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Efstathia Koutroubi

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Overview of tax measures for personal income tax of the period 2009-2020

Efstathia Koutroubi

Phd Candidate

Department of Public Administration

Panteion University of Social and Political Sciences

e-mail: ekoutro@yahoo.gr

e.koutro@panteion.gr

Extended Abstract

The key components of fiscal policy for a fair and effective tax framework are the implementation of tax reform through a mixture of immediate measures to increase revenue. The Greek income tax system underwent important structural reforms. There was an urgent need to immediately increase the state budget revenues and in the framework of the rescue program of the Greek economy there was a series of legislative interventions. Measures were taken in 2012 to curb the downward trend in revenues, such as expansion of the tax base, reduction of tax exemptions, reduction of taxable income resulting from the restraint of public expenditure due to the adjustment of special payroll. Low levels of growth tend to be one of the main reasons for preventing the collection of personal income taxes. There is a negative correlation between the percentage of tax revenues from personal income taxes and economic growth.

From 2020 major tax changes have been implemented with relief for employees, retirees, families with children, property owners.

This study indicates that prerequisites for a successful tax reform include a holistic approach to the tax system, the evaluation and measurement of concrete reform proposals, as well as the possibility of achieving the objectives and choosing the appropriate timeframe for the adoption of the tax reform in connection with the economic crisis. Also, it provides the financial impact of measures for the taxation undertaken of personal income from 2009 to 2020.

Keywords: Implementation of tax reform, personal income tax, expansion of the tax base, income redistribution

JEL Classifications: H20, H21, H24, H29

A. Introduction

The modern state is not only a state of law but also a state of social welfare. The expanded mission of the modern welfare state includes not only the redistribution of real national income through the public budget but also the fight against or prevention of underemployment and further the promotion of economic growth through fiscal policy in order to achieve faster and more efficient development with as little financial sacrifice as possible. The forced expansion of the scope of fiscal policy has as an inevitable result the need for assistance from the State of economic development.

The strategic goal of fiscal policy must be a fair and effective tax framework that guarantees public revenue, but also transparency and which contains uniform rules without unjustified exceptions, where everyone will contribute according to their means, based on requirements of the Constitution. The urgent need for immediate and tangible results in the field of tax revenue enhancement and given that the time required for the restructuring of the tax administration ranges from one to three years make it necessary to implement tax reform through a mix of immediate measures to cover, as soon as possible, the need to increase revenues, while implementing the medium-term structural changes, bringing about a lasting effect on the reform of the tax system.

B1. Tax measures until 2009

With the simplification of the taxation of individuals and the reduction of the tax burden, the tax rates were gradually reduced until 2009. In more detail: -The tax-free amount of individuals increased with a parallel gradual reduction of the intermediate rates of the scale of employees-retirees, as well as of self-employed professionals in the central income scale up to 30,000 euros. -The tax rate was reduced from 29% to 27% in the year 2008 and to 25% for the year 2009. -The tax rate was reduced from 39% to 37% in the year 2008 and to 35% in the year 2009 of the income scale from 30,001 euros to 75,000 euros. -The tax rate of 10% was imposed on the first step (0-10,500) of the scale of self-employed professionals, with a reduction of tax-free amounts depending on the number of children borne by the taxpayer, when the latter declare income from self-employment and business firm. -The intermediate tax rate of 25% of the scale of employees-retirees was reduced by one percentage point each year, starting from the year 2010 until 2014 and to finally reach 20%. - Exemption from tax on maternity allowances granted from 1 January 2008.[1]

The new measures did not burden employees and the rural population and the corporate tax rate was gradually reduced again, to facilitate their efforts to maintain their competitiveness in the midst of the

[1] Law 3631/2008

international financial crisis. -Independent tax was imposed at a rate of 10% on dividends distributed by domestic public limited companies, while until then with the payment of income tax by the legal entity on its total profits was exhausted and the tax liability of shareholders for profits received. This tax is borne by the shareholder and therefore, in addition to the social dimension of this new tax, its imposition prevents public limited companies from distributing a large part of the profits with the end result of the improvement of equity and their competitiveness. -The independent tax of 10% was imposed on the other forms of distributed profits (remuneration of board members, distributed profits to employees, etc.) and the tax rate of remuneration of board members, of the managing director was increased from 25% to 35%.

-Independent taxation was imposed at a rate of 10% on the goodwill arising from the sale of shares listed on the Athens Stock Exchange or on a foreign stock exchange for all shares acquired from 1/1/2009 onwards, with the parallel abolition of indirect taxation 1.5 ‰ on value of the shares sold.

The tax relief of individuals was sought with the further reduction of the tax rates. The rates of 29% and 39% applicable to income tax in 2007 were reduced to 27% and 37% respectively for 2008 and to 25% and 35% for 2009, respectively affecting the state budget revenues for 2008, 2009 and 2010. In contrast, the 40% rate applicable to incomes over € 75,000 remained stable.

B2. Tax measures 2009

The shortfall in revenues compared to the 2009 budget forecasts and the updated Stability and Growth Plan 2008-2011 is explained by the underestimation of the effects of the crisis on the real economy. and the collapse of the tax collection mechanism played a significant role. The particularly severe economic crisis led to a decrease in aggregate demand and in 2009 the following measures were taken, with the aim of partially reducing the further deterioration of the negative rate of change in revenues.

Tax measures for the financial year 2009
Extraordinary financial contribution of individuals with declared income in the financial year 2008 over 60,000 euros is required.
The deadline for the completion of pending tax cases and the settlement of overdue debts to the State is extended until 30/6/2009.
Excise duty on passenger cars and motorcycles for private use with large cylinder engine.
The mobile subscriber fee is adjusted and the prepaid mobile fee is imposed.
Extraordinary one-time contribution and annual special tax of private pleasure boats are imposed.

The 2010 road tax for private cars is adjusted, which will henceforth be calculated on the basis of the displacement and the environmental burden of the vehicle engine.
From the year 2009, the income of the first tax tier of the second tier is taxed at a low rate of 10%, with certain exemptions for social reasons, with the aim of a fairer distribution of the tax burden between employees-retirees and entrepreneurs-freelancers. The independent taxation of the profits of the domestic public limited companies distributed in various forms outside the salary to their staff, the dividends or interim dividends distributed to third parties, as well as the profits resulting from the sale of listed shares on the Athens Stock Exchange / 1/2009.
For individuals, the tax rate of 25% from the year 2010 to 2014 is gradually reduced by one unit, with the aim of incomes that will be obtained in the year 2014 to be taxed at a rate of 20%. The same reduction was provided for the tax rate of profits of legal entities for non-profit or non-profit years 2010 to 2014.

