REAL ESTATE IN GREECE

GENERALIS
LAW FIRM

Contents

Introduction

On the initiative of the law firm Athanasiadis Pilios Generalis (AP&Generalis Law Firm) and with the support of an extensive network of professionals (tax advisors, architects, civil engineers, business consultants), a complete series of informative, practical guides focusing on the most important fields of Greek law is available to private individuals, professionals and companies. The 'Practical Guide' series of Athanasiadis Pilios Generalis covers the following topics:

- Inheritance Law
- Real Estate Law
- Tax Law
- Labor Law
- Renewable Energy Law
- Construction Law

The guides are presented on separate web pages by topic, along with sample forms as well as relevant case law and legislation. Once connected, visitors can easily navigate to the other web pages of the series with the respective topic.

This practical guide to real estate in Greece is the second in the series and covers the entire spectrum of legal and tax issues which arise in practice when purchasing, managing, utilizing, developing and reselling property in Greece. Like all the practical guides, it is addressed to both Greek nationals and foreign citizens of other European and non-EU countries who have a practical interest in legal and tax matters in Greece, with the aim of facilitating entrepreneurship and more generally the access of foreigners to the Greek market.

A. The real estate market in Greece

I. The Greek real estate market for Greek investors

For decades, the real estate market was one of the most important growth sectors of the Greek economy. Particularly in the days of the drachma, real estate – along with foreign exchange – constituted the only safe hedge against inflation and frequent devaluations of the national currency. At the same time, the illogical system of taxing property – which still applies today – in effect did little to prevent the investment of untaxed income in real estate, which resulted in a sizeable portion of the capital gains on real estate being based on non-taxed amounts.

The adoption of the euro and the ability to borrow at unprecedentedly low interest rates meant large groups of the population were able, for the first time, to purchase their own home, which gave added impetus to the real estate market. This, in turn, led to a tremendous spike in transaction values which in many cases were higher than property values in countries of northern Europe.

However, in contrast with what happened in other countries of the European South, Greek construction companies relied heavily, even after 2002, on their own capital as opposed to bank lending. This conservative approach on the part of construction firms held back the real estate market at least during the first two years of the crisis from 2008 to 2010 when price reductions essentially remained at reasonable levels.

The complete degradation of the Greek real estate market began in 2010 with the introduction of the Emergency Property Tax. This tax, imposed with the aim of achieving budget deficit targets, came in the form of an emergency levy that did not replace but was added to the existing Single Property Tax and the various other taxes levied on real estate.

The economic crisis, the drastic reduction in the availability of housing loans, the over-taxation of property possession and the widespread fear that the country might leave the Eurozone, in conjunction with the opportunity afforded by the common currency for safer investments abroad, pushed Greek property prices to levels lower than those of the 1980s.

Despite the considerable drop in prices, the interest of Greeks in real estate investments in the country has in effect been confined to properties for owner occupation or holiday homes. The market for stores, office space or even apartments for rent is basically at a standstill and there will be little hope of recovery unless the tax on property possession is drastically reduced, because no investor wants at the present time to assume the risk of a property remaining unrented whilst still having to pay not only the maintenance costs but also the sizeable taxes for possession of the property.

The integration of the Real Estate Tax and Emergency Property Tax has been announced but no details have yet been specified, whilst the announcement/commitment that in the coming years taxation must yield the same amounts of taxes as those collected from the Emergency Property Tax leads necessarily to the conclusion that the taxation of property possession in Greece will remain at excessively high levels.

In view of the above, the Greek real estate market at the present time is of interest only to private individuals wishing to purchase properties for owner occupation or for their own holiday use, since to such prospective buyers the issue of investment return is of secondary importance. It should however be pointed out here that particularly in the case of this category of interested buyers, conditions are more than ideal, at least with regard to purchase prices, since in practice the payment amount is determined not by sellers but on the basis of buyers' offers.

II. The Greek real estate market for foreign investors

The real estate market in Greece is a difficult one, which is why foreign investors still show little interest in it. The main problems persist:

1. Uncertain returns
2. Taxation of real estate as a whole and the instability of the tax system

3. High investment costs
4. Lack of a national cadastre and clear-cut building regulations in many parts of the country
5. Lack of financing

Despite the above ongoing shortcomings in the general framework of property transactions, there are at the present time sub-sectors of the real estate market which could and should be of interest to foreign investors, since they are affected only peripherally by the crisis (tourism real estate, holiday homes, energy-efficient buildings) or because opportunities have arisen precisely because of the crisis (privatizations).

- **Tourism real estate:** In this sub-sector the crisis indeed conceals numerous opportunities for foreign investors, since many hotels are available for purchase or joint operation at prices which five years ago would have been inconceivable, whilst at the same time the country's tourist flows – which even in the worst phase of the crisis fell only slightly – ensure quite steady returns in the future too.
- **Privatizations:** In order to curb the country's deficit, the Greek government in the summer of 2011 decided to sell off a large number of state assets. These include land holdings and real estate which can be considered unique not only at a national but also at a Europe-wide level. By way of indication, the privatization program includes the development of Athens' former international airport at Hellenikon (the site is three times the size of Monaco), the sale of numerous properties housing public services and embassies in Greece and abroad, the sale of state-owned hotels in unique locations.
- **Holiday homes:** This sub-sector of the real estate market offers countless quality properties in privileged locations. Even if there is a further decrease in prices, it is expected to be more of a corrective nature.
- **Energy-efficient buildings:** Also of particular interest to foreign buyers are properties that are combined with photovoltaic installations and energy-saving technologies. Holiday homes in particular, when combined with photovoltaics, can – through the income earned from the installation – cover the costs of maintaining and possessing a property. In some cases they can even generate additional income.

