

## **Income taxation**

### **Proposals - Comments from SETE on the draft law "Income taxation, urgent measures to implement Law 4046/2012 and Law 4127/2013 and other provisions"**

- Under Circular No. 1182 ΠΟΛ/26.08.2011, accommodation services at All Inclusive hotels account for 70% of services and are subject to VAT at 6.5%. Other (mainly catering) services account for 30% of the package but VAT there is 23%. That 30% includes 3 meals as well as extra snacks, water, juices, coffees, and soft drinks (all of which are normally subject to VAT at 13%) and all types of alcoholic beverages that continue to be subject to VAT at 23%. Other additional services included in All Inclusive packages, such as sun beds on the beach, which are subject to VAT at 23%, are of negligible importance. Spa and conference services are always extra and are not part of the package.
- We propose a new provision whereby the 30% is broken down into a 25% component where VAT is 13%, and a 5% component where VAT is 23%. In that case, total VAT on the package would drop from the current figure of 11.45% to 8.95%. That figure makes the specific packages more competitive, especially if one bears in mind that VAT is 8% in Turkey, Spain, and Cyprus. Any thoughts about reducing the accommodation component below 70% to offset the loss of VAT on catering services for the State should be rejected because it negates the benefit of reducing VAT on catering services, which was the main requirement to improve the competitiveness of Greek tourism. In any event, reinstating VAT on catering services to 23% from 1.1.2014 would only further increase the taxation on packages of this type.
- We propose the following procedure for supervisory inspections to check that all catering establishments are issuing receipts. This new procedure should be effective immediately from 1.8.2013.
- When the inspection teams comprised of local tax inspectors, members of the Financial and Economic Crimes Unit, etc. ascertain that receipts have not been issued by ordinary or hotel restaurants, cafes, or rented rooms, etc. they must immediately draft the inspection report on the spot and summon the business owner to appear at a hearing before the competent

supervisory authority within 24 hours. This summons should be presented to the legal representative or agent of the business immediately. The violation should also be posted on the Ministry of Finance's website if, after the 24-hour period, a decision is issued by the supervisory authority confirming the violation, if the perpetrator did not come to the hearing or if the supervisory authority, having examined the case, issues a decision based on the inspection report prepared by the competent officers.

- Moreover, it must also be possible for the business to file objections online with the competent committee. These should be submitted and a decision should be issued within 24 hours of the initial decision being taken. Consequently, within 48 hours from the violation being identified, the competent committee will have decided on whether to shut down the business or relevant section thereof for 3 days, which will be implemented immediately. If the business is found to have repeated the same offence, the business will be shut for 30 days and if there is a third case of the offence being repeated, the facility licence would be removed once and for all.
- The adoption of a 3% discount if consumers pay by credit card or place orders online is also expected to have positive results, but only over the medium term. However, procedures need to be properly organised and the relevant infrastructure needs to be in place so that it is possible to roll out these measures within 6 months. We consider that the problem could be solved once and for all by making both preventative and supervisory checks stricter, while also adopting the method for imposing penalties we have outlined above.