B3. <u>Tax measures 2010</u>

The main components of the tax policy pursued for 2010 were:

- Distributed profits (dividends) are taxed on the basis of personal income tax, after deducting the tax withheld during the distribution of the dividend, as well as the amount corresponding to and reimbursed by the company as corporate income tax.
- Implementation of a single indexed progressive scale of personal taxation
- Taxation of transactions with offshore companies of tax havens
- Abolition of gratuitous tax exemptions.
- The independent taxation of any fees is abolished Redistributed corporate profits are taxed at a low rate, with the aim of increasing investment, modernizing business and increasing employment
- Income is accounted for the rate of the single real estate tax (ETAK) for the year 2009 is increased extraordinary, as a social contribution of the large real estate
- ETAK is being replaced from 2010 with progressive taxation of large real estate without exceptions, with reform of the tax-free limit, so that the really large real estate is taxed and injustices for smallholders are removed
- The process of collecting taxes and uncollected debts to the State is accelerated The VAT refund rate for farmers is increased from 7% to 11% for sales of animal and plant products.
- The taxation of inheritances, donations and parental benefits is being reformed
- An extraordinary one-time social responsibility contribution is imposed on companies with high profitability for the year 2008

- A modern model of operation and organization of the tax administration is adopted, based on international standards, which will have stable rules, computer support, decentralized organization, simple and uniform audit procedure, and administration based on agreed objectives.
- An objective point system is applied, with the aim of identifying and controlling natural or legal persons at high risk for tax evasion.
- Strict administrative sanctions are imposed in case of violations.
- All intra-group transactions are effectively controlled.
- Universal control of your desires and living expenses is established.
- TAXIS / ICIS is interconnected with the information systems of social security institutions and other services, in order to cross-reference and utilize all available information to reduce contribution evasion and tax evasion.
- It is obligatory to maintain professional accounts in banks and to connect to the information systems of the Ministry of Finance and to access the tax services.
- The abolition of the Books and Records Code is promoted.
- The simplification and codification of the tax legislation and the drafting of a new uniform code of all the tax legislation and the procedure, which will be posted on the internet and will be constantly updated, is progressing.
- The fuel market is monitored electronically to combat smuggling.
- All unnecessary certificates are abolished, with the introduction of the declaration and the liquidation as the only certificates.

B4. <u>Tax measures 2011</u>

2011 was the year of full implementation of the new tax framework, which has already been established and implemented since the beginning of 2010. In Greece, tax revenues as a percentage of GDP are significantly lower than the European average despite the fact that rates in both direct and indirect taxes are at about the same levels. There was a need for immediate measures to cover as soon as possible the need to strengthen public revenues and to make marginal complementary structural interventions in order to have the best and most efficient operation of the tax mechanism. The most important legislative intervention in this direction was Law 3842/2010 which established a new taxation system. At the same time, in 2010 there was an urgent need to immediately increase the state budget revenues and in the framework of the rescue program of the Greek economy there was a series of legislative interventions (Law 3808/2009, Law 3815/2010, Law 3828/2010, Law. 3833/2010 and Law 3845/2010) which included measures mainly in the direction of strengthening the revenues from indirect taxes. The most important changes in the tax system that were introduced in 2010 and their full implementation took place in 2011 are:

- Unified tax scale for individuals with increased rates in the upper echelons. The tax-free limit for the first time is directly linked to the expenses incurred by the taxpayer. The new single income tax rate for individuals benefits the lower incomes and burdens the higher
- Abolition of exemptions and independent taxation for many categories of income that will now be taxed on a scale, like all other income.
- Linking the tax-free limit with the presentation of receipts in order to act as an incentive to strengthen tax awareness and maximize the VAT return.
- Establishment of accounting for all incomes
- Separation of distributors from non-distributive corporate profits. Distributed is taxed on the income scale of individuals, while non-distributed profits are taxed at a reduced rate.
- Possibility of repatriation of funds by paying 5% or 8% tax in case of their stay abroad.
- Taxation of short-term stock exchange transactions
- Keeping a book of income - expenses, for the accounting determination of the income of additional categories of tradesmen
- Abolition of the ETAK which applied a single rate of 0.1% for the total real estate, regardless of its value and introduction of a real estate tax of individuals with a progressive rate, from 0.1% to 1% per step of taxable value, for real estate with an objective value of over 400,000 euros. Especially for the years 2010, 2011, 2012 in real estate of individuals worth more than 5,000,000 euros, a rate of 2% is applied for the amount over 5,000,000 euros.
- Introduction of real estate tax of legal entities with rates of 0.6%, 0.3% and 0.1% depending on the type of legal entities and the activity they carry out.
- Imposition of an extraordinary contribution to the large real estate of individuals worth more than 400,000 euros, for the year 2009, with a progressive rate from 0.1% to 0.9%.

To achieve the objectives, set in the Economic Policy Program (ECP), based on the Memorandum of Economic and Financial Policy, the following measures were adopted:

-reform of the taxation of inheritances, donations, and parental benefits

-imposition of a luxury tax on luxury imported and domestically produced goods,

-imposition of an extraordinary financial contribution on incomes of individuals over 100,000 euros, which were declared in the financial year 2010

- arrangements for the termination of unaudited tax cases and overdue debts to the State, for all management periods closed until 31-12-2009, as well as for cases pending in the administrative courts.

B5. <u>Tax measures 2012</u>

The following were instituted to deal with the unprecedented financial crisis:

- Progressive income tax scale with fewer scales and with the definition of the tax-free limit of 5,000 euros with provision so that young people up to thirty (30) years old, retirees over sixty-five (65) years old, as well as people with disabilities have tax-free amount for income up to nine thousand (9,000) euros. Furthermore, for social reasons, the tax-free amount of the first step of the scale is increased by 2,000 euros for each child from the first two of the taxpayers charged by him and by 3,000 euros for each subsequent child.
- Replacement of the possibility of deducting expenses from the total income of the taxpayer with the possibility of deducting expenses from tax by the defined percentages
- Reduction of the scale tax by ten percent (10%) for deductible expenses (eg medical and hospital expenses, rents of the main residence, etc.).
- Imposition of a special contribution of social solidarity to individuals which is imposed on the total declared or imputed income of the financial year 2011 on a scale of 1% to 4% regardless of whether the income is taxed or taxed in a special way or exempt, excluding compensations or exemptions the duration of working life or upon retirement (lump sum), as well as unemployment benefits. The long-term unemployed at the time of certification are also excluded. For incomes obtained from 1.1.2012 until 31.12.2014, a deduction is provided against the special solidarity contribution.
- Adjustment of the minimum determination of objective income based on the used assets and other designated elements so that for all taxpayers without exception a minimum determination of objective income based on their living data as well as defined expenses - purchases to with the aim of disclosing taxable material. Objective determination is combative.
- Imposition of an extraordinary levy on the amounts of the annual objective cost arising from the ownership or possession of large private passenger cars, private yachts, aircraft, helicopters, and gliders as well as swimming pools, as they arise from the 2011 tax return, of the greater tax capacity of these groups of taxpayers.
- Imposition of an annual performance fee on craftsmen and freelancers
- Modification of the calculation scale of the real estate tax of natural persons, with a reduction of the tax-free amount from 400,000 euros to 200,000 euros