B. Categories of real estate in Greece

I. Residential properties

Residential properties make up the largest segment of the real estate market in Greece. The housing needs of sizeable sections of the population since 1960, coupled with a lack of bank financing resulted in the growth of the residential property market through the system of *antiparochi*, an arrangement whereby the owner of a building plot is compensated with apartments in lieu of payment for land he conveys to a contractor who then builds an apartment block on the plot. At its height, this system led in 2007 to a stock of 200,000-250,000 newly built apartments which even today, after the almost complete cessation of construction work, sit on the market and remain unsold.

This uniquely Greek system of *antiparochi* explains why, in contrast with other European countries, the majority of residences in Greece are divided rather than single properties, something which in many cases makes their management difficult.

The big advantage of the *antiparochi* system has been the high percentage of owner-occupancy, which in Greece stands at 80.1%.

Generally speaking, residential properties in Greece fall into the following main categories:

1. Neoclassical
As is the case in many countries, listed (designated) – usually neoclassical – properties are in great demand, at least those located in safe, quiet areas of towns or cities. The market for such buildings is effectively quite small, given that the stock of such properties is now limited. Apart from renovated neoclassical homes, some neoclassical residences have been demolished and rebuilt from scratch, which means they meet the latest construction standards. The purchase of old listed buildings demands great care and most certainly the assistance of specialized civil engineers.

2. Apartment buildings of the interwar period
These apartment buildings too are listed. They are located in urban districts, mainly in the center of Athens (Kolonaki, Neapoli, Kypseli, Patissia), whilst their architectural value is distinctive and recognized not only by architects. The apartments usually feature rooms with high ceilings, spacious floor plans and tastefully designed communal reception areas, elements which enable their use for both residential and professional purposes.

3. Newer apartment buildings
The majority of apartment buildings in the main urban centers of Greece were built in the 1970s. A distinguishing characteristic of apartment buildings after the 1980s and especially after the 1990s has been their enhanced seismic safety. Particularly in the case of apartment blocks built from 1990 onward, prospective buyers should pay close attention to any town planning violations in semi-open spaces, as well as possible changes of use. With regard to apartment buildings erected after 2000, greater emphasis has been placed on thermal insulation and energy balance in general, with the use of double glazing, natural gas for heating, solar water heaters and in some cases photovoltaic systems for additional energy saving.

II. Commercial Properties

Most stores in Greece are located on the ground floor of apartment buildings and more rarely in separate properties. With the advent of foreign chain stores and the more general expansion of the retail sector since the 1990s, a number of properties have been built exclusively to accommodate retail companies. The recent period of continually falling rents in the commercial properties market is expected to end in 2014, which may in turn stabilize sale prices. Following the withdrawal from the Greek retail market of two multinationals – one German and the other French –the most likely outlook is calculated expansion to existing building installations.

III. Shopping Malls

Following a series of large-scale shopping mall developments from 2000 onward, the construction of such complexes in Greece has now declined significantly. Investments in the development of new malls are not progressing, as companies cut back and adopt a wait-and-see attitude until they see signs of improvement in the business and consumer climate.

According to the latest survey by Cushman & Wakefield, Greece has one of the lowest rankings among 34 countries with regard to shopping mall development, as well as in the table of shopping center density (square meters of mall space per 100 inhabitants).

Also of interest to foreign investors is the privatization of the country's airports, which will be combined with licenses for commercial activities in the airports as well as for the development of shopping malls on nearby sites.

IV. Country Homes

Country homes can be divided into three categories. Old detached houses within settlements, modern dwellings in small groups that border or are in locations outside settlements, and newly built homes that are usually located outside settlements on plots of over 4,000 m^2, on which it is permitted to build outside the town or city plan.

The country homes sector has grown considerably, although transactions have mainly involved sales of properties to Greeks, while the participation of non-Greeks in this market remains low, particularly when compared to the corresponding situation in other Mediterranean countries such as Spain and Italy.

V. Hotels

In the Greek tourism market, small businesses are active alongside a number of large companies. According to the agency 'Invest in Greece', most hotels in Greece are in the one- and two-star accommodation category, so there is considered to be great investment potential for the creation of four- and five-star hotels. According to the 'Greek Hotel Branding Report', brand-name hotels in Greece account for just 4% of the total number of hotels and 19% of total room availability, compared to between 25% and 40% in other European countries.

C. Procedure for Purchasing Real Estate in Greece

Despite improvements regarding certain specific matters, purchasing real estate in Greece continues to be a fairly time-consuming and bureaucratic procedure that demands the involvement of lawyers, notaries and civil engineers. In most cases, the assistance of a specialized accountant is also necessary, especially when the buyer is a non-Greek or an overseas resident. However, one advantage of all this red tape is that if the aforesaid advisers have been chosen properly, the buyer will make a quite safe purchase without any unpleasant surprises on account of unknown encumbrances, defects, damage, debts to third parties, town planning infringements or other hidden drawbacks of the property, since the compulsory participation of specialists can, under normal conditions, protect the legal and financial interests of real estate buyers in Greece.

The process of purchasing real estate in Greece involves three phases: The initial phase of choosing the right property (I); the phase of checks, negotiations and preparation (II) and the phase of signing the contract before a notary public and its registration at the local Land Registry Office and in the National Cadastre (III).

I. Choosing the right property

When making the choice of the right property, it is advisable to seek help from real estate agencies, preferably those agencies which now provide reliable services in Greece. Nevertheless, in contrast with other European countries, many owners in Greece still offer their properties directly for sale on Internet sites such as www.xe.gr and www.spitogatos.gr without the mediation of a broker.

