

Appendix C: The Personal Income Tax System in Greece (2012 and 2013)³⁹

This appendix provides a description of the current personal income tax system, which is our point of departure. The new income tax code (Law 4172/2013) is part of the Greek government's effort to enhance transparency and reduce tax avoidance and evasion. In addition to the recently enacted Codes of Fiscal Depiction of Transactions and Fiscal Procedure (Law 4174/2013), the new income tax code will be complemented with a new framework for the rationalization of tax incentives. The main elements of the new code are the following. There are now three tax brackets with tax rates ranging from 22 to 42 percent for employment income consisting of salaries and pensions (with the highest rate applicable to earnings above 42,000 euros). As of 2011, a special solidarity contribution has been imposed on all taxpayers in Greece, and it is imposed on individuals with annual incomes exceeding 12,000 euros. A number of tax reliefs have been abolished or substantially reduced—such as the principal home rent, educational expenses, mortgage interest, and life or medical insurance premiums. Personal allowances have been also abolished and only tax credits are available. A tax credit of 2,100 euros was introduced. This credit is given in full to employees and pensioners with annual income up to 21,000 euros. If the tax liability is below the tax credit of 2,100 euros, the tax credit is the tax liability. For income exceeding 21,000 euros, the amount of tax credit is limited to 100 per 1,000 euros of income and up to the elimination of the amount of 2,100 euros. For income over the threshold of 42,000 euros, there are no tax credits.

C.1 The Tax Unit

Tax unit for personal income tax is individual. Spouses file a joint income tax return, but their incomes are entered separately and taxed individually.

Yet there is a partial exception to this rule: some tax allowances and/or tax credits are jointly assessed. The tax unit for the joint assessment of tax allowances/credits is broader as it includes both spouses and dependent children. The latter are defined as (1) unmarried, aged under 18; (2) unmarried, aged under 20, and registered in OAEΔ as unemployed; (3) unmarried, aged under 25, and enrolled in postsecondary or tertiary education or fulfilling their military service; (4) unmarried, aged under 27, enrolled in post-secondary or tertiary education and registered in OAEΔ as unemployed; and (5) suffering from any kind of disability over 67 percent regardless of age. Note that once such allowances/credits (e.g., child tax allowance) are determined, these are shared between (relevant) adults only.

C.2 Exemptions

Unemployment benefits, social assistance, and some family benefits provided by local government at the prefecture level (such as unprotected children benefit and single parent benefit) are not included in taxable income. Employment or pension income of persons suffering from any kind of disability over 80 percent is also tax-exempted. Since 2010, unemployment benefits, large family benefit, integrated child benefit, and disability benefits are taxed for individuals with (other) taxable over 30,000 euros.

C.3 Tax Allowances

Tax allowances are defined as deductions from taxable income; most of them are per tax unit (i.e., they are usually shared between the main taxpayer and his/her spouse).

Social Insurance Contributions Tax Allowance

All social insurance contributions are fully deducted from taxable income. In 2012, this tax relief was provided as a tax credit at a flat tax rate of 10 percent of *self-employed social insurance contributions* up to a maximum tax credit of 1,000 euros annually. In 2013, self-employment social insurance contributions became again fully deducted from self-employment income.

Child Tax Allowance

Depending on the number of children in the family, the lowest income bracket (tax rate 0 percent) was raised by the amounts shown in table 10A.1. The allowance was increased by a further 2,000 euros in the lowest income bracket for each child after the third.

[Table 10A.1]

In case of two-earner households, the child tax allowance was allocated to the highest earner (i.e., the spouse with the highest taxable income). In the case of married couples, if after taking into account the child tax allowance, the main earner's taxable income did not reach the upper bound of tax band 1 (tax rate 0 percent), the balance was transferred to the secondary earner.

Child tax allowance was abolished in 2013.