- Imposition of a special fee in favor of the State for the electrified surfaces for residential or commercial use, where this fee is paid together with the electricity consumption bill.
- Increase of traffic fees for all categories of vehicles (EIX, trucks, motorcycles, TAXI, hybrid, other vehicles) by 10% on average.
- The recognition of an additional percentage of 50% in the deduction of research and technology expenses incurred in the year was introduced with the extension granted for four years, until 31.12.2014, in the context of the strengthening of research and technology
- Incentives have been introduced for tax deductions for real estate energy upgrade costs.
- The construction activity is strengthened by suspending the desire.
- The investments made by the companies participating in the development law 3908/11 are strengthened, in the form of a tax exemption, which consists in the exemption from the payment of income tax on the profits made before taxes, which arise on the basis of tax legislation from all activities. of the business

In addition to the measures already adopted, the legislative commitment, which stems from Law 3888/10, for the abolition of the Code of Books and Records is being implemented. This abolition was a constant demand of the business world in the direction of simplifying, enhancing transparency and streamlining the system of fines.

B6. <u>Tax measures 2013</u>

The following were instituted to deal with the unprecedented financial crisis:

- Expansion of the tax base through the full implementation of the measure of reducing the tax-free limit on the income of individuals from 12,000 to 5,000 euros
- Abolition of the measure of income tax deduction at a rate of 10% in addition to the tax-free limit by collecting and presenting receipts
- Limitation of tax exemptions and exemptions
- Expanding tax presumptions for all taxpayers
- Extension in 2012 of the measure of collection of income from the fee to the self-employed that had been imposed since 2011.
- Continuation of the collection of the special solidarity contribution for the fight against unemployment, which entered into force in 2011.
- Continuation of the collection of the special contribution of social solidarity from the natural persons. Also, in the current year, a positive impact on revenues is estimated from the increase in non-regular revenues from the bank liquidity strengthening program due to the financial crisis and from the

transfer of yields from the holding of Greek government bonds to the portfolios of Eurosystem Central Banks (ANFA)

- Reduction of taxable income resulting from the restraint of the public salary expenditure due to the adjustment of special salaries (excluding uniforms), the extension of the single salary in DEKO, the reduction of seasonal holiday allowances and leave, the reduction of main and auxiliary pensions and the rationalization of social benefits.
- Reduction of pension / insurance contributions, because of the above reductions and cuts
- Reduction of tax exemptions for families with children but which is partially offset by the provision of family allowance based on income criteria.
- Increase in the personal income tax resulting from the extension of the retirement age by two years.
- Imposition of tax depending on the tonnage of the ships of the Greek merchant fleet
- Harmonization of the taxation in the gaming market with the participation of the Greek State in the revenues of OPAP SA equal to 30% of the gross profit from the games provided in the contract dated 15/12/2000 between the Greek State and OPAP SA, as well as of the imposition of a tax of 10% on the profits of the players of OPAP SA
- Imposition of smoking cessation in specific places of catering and entertainment

B7. Tax measures 2014

The deep and prolonged recession for the sixth consecutive year, which has resulted in a significant contraction in income and private consumption and hence a reduction in the tax base. The reduction of salaries and pensions had a negative effect on tax revenues. The main objectives of the tax policy and the actions implemented are:

- Legislation and implementation of the new integrated Code of Tax Representation of Transactions, which establishes a new bookkeeping system based on best international practice and the needs of the international business environment. As a result, a system of settings is created, simple, functional, and business-friendly.
- Immediate implementation of the two newly introduced codes, namely the Income Tax Code and the Tax Procedure Code. Extension of the scope of application of the Code of Tax Procedure to other taxes and reform of the KEDE based on the provisions of the above Code.
- Review of the legal framework for the offsetting of debts to General Government bodies in accordance with the principles of good administration
- Examining the possibilities of reducing tax rates subject to ensuring a stable and sustainable fiscal balance

- Establishment and implementation of the new Single Real Estate Tax with simultaneous abolition of EETA and FAP
- Creation of an electronic register of yachts in cooperation with the competent Ministries through which the observance of the tax and customs legislation and the collection of the voyage and stay fee will be ensured.
- Upgrading the tax audit project
- Implementation of targeted control actions such as for offshore companies, taxpayers who sent money abroad.
- Implementation of risk assessment actions regarding controls, tax refunds, overdue collection, import and export, customs samples.
- Utilization of the data deriving from the existing and new tax provisions, through intersections and enrichment of the image of the taxpayers (eg profil elenxis, utilization of the process of indirect control techniques).
- Operation of the bank account register
- Intersection and location of uninsured vehicles
- Implementation of the electronic submission of a single FMI declaration and IKAETAM insurance contributions

B8. <u>Tax measures 2015</u>

The structural changes and interventions that sought to achieve the goal of establishing a fair and efficient tax environment are as follows:

- Adoption of a new income tax code with practical content that shields the tax system, tax evasion and tax avoidance.
- Establishment for the first time of a tax procedure code, which consolidates and consolidates all the tax procedures that have been scattered and fragmented until now in a single, functional and easy-to-use legislation.
- The simplification and rationalization of administrative fines.
- The introduction of universal electronic filing of income tax returns, as well as most other resource returns are now submitted electronically.
- Promoting, based on European and international practices, a series of interventions to combat tax evasion by equipping audit services with all legal tools to achieve greater tax compliance by taxpayers.
- The establishment of a new institutional framework for the Greek accounting standards, which brings the greatest simplification of the rules for the tax representation of transactions in combination with the

codification and modernization of the accounting rules based on the best international practice for the European Union Directive 2013/34

- The promotion of changes in the framework of the criminal provisions for tax violations, so that without compromising the determination to deal with tax evasion, the Greek specificity of criminalizing non-payment of debts to the public is also addressed.
- The substantial improvement of the regulatory framework for overdue tax and insurance liabilities.
- The implementation of a system of payment obligations through credit system (including Web Banking).
- The adoption of electronic performance to reduce administrative costs.