By way of indication, the factors that should be taken into consideration by prospective buyers when choosing the right property include the following:

1. Factors relating to the location

- green spaces
- safety
- noise levels
- proximity to airports
- rail or other mass transit connections
- seismic activity of the area
- available parking space
- ease of access to schools, public services, hospitals
- disruptive activities in the area (industry, airports, etc.)

2. Factors relating to the property itself

Particularly in the phase of choosing the right property from among real estate located in the same or in comparable areas, interested buyers should evaluate and compare properties on the basis of the following information:

- Actual size of the property as well as the size of the property as stated in the contract, in the relevant tax declaration and on the electricity bill, since it is on the basis of this bill that taxes and duties on the property are determined. Foreign buyers especially should be aware that on account of town planning violations, there are often discrepancies between actual surface area and the surface area declared in contracts.
- Compliance with town planning regulations. In particular, whether there have been any town planning infringements and, if yes, whether they have been addressed.
- Technical condition of the property.
- Existing buildings and possibility of construction on adjacent plots.
- View from the property.
- The possibility of renting the property and its rental price.

Having the above information, interested buyers can compare more properties on the basis of the price for the legally established size of the property before deciding on the offer that represents the best value for money.

II. Checks and Negotiations

After choosing the best property, a legal and technical assessment of the real estate is recommended. Non-Greeks and overseas residents are advised at this point to refer the matter to a law firm that will undertake the legal assessment, assign the technical assessment, make preparations for negotiations with the seller in a manner that will safeguard the buyer's interests and coordinate all steps necessary for the purchase of the property.

1. Commitment of the Seller – Preliminary Agreement Deposit

Prior to the legal assessment, overseas residents in particular are advised to obtain a commitment from the seller of the property that he or she will not sell the latter to any other person for as long as it takes to carry out the legal and technical assessments. In the past, it was usual to pay a deposit for this purpose. In the present circumstances, however, and thanks to the speeding up of procedures, it is now possible to secure a unilateral commitment on the part of the seller without the payment of any deposit. Otherwise, deposits are usually paid only in cases in which the seller needs cash for the settlement of town planning infringements relating to the property[1]. Once the relevant undertaking of the seller has been signed, the legal and technical assessments can be carried out.

2. Legal Assessment

The legal assessment is absolutely necessary and should include an inspection not only of the title deeds (to verify that the property indeed belongs to the seller and has no encumbrances)[2] but also of the following:

- The validity and authenticity of all documents and certificates
- The documents evidencing settlement of town planning infringements
- The deed establishing a horizontal property
- The property ownership declarations (E9 income tax form) of the previous owner
- Electricity bills, to verify that they state the correct surface area and zone rates on the basis of which taxes are calculated
- Verification that there are no common expenses owing
- The insurance policy

1 In such cases, when a deposit is paid to cover the expenses of putting the property in order, it should be accompanied by the signing of a notarial preliminary agreement.

2a. Inspection of the Transfer Records at the local Land Registry Office to verify that the property being conveyed indeed belongs to the seller and whether it has belonged to him/her for at least 20 years.

b. Inspection of the Encumbrance Records at the local Land Registry Office to ascertain whether there are any mortgages, prenotations of mortgage, foreclosures or litigation in the name of the seller or his/her predecessors.

- The inventory of electrical appliances and other objects which are to be conveyed along with the property

In the case of rented property:

- the rental agreement and
- whether the stipulated guarantees are available
- any assignments and prepayments of rent
- with regard to business premises, whether a permit has been issued for the specific use of the property by the tenant

Particularly when the buyer is a foreign citizen, it is advisable for his/her lawyer to carry out an **on-site inspection of the property** to be purchased, since many matters which are obvious to Greek buyers may be overlooked by foreign buyers.

3. Technical Assessment

As of 2011, the seller of a property is obliged to furnish an engineer's certificate, for the issuance of which the engineer must inspect the property to establish whether it infringes any town planning regulations and, if yes, which. At the same time, an **energy rating certificate** is also issued. This procedure, which places no financial burden on the buyer, gives the latter an initial idea about the condition of the property. If, however, the buyer requires further information about the quality of construction, the degree of seismic protection, etc., he or she is advised to request a technical inspection by the civil engineer of the seller.

In the case of purchase of a building plot, the civil engineer checks:

- Whether the plot fulfils the relevant requirements for construction or development
- Whether there are any pending matters with regard to outstanding contributions in land or cash, suspension of the issuance of building permits, expropriation for reasons of public interest, the performance of road or other projects, the possible designation of the plot as a wooded area, forest land or land earmarked for reforestation, as a natural habitat, foreshore, archaeological site, military zone, etc.
- The permitted and prohibited land uses

4. Preparation – Power of Attorney

Along with the legal and technical assessments, it is also important – especially for non-Greeks and overseas residents – to make the proper preparations for the purchase of the property. More specifically, these include:

a. Opening an account at a Greek bank

In Greece, the purchase price is usually paid by bank check upon signing the contract. For this reason and in order to obtain stronger proof of the importation of capital from abroad, foreign nationals buying property in Greece are advised to open an account at a Greek bank, which in any case they will also need subsequently for the day-to-day management of the property.

b. Enhanced power of attorney

In the event that the buyer is represented by a lawyer, a power of attorney to this effect must immediately be drawn up. The document can be signed at a Greek Consulate or a notary public abroad. Due to the fact that public services in Greece recognize only explicit instructions, and because each power of attorney signed abroad is quite costly, prospective buyers are advised to sign a power of attorney containing many clear instructions, even if only some of these are required before the process is completed. Apart from the instructions pertaining to the specific property, it is advisable to include also the following mandates which may be useful before or after the purchase of the property:

