Overtaxation affects the competitiveness of Greek tourism businesses

Overtaxation directly affects the competitiveness of businesses operating in the tourism sector.

The increased taxation on package tours has reduced by 50% the profits derived from competitiveness, which had resulted from the internal depreciation created by the Greek adjustment programmes.

Despite our constant interventions, the fact that tourism is to a large extent an exportable product which is provided in a highly competitive international market that is constantly expanding has not yet been fully understood.

The absence of tax reliefs limits the potential of Greek tourism companies to respond to the ever-increasing demands of international competition. The reappearance of directly competitive destinations, which offer lower taxation compared to Greece and which rank high in global tourism, is a fact. According to WEF Global Competitiveness Index 2017-18, tax rates and tax legislation are the first and third most problematic factors for entrepreneurship in Greece. Accordingly, there is evidence that Greece has one of the least attractive tax incentive schemes among the 27 EU member states. Indicatively, Greece ranks 29th among the 35 OECD countries in this year's Tax Competitiveness Index of the Tax Foundation, which is based on 2018 data.

As far as accommodation is concerned, it is worth noting that for every EUR 100 paid by a visitor in Greece for one night at a 4-star hotel, the amount of EUR 33.4 goes to taxes and social security contributions, while the corresponding amounts in competition countries range from EUR 16.1 (Cyprus) to EUR 28.2 (Croatia).

In addition, the repeated increases in VAT rates (doubling for accommodation and catering and tripling for air and maritime passenger transport), the overnight stay tax coupled with the corresponding municipal tax, and the increases in other business taxes affect seasonality, interfere with the capacity to service loans and are inhibiting factors for investments.

The Greek State should create a favourable operating environment for tourism businesses so that they can adequately respond to new international challenges. An environment is required with stable tax rates, without excessive tax burdens and with resources and financing tools that will improve tourism indicators and competitiveness. After all, improving competitiveness is a requirement of the country's entire business world and not just of the tourism sector. According to the recent World Bank Doing Business Report for 2019, Greece ranks 72nd among 190 countries and this is something that needs to be addressed.

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