B9. Tax measures 2016

In 2016, the reform of the income tax code was implemented, the reform of the rates and the extension of the special solidarity contribution, the increase of the VAT rate, the reform of the vehicle tax, the reform of the excise tax on energy products, in the subscription the increase in the participation of the state in the gross profits from gambling, the increase of the excise tax on beer and the tax exemptions from the new investment law. Despite the inherent fiscal difficulties in 2016, fiscal and economic policy measures were promoted such as:

- Adjustment of 100 installments that helped many citizens to be able to settle their debts in a favorable way, while leading to an increase in public revenues
- Limits on public debt prosecution have been raised, leading to decongestion of courts from low-cost cases and faster delivery of justice for high-tax evasion cases.
- By legislation, some fines of the Code of Tax Procedure were rationalized and abolished, which were particularly strict and punitive, resulting in being an obstacle to healthy entrepreneurship.
- The reduced rates of special solidarity contribution by 30% were maintained for incomes up to € 30,000,
- Rates in higher incomes increased resulting in a fairer distribution of tax burdens.
- Legislative improvements were made to the Income Tax Code, recognizing the reduction of the employee tax, so that those who show up to € 9,500 from paid services or from capital or from capital transfer capital are not burdened with presumption tax.
- Published for the adjustment of 100 installments, enabling many taxpayers to settle their overdue debts.

B10. Tax measures 2017

In 2016, the implementation of structural reforms began, which continued in 2017 and were complemented by new initiatives, including:

- Gradual development of a complete fully automated system for the management and monitoring of debt collection procedures

- Expansion of electronic services to support the calculation of insurance contributions for the self-employed and to integrate the collection of social security contributions through the tax administration.
- Strengthen tax compliance actions aimed at increasing voluntary compliance.
- Connection with the information system of the Ministry of Labor ERGANI

B11. <u>Tax measures 2018-2019</u>

- Introduction of an import tax rate of 9% for individuals, employees, retirees, farmers, freelancers, and sole proprietors from the current rate of 22%.

  This reduction is expected to benefit not only taxpayers with an income of less than 10,000 euros, but all taxpayers, as their income is taxed on a progressive scale.
- The rates for the highest incomes are also reduced by one percentage point.
- Reduction of the corporate income tax rate from 28% which is currently 24% for 2019, thus strengthening small and large enterprises, while the reduction by 50% of the tax rate of the first tier for start-ups continues to apply. for the first three years of operation.

  The further reduction of the income tax rate of legal entities in the coming years, aims to restore the competitiveness of the Greek economy in the European and international economic environment.
- Establishment of a low tax rate of 10% for the agricultural cooperative schemes that aims on the one hand to reduce their tax burdens and on the other hand to strengthen the development possibilities of the primary sector of the Greek economy, through the establishment of new agricultural schemes.
- Reduction of the income tax advance to 95% of the tax that arises for legal entities and concerns the year 2018.
- Reduction of uncollected accrued remuneration collected in the year 2014 onwards and if they are clearly stated in the annual remuneration certificate issued to the beneficiary or resulting by any appropriate means in the year to which they relate, to tax based on the provisions of the deductible year. In addition, benefits in kind to employees in the form of a company car are rationalized, with their taxation at a progressive scale, based on the Retail Price Before Taxes and with new fairer rates per step. Excluded from this tax are the benefits to vehicles that are necessary for the execution of their work with a Retail Sales Price Before Taxes of up to 17,000 euros.
- With regard to benefits in kind in the form of a loan, the full amount of the loan is no longer considered as a benefit in kind, but the difference in interest arising on the basis of the interest rate on which the employee receives the loan and the interest rate on which would be charged if they took the loan at an interest rate equal to the average market interest rate

- It is clarified that the benefit in kind is counted in the income of the recipient, according to the part that exceeds the value of 300 euros.
- The contribution of 0.6% of law 128/1975 to the factoring and leasing credits is abolished with the aim of reducing the financing costs and consequently the operation of small and medium enterprises.
- The deadline is extended until 31.12.2022 regarding the manner of taxation of public vehicles.
- The tax rate of dividends is reduced from 10% to 5% for dividends that will be distributed from 1.1.2020 onwards and the conditional exemption of legal entities that are tax residents of Greece from the capital gains tax for the transfer of participation securities is introduced.
- There is an exemption from income tax for individuals and legal entities and the solidarity contribution for individuals of interest on corporate bonds listed on a regulated market.
- Increase of the tax-free by 1,000 euros for each protected child, regardless of their number, while especially for large families with 5 children and over, the reduction of 20 euros does not apply for every 1,000 euros increase in their income, if their taxable income exceeds 12,000 euros.
- Exemption from the solidarity contribution of all disabled people with a disability rate of 80% or more, regardless of the form of disability.
- Rationalization of the method of taxation of stock options, which, if the employees are retained for 24 months the surplus value from their exercise, will not be added to the other income of the employee, in order to be subject to taxation based on scale, but will be taxed independently at a rate of 15%.
- Payments to employees due to the redemption of their insurance policy due to their participation in voluntary retirement, is no longer an early redemption and is not taxed at a rate increased by 50%.

  The measures for the restart of the economy in important sectors of the country that have been particularly affected by the economic crisis include in particular:

  -Suspension of the imposition of capital gains tax on the transfer of real estate for three years. - Incentives are introduced for the realization of expenses that will be realized for the receipt of services related to the energy, functional and aesthetic upgrade of buildings, with the granting of a 40% tax deduction for expenses of the relevant works, with a total cost of 16,000 euros, equally distributed in period of four (4) years.

  - The maximum number of installments of the fixed debt settlement is increased from 12 to 24 and in special cases of extraordinary debts from 24 to 48. It is possible to include the same debts from the same debtor for the second time if the arrangement is lost for any reason related to his fault.

- Employees, retirees, self-employed and income earners will have to spend up to 30% of their actual income through electronic means of payment, with a penalty of 22% on the difference, in cases where the above limit is not reached.

B12. Tax measures 2020

The big changes in the tax legislation from 1-1-2020 are the following:

-Reduction of the income tax rate for companies and other legal entities from 28% to 24% for the profits of 2019 and the benefit will appear in the income tax returns submitted, based on the provisions of article 22 of Law 4646 / 2019. The reduction is valid from the fiscal year 2019. For profits of 2020 follows a new reduction from 24% to 20%.

