SETE

New tax law

The main focus of the new tax law should be as follows:

1. Tax compliance can be enforced by creating a professional mechanism to combat tax evasion, staffed by well-paid technocrats. This will also require major investments in IT. Audits and cross-checks must be carried out continuously to convince citizens that there is a high probability of offenders being caught. Disproportionately high fines and criminal penalties must be abolished.
2. Tax exemptions, exceptions, discounts and all manner of extraordinary lump sum taxes must be abolished. These things not only complicate the situation, but they also distort fair competition and, in practical terms, negate the feeling that taxation is fair. Moreover, various sectors of the economy are currently excluded from the VAT scheme and the obligation to keep accounting books and records (such as farmers and traders in agricultural products, the construction sector, etc.). They must be included.
3. It is essential to reduce the number of legal forms of businesses and to simplify the ways of their classification (at least for taxation purposes). There are many differences in the tax treatment of businesses depending on their legal form, leading to tax avoidance, lack of transparency, complexity; the end result is that the system is simply ineffective. Sole trader enterprises must be taxed as legal entities and not in the same way as individuals. We propose that tax rates for businesses should be re-examined, with a 15% rate for non-distributed profits and 35% for distributed profits.
4. The aim must be to stimulate exports by automating the refund of VAT or other taxes that have been paid in advance (without requiring a Ministerial signature for this to happen). In the case of All Inclusive holidays sold abroad, which is the only export activity subject to VAT, we propose a uniform rate of 6.5% for the entire package. Moreover, VAT at 6.5% should also be imposed on transport, agricultural production and building works. VAT on catering services should be reduced to 13% from 1.1.2012. A uniform, flat rate of VAT is not recommended. That is because revenues generated by services subject to the top rate (23%) account for around 3/4 of all revenues. Consequently an increase in the middle rate would have to be much higher than the

Λεωφ. Αμαλίας 34, 105 58 Αθήνα | 34, Amalias Av., 105 58 Athens, Greece
T: +30 210 3217165 F: +30 210 3217177 E: info@sete.gr
www.sete.gr

reduction in the top rate (i.e. the uniform rate would have to be around 20%, which is exceptionally high).

5. We propose that the large property tax should be abolished for properties used by businesses to generate business for themselves.

Social insurance contributions, which are among the highest in Europe, ought to be reduced for labour intensive businesses. Tourism could generate hundreds of thousands of jobs if contributions were rationalised and there were incentives to create more jobs.

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