



Press Release

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Worldwide Tax Summaries – Corporate Taxes 2015/16 – Taxation in Greece

Following the release of the global PwC report “Worldwide Tax Summaries - Corporate Taxes 2015/16” analysing the collection of corporate tax rates and regulations for more than 150 countries, PwC Greece proceeded with a more detailed analysis and comparison of the Greek tax system.

The Greek tax system is characterised by high tax rates which do not, however, result in the anticipated tax revenue. At the same time, while total annual tax revenues have remained fairly stable, the tax parameters are constantly changing, leading to a number of peculiarities, as for example:

- 7 changes in the corporate tax rate on since 2005 (nervousness)
- tax-free income, 2x the poverty threshold (many income categories are excluded)
- low minimum tax-free income and low income threshold for the maximum tax rate (medium income is punished).

In Greece, tax rates in all categories are among the highest in Europe, with tax collection, however, at the average or even lower level. The continuous changes in tax parameters do not seem to have a substantial impact on tax collection. During the economic crisis, the contribution of VAT and other indirect taxes remained stable, while the share of corporate taxes collapsed. Income taxes as well as property taxes rose consistently.

The main conclusions of the study are:

- Tax revenues in Greece are mostly based (94%) on consumption taxes (VAT, indirect taxes), personal taxes (income tax, special solidarity tax, luxury tax), and, property taxes.
- In general, there are no signs of over-taxation compared to other countries, excluding indirect and property taxes



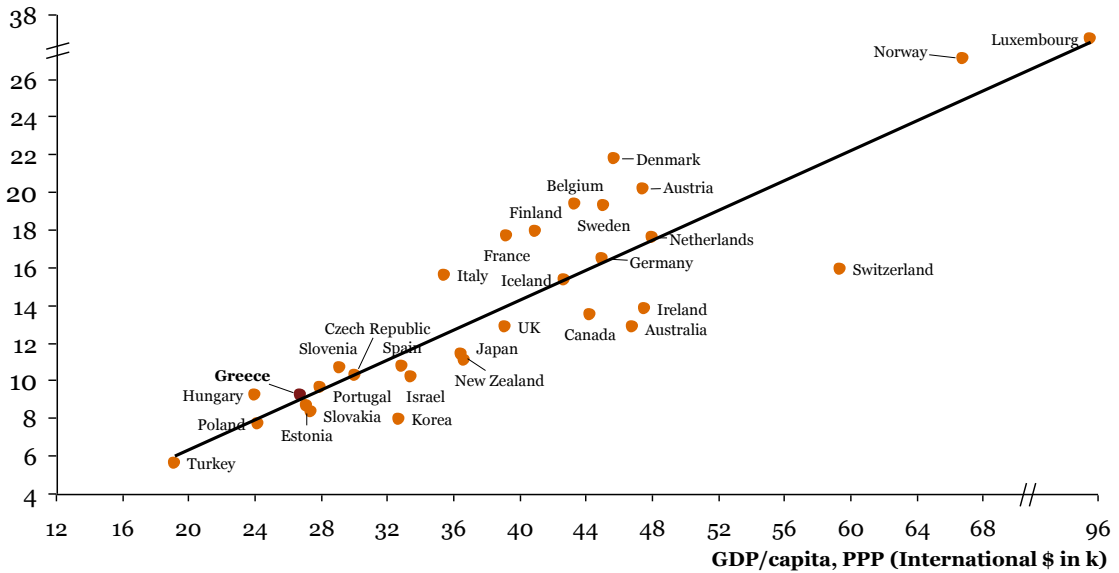
- Property taxation in Greece has increased over the last five years, by €2.5 – 3bn., contributing to the drop of house prices and the divestment in the real estate market
- VAT and indirect tax receipts are not particularly sensitive to GDP changes compared to property and corporate tax revenues
- The tax system operates in a way not facilitating tax collection. It penalises the middle incomes, while inflates the undeclared income
- Absolute tax revenues in Greece have been going down over time, although increasing as a percentage of GDP, suggesting real difficulties in raising additional tax revenues in a protracted crisis
- The VAT deficit is estimated at 34%, indicating a significant shortage in tax revenues due to tax evasion, tax avoidance and the ineffectiveness of the tax collection mechanism
- Growth is the only way for tax receipts uplift. Indicatively, GDP growth of 10% would increase total tax revenues by 11.3%
- The total reconfiguration of the tax system in the direction of simplification, reduction of tax rates, increase in tax free income appears as the key to becoming fiscally more effective, whilst facilitating growth at the same time.

