



Recent real estate tax developments

A number of changes have been introduced recently around real estate investments covering among others, extensions of tax suspensions, tax reliefs as well as temporary restrictions in renting new properties short-term in Athens.

The recent provisions which are incorporated in Law 5162/2024 lay emphasis on strengthening income and economic resilience. The changes impacting real estate investments are summarised as follows:

Changes impacting private individuals only

- Further suspension of the capital gains tax on gains from the sale of real estate until 31 December 2026.
- Exemption from income tax for 3 years for certain properties to be leased long term if previously declared as vacant or used for short-term rental.
- Granting a 20% ENFIA reduction on insured residential properties of private individuals valued up to Euro 500,000.
- Permanent exemption from part of the ENFIA for property rights on listed buildings.

Changes impacting all persons (both private individuals and legal entities)

- Extension of the optional VAT exemption regime on the sale of new buildings until 31 December 2025.
- Increase of the climate crisis resilience duty applied to accommodations.
- Temporary restrictions on the new registration of properties in the Short-Term Rental Registry for specific Athens central locations.

In addition, Law 5131/2024 provides an opportunity for real estate developers to comply retroactively with the formalities for applying the VAT suspension regime to the sale of new buildings on specific conditions.

Lastly, by virtue of Law 5135/2024, stamp duty, a rather anachronistic piece of transactional tax in place since 1931, is replaced as of 1 December 2024 by the Digital Transaction Duty that applies in a

quasi-similar manner to many transactions, including real estate transactions, such as commercial leases and registration of mortgages.

Income tax reliefs

Further suspension of capital gains tax applicable to private individuals

The imposition of the 15% capital gains tax on the disposal of real estate property by private individuals, introduced as of 1.1.2014 and suspended since 1.1.2015, was once again suspended for two additional years, i.e. until 31 December 2026.

Exemption from income tax on the rentals for specific properties to be leased long-term

An income tax exemption is granted to private individuals for 3 years for specific properties that will be leased long term. Specifically, the income tax exemption applies to residences: a) up to 120 sq.m., b) to be rented with a minimum duration of at least 3 years within the period of 8 September 2024 to 31 December 2025, c) that, during tax years 2022, 2023 and 2024 (if the lease is concluded in 2025), were reported for income tax purposes as vacant properties or were not reported for income tax purposes as leased properties or as primary or secondary residences of the lessor, self-used or as granted for free, or had been exclusively used in short-term leases that had been declared to the Tax Authorities.

In case of early termination of the long-term lease, the income tax exemption will not be applied to the relevant tax year. Furthermore, if within the three-year period the property, which has meanwhile been vacated, is made available for

short-term rental, the exemption is revoked retroactively.

The purpose of the above income tax exemption is to cover part of the cost of integrating residential properties into the housing market and to increase the availability of homes for rent to meet the growing housing needs.

Optional VAT suspension on sales of new buildings; second chance and further extension

According to article 37 of Law 5131/2024, real estate developers who failed to follow the procedural formalities for the optional suspension of VAT on new buildings are given a second chance to notify the tax administration at the latest by 3 February 2025 for the exercise of this option. This applies to real estate developers that have sold new buildings from 12 December 2019 until 2 August 2024 and applied Real Estate Transfer Tax and not VAT. The recent decision of the Governor of the Independent Authority for Public Revenue A. 1156/2024 sets forth the procedural steps for the electronic application.

Furthermore, article 89 of Law 5162/2024 further extends the optional VAT suspension regime for sales of new buildings for one more year (i.e. until 31 December 2025). Taxpayer's applications that have already been filed for relevant regime are automatically extended until 31 December 2025. Hence, developers who have not filed yet application for the VAT suspension regime may now exercise such option and file a list with their properties which have not been sold yet.

Above measures allow the transfer of newly constructed buildings to be sub-

ject to Real Estate Transfer Tax at 3.09% instead of VAT at 24%. These are part of the broader tax strategy aiming to continue stimulating the real estate market and attracting investments, while also benefiting property buyers, mainly individuals who intend to use the property for private residential purposes.

Enactment of a Digital Transaction Duty and its application to the most common real estate transactions

Law 5135/2024 introduced the Digital Transaction Duty (“DTD”) that replaced the stamp duty legal framework that had first been enacted back in 1931. The DTD applies starting from 1 December 2024 to specific transactions restrictively referred in the law. We briefly refer below to the most common real estate related transactions that are subject to the DTD.

The DTD applies to rentals, similarly to stamp duty, on commercial leases at a rate of 3.60%, unless the lessor has opted to apply VAT instead. The DTD on rentals is assessed at the time of filing the income tax return of the respective year and is paid along with the income tax.