1. Application for and receipt of a Tax Registration Number from the Tax Office for Overseas Residents.
2. Receipt of Taxisnet codes and key numbers (for online tax services).
3. Receipt of a tax clearance certificate (attesting fulfillment of all tax obligations).
4. Assignment of a survey of the property to an engineer (technical assessment).
5. Certificate attesting compliance with town planning regulations.
6. Appointment of a notary public.
7. Signing of any preliminary purchase agreement.
8. Payment of deposit if required.
9. Signing and filing of tax declarations with the local Tax Office (in the area of the property).
10. Securing of benefits on account of primary residence status, subject to entitlement.
11. Payment of any taxes due.
12. Signing of final contract.
13. Payment of the purchase price.
14. Payment of the notary public.
15. Signing of documents evidencing mortgage repayment and release or the lifting of conditions subsequent (if any).
16. Mandate to appear and represent the buyer before all courts and authorities (especially tax and administrative courts, up to the Council of State) in the event of any problem arising.
17. Mandate to institute legal proceedings regarding any matter arising in the future from the purchase of the specific property.
18. Registration in the National Cadastre.
19. Remedying of any legal matters arising due to erroneous registration in the Cadastre (error on the part of government authorities).
20. Appointment of an accountant.
21. Filing of Tax Return (E1, E2 and E9 forms).

5. Negotiations

The legal and technical assessments are usually followed by final negotiations, in the framework of which written undertakings/guarantees, supporting documents, corrections or adjustment of the purchase price may be requested. In every case, buyers are advised to conduct final negotiations always in the presence of lawyers.

III. Notary Public, Land Registry and Cadastre

Once a binding document has been signed by the seller, the buyer of the property can instruct the notary to draw up the contract.

When the notary is instructed to draw up the contract, the seller of the property must furnish the following documents:

- Certificate of Tax Clearance from the competent Tax Office attesting that the seller has no outstanding tax obligations.
- Certificate from the local municipality or community attesting that no Real Estate Tax is owing.
- Application/Certificate from the competent Tax Office, evidencing that all tax obligations have been fulfilled with regard to inheritance, parental gift or donation when the seller has acquired ownership of the property through inheritance, parental gift or donation.
- Certificate from the Social Insurance Institute evidencing the seller's payment of social security contributions, whenever required.
- Energy Performance Certificate from a civil engineer.
- Certificate from a civil engineer attesting that the property does not infringe any town planning regulations.
- Certificate from a civil engineer attesting completion of the procedure for making the property subject to the provisions of article 24, Law 4014/2011, in the event of town planning infringements.
- Certificate from the competent Town Planning Office attesting completion of the procedure for the legalization of semi-open spaces or a change of use.
- Topographic plan.
- Extract of the cadastral map.
- Copy of the planning permission, if the building permit was issued after 14-3-1983.
- Certificate from the competent Tax Office attesting payment of all Real Estate Tax, in the event that the seller is a legal entity.
- Certified photocopy from the competent Tax Office of the receipt evidencing payment of the Single Property Tax for 2009, containing a description of the property being conveyed, along with a certificate attesting payment of the applicable distributive tax for the property being conveyed.

The buyer must furnish the following documents:

- Identity card or valid passport.
- Receipts from the competent Tax Office evidencing payment of the Property Transfer Tax for the real estate that is to be purchased. For the purpose of calculating and paying this tax, the buyer will have submitted to the competent Tax Office – prior to the signing of the contract – a special declaration drawn up by a notary.
- Tax Registration Number: In the case of non-residents of Greece, an application for a tax registration number must have been submitted to the Tax Office for Overseas Residents in Athens.

- The payment amount for the property, usually in the form of a bank check. This requirement concerning the immediate settlement of the payment amount upon signing the contract may appear unusual to many foreign investors, given that the corresponding procedures in their own countries are usually carried out by means of bank transfers or the use of an escrow account. At any rate, foreign investors are advised to open an account at a Greek bank, to which the payment amount is transferred, so that a bank check can subsequently be issued for settlement of the payment amount. The same procedure is also recommended for smaller sums, e.g. the payment of tax liabilities, since it evidences the importation of the corresponding amount into the country.

After the signing of the contract and issuance of a photocopy thereof by the notary public, the lawyer undertakes the task of registering the contract in the Land Registry Office of the area in which the property is located or in the competent Cadastral Office if the area has been incorporated in the National Cadastre. Registration completes the transfer of the property to the new owner and a Registration Certificate is issued to this effect, which must be kept along with the contract since it will be necessary for any future conveyance of the property.

IV. Post-purchase obligations

Prospective buyers often overlook the fact that the purchase of real estate gives rise to a number of obligations toward public services and third parties, as well as a number of tax liabilities which must be settled during or immediately after the property purchase. In addition to registration and recording in the Cadastre, buyers should bear in mind the following:

1. General

- Public Power Corporation (DEI)
- Athens Water Supply and Sewerage Company (EYDAP)
- Common expenses: Notification to the apartment building superintendent
- Public Gas Corporation (DEPA)
- In the case of rented properties: Notification to the tenant regarding the change of owner and the way in which the rent is to be paid

2. Tax

- Declaration of the property on the E9 income tax form
- Declaration of income from renting the property
- Non-Greeks and overseas residents should in every case consult a specialized accountant who will take care of all the necessary declarations
- Non-Greeks residing abroad who rent property in Greece during the summer as tourist accommodation should be aware that income from such rentals is taxed in Greece, even when the rent is paid abroad

D. Expenses for purchase of real estate in Greece

The expenses for purchasing real estate are summarized below, based on the transfer of an old property with a value of €100,000