Mary Psylla, Partner and Tax Leader of PwC Greece stated:

“It is of utmost importance to change the tax system. Tax collection performance lags behind the European average, while the system’s distortions hamper tax collection. Complexity and ineffectiveness are the Greek tax system’s main features, posing obstacles both to fiscal consolidation and growth”

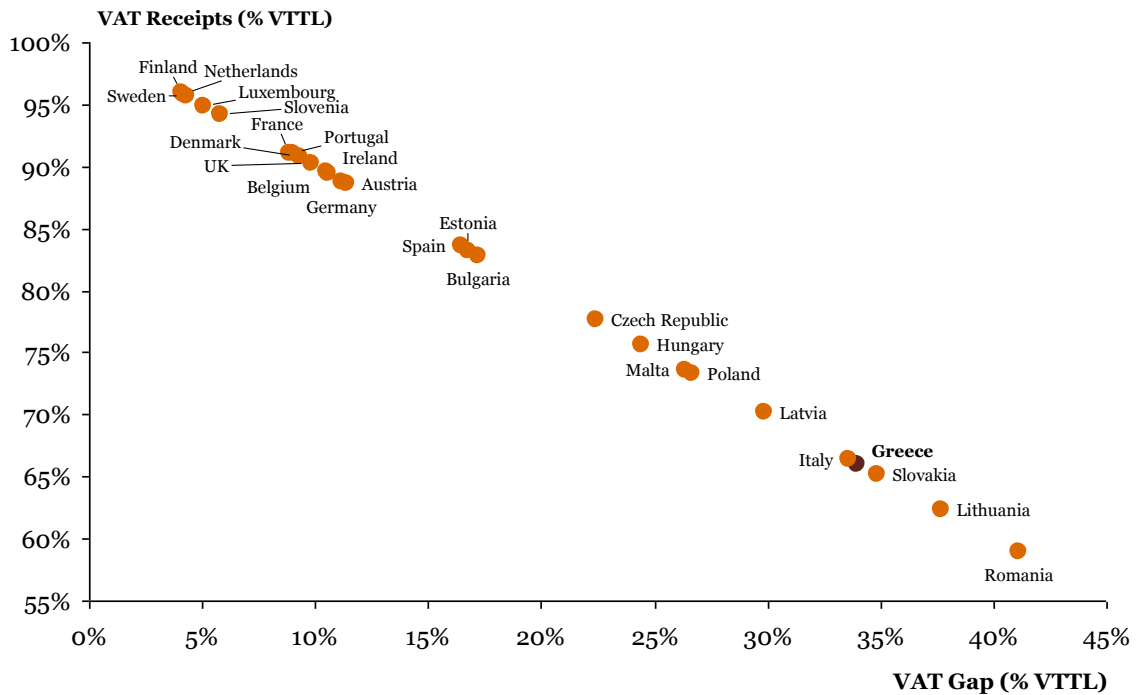


Graph 1: Total Tax Revenue/capita and GDP/capita
Tax Revenues/capita, PPP (International \$ in k)



Source: European Commission, PwC Research

Graph 2: VAT Gap in the EU



Source: European Commission (TAXUD), Parliamentary Budget Office



About the study

The *Worldwide Tax Summaries* report is available in four forms: on paper, in ebook, in PDF format and online. You can find it [here](#). Through the website, the user can have access to the most updated figures regarding important tax developments for over 20 categories of personal and corporate taxes, while there are provided the key dates of the most recent revisions. There is also a list of specialists in corporate taxation of PwC member companies around the world who can offer advice and support.

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