Disability Tax Allowance

In 2012, the lowest income bracket was increased by 2,400 euros for taxpayers who were blind, suffered from disability over 67 percent, or from kidney disease or thalassemia. In 2013, the disabled tax allowance was turned into a tax credit of 200 euros.

C.4 The Tax Base

Taxable income includes reported employment and self-employment income, other market income (received by children in SILC), income from rent, private transfers received, education allowances, civil servants family benefit, sickness benefits, disability pensions, main and supplementary old age pensions, minor old age pensions, orphans' and widows' pensions, and Christmas, Easter, and vacations bonuses (in 2012).

Since 2010, unemployment benefits, large family benefit, third child benefit, lifetime pension for mothers of many children, lump sum 2,000 euros birth grant, and noncontributory disability benefits are also part of the tax base for individuals with (other) taxable income over 30,000 euros.

The tax base is defined as taxable income minus the various tax allowances described above. As noted previously, the child tax allowance and the tax allowance for the disabled (in 2012) did not affect the tax base but the tax schedule did.

C.5 Tax Credits

Tax credits are defined as deductions from tax due.

Medical Expenses and Expenses for Elderly Care Tax Credit

The tax credit for medical expenses is at 10 percent, up to a maximum of 3,000 euros per taxpayer. A similar tax credit is available for expenses for elderly care, except that it is calculated as 5 percent, again up to a maximum of 3,000 euros per taxpayer.

Education Expenses Tax Credit

Expenses on private lessons or cramming school fees were partly deducted from tax due. In 2012, the credit rate was 10 percent up to a maximum 100 euros. In 2013, this tax credit was abolished.

Mortgage Interest Tax Credit

In 2012, the interest component of housing loan repayments was eligible for tax relief, provided as a tax credit at a flat rate of 10 percent of interest repayments for (1) mortgages of up to 200,000 euros and (2) housing units of up to 120 m²; the tax credit for mortgages exceeding that amount and housing units exceeding 120 m² was only available up to those thresholds (calculated on a *pro rata* basis). In 2013, this tax relief was abolished.

Rent Tax Credit

In 2012, the rent tax credit was calculated as 10 percent of rent paid up to a maximum tax credit of 100 euros. To be eligible, one could not be in receipt of housing benefits. In 2013, this tax credit was abolished.

Student Rent Tax Credit

In 2012, the student rent tax credit was calculated as 10 percent of rent paid up to a maximum tax credit of 100 euros annually. In 2013, this tax credit was abolished.

Installation of Natural Gas/ Solar/ Photovoltaic Systems Tax Credit

In 2012, expenses for installation of natural gas/solar/photovoltaic systems were eligible for tax credit at a flat tax rate of 10 percent up to a maximum of 300 euros. In 2013, this tax relief was abolished.

Private Insurance Contributions Tax Credit

In 2012, private insurance contributions were eligible for a tax credit at a flat rate of 10 percent up to a maximum of 120 euros annually for unmarried persons and 240 euros for married couples. In 2013, this tax relief was abolished.

Charitable Donations Tax Credit

In 2012, charitable donations over 100 euros were eligible for a tax credit at a flat tax rate of 10 percent, up to a maximum of 10 percent of total taxable income. In 2013, this tax relief was abolished.

Maintenance Payments Tax Credit

Maintenance payments (alimonies) are eligible for a tax credit of 10 percent, up to a maximum of 1,500 euros.

Charitable Donations Tax Credit

Charitable donations tax credit is calculated as 10 percent of expenditures for donations up to a maximum tax credit of 10 percent of the total taxable income.

Employment Income Tax Credit

This tax was established in 2013 in place of the general tax allowance (zero-tax bracket). The tax credit is equal to 2,100 euros if employment income is up to 21,000 euros per year. It is capped to the amount of people's actual tax liability (i.e., no negative tax applies). The tax credit is decreased by 100 euros for each additional 1,000 euros of employment income over 21,000 euros; thus it becomes zero for people with employment income over 42,000 euros per year.

