

Extension of Suspension of Taxation on Real Estate Capital Gains and of Imposition of Vat on Transfers of Newly Constructed Buildings

According to Greek tax Law, a capital gains tax at a rate of 15% applies for individuals on the profit resulting from the difference between the original purchase price paid and the subsequent sale price received for each real estate property. The tax is borne by the seller of the property, while the buyer shall pay a property transfer tax of 3% on the transfer price of the immovable property. For the calculation of the capital gains tax, the acquisition and transfer prices are taken into account, as stated in the respective notarial deeds. The calculation differs in case of legal entities, where the capital gain resulting from the sale of real estate is taxed at the applicable corporate income tax rate of 22%. Given the detrimental impact of the financial crisis on the real estate sector, the 15% tax on real estate capital gains for natural persons was originally suspended from 01.01.2015 until 31.12.2022. Now, by virtue of article 14 of Law 5000/09.12.2022, it has been decided to further extend the suspension of the taxation of capital gains for individuals resulting from the transfer of real estate for another two years (until December 31, 2024).

A similar type of real estate tax relief has been also extended for the same time period as mentioned above, i.e. until December 31, 2024. In particular, reference is made to the suspension of imposition of 24% VAT on the purchase and sale of newly built buildings with a building permit issued from 01.01.2006 onwards. It should be noted that the 24% VAT was initially imposed on the transfer of newly built properties in 2006 (instead of the 3% property transfer tax that was applicable at the time). The aforesaid provision was eventually suspended by the Greek government from 01.01.2020 until 31.12.2022. Today, by virtue of article 9 of Law 5000/09.12.2022 the suspension of the said VAT charged on newly built properties has also been extended for another two years. Instead, buyers of newly built properties shall pay a property transfer tax of 3%, provided that the construction companies of the property in question have submitted a timely petition to the competent authorities for the suspension to apply.

\The aforementioned new extensions are expected to give a further boost to the market and provide an incentive to potential investors on real estate in Greece, thus enhancing the country's development potential.

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