As regards rentals on residential properties, the exemption applicable under the stamp duty regime has been retained also under the DTD regime.

Furthermore, DTD applies also to registration of specific transactions with the competent Land Registry or Cadastral Office as follows:

- at a rate of 1.20% computed on the total value of the rentals for registration of a lease agreement with a duration of more than nine (9) years with the Land Registry or Cadastral Office;

- at a rate of 3,60% on the registration of mortgage or conversion of prenotation to mortgage on the basis of a court decision or applicable law, with the exception of mortgages and conversions securing loans granted by credit institutions or securing bond loans of Law 4548/2018.

ENFIA related incentives for private individuals for insured properties and listed buildings

With effect from year 2025 onwards, two incentives are granted to private individuals that result in lower annual ENFIA.

The first incentive is relevant to listed buildings. Private individuals will be subject only to the main ENFIA tax for listed buildings. Law 5162/2024 introduces a permanent exemption from the tax per property value applicable to properties with value in excess of Euro 400,000 and from the tax readjustment of the main ENFIA based on the total objective value of the taxpayers’ properties.

The second incentive is relevant to the ENFIA reduction that applies to insured properties. Specifically, the reduction of the annual ENFIA applicable to residential properties of private individuals of objective values up to Euro 500,000 which are insured against natural disasters (fire, earthquake and flood) is doubled, from 10% to 20%. The ENFIA reduction of 10% remains in place for residential properties with a taxable value exceeding the amount of Euro 500,000. However, said properties are excluded from housing subsidy grants for reconstruction or repair of buildings, temporary housing allowances, first aid assistance, and one-off emergency financial support for addressing simple repair

works and replacing household items due to earthquakes, fires caused by natural events and flood.

Measures to balance short-term leasing activities and public interest

Temporary ban of short-term leases in specific municipalities of Athens

In an effort to balance, on the one hand, the property rights of owners who wish to exploit their properties in activities of short-term leases, as derived from Article 5 of the Greek Constitution, and, on the other hand, the environment's sustainability obligation, in particular the social character of specific municipal districts of Athens as primarily urban residential areas, in accordance with Article 24 of the Constitution, short-term leasing of residential properties located within the first, second or third municipal districts of Athens Municipality is suspended for 2025. This ban is for now temporary.

Increase of the climate crisis resilience duty

The climate crisis resilience duty, introduced as from 1 January 2024, is increased as from 1 January 2025 as follows:

The daily duty on accommodations for April to October will range from €0.50 to €5.00 as follows:

- By €0.50 for 1- to 2-star hotels and for rented furnished rooms, adjusting to €2.00 from €1.50.
- By €2.00 for 3-star hotels, adjusting to €5.00 from €3.00.
- By €3.00 for 4-star hotels, adjusting to €10.00 from €7.00.

- By €5.00 for 5-star hotels and villas, adjusting to €15.00 from €10.00.

The daily duty for the winter months, i.e. November – March, remains the same (i.e. €0.50, €1.50, €3 and €4 respectively). As regards short-term rentals, the daily duty increases from €0.50 to €2.00 during the winter months (November – March) and from €1.50 to €8.00 during the summer months (April – October), while in case of detached houses with a surface of more than 80 sq.m. and serviced villas of Law 4276/2014 (art. 1 par. 2 item b(aa)) the relevant charge will be €15 and €8 per day respectively.

The increased duty will apply starting from the publication of a joint ministerial decision.

It is explicitly stipulated in the law that the revenues from the imposition of this increased duty shall be used to address the increased needs arising from the consequences of climate change.

Contact us



Marina Allamani

Partner

m.allamani@zeya.com



Anastasia Kritikou

Senior Associate

a.kritikou@zeya.com



Myrto Stavrinou

Senior Associate

m.stavrinou@zeya.com

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, or stored in any retrieval system of any nature without prior permission. Application for permission for other use of copyright material including permission to reproduce extracts in other published works shall be made to the publishers. Full acknowledgement of author, publisher and source must be given.

Nothing in this newsletter shall be construed as legal advice. The newsletter is necessarily generalised. Professional advice should therefore be sought before any action is undertaken based on this newsletter.

Established in 1893, Zepos & Yannopoulos is one of the leading and largest Law firms in Greece providing comprehensive legal and tax services to companies conducting business in Greece.

280 Kifissias Ave., 152 32 Halandri, Athens, Greece
newsletters@zeya.com
Tel.: (+30) 210 696.70.00 | Fax: (+30) 210 699.46.40

www.zeya.com
Subscribe
LinkedIn