-Changes in the tax scale of income from salaries, pensions, business activities and agricultural holdings. The incomes that will be obtained from 1.1.2020 employees, retirees, self-employed and farmers will be taxed at the following rates[2]:

a) Introduction of an import tax rate reduced from 22% to 9% for the first 10,000 euros of annual income.

b) 22% for the part of the income from 10,000.01 to 20,000 euros.

c) Reduction of the tax rate corresponding to the income segment from 20,000.01 to 30,000 euros, from 29% to 28%.

d) Reduction of the tax rate corresponding to the part of income from 30,000.01 to 40,000 euros, from 37% to 36%.

e) Reduction of the tax rate corresponding to the part of income over 40,000 euros, from 45% to 44%.

The above scale applies to the income earned by paid athletes, provided that the amounts they receive do not exceed 40,000 euros, within the relevant tax year. If they exceed 40,000 euros, they are taxed at a rate of 22% and with exhaustion of the tax liability. The above scale does not apply to the income from paid employment they obtain:

(a) officers of merchant navy ships, which is taxed at a rate of 15%; and

b) the lower crew of the Merchant Navy ships and which is taxed at a rate of 10%. Any other income of the officers and crew is taxed at the appropriate rates.

Reduction of the annual tax deduction provided for income from salaries and pensions and for profits from agricultural activities exercised by professional farmers.

Reduction of the tax on dividends from 10% to 5%, from the fiscal year 2019.

Higher tax-free: Employees, retirees and professional farmers are entitled to a tax-free limit.

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[2] Based on the provisions of article 6 of Law 4646/2019

The changes in tax-free rates and rates affect the monthly withholding tax from January, bringing small increases in the monthly salaries of employees and retirees.

-Reduction of the tax rate of profits from business activity, of agricultural cooperatives and producer groups, registered in the Register, from 13% to 10% based on the provisions of article 22 of Law 4646/2019.

-Reduction of tax burdens on benefits in kind received by thousands of employees.

-The advance payment of three salaries ceases to be considered a benefit in kind.

The following benefits are exempt from income tax in kind from companies to employees:

a) the compensation for the purchase of monthly or annual cards for unlimited public transport routes and

b) the market value of the concession of a vehicle of zero or low emissions up to 50 g CO_2 / to an employee, for any period within the tax year.

-Suspension of capital gains tax on real estate profits for the three years 2020-2022.

-Expenditures for energy, functional and aesthetic upgrades of buildings, which have not been or will not be included in a building upgrade program, reduce the personal income tax, equal to the next 4 years, and by 40% of their amount according to the provisions of article 16 of Law 46462019. The maximum total expenditure limit is 16,000 euros. That is, a tax deduction equal to 40% of the costs for the provision of energy functional and aesthetic upgrade services of buildings and up to the amount of 16,000 euros is provided. The discount will be provided for the incomes of the years 2020-2022 and under the condition that the payment of the expenses will be done with electronic means of payment. In any case the amount of the discount will be distributed over the next four years.

-Establishment of e-invoicing and e-books for all businesses.

-Reduction of statute of limitations for tax cases from 20 to 10 or 5 years, in cases where tax evasion is found.

-Exemption from income tax and the solidarity contribution of interest on corporate bonds listed on a regulated market.

-Abolition of the special solidarity contribution for people with a disability of 80% or more.

-Changes in the "permanent settlement" of debts to the Tax Administration, with an increase in the maximum monthly installments from 12 to 24 for debts arising from regular taxes and from 24 to 48 for debts arising from extraordinary taxes and fines.

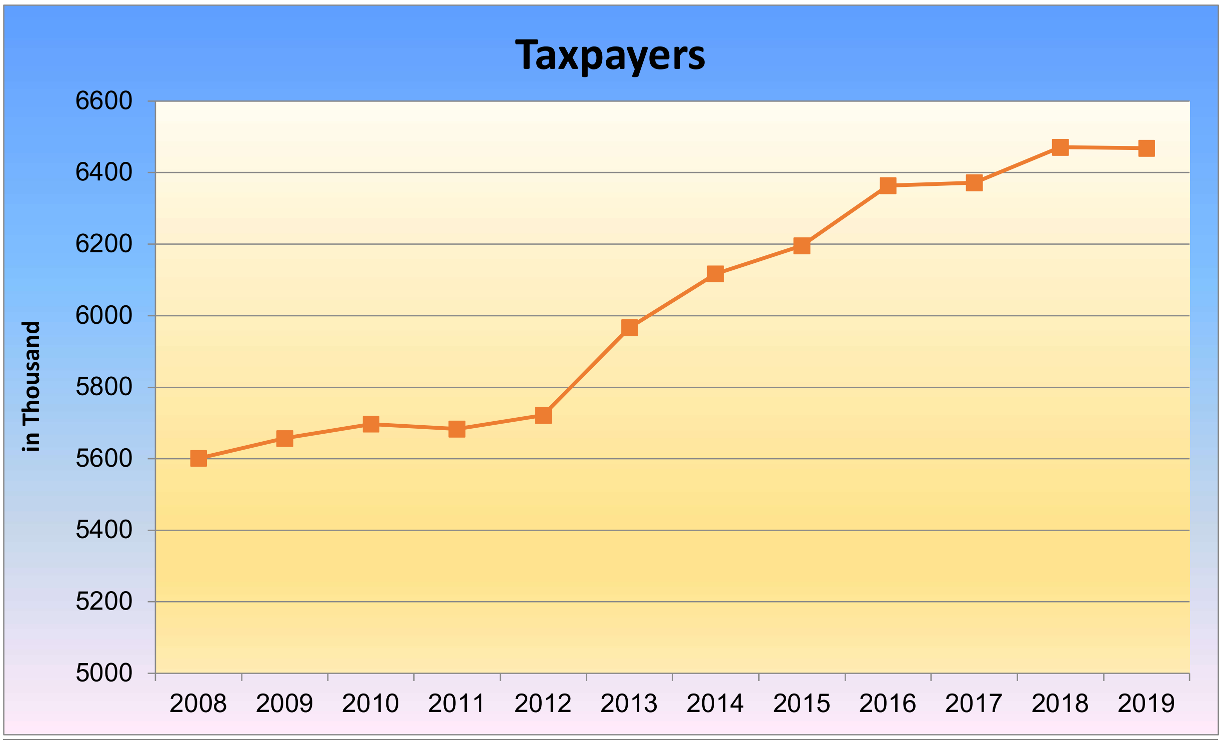
-Establishment of a procedure for electronic submission of tax returns for real estate transfers, donations, parental benefits, and inheritances, through notaries.

-According to the provisions of article 77 of Law 4646/2019, tax reductions are provided for donations. The tax on donations to the bodies defined in the KFE, is reduced by 20% (it was 10%), if the donations exceed during the tax year the amount of 100 euros.

-Abolition of the luxury living tax for private cars. cars used by large families with unmarried children.

