Taxes on the Real Estate Market in Greece. Legal information.

The real estate market in Greece is burdened by various taxes, which are provided for by various laws; such taxes must be paid prior to the completion of transfer of the real estate. It is important to note that transferal taxes apply only in the case of drawing up the final contract for sale. In any other case, such as that of the drawing up of the pre-agreement, even if it is drawn up by a notary public, such taxes are not required to be paid.

The various transferal taxes are in principle calculated by considering the price declared by the contracting parties. Due to past incidents of persons declaring lower prices than the ones actually contractually agreed in an attempt to pay lower taxes, Greek legislators established a system for the objective calculation of the value of real estates. Based on this system, if the contracting parties declare a price lower than the actual price, they will be charged taxes based on the actual price.

This objective calculation system is based on certain minimal values of the real estates which are initially assigned by areas ('price zones'). Eventually these price zones are influenced by other factors which shape the final objective value of the real estate. These factors are the size of the real estate, the floor on which it is located (if it is an apartment), the length of the façade (if it is a store), whether an elevator and/or heat installations exist in the building etc.

In practice however, and for many years, the objective value of real estates was, in many cases, lower than the market value of the real estates; in certain areas the objective value was found to be twice or three times less than the market value. Due to successive increases in objective values, the divergences in some areas are not so wide. A new increase in objective values is expected by the end of 2010 which will effectively narrow the gap between the objective value and the market value. The basic taxes that are imposed on a real estate sale are the Real Estate Transfer Tax, Value Added Tax (V.A.T.), the Completion of Exchange of Real Estate Tax and the Automatic Overvalue Tax.

The new tax provisions, which were enacted in April 2010, aim to abolish the taxes relating to the completion of exchange of the real estate and on automatic overvalue.

We should note that the Real Estate Transfer Tax is regulated by law no. 1587/1950 while the rest of the taxes were established mainly by law no. 3427/2005. The latter taxes used to apply to the sale of real estates which occurred after 1.1.2006 and they were imposed only in certain circumstances. The Real Estate Transfer Tax was not imposed where the seller had acquired the real estate in whatever manner after 1.1.2006 and subsequently sold it at a later date; in this case, Automatic Overvalue Tax and Transfer of Real Estate Tax were due according to law no. 3427/2005. Real Estate Transfer Tax applied provided the seller became the legal owner of the real estate prior to 1.1.2006. Following the introduction of the tax provisions of April 2010, Automatic Overvalue Tax and Real Estate Transfer Tax were effectively abolished.

Real Estate Transfer Tax

Real Estate Transfer Tax was imposed on any transfer of real estate against a price in money or in land (article 1, law 1587/1950), provided the imposition of Automatic Overvalue Tax and Completion of Exchange of Real Estate Tax did not apply according to law no. 3427/2005. This tax was levied on the price stated in the contract. However, if this price were below the objective value of the estate, the tax would be calculated on the objective value of the estate. This tax was charged by law on the purchaser of the property, who would have to pay, in full, the competent Tax Office which regulated the real estate prior to concluding the transfer deed.

Prior to April 2010, the Real Estate Transfer Tax amounted to 7%, 9% or 11% according to the following grading:

> where the real estate was outside city building plan and there were no Fire Extinguishing Services in the area, the value of up to 15.000 € was charged tax at 7%, and the remaining sum was levied tax at 9%
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> where the real estate was within city building plan or outside city building plan and Fire Extinguishing Services were provided in the area, the value of up to 15.000 € was levied tax at 9%, and the remaining sum was levied tax at 11%.

Law no. 1078/1980 used to grant an option to the purchaser to become exempt from the Real Estate Transfer Tax; this exemption applied provided the purchaser satisfied certain requirements. To be more specific, contracts for the sale of real estate property in whole and under absolute ownership from a married person were exempt from the Real Estate Transfer Tax provided the purchaser, their spouse or any of their adult offspring did not have (1) the right of absolute ownership, enjoyment or residence in another home or flat which satisfied the residential needs of his family or (2) the right of absolute ownership over a plot of land deemed fit for building, which if built would suit their residential needs, and situated in a municipality/community whose population exceeded three thousand (3.000) residents. This exemption applied to the purchase of a residence with an area up to two hundred (200) square metres or of a plot of land on which a residence with an area up to two hundred (200) square metres, regardless of their value. The mentioned area would be increased by twenty five (25) square metres for the third and each and every subsequent child, who fell under the supervision of the purchaser or the protected offspring displaying at least 67% disability. If the real estate, which was to be purchased, exceeded the maximum area, the exemption applied up to the amount of value equivalent to the relevant area.

It should be emphasized that the above exemption did not apply to those persons who did not declare Greece as their permanent place of residence. Therefore, English or American citizens who purchased real estate property in Greece as a first or second home could not be exempted from the Transfer of Estate Tax even if they did not possess another real estate in their home country.

The new tax provisions of April 2010 stipulate that the above factors will amount to 8% for the 20.000 € price of the real estate sale and 10% for any amount exceeding the latter price. In addition, the granted exemption under law no. 1078/1980 is not determined by the size of the real estate but by its value. Thus, the exemption applies to purchases of a residence of up to the value 200.000 € by an unmarried person and up to the value of 250.000 € for a married person. This amount increases by 25.000 € for each of the first two children and by 30.000 € for each of the subsequent children. In the case of a purchase of a building site, the exemption is granted for the amount of up to 50.000 € for an unmarried person, 100.000 € for a married person and 100.000 € per child (up to two children) and 15.000 € for the third child and those that may follow.

Value Added Tax (V.A.T)

Law no. 3427/2005 modified the V.A.T. Code (law no. 2859/2000) and brought about the imposition of V.A.T. for new buildings. According to the new tax provisions, V.A.T. at 19% is levied where a newly-erected real estate is acquired against a price and in money, for which building permission was issued after 1.1.2006. V.A.T. is to be paid by the purchaser- contractor and prior to signing the contract for sale in which case, Real Estate Transfer Tax does not apply.