Property Transfer Tax 10%	€10,000.00
Municipal Tax 3% of the Property Transfer Tax	€300.00
Real Estate Agent 2% + 23% VAT	€2,460.00
Notary Public 1% + VAT without expenses for photocopies	€1,230.00
Civil engineer (optional)	€300 – 500
Lawyer 1% + VAT without additional services	€1,230,00
Translations for non-Greeks, usually 20 pages x €15	€300.00
Total expenditure	**€15,820 or 15.8%**

E. Taxation of real estate in Greece

The only certainty to date regarding taxation in Greece, particularly in the case of real estate, has been the constant change of the taxation framework and tax rates. The Greek bailout package and the mindset of creditors and of all governments, according to which the only sure revenue for the state coffers was revenue from the taxation of real estate, exacerbated the instability of the tax system and led to additional taxation which, however, has made property investment in Greece unattractive and has virtually frozen real estate transactions.

The only consolation at this time is that both lenders and the present government appear to have realized that overtaxation does not generate more revenue, at least in the case of revenue from the Property Transfer Tax. For this reason, a reduction of tax rates has already been announced, not only for the purchase but also the possession of property. The final provisions are expected to be announced shortly, following consultations with the 'troika' (representatives of the European Commission, the International Monetary Fund and the European Central Bank).

I. Taxable value of the property ('objective' value)

The taxation of real estate in Greece is largely based on the so-called 'objective' value of a property as determined by decision of the finance minister. Every 5-10 years, the finance ministry sets zone rates for the entire country, which correspond to the value of a newly built flat on the first floor of an apartment building in a specific area/zone. The taxable value of a property is calculated after multiplication with coefficients corresponding to factors that are considered by the law to affect the property values. The main coefficients are the following:

Facade coefficient: 1.00 for a face on just one street, 1.05 for faces on two or more streets or on a street and square and 0.80 when there is no face on the street.

Commerciality and floor coefficient (indicative): If the commerciality coefficient is greater or equal to 1.5 and lower than 3, a floor coefficient of 0.60 is applied for the basement, 1.20 for the ground floor, 1.10 for the 1st floor, 1.05 for the 2nd floor, 1.10 for the 3rd floor, 1.15 for the 4th floor, 1.20 for the 5th floor, 1.25 for the 6th or higher floor.

Surface area of main spaces coefficient: 1.10 for a surface area less than or equal to 25 m^2, 1.05 for a surface area greater than 25 m^2 or less than or equal to 50 m^2, 1.00 for a surface area greater than 50 m^2 and less than or equal to 100 m^2, 0.90 for a surface area greater than 100 m^2 and less than or equal to 200 m^2, 0.85 for a surface area greater than 200 m^2 and less than or equal to 300 m^2, 0.80 for a surface area greater than 300 m^2. For the purpose of calculating the surface area coefficient, 'area' is taken to be the aggregate square meters of the main spaces plus 20% of the surface area of auxiliary spaces.

Age coefficient: 0.90 from 1 to 5 years, 0.80 from 6 to 10 years, 0.75 from 11 to 15 years, 0.70 from 16 to 20 years, 0.65 from 21 to 25 years, 0.60 for 26 years and older.

Special status coefficients: 0.80 for listed buildings, 0.75 for expropriated properties and 0.40 for unfinished buildings.

Calculation example: Apartment 100 m^2 on the 1st floor in an area with a zone rate of €1,000 in an apartment building constructed in 1975 with a face on one street and a commerciality coefficient of 1.8:

100,000 x	1.00 face coefficient = 100,000
	1.10 commerciality and floor coefficient = €110,000
	1.00 surface area coefficient = €110,000
110,000 x	0.60 age coefficient = €66,000

Objective value: €66,000

In actual transactions, the objective value determined in the above manner is calculated precisely by the notary public and in the real estate market constitutes the lowest price on the basis of which the property will be taxed, even if the agreed payment amount is less. In the event that the agreed payment amount is higher, the tax is calculated on the higher, agreed payment amount.

II. Tax on purchase of real estate in Greece

1. Tax rates

The purchase of real estate is taxed in two different ways in Greece, depending on whether it is a building plot/old residence **(a)** or a newly built property whose construction permit was issued after 01.01.2006 **(b)**.

a) Tax on purchase of building plots and old/used properties

In the case of sales of building plots or old/used properties whose construction permit was issued before 2006 (the majority of properties), a Property Transfer Tax and a Municipal Tax are levied, the rates of which are as follows:

Payment amount or Objective Value of the Property	**Property Transfer Tax**	**Municipal or Community Tax**	**Final tax amount**
First €20,000	8% on the objective value of the property	3% on the Property Transfer Tax	For Payment Amount or Objective Value. €20,000 x 8% = €1,600 x 3% = €48, Total €1,648
From €20,000 and above	10% on the excess amount of the property's objective value	3% on the Property Transfer Tax	For Payment Amount or Objective Value. €100,000, for first €20,000 = €1,648 and for remainder €80,000 x 10% = €8,000 x 3% = €240, Total €8,240 + €1,648 = **€9,888**

b) Tax on purchase of newly constructed properties

In the case of new buildings whose construction permit was issued after 1 January, 2006 (newly built properties) and which are being conveyed for the first time since their completion, the Property Transfer Tax is replaced by 23% VAT on the objective value of the property. Thus, for a home with a payment amount or minimum objective value of €100,000, the buyer will be liable to pay €23,000 in VAT. It should be noted that after the first conveyance VAT is no longer owed, only the Property Transfer Tax.

c) Agreed payment amount and 'objective' value

In actual transactions, the objective value is precisely calculated by a notary public and in the real estate market constitutes the lowest price on the basis of which the property purchase will be taxed, even if the agreed payment amount is less. In the event that the agreed payment amount is higher, the tax is calculated on the higher, agreed payment amount.