-Reduction of ENFIA by 30% within two years

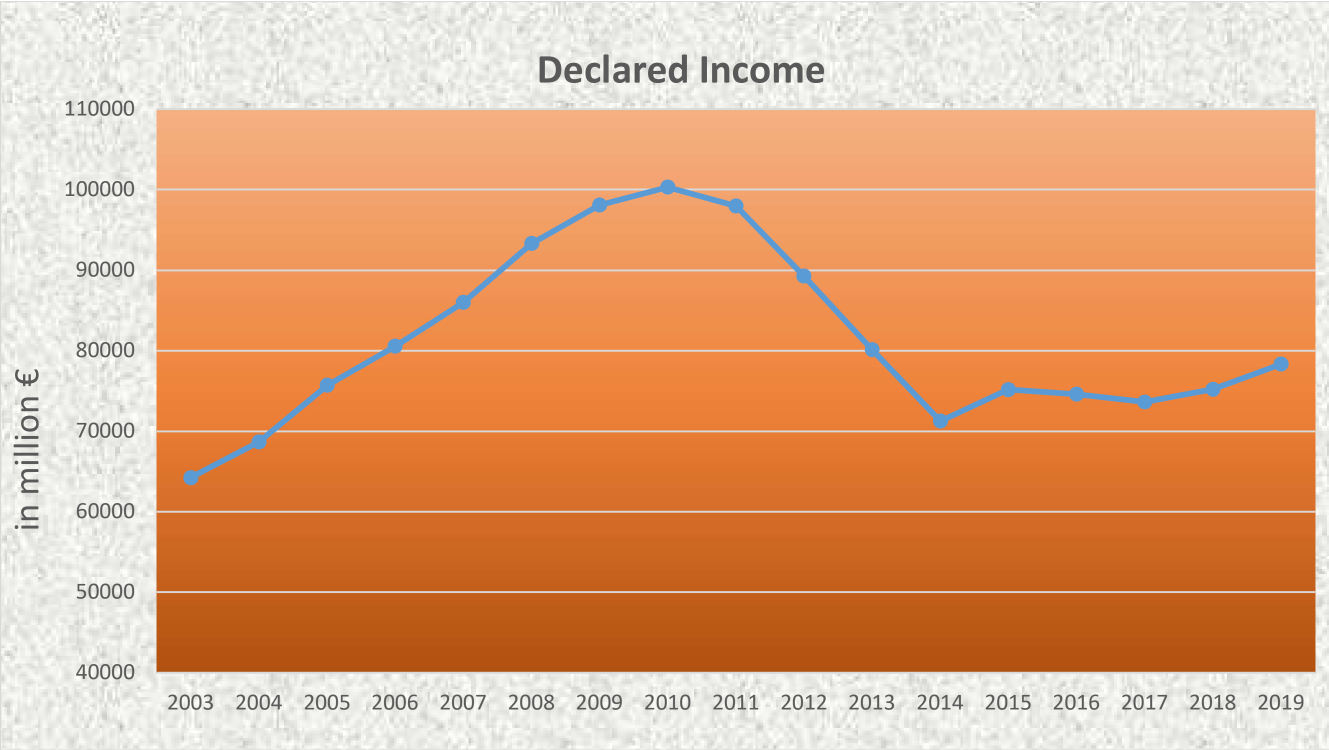
C. Financial results of the implementation of tax measures



According to the 2011 report, tax revenues (direct and indirect taxes) covered 28.74% of total revenues (including credit), while they corresponded to 20.97% of GDP, showing a decrease compared to the previous financial year 2010 by a percentage 4.89%.

Revenues from income tax in 2011 presented the lowest collection rates, which amounted to 79.80% compared to the forecasts, while they also appear reduced compared to the previous financial year by 15.49%, although they were projected to increase by 6, 5% due to the abolition of a series of tax exemptions and the integration of all incomes in the large tax scale as well as the effectiveness of the new tax presumptions, especially for the self-employed.

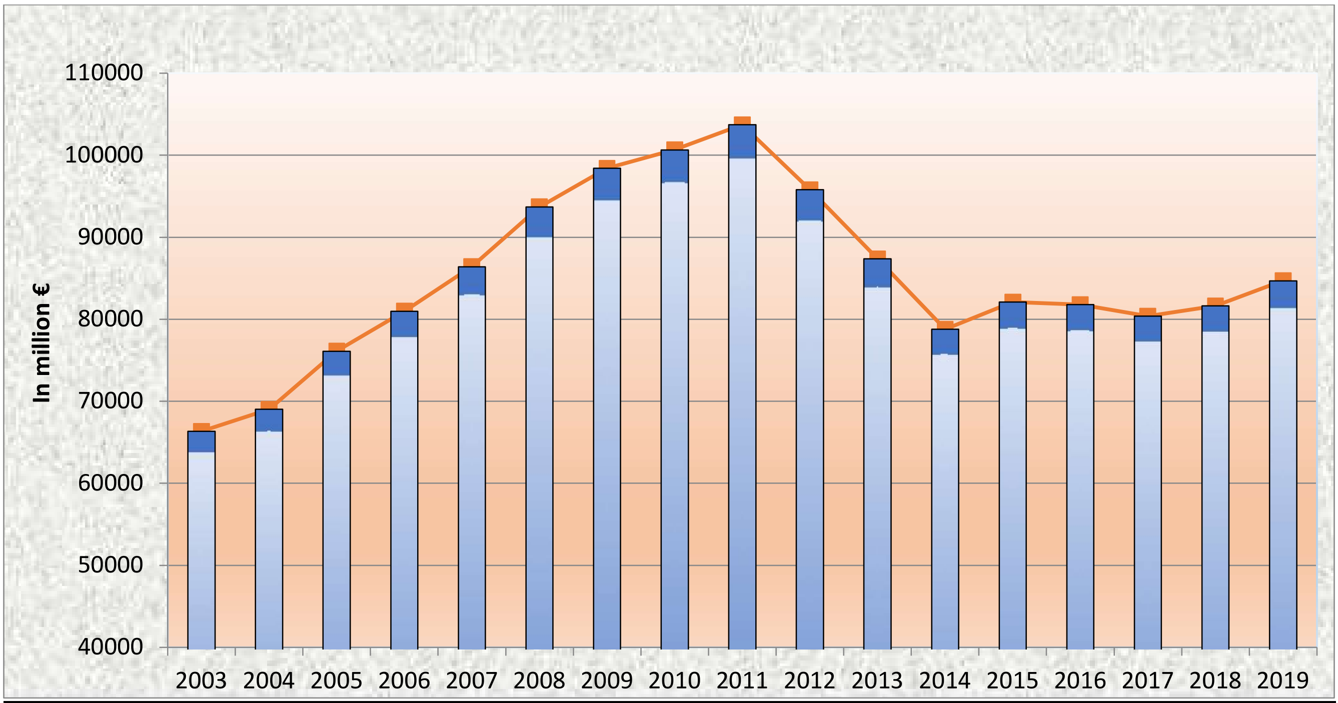
Revenues from personal income tax decreased in 2011 compared to 2010, mainly due to the impact on income tax withholding from the new tax scale and the reduction of pensions, as well as the tax deduction from the implementation of the measure of collection of evidence. They also reflect the delay in collecting the 2010 real estate tax.



