| 13 | 79,5% |

This is progressively dropping to 60% if one has kept ownership of their property for more than 26 years.

A further reduction factor is the following: If a seller has possessed the property over 5 years before selling it, a € 25.000 amount will be tax free.

**(b) Higher Taxes for Repeat Sellers:** It is worth noting that under Article 21, paragraph 3 of Law 4172/2013, the tax office may consider a private person as a business for tax purposes (thus taxing at a considerably higher rate than above under paragraph 7) if he/she makes three sales of property within a period of 2 years.

**An exemption** to the above rule is when the sale involves properties that have been inherited or gifted by relatives up to the second degree, or properties that have been owned over 5 years.

## 2. Cost related to ownership of real estate property in Greece

The ownership of real estate property in Greece is subject to the ENFIA Tax (*Uniform Tax on the Ownership of Immovable Property*). Under Article 1 of Law 4223/2013 (as amended by Law 4509/2017) it is set out that any natural or legal person or legal entity that owns real estate property that is located in Greece, is subject to the said tax. Under Articles 4-5 it is defined that the tax consists of 1. a **principal tax** imposed on each real estate property and

2. a **supplementary tax** imposed on the total value of the property rights on real estate property of the taxpayer subject to tax.

### 2.1 Principal ENFIA Tax

ENFIA Principal Tax is calculated by multiplying the square meters of the property by the principal tax per square meter (depending on the location of the property, use of the property and other coefficients); thus, determining these tax values per sq. m. is part of a complex process undertaken by experts appointed by the Hellenic Government and it is subject to periodic reviews and changes.

| Area Price (€ / sq.m.) | Tax Zone | Main Tax (€ / sq.m) |
|---|---|---|
| 0-550 | 1 | 2,0 |
| 551-750 | 2 | 2,8 |
| 751-1050 | 3 | 2,9 |
| 1051-1500 | 4 | 3,7 |
| 1501-2000 | 5 | 4,5 |
| 2001-2500 | 6 | 6,0 |
| 2501-3000 | 7 | 7,6 |
| 3001-3500 | 8 | 9,2 |
| 3501-4000 | 9 | 9,5 |
| 4001-4500 | 10 | 11,10 |
| 4501-5000 | 11 | 11,30 |
| Over 5000 | 12 | 13,00 |

### 2.2 Supplementary ENFIA Tax for Natural Persons (Private Individuals)

ENFIA does not only include the Principal ENFIA Tax, but also the Supplementary ENFIA Tax, which is imposed by the following scale (a progressive tax rate) when the value (or accumulative value if more than one properties are owned) of real property assets of individuals exceeds the value of € 200.000 (formerly € 300.000):

| Value of property (€) | Tax Rate (%) |
|---|---|
| 0,01 - 200,000 | 0.0% |
| 201,000 – 250,000 | 0.1% |
| 250,000,01 - 300,000 | 0.15% |
| 300,000,01 - 400,000 | 0.30% |
| 400,000,01 - 500,000 | 0.50% |
| 500,000,01 - 600,000 | 0.60% |
| 600,000,01 - 700,000 | 0.80% |
| 700,000,01 - 800,000 | 0.90% |
| 800,000,01 - 900,000 | 1.00% |
| 900,000,01 – 1,000,000 | 1.05% |
| 1,000,000,01 – 2,000,000 | 1.10% |
| over 2,000,000 | 1.15% |

### 2.3 Supplementary ENFIA Tax for Legal Persons or Legal Entities

The supplementary ENFIA is also imposed on the property of legal entities, which is calculated at a rate of 5,5‰ although it is subject to discounts, such as 3.5‰ for the properties owned by non profit organizations.

### 2.4 Further Taxation on Offshore Legal Entities

Additionally, the Greek legislator introduced by virtue of Article 15 of Law 3091/2002 (as amended by Law 4446/2016), the liability of certain legal entities (such as offshore companies), that have full property rights or bare ownership or usufruct property in Greece, to pay an annual special property tax of 15%.