Agreed payment amount lower than objective value: If, for example, an apartment is sold for €50,000 and has an objective value of €100,000, the taxpayer purchaser will be liable to pay Property Transfer Tax of 10% on the objective value of €100,000. In other words, in such a case, which on account of the economic crisis is no longer rare, the taxpayer is required to pay 20% tax on the agreed payment amount and will continue to pay property possession taxes also on the higher objective value.

Agreed payment amount higher than objective value: Conversely, if a payment amount of €100,000 is agreed and the objective value is €50,000, the rate of the Property Transfer Tax or VAT will be applied to the €100,000, not the objective value.

Attention: Foreign nationals purchasing real estate in Greece should exercise caution and avoid the following two cases in particular:

1. When the payment amount exceeds the objective value, the seller or other advisers may propose – for the purpose of 'saving' on tax – the declaration of the objective value in the contract and cash payment of the amount in excess of the objective value. Despite any assurances to the contrary by the seller or advisers, buyers should be aware that agreeing to such an arrangement constitutes tax evasion, for which severe penalties are now prescribed in Greece.

2. The agreed payment amount is lower than the objective value and despite this, due to error or at the urging of the buyer, the objective value is declared in the contract rather than the lower agreed price. Such an instance is to the seller's benefit because it appears that he or she received a larger amount and this amount can then be used to conceal other, untaxed income. In contrast, the buyer risks being taxed at a later date for the amount that was declared but never actually paid. For this reason, even when the agreed payment amount is lower than the objective value and irrespective of the fact that tax will be calculated on the higher, objective value, the contract must state the lower, agreed payment amount that was actually paid.

More generally, particularly in the case of foreign nationals, the assistance of a specialized accountant is always advisable, from the initial phase of purchasing a property, so that any mistakes or violations can be avoided.

2. Evidence (presumption) of asset acquisition

a) 'Source of wealth'

According to provisions in force, the acquisition of property in Greece also constitutes evidence or a presumption of the buyer's income in the respective financial year. If the buyer of the property cannot justify the payment amount on the basis of previously earned income, he or she is liable to pay additional income tax for the financial year during which the property was purchased.

The above presumption relating to the acquisition of assets does not apply to foreign nationals residing abroad whose income is taxed only outside Greece, provided the overseas resident evidences the importation into the country of capital corresponding to the payment amount and all related purchase expenses. In every case and in order to avoid mistakes that may have unpleasant consequences, overseas residents should consult a specialized accountant when filing their first tax return in Greece after buying property.

b) Suspension of 'source of wealth' provisions until 31.12.2013

Pursuant to Ministerial Circular 1165/2011 which was adopted with the aim of boosting the real estate market, the above presumptions are not applicable for properties acquired and buildings erected **after 17.12.2010 and up to 31.12.2013**.

Specifically, the provisions on 'source of wealth' are not applicable to:

- the purchase of any real estate (primary residence, secondary residence, country home, store, building plot, land plot, etc.)
- the construction of buildings
- the timeshare or financial leasing of any property
- the construction of swimming pools

3. Tax exemption for purchase of primary residence [homestead exemption]
For the first time in Greece, article 1 of Law 1078/1980 provided for exemption from the transfer tax and abolition of the income presumption for the purchase of a primary residence. The purpose of this regulation was to boost construction activity whilst at the same time helping financially weaker sections of the population acquire a primary residence without having to pay tax.

a) Tax-free limits
In the event that someone buys real estate (apartment or building plot) for the purpose of using it or erecting a primary residence, provision has been made for tax exemptions which are calculated on the basis of the value of the transferred property. The tax-free limits for the purchase, donation or inheritance of a primary residence or building plot according to Law 3842/2010 are as follows:

	Residence up to a value of	Building plot up to a value of
Single person	€200,000	€50,000
Single with a disability rating of 67% on account of mental retardation or physical handicap	€250,000	
Married person	€250,000	€100,000
Married with a disability rating of 67% on account of mental retardation or physical handicap	€275,000	
Married with 1 child	€275,000	€110,000
Married with 2 children	€300,000	€120,000
Married with 3 children	€330,000	€135,000
Married with 4 children	€360,000	€150,000

In the case of the purchase of a residence, the amount of exemption includes the value of one parking place and one storage space, each with a surface area of up to 20 m^2, provided they are located on the same property and are acquired simultaneously with the same purchase contract.

b) Tax exemption on primary residence for EU - Residents
Prior to 2011, the tax exemption for the purchase of a primary residence applied only to foreign nationals and EU residents who were already residing permanently in Greece. Following a relevant decision of the European Court of Justice[3] which was directly implemented by virtue of Law 3943/2011, the exemption now applies also to EU resident persons who **intend to settle in the country within no later than two years from the property purchase.**

Specifically, article **23, par. 4-5 of Law 3943/2011 (Government Gazette 66 A/31-3-2011)** stipulates that the exemption applies only to natural persons (married or single), provided they are residing permanently in Greece **or intend to settle in the country within no later than two years**

3 Judgment of the Court of Justice of the European Union of 20.01.2011 in case C-155/09.

from the purchase. If the buyer does not settle in Greece within two years from the purchase, he or she shall be obliged to submit a declaration within six months from the expiry of the two-year time limit and pay tax in accordance with the provisions of the preceding subparagraph. For tax calculation purposes, the value of the property at the time of submitting the declaration is taken into consideration.