The downward trend in revenue is due to:

- The reduction of the taxable income of employees and pensioners based on the full implementation of the unified Payroll (Law 4024/2011) in the State and consequently the reductions of pensions, which resulted in reduced income from withholding tax on the category of salaries services.
- In the biggest recession expected, ie more than double the forecast in the 2012 state budget.
- In the relevant arrangements for the repayment of the income tax of natural and legal persons in installments and in the postponement of the collection of part of the due amount of the special fee for electrified structured surfaces year 2012 within the first half of 2013.

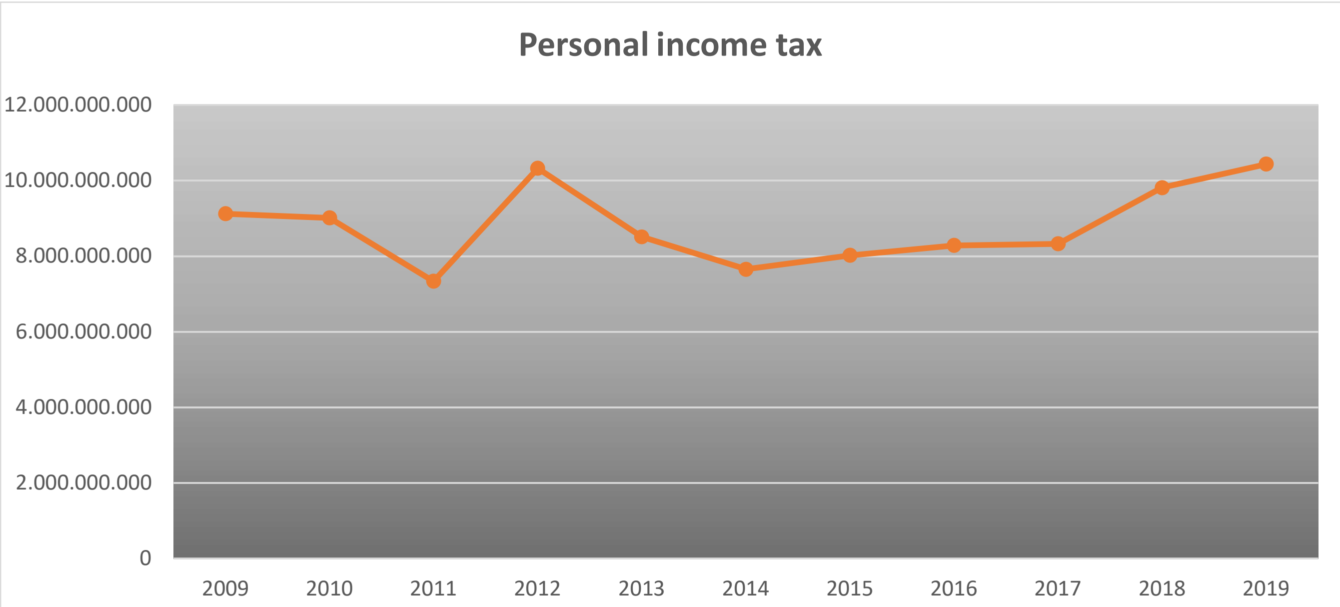
Taxable Income



In 2013 the total tax revenues collected amounted to € 40,990,667,740.13, presenting a marginal lag compared to the Budget provisions by € 445,806,259.87 or 1.08%. The ratio of direct and indirect taxes amounted to 45.48% and 54.52%, respectively and the ratio of direct / indirect taxes is 1.20, indicating that for every euro of direct taxes, 1.20 euros are paid for indirect taxes. In particular, the certified current year income from personal income tax shows a significant decrease of 24.6% compared to 2012 as it balances after the large increase in this income in 2012, mainly due to changes in tax law and reduction of the tax-free limit.

The data from the income statement of the state for the financial year 2014 show that there were exceedances mainly in the tax of individuals and consortia and mainly the taxes are collected in the form of advance or withholding. The ratio of direct and indirect taxes to total tax revenues 45.87% and 54.12% respectively and the ratio of direct / indirect taxes amounted to 1.18, ie for every euro of direct taxes paid 1.18 for indirect taxes In 2013 the ratio of direct and indirect taxes was 1.20.

Fiscal Year	Personal income tax
2009	9.122.308.189
2010	9.015.088.583
2011	7.337.456.343
2012	10.321.022.478
2013	8.512.676.930
2014	7.655.923.701
2015	8.028.011.997
2016	8.289.119.160
2017	8.328.229.262
2018	9.811.000.000
2019	10.440.000.000



In 2015 for income tax, it was observed that revenues from personal income tax (€ 7.82 billion), which accounted for 64% of total income taxes, appeared marginally reduced by 0.35% for the year 2015 in comparison with the data of the previous year. This decrease was the result of small fluctuations in the underlying subcategories. Specifically, the only subcategory that showed an increase was that of tax revenues from salaries and pensions collected in the form of withholding (67.47% of total income tax taxes) by 11.02%, while the largest decrease was presented by revenues collected by the form of advance payment (4.48% of the total personal income taxes) by 46.82%, the income collected in the form of withholding tax (excluding salaries and pensions) (10.62% of the total personal income taxes) by 10, 89% and the income from the main income tax (17.04% of the total personal income taxes) by 5.24%.

Direct taxes that were certified for the first time showed a decrease due to the reduction of personal income tax revenues by 30.97% (approximately € 60m) and real estate tax revenues by 58.42% (approximately € 60m)).

Revenues for the year 2015 from the personal income tax show a decrease of 6.1% compared to 2014. The decrease concerns the tax clearance and advance payment and is due to the general decrease in income due to the prolonged recession in the economy. Revenues from taxes on salaries and pensions show an increase, which allows it to be collected in the form of withholding due to the implementation for the whole of 2015 of the measures related to withholding on income from multiple pensions under Article 60 of Law 4172/2013 (main, supplementary pension and so on).

According to the structure of tax revenues in the period January-December 2016, direct taxes amounted to 45.96% of total tax revenues and indirect taxes to 54.04%. The percentages for the period January-December 2015 amounted to 45.39% and 54.61%, respectively. The share of indirect taxes in total tax revenues, in relation to direct taxes, is significantly higher.

