Greece	2000	2001	2002	2003	2004	2005	2006	2007	2007	
A. Structure of revenues								% of GDP	*Ranking* [1)]	*€ bn*
Indirect taxes	14.2	13.8	13.3	12.5	11.9	11.8	12.3	12.3	*23*	*28.1*
VAT	7.2	7.5	7.6	7.0	6.8	6.8	7.1	7.2	*18*	*16.5*
Excise duties and consumption taxes	3.1	3.1	2.9	2.8	2.6	2.6	2.4	2.5	*21*	*5.7*
Other taxes on products (incl. import duties)	3.3	2.7	2.4	2.3	2.2	2.2	2.4	2.3	*9*	*5.2*
Other taxes on production	0.6	0.5	0.3	0.3	0.3	0.3	0.3	0.3	*26*	*0.7*
Direct taxes	10.0	8.8	8.8	8.0	8.1	8.6	8.0	8.1	*23*	*18.5*
Personal income	5.0	4.5	4.5	4.4	4.4	4.6	4.6	4.7	*23*	*10.7*
Corporate income	4.1	3.4	3.4	2.9	3.0	3.2	2.7	2.6	*25*	*5.9*
Other	0.8	1.0	0.9	0.7	0.7	0.8	0.8	0.8	*11*	*1.9*
Social contributions	10.5	10.6	11.6	11.8	11.1	11.1	11.0	11.7	*16*	*26.6*
Employers´	4.9	4.9	5.5	5.4	5.1	5.0	5.0	5.4	*17*	*12.3*
Employees´	4.1	4.2	4.5	4.7	4.4	4.4	4.4	4.5	*7*	*10.3*
Self- and non-employed	1.5	1.5	1.6	1.7	1.6	1.7	1.6	1.8	*7*	*4.0*
B. Structure by level of government								% of GDP		
Central government	23.4	21.9	21.5	20.0	19.7	20.1	19.9	20.1	*18*	*45.8*
State government [2)]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	*n.a.*	*n.a.*
Local government	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	*26*	*0.5*
Social security funds	10.4	10.5	11.5	11.6	10.9	10.9	10.9	11.5	*13*	*26.2*
EU institutions	0.6	0.6	0.4	0.3	0.3	0.3	0.3	0.3	*21*	*0.6*
C. Structure by economic function								% of GDP		
Consumption	12.4	12.7	12.4	11.5	11.2	11.0	11.4	11.4	*17*	*26.0*
Labour	12.4	12.2	13.1	13.1	12.6	12.8	12.8	13.4	*21*	*30.6*
Employed	11.5	11.3	12.2	12.3	11.7	11.8	11.7	12.3	*21*	*28.0*
Paid by employers	4.9	4.9	5.5	5.4	5.1	5.0	5.0	5.4	*20*	*12.3*
Paid by employees	6.6	6.4	6.7	6.8	6.6	6.8	6.7	6.9	*19*	*15.7*
Non-employed	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.1	*11*	*2.6*
Capital	9.8	8.4	8.2	7.6	7.4	7.7	7.1	7.2	*17*	*16.5*
Capital and business income	7.4	6.4	6.6	6.1	6.0	6.3	5.7	5.7	*16*	*13.1*
Income of corporations	4.1	3.4	3.4	2.9	3.0	3.2	2.7	2.6	*26*	*5.9*
Income of households	0.8	0.7	0.7	0.7	0.6	0.7	0.7	0.8	*14*	*1.7*
Income of self-employed (incl. SSC)	2.5	2.3	2.5	2.5	2.4	2.4	2.3	2.4	*7*	*5.5*
Stocks of capital / wealth	2.4	2.0	1.6	1.5	1.3	1.4	1.5	1.5	*14*	*3.5*
Less: amounts assessed but unlikely to be collected	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
TOTAL	**34.6**	**33.2**	**33.7**	**32.3**	**31.2**	**31.5**	**31.3**	**32.1**	***22***	***73.2***
								% of GDP		
Of which environmental taxes	2.3	2.5	2.3	2.2	2.1	2.1	2.0	2.0	*25*	*4.6*
Energy	1.6	1.5	1.4	1.3	1.3	1.2	1.2	1.2	*26*	*2.7*
Of which transport fuel taxes	-	-	-	1.2	1.2	1.1	1.1	1.1	*25*	
Transport	0.8	1.0	0.9	0.8	0.9	0.8	0.8	0.8	*8*	*1.9*
Pollution/resources	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	*24*	*0.0*
D. Implicit tax rates								%		
Consumption	16.5	16.7	16.1	15.5	15.3	14.8	15.2	15.4	*27*	
Labour employed	34.5	34.6	34.4	35.6	33.7	34.2	35.1	35.5	*12*	
Capital	19.9	17.7	17.7	16.4	16.0	16.8	15.9	-		
Capital and business income	15.1	13.6	14.1	13.1	13.1	13.7	12.6	-		
Corporations	29.0	25.1	26.0	21.0	20.1	21.6	18.6	-		
Households	8.9	8.7	9.4	9.6	9.7	9.7	9.5	-		
Real GDP growth (annual rate)	4.5	4.2	3.4	5.6	4.9	2.9	4.5	4.0		
Output gap (potential)	-0.8	-0.3	-0.7	0.6	1.7	0.8	1.4	1.8		

See Annex B for explanatory notes. For classification of taxes please visit: http://ec.europa.eu/taxtrends

1) The ranking is calculated in descending order. A "1" indicates this is the highest value in the EU-27. No ranking is given if more than 10 % of data points are missing.