III. Tax on the resale of property in Greece

The new tax legislation (Law 4110/2013) reintroduced the so-called property capital gains tax. According to the new provisions, tax is now levied on capital gains realized from the sale of property. This tax is calculated on the difference between the sale price and the acquisition price of the property, which is taxed at a rate of 20%. Payment of the tax discharges the relevant liability. The value of the property at the time of its purchase and resale is assessed by the system of objective determination of property values or the payment amount declared in the contract if the latter is higher.

It should be noted that the tax is levied on properties acquired by any means (sale, donation or parental gift) after 1 January 2013 and for capital gains over €25,000 which are realized when these properties are later resold. **That is, it is not levied on properties that were acquired prior to 1 January 2013, regardless of when they are sold.**

Capital gain on the property is calculated on deflated prices by applying the following age coefficients:

Capital gains tax on property

Number of years held	**Age coefficient**
From 1 to 5	0.90
Over 5 up to 10	0.80
Over 10 up to 15	0.75
Over 15 up to 20	0.70
Over 20 up to 25	0.65
Over 25	0.60

The capital gains tax is not levied on:

- The gain realized from business activity relating to property transactions.
- The gain realized from the sale of property that constitutes the fixed asset of a legal entity.
- The gain up to **€25,000** realized from the transfer of property, provided the latter has been held for a period of at least five years. This exception does not apply to natural persons who carry out more than one transfer within the five-year period.
- Non-pecuniary transfers of property which continue to be taxed in accordance with the provisions of the Tax Code for Inheritances, Donations and Parental Gifts.

IV. Taxation of property possession in Greece

All natural persons and legal entities, irrespective of their nationality, place of residence or registered office, are taxed on the real assets they hold in Greece. This section deals only with taxes relating exclusively to the possession of property and not the income generated from their possible utilization, to which separate reference is made in paragraph E.IV. which focuses on the taxation of income earned from property.

1. Real Estate Tax

Real estate tax is levied on the total value of each natural person's real assets according to the following scale:

Band	Tax Rate	Tax per Band	Total Real Property	Total Tax
€200,000	0	0	€200,000	0
€300,000	0.2%	600.00	€500,000	600.00
€100,000	0.3%	300.00	€600,000	900.00
€100,000	0.6%	600.00	€700,000	1,500.00
€100,000	0.9 %	900.00	€800,000	2,400.00
Excess	1%			

2. Emergency Property Tax

The Emergency Property Tax was introduced in 2011 for overriding reasons of national interest to immediately reduce the country's budget deficit. Since then, this tax has been levied on built properties electrified for residential or commercial use and ranges from €3 to €16 per square meter, increasing on a sliding scale depending on the age of the property.

Zone rate (€/m^2)	Coefficient
up to 500 euros	3
501 - 1,000 euros	4
1,001 -1,500 euros	5
1,501 - 2,000 euros	6
2,001 - 2,500 euros	8
2,501 - 3,000 euros	10
3,001 - 4,000 euros	12
4,001 - 5,000 euros	14

over 5,001 euros	16

3. Municipal Taxes and Duties
In addition to the above taxes, a further three taxes/duties are payable to the municipality or community in which the property is located. The total annual liability arising from these latter taxes ranges from 0.2% to 0.8% of the objective value of the property and is paid together with the electricity bill.

4. Tax on property possession taxes
All the above taxes and duties, which in total constitute a liability of approximately 1% to 3% of the objective value of the property, cannot be deducted as expenses from the taxpayer's income. In other words, the amounts paid by the taxpayer for the settlement of the aforesaid property possession taxes are treated by the Greek state as income and as such they are re-taxed with income tax and a solidarity surcharge. So, for example, a family with income of €30,000 from salaried employment which has a property with an objective value of €300,000 will spend approximately €4,000 annually for the above property possession taxes and will additionally be required to pay income tax on this €4,000 at a rate of 25% = €1,000 and a solidarity surcharge of 3% = €120, i.e. a total of €5,120 for the property in which the family resides.

V. Taxation of income from real estate in Greece

1. Taxation for 2013 (fiscal 2012)
2013 is the last year in which income from real estate will be taxed together with other income on the basis of the general income tax scale for natural persons. According to this scale, the following rates apply:

Income tax scale for 2013

Income bracket €	Tax rate %	Tax per bracket €	Total income €	Total tax €
€5,000.00	0%	0.00	5,000.00	0.00
€7,000.00	10%	700.00	12,000.00	700.00
€4,000.00	18%	720.00	16,000.00	1,420.00
€10,000.00	25%	2,500.00	26,000.00	3,920.00
€14,000.00	35%	4,900.00	40,000.00	8,820.00
€20,000.00	38%	7,600.00	60,000.00	16,420.00
€40,000.00	40%	16,000.00	100,000.00	32,420.00
Over €100,000	45%			

2. Taxation from 2014 onward

According to the provisions of the new tax law, income from real estate will henceforth be taxed separately as follows:

Income tax scale for natural persons for fiscal 2014 (for real estate)

Income bracket €	**Tax rate %**	**Tax per bracket €**	**Total income €**	**Total tax €**
12,000.00 €	10%	1,200.00	12,000.00	1,200.00
Excess	33%			

Additional tax

Under the new law, the gross amount earned from real estate is also subject to an additional tax. The rate is 3% if the surface area of the property exceeds 300 m^2 or in cases of business leasing.

3. Special Solidarity Surcharge (for fiscal years 2010-2014)

A special solidarity surcharge is levied on incomes of over €12,000 of natural persons which are earned during accounting periods 2010 through to 2015 and declared in income tax returns of the corresponding financial years 2011-2015.