Several exceptions from this tax obligation are set out by virtue of Article 15 paragraphs 2-4 Law 3091/2002, such as for companies that have their headquarters in Greece or another EU country (typically SA and Ltd companies), on a. the condition that the shares of the companies are owned by individuals or that these companies declare the individuals who are owners of their shares, and b. that these individuals have been issued with a tax registration number in Greece.

## 3. Income Tax from Real Estate Property in Greece

Every natural person/individual that owns property in Greece is entitled to lease their property and generate income, so long as they declare the profits/income to the tax authorities. No residence permit is required for this type of activity as it is not a business activity per se.

| Income from property (€) | Tax rate (%) |
|---|---|
| 0 - 12,000 | 15% |
| 12,001 – 35,000 | 35% |
| >35,001 | 45% |

This is calculated as follows:

Example: If an individual has earned € 20,000.00 from leasing his/her property, they will be taxed at a 15% rate for the first 12,000.00 and 35% for the remaining 8,000.00.

Furthermore, a solidarity levy at a coefficient of 2.2% up to 10% (depending on the total income) is imposed if the annual income exceeds € 12,000.00.

## 4. Inheritance Tax for the Succession on Real Estate Property in Greece

As a general remark it is worth noting that by virtue of the Greek Civil Code there are two different types of succession in Greece: a. intestate succession and succession by virtue of a will.

Pursuant to the Greek tax legislation, Greek Inheritance Tax is assessed on the current value of the total property inherited. Property means any kind of movable and immovable property located in Greece, regardless of the descendant's nationality. The taxable value of real estate property inherited is the objective value (it is calculated on the basis of certain predetermined factors set by the Ministry of Finance and it is also called tax value) on the day of death of the deceased. Immovable assets located abroad are not subject to Greek Inheritance Tax, regardless of nationality and residency.

The tax rates vary, depending on the relationship between the deceased (inherited person) and his/her heirs. Tax rates are based on a progressive scale at varying coefficients. Rates thus depend on the parties' relationship and range from 1% to 40%, while there is a tax-free amount (which depends on the proximity of the relationship which is categorized in three classes/categories). As a general rule, the closer the relationship to the deceased, the lower the tax rate. For example, in case of inheritance from the deceased individuals to their spouses or children, the respective rates range from 1% to 10%, whereas the tax-free amount is up to € 150,000.

**CATEGORY A**

This category includes the surviving spouse and all the descendants of the deceased, as well as his/her surviving parents. According to Law 3719/2008 in this category is also called as heir the surviving cohabitation agreement's partner.

**CATEGORY B**

This category includes the third degree blood relatives, such as surviving grand-parents, brothers and sisters, nephews/nieces.

**CATEGORY C**

This category includes any other blood relative or non relative.

Below follows an explanatory table that can help in the calculation of tax depending of the category which the heir belongs to:

**Category A.** Spouse, children, grandchildren, parents

| Value (€) | Tax Rate (%) | Tax (€) | Total Value (€) | Total Tax (€) |
|---|---|---|---|---|
| 150,000 | - | - | 150,000 | - |
| 150,000 | 1 | 1,500 | 300,000 | 1,500 |
| 300,000 | 5 | 15,000 | 600,000 | 16,500 |
| Over 300,000 | 10 | | | |

**Category B.** Great-grandchildren, grandparents & great-grandparents, brothers & sisters, nephews/nieces

| Value (€) | Tax Rate (%) | Tax (€) | Total Value (€) | Total Tax (€) |
|---|---|---|---|---|
| 30,000 | - | - | 30,000 | - |
| 70,000 | 5 | 3,500 | 100,000 | 3,500 |
| 200,000 | 10 | 20,000 | 300,000 | 23,500 |
| Over 200,000 | 20 | | | |