C.6 The Tax Schedule

The general tax schedule for 2012 is shown in table 10A.2. In 2012, the upper limit to tax band 1 was 9,000 euros for taxpayers aged below 30 and above 65 with total gross personal income below 9,000 euros.

[Table 10A.2]

In 2013, Law 4110/13 introduced major amendments to the tax schedule. In the case of income from employment and pensions, the number of tax brackets was reduced to three. Self-employment earnings are taxed under a separate schedule. Different schedules for farming and rental income were also introduced.⁴⁰ These are shown in tables 10A.3 through 10A.6.

[Table 10A.3–10A.6 here]

Note also that the rate of the first tax band is reduced to 5 percent for self-employed workers who started their business activity in 2013. This tax break is available for a period of three years.

C.7 Other Taxes

Solidarity Contribution

This is an emergency tax introduced in 2010, paid by individuals with net taxable incomes exceeding 12,000 euros per year. The contribution applies to individuals with net taxable incomes exceeding 12,000 euros per year. The tax rates are shown in table 10A.7. Net taxable income is not allowed to fall below 12,000 euros. Moreover, if the contribution reduces the net taxable income below the lower threshold of tax bands 3–5, the contribution is calculated

by using the tax rate that corresponds to the lower income threshold. Note that the tax rates apply to the entire amount of income (not just the part exceeding the threshold).

[Table 10A.7]

Self-Employed and Liberal Professions' Contribution

This is a special levy introduced in 2012 on the self-employed and those in the liberal professions aged less than 63. Since 2012, the tax is set at 650 euros per year.

Pensions Solidarity Contribution

Since 2010 main pensions exceeding 1,400 euros per month are subject to taxation as shown in table 10A.8. Note that the tax rates apply to the entire pension amount.

[Table 10A.8]

Additional Pensions Solidarity Contribution

This is an additional levy on main pensions, introduced in August 2011. The contribution applies to pensioners below 60 (except from mothers of underage children) with main pensions exceeding 1,700 euros per month. The tax rates are shown in table 10A.9. Note that the tax rates apply to the entire pension amount.

[Table 10A.9]

Supplementary Pensions Solidarity Contribution

This special levy was introduced in September 2011. Supplementary pensions over 300 euros per month are subject to tax as shown in table 10A.10. Again, the tax rates apply to the entire pension amount.

[Table 10A.10]

Additional Tax on Supplementary Pensions

Since 2012 all supplementary pensions are subject to taxation as shown in table 10A.11. Note that the tax rates apply to the entire pension amount minus the solidarity contribution for supplementary pensions.

[Table 10A.11]

Additional Tax on Total Pensions

Since 2013 the sum of main and supplementary pensions in excess of 1,000 euros is subject to additional taxation, as shown in table 10A.12. The tax rates apply to the entire pension amount after all solidarity contributions. The sum of main and supplementary pensions cannot fall below the lower pension thresholds shown above.

[Table 10A.12]

Emergency Property Tax

Since 2011, all persons who own commercial or residential property in Greece are subject to an emergency property tax. Its amount, varying from 3 to 16 euros per square meter, depends on the size and the cadastral value of the building. A specific factor varying from 1 to 1.25 according to the age of the building is also applicable (Property tax = Tax rate * m² * Age factor).

A reduced tax applies to vulnerable population categories (i.e., people receiving integrated child benefit, or large family benefit with taxable income less than 30,000 euros per year, or persons suffering from disability over 67 percent). A reduced rate of 0.50 euro per square meter applies to vulnerable population categories (i.e., people receiving integrated

child benefit, or large family benefit with taxable income less than 30,000 euros per year, or persons suffering from disability over 67 percent).

Long-term unemployed or recipients of unemployment benefit for more than six months, with family income not exceeding 12,000 euros per year (plus 4,000 euros for every dependent child) are exempted from the tax. In 2013, the emergency property tax was uniformly reduced by 15 percent.