4. Obligations of foreign nationals and overseas residents

a) Tax Registration Number and Income Tax Declaration

Overseas residents are obliged to provide a Greek Tax Registration Number when conducting real estate transactions. The competent tax department for such persons is the Tax Office for Overseas Residents. Natural persons who reside or stay abroad and have assets in Greece from which actual or presumed income is derived (e.g. property, rented land, etc.) are liable to tax on their income generated in Greece. (Ministerial Circular 1145/31-5-2012).

Foreign nationals residing abroad thus pay all the property possession taxes described above. However, they are obliged to submit an income tax return if they actually earn income from renting a property. Attention: the above obligation also applies in the case of occasional renting of property during the summer, even if the rentals are paid into bank accounts abroad.

b) Certificate of Fiscal Residence

This certificate is issued for the purpose of certifying a taxpayer’s place of residence, in order to make clear the way in which he or she is taxed. For example, a resident of Greece or someone who habitually resides in Greece is taxed in Greece for all the income he or she acquires both in Greece and abroad. Overseas residents are taxed in Greece only for the income earned from sources in Greece.

A person is considered to habitually reside in Greece when he or she remains on Greek territory for a period of more than 183 days in the same year. In such a case, residence is deemed to be habitual, unless the taxpayer furnishes a certificate of fiscal residence evidencing that he or she resides in a country with which Greece has entered into an agreement for the avoidance of double taxation.

F. General Observations

Generally speaking, it is clear that the Greek real estate market is currently in a worse state than the period before the adoption of the euro, with property values in many cases at levels around half of the corresponding objective value. Given these circumstances, the main question of concern to most prospective investors is whether it is worth purchasing now or whether it would be better to wait a little longer in anticipation of further price drops. In other words, are prices expected to fall even more or has the bottom been reached? To answer this question, one must examine the reasons for the sharp drop in property prices and then assess the likelihood of their continuation.

Economic crisis and shrinking income: After four years of successive decreases, most analysts now believe that even if there are further reductions of salaries and incomes, as a percentage these will be much smaller than those of the past, given that internal devaluation has already reached about 30% and the wage-cut commitments undertaken in the framework of the bailout package have already been implemented in their entirety.

Negative growth rates: According to European Commission forecasts, the negative growth rates of the past four years – which led also to the overall contraction of the Greek economy by 25% in that period – are expected to turn positive from 2014 onward, whilst for 2013 a negative growth rate of 4% is projected.

Lack of financing: With regard to financing, an improvement is anticipated following completion of the process of recapitalizing the country's banks and the gradual recovery of confidence in the Greek banking system.

Risk of exiting the euro area: Most analysts agree that this risk has been averted. Moreover, the situation described above leads to the conclusion that even in the unfortunate event of a return to the drachma, property prices will not be significantly affected since they are already at levels recorded when the drachma was the national currency.

Ability of Greeks to invest in other countries: This continues to be a reason for disinvestment and outflows of capital for investments mainly in Germany and the United Kingdom. It is believed, however, that as the situation in the country stabilizes, it would be reasonable to expect a revival of interest in Greek real estate provided the government decides to rationalize the taxation of property possession.

Lack of incentives for foreign nationals to invest in the country: The process of purchasing real estate in Greece unfortunately remains time-consuming and fraught with red tape. Nevertheless, since 2011 a serious incentive has been introduced for foreign residents of the European Union who plan to settle permanently in Greece, since they have been exempted from payment of the transfer tax or VAT for purchases with a value up to €200,000. According to the provisions of Law 3943/2011 , retirees from all EU countries (and Greeks residing abroad) who wish to settle permanently in Greece can purchase their primary residence in the country free of the property transfer tax or VAT. In the case of retirees who earn income from dividends of foreign companies, additional benefits may arise, since the taxation of these dividends is to be reduced to 10% from 2014 onward. Further new legislation is in already in force according to which residence permits will be granted to foreign investors of third countries who invest over €250,000 in the Greek real estate market.

High taxation: The main problem concerning the competitive development of the Greek real estate market is and will remain the taxation of property possession. It is clear, at least to anyone familiar with the issue who has knowledge of the incentives provided for purchasing real assets in other European countries, that no serious investor will be willing to invest in a country in which property possession taxes range from 1% to 4% of the objective value, particularly when true property values are half the corresponding objective values, a fact that results in a doubling of costs. Even in cases where present owners have drastically reduced the payment amount, investors will not be interested, because if the property cannot be rented, the taxes on possession in effect lead to gradual expropriation. Another factor that makes the real estate market uncompetitive is the inability to deduct taxes on possession as well as expenses for the maintenance and repair of properties from the income tax of the natural person or company in possession of the property, which again is taken for granted in most European countries.

Positive developments include the announcement of a 15% reduction of the Emergency Property Tax and the announced intention to integrate the Real Estate Tax and the Emergency Property Tax in a single reduced tax as of 2014. Also, the announcement of a decrease in the Property Transfer Tax and VAT with the aim of restarting the market.

Conclusion: Considering all the above, we conclude that the property market has already gone through the worst and most of the negative impacts have already been manifested in the form of property price reductions. From now on, stabilization and a slow improvement of the situation are anticipated.

For foreign and Greek buyers there are at the present time real opportunities in three sub-sectors of the real estate market where over-taxation is not a deterrent:

- Primary residences, where over-taxation is of secondary importance since anyone intending to own and occupy a property views the matter of return on investment in the longer term and in combination with future capital gains
- Tourism properties, where low prices and anticipated good returns on account of steady tourism growth serve to offset over-taxation
- Properties that combine technologies for saving and generating energy, the income from which can absorb the tax burden

In the other categories of commercial properties, shopping malls and business premises, investors should very carefully weigh anticipated returns against the tax burden they assume.