2) This level refers to the *Länder* in AT and DE, the *gewesten en gemeenschappen / régions et communautés* in BE and *comunidades autónomas* in ES.

n.a.: not applicable, - : not available

Source: Commission services

GREECE

Overall trends in taxation

Structure and development of tax revenues

As of 2007, the tax-to-GDP ratio (including social security contributions) stood at 32.1 % in Greece, a value markedly below the EU-27 average (37.5 %). This is the lowest tax-to-GDP ratio among the countries of the euro area (6.1 percentage points below the EA-16 average).

Indirect taxes are lower than the EU-27 average (12.3 % of GDP vs. 14.3 % of GDP) but play a more important role in Greece than either direct taxes or social contributions. Revenue from direct taxes is only about two thirds of the EU-27 average (8.1 % of GDP as compared with 12.4 % of GDP). Revenues from personal income taxes in particular account for a mere 4.7 % of GDP, compared with an EU-27 average of 8.0 % of GDP. Looking at the tax mix, the Greek tax system shows a structure similar to that of Cyprus, with a relatively low total tax ratio, low direct and, in particular, personal income taxes, and a high share of indirect taxes in the total.

The vast majority of revenues, almost two thirds of the total, flow to the central government while social security funds receive almost all of the remainder. Local government levies only a limited share of overall taxation (note however that the value of 0.2 % of GDP does not include all local taxes). This structure has not shown marked changes since 1995, with the exception of a decline in the share of the taxes destined for the EU institutions.

The overall tax burden increased rapidly from 1995 to 2000, when it reached a peak of 34.6 % of GDP, reflecting the effort to combat tax evasion and to reduce the government deficit in the run-up to the euro. The strongest relative increases in that period were recorded for corporate income and personal income taxes. From 2002 to 2004, the tax burden dropped by 2.5 % of GDP with declines being recorded mostly for indirect taxes, corporate tax and employer's social security contributions. The ratio remained stable in the period of 2004 to 2006. The total tax burden increased by 0.8 percentage points in 2007, mostly due to the rise in revenues from social security contributions.

Taxation of consumption, labour and capital; environmental taxation

As of 2007, the implicit tax rate on consumption in Greece was significantly below the EU-27 average (15.4 % compared with 22.2 %). This is due to a broad application of reduced VAT rates as compared to the standard VAT rate and a moderate level of excise duties. The Greek ITR on consumption has declined steadily from its 16.7 % peak in 2001 to 14.8 % in 2005, than rose again in the following years by a total of 0.6 percentage points.

The implicit tax rate on labour is, at 35.5 %, 1.1 percentage points above the EU-27 average. Given low direct taxes, this high rate is due, in particular, to social security contributions. In the period under consideration, the ITR on labour grew from a below average 34.5 % in 2000 to 35.6 % in 2003. It dropped markedly by 1.9 percentage points in 2004, inter alia due to the lagged effects of the tax measures already introduced in 2001, and has increased gradually since then.

Data on the ITR on capital are only available until 2006. Greece displayed a low rate of capital taxation in the previous years; with the ITR on capital at 15.9 % in 2006. As in many Member States the ITR had decreased substantially in the years 2000–2004 but then it picked up by 0.8 % in 2005 and dropped again by 0.9 % in 2006 remaining well below the EU-25 average of 25.7 %. Note also that a low ITR on capital may be linked to the structure of employment, characterised by a relatively high share of self-employed (whose income is treated as capital income in our methodology).

The role of environmental taxation has been decreasing over recent years in Greece: they have declined steadily by a cumulative 0.5 % since 2001. This decline was driven by shrinking revenues from energy taxation. As of 2007, the ratio of environmental taxation stood at 2.0 % of GDP, a value among the lowest in the EU (the EU-27 average is 2.7 %).

Current topics and prospects; policy orientation

In 2004, the government passed a tax reform law to foster entrepreneurship, encourage investment and innovation and provide for a more equitable distribution of the tax burden. The first phase of the reform reduced the corporate tax rate from 35 % to 25 %, increased tax-free personal income by € 1 000 and simplified the tax code.

The second stage of the tax reform was launched in 2007 and focused on lowering personal income taxes. In particular, the tax rate applied to the central tax bracket will be reduced from 27 % for income earned in 2008 to 25 % for income earned in 2009. The tax rate on income above € 75 000 will remain unchanged at 40 %.