**Category C.** All other relatives & non-relatives

| Value (€) | Tax Rate (%) | Tax (€) | Total Value (€) | Total Tax (€) |
|---|---|---|---|---|
| 6,000 | - | - | 6,000 | - |
| 66,000 | 20 | 13,200 | 72,000 | 13,200 |

| | | | | |
|---|---|---|---|---|
| 195,000 | 30 | 58,500 | 267,000 | 71,700 |
| Over 195,000 | 40 | | | |

## 5. Donation Tax & Parental Grants for Real Estate Property in Greece

The acquisition of real estate property through donation is subject to the same tax categories as inheritance tax. The respective tax return should be filed with the tax authorities before the signing of the donation contract before a notary.

## 6. Real Estate Investment Companies

In the light of a fast recovering real estate market, large companies have begun investing in the real estate sector in Greece (Cosco in Piraeus, Canadian Fairfax Financial Holdings in EFG Eurobank Properties, Lamda Development in The Hellinicon Urban Development Project etc.).

Under the auspices of Laws 4141/2013, 4209/2013, 4281/2014, Real Estate Investment companies are companies limited by shares (special purpose S.A. companies), established with the sole aim to acquire and manage real estate property in Greece. Their minimum share capital must be twenty five million Euros (€25,000,000) at a minimum, fully payable upon establishment of the company. The share capital of the company consists of contributions of cash, money market instruments, securities and property, immovable or movable, which serve the operational needs of the company.

Prior to the issuance of permission for establishing a Real Estate Investment Company, the Stock Market Commission must approve. A similar permission is required when an existing company is converted into a Real Estate Investment Company. In order to grant permission, the Stock Market Committee evaluates the investment plan, the organization, the company's technical and financial assets, the reliability and experience of the individuals that are going to manage the company and the suitability of the people establishing it, in order to ensure the good/sound management of the company. The company has, among others, the obligation to invest its funds as set out below:

a) A minimum of 80% of its assets in Real Estate. Investment in real estate properties in third countries outside EEA is permitted so long as it does not exceed 20% of the Company's property portfolio value.

b) Deposits and stock market instruments, according to article 2 paragraph 14 of Law 3606/2007.

c) Invest in movables required for the company's operational needs that (in addition to the real estate acquired by the company to service such needs) that must not exceed ten percent (10%) of the total assets value, at the time of acquisition.

Among other provisions,

- It is prohibited to transfer company owned real estate property to company founders, shareholders, members of the board of directors, general managers or managers, their wives or blood and affinity relations up to the third degree of kinship.
- The company must pay annual dividends to its shareholders of at least fifty percent (50%) of its annual net profits. A lower percentage, or no percentage, may be distrib-

uted, following a decision by the Assembly, under the condition the company statutes include such a provision, either for the creation of an extraordinary non-taxable reserve fund made up of other earnings besides capital profit or for distributing free shares to the shareholders by increasing the share capital, according to the provisions of Codified Law 2190/1920.

- Real estate investment companies must pay tax with a coefficient set at ten percent (10%) of the valid European Central Bank intervention rate (Interest Reference Rate) plus one (1) point, and is calculated on the average of the investments, plus the available funds, in current prices. In case of a change of the Interest Reference Rate, the new calculation value is valid as of the first day of the month following the change. The tax is payable to the competent Tax Authority within the first fifteen days of the month following the period recorded in the bi-annual investment tables. Upon payment of the aforementioned tax, the company's and shareholders' tax obligations are fulfilled.

## 7. Benefits to Real Estate Owners in Greece: Golden Visa - Immigration by Investment In Real Estate in Greece

According to the provisions of Article 20 Law 4251/2014 (Immigration and Social Integration Code) third country nationals (and parents, spouses and children under 21) who purchase real estate property the value of which exceeds € 250,000. are granted residence permits renewed every five years, so long as they keep ownership of the property. These permits - among others - allow for free travel within the EU and Schengen areas.


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