Additional Tax on Rental Income

Besides taxation as personal or corporate income, rental income is subject to a 1.5 percent tax, increased to 3 percent for rentals exceeding 300 m² and for rentals belonging to corporations. The amount of additional tax may not exceed total liability in terms of personal or corporate income tax. The unit of assessment is individual.

Interest Income Tax

In 2012, the interest on bank deposits was taxed at 10 percent. In 2013, the tax rate was raised to 15 percent. The unit of assessment is individual.

Social Benefits Tax

Certain benefits are taxed at source at 1.2 percent (stamp duty). These include large family benefit, lifetime pensions for mothers of many children, and third child benefit. The unit of assessment is individual. All other taxable benefits are assumed to be taxed as employment income.

Table 10A.1 Child tax allowance, 2012

Number of children	Child tax allowance (euros per tax unit per year)
0	0
1	2,000
2	4,000
3	7,000

Table 10A.2 Tax schedule, 2012

Tax band	Income bracket (euros per year)		Tax rate (%)
	Lower limit	Upper limit	
1	0	5,000	0
2	5,001	12,000	10
3	12,001	16,000	18
4	16,001	26,000	25
5	26,001	40,000	35
6	40,001	60,000	38
7	60,001	100,000	40
8	100,001	—	45

Table 10A.3 Tax schedule: Employment and pension income, 2013

Tax band	Income bracket (euros per year)		Tax rate (%)
	Lower limit	Upper limit	
1	0	25,000	22
2	25,001	45,000	32
3	45,001	—	42

Table 10A.4 Tax schedule: Self-employment income, 2013

Tax band	Income bracket (euros per year)		Tax rate (%)
	Lower limit	Upper limit	
1	0	50,000	26
2	50,001	—	33

Table 10A.5 Tax schedule: Farming income, 2013

Tax band	Income bracket (euros per year)		Tax rate (%)
	Lower limit	Upper limit	

1	0	—	13
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Table 10A.6 Tax schedule: property income, 2013

Tax band	Income bracket (euros per year)		Tax rate (%)
	Lower limit	Upper limit	
1	0	12,000	10
2	12,001	—	33

Table 10A.7 Solidarity contribution, 2012 to 2013

Tax band	Pension bracket (euros per year)		Tax rate (%)
1	0	12,000	0
2	12,001	20,000	1
3	20,001	50,000	2
4	50,001	100,000	3
5	100,001	—	4

Table 10A.8 Pensions solidarity contribution, 2012 to 2013

Tax band	Pension bracket (euros per year)		Tax rate (%)
1	0	1,400	0
2	1,401	1,700	3
3	1,701	2,000	6
4	2,001	2,300	7
5	2,301	2,600	9
6	2,601	2,900	10
7	2,901	3,200	12
8	3,201	3,500	13
9	3,501	—	14

Table 10A.9 Additional pensions solidarity contribution, 2012 to 2013

Tax band	Pension bracket (€ per year)		Tax rate (%)
1	0	1,700	1
2	1,701	2,300	2
3	2,301	2,900	3
4	2,901	—	4

Table 10A.10 Supplementary pensions solidarity contribution, 2012 to 2013

Tax band	Pension bracket (euros per year)		Tax rate (%)
1	0	300	1
2	301	350	2
3	351	400	3
4	401	450	4
5	451	500	5
6	501	550	6
7	551	600	7
8	601	650	8
9	651	—	9

Table 10A.11 Additional tax on supplementary pensions, 2012 to 2013

Tax band	Pension bracket (euros per month)		Tax rate (%)
1	0	250	10
2	251	300	15
3	301	—	20

Table 10A.12 Additional tax on pensions, 2013

Tax band	Pension bracket (euros per year)		Tax rate (%)	<i>Lower pension thresholds (euros)</i>
1	0	1,000	0	—
2	1,001	1,500	5	1,000
3	1,501	2,000	10	1,425
4	2,001	3,000	15	1,800
5	3,001	—	20	2,550