Furthermore, the tax reform enacted in 2008 foresees a gradual reduction by 1 percentage point per year of the corporate income tax rate for the years from 2010 to 2014 (from 25 % to 20 %).

In order to mitigate the negative impact of the global financial and economic crisis, several anti-crisis measures were introduced in 2009. An extra tax on personal income for high income earners was introduced and special financial benefit was granted to low income pensioners, farmers-pensioners and long term unemployed persons. In addition, measures to strengthen the tourism were undertaken.

Main features of the tax system

Personal income tax

Greece has reduced the progressivity of the tax system over the last few years: the highest statutory personal income tax rate was cut, from 45 % to 40 % in 2001–2002. At the other end of the tax scale, Greece has reduced the taxation of low-income earners. The level of tax-exempt income was raised, while the 2001 budget also introduced an exemption from National Insurance Contributions for low-income earners. The tax relief for the elderly, the disabled, and for families with children was increased. The restructuring of the PIT over the 2006–2009 period is going in the same direction.

Individuals are subject only to a national income tax, as there are no local income taxes. Greek law defines six categories of taxable income: income from immovable property, i.e. land and buildings; income from movable property, i.e. investment income; from business; from agriculture; from employment; and from professional activities and other sources. Income from immovable property is subject to additional taxation beyond the normal progressive income tax at the rate of 1.5 %. The rate rises to 3 % where the surface area of the residence is greater than 300 m^2. The amount of additional tax may not be greater than the amount payable on the taxpayer's total net income. Pensions are subject to taxation as employment income. There is no net wealth tax.

There are no personal allowances in the Greek tax system. In 2003 previous tax deductions were transformed into tax credits. However, life insurance premiums, social security contributions and cash donations for specific purposes remain fully deductible. The main tax credits are granted for medical expenses, home rent, annual educational expenses, for conversion or installation of environmentally friendly heating systems, for the annual mortgage interest on taxpayer's principal home and for the acquisition of long-term balanced or equity mutual funds. Domestic dividends are not subject to income tax or withholding tax, while interest is taxed at source according to different schedules.

Corporate taxation

Greece has been cutting the corporate tax rate over the last few years. The statutory tax rate for non-listed companies was cut from 40 % to 37.5 % in 2001 and to 35 % in 2002, followed by a cut to 29 % in 2006. It was then further reduced to 25 % in 2007. The tax rate for partnerships and civil law associations was reduced from 24 % to 22 % in 2006, and cut to 20 % from 2007 onwards. An additional tax of 3 % is levied on gross income derived from immovable property. This additional tax cannot exceed the tax calculated on the company's income.

Companies are subject to corporate income taxes and real estate taxes, while local taxes are not significant. An important feature of the Greek tax system is the tax exemption of dividends; these are paid from after tax profits and are not taxed again at the recipients' level. There is no group taxation in Greece, i.e. all entities are taxed separately. In general, tax losses may be carried forward for five years. No tax loss carry-backs are allowed. Expenses are deductible only if they are incurred for the purpose of earning income.

Withholding taxes are treated as prepayments (i.e. they are creditable against the final income tax liability.) Government bonds and treasury bills, bonds issued by resident companies (including banks and insurance companies) and bank deposits are subject to a withholding tax at the rate of 10 %. Interest on loans and interest received from abroad are taxed with a withholding tax at the rate of 20 % if the payment is made in Greece. A 15 % withholding tax rate applies to fees paid to agents for supplies agreed with foreign entities; a 3 % rate applies to construction contractors' fees and 8 % to service fees. There is no withholding tax on domestic royalties.

VAT and excise duties

The standard VAT rate was increased by one point to 19 % on 1 April 2005. Greece also applies a 9 % reduced rate to goods such as fresh food products, pharmaceuticals, transportation and electricity, as well as to certain professional services such as those supplied by hotels, restaurants, coffee shops and (non-exempt) services by doctors and dentists; a super-reduced rate of 4.5 % applies to newspapers, periodicals, books and theatre tickets. For the region of the Dodecanese, the Cyclades and Eastern Aegean islands, the above rates are reduced to 13 %, 6 % and 3 %, respectively.

In addition to VAT, an excise duty is levied on mineral oils, gasoline, tobacco, alcohol, beer and wine.

Social contributions

Both employees and employers are obliged to pay contributions to social insurance. Employees' contributions are withheld by the employer and paid at a rate of 16 % for white-collar employees and 19.45 % for blue-collar workers. The monthly ceiling is € 2 384.96 (for 1 January through 30 September 2008) and € 2 432.25 (for the rest of 2008) per employee if the employment has started prior to 1 January 1993 and € 5 437.96 (for 1 January through 30 September 2008) and € 5 543.55 (for the rest of 2008) if employment started thereafter.