Cumulatively for the period January - December 2016, tax revenues amounted to € 47,518,573,244.29, with an increase of € 3.99 billion (or 9.16%) compared to the corresponding period of 2015. The increase by 2.08 billion was formed by the following changes: Increase in income from taxes on income by 10.35%. They amounted to € 13.38 billion in the period January - December 2016 compared to € 12.13 billion in the corresponding period of the previous year.

Revenues from personal income tax, which constitute 61.07% of total income tax revenues in 2016, this period appear increased by 4.53% compared to the previous year 2015, ie have increase to € 8.17 billion compared to € 7.82 billion. Revenues from income tax amount to € 1.54 billion in 2016 compared to € 1.33 billion in the previous year 2015, recording an increase of 15.32%, while revenues from income tax collected in the form of advances increased in the period January-December 2016 and amounted to € 507.27 million compared to € 349.88 million in the corresponding period of 2015, recording an increase of 44.99%. This change is mainly due to the increase in the rates of income tax advance due to the self-employed. Revenues from income tax from salaries and pensions collected in the form of withholding were maintained at the same levels as in 2015 and amounted to € 5.31 billion in 2016 compared to € 5.27 billion in 2015, increased by 0.7 %. The withholding tax on salaries and pensions is calculated with the new increased scale of law 4387/2016 from May 2016. Revenues from income tax corresponding to income that is taxed independently (article 13, law 2238/1994) also increased, amounting to € 51.52 million in the period January - December 2016 compared to € 27.65 million in the same period of 2015. Revenues from income tax (excluding salaries and pensions) collected with the form of withholding decreased and amounted to € 763.92 million in the year 2016 compared to € 829.98 million in the year 2015. Revenues in 2019 from personal income tax, as well as from income tax from legal entities, exceeded the respective targets and even though in 2019 and especially for the tax on legal entities, one-time reduction measures were applied due to a tax of 138 million euros.

Revenues from personal income tax, as well as from income tax from legal entities, exceeded the respective targets and even though in 2019 and especially for the tax on legal entities, one-time measures to reduce this tax were implemented amounting to EUR 138 million. Tax revenue collections mainly included value added tax of € 15.69 billion (34% of tax revenue collected), income tax of € 15.22 billion (33% of tax revenue collected) and personal tax amounting to 10.44 billion euros (22% of tax revenues collected), as well as excise duties on energy, tobacco and other products amounting to 7.12 billion euros (15% of tax revenues collected). The receipts of regular real estate taxes - mainly of the Single Property Tax (ENFIA) - were of the order of 2.74 billion euros and their share in the collected tax revenues amounted to 6%.

D. Conclusions – suggestions

The expansion of the tax base has been launched with the reduction of the personal income tax deduction to be obtained in 2020. This may be another step towards replacing the redistributive role of taxation with a system of public spending on social security, which will be transparent and subject to democratic scrutiny.

Successful steps have recently been taken to increase tax compliance and are reflected in higher revenues. However, tax evasion is still considered very high, and the government must make continuous and decisive efforts to strengthen the tax mechanism. Further steps that could be taken to restore the fairness of the tax system include: (i) phasing out banking secrecy for tax purposes; (ii) speeding up the full registration of real estate to improve controls; (iii) income tax returns iv) Redistribution of tax burden v) Avoid multiple revisions to tax legislation vi) Tax changes must be notified in a clear and transparent manner vii) Replacement of the system of "objective criteria" for assessing taxable persons to broaden the tax base and improve tax compliance incentives, while taking advantage of improved cross-cutting capabilities provided by information systems. (Chiara Bronchi, 2001).

Intensifying controls reduces tax evaders. In addition, the impact of tax audits on tax compliance is greater in areas with high unemployment, on islands and in areas with lower educational attainment. Poor economic conditions (low income and high unemployment) could be linked to lower tax compliance, increased tax offenses and ultimately higher tax evasion. Intensifying controls can help prevent tax evasion, increase efficiency, collect taxes, and increase tax revenues. Much depends on the state's ability to impose the penalties provided and to collect the fines imposed in a strong and effective manner. (Athanasios Tagkalakis, 2013).

The following measures are proposed:

1) The tax (economic) scale, to be prepared for each year uniform for all incomes of individuals, on a scale, with the differentiation of certain incomes, from paid services and pensions, from agricultural enterprises and from real estate. In the general tax scale, the income scale will range from 5,000 euros to 45,000 euros and a tax rate of 5% to 45% for each step.

2) The taxpayers are entitled to deduct from the balance of the above profits the following expenses based on the legal supporting documents:

a) medical and hospital expenses with restrictions depending on the type and number of net profits that may be reimbursed.

b) For certain expenses (private cars, plumbers, electricians, repairs of private houses, shops, etc.), which are not easy to determine, it is necessary to allow the deduction of these expenses, in whole or in part, based on legal documents, from the net profits of the persons who pay these expenses. In this way the payer of these expenses will be deducted in whole or in part from the net profits or net income, by reducing the income tax due and the issuer of the legal documents of the expense will increase the gross income and will reflect the real result. This will show the actual taxable income and the income tax due, and the taxable income generator will show the actual results (gains or losses).

c) The protected members for each person, which will be scaled starting from the paid services, pensions, agricultural enterprises, and other incomes.

3) The gradual abolition of the objective presumptions should proceed with the total application of electronic payments in all categories of personal income and their maintenance only to assist the work of the tax control mechanism. It is necessary to launch the introduction of mandatory payment for income earners, self-employed, employees and retirees and farmers through electronic means, such as credit cards, payments via e-banking, etc.

4) A drastic way to tackle tax evasion is the reduction of tax rates, the introduction of an effective system of sanctions for violators of tax provisions, the evaluation of existing exemptions, discounts, tax incentives and the abolition of unnecessary, the reform and simplification of tax legislation.

In conclusion, a special committee should be set up with a chairman and members, who will have tax knowledge and experience in tax matters. It will assess the impact of the tax system on economic activity, propose measures for fairer income redistribution and plan a comprehensive tax reform.

The relationship between personal income tax rates and personal income tax revenue collection varies in important ways across countries. Developing countries show a very weak relationship between tax rates and the ratio of personal income tax to GDP. (Klara Sabirinova Peter, Steve Buttrick and Denvil Duncan, 2010)

Studies that have been carried out document that a percentage point reduction in tax rates results in an increase in government revenue by three percentage points.

Tax burden as a percentage of GDP in 2020

Ireland	21%	Eurozone	37%
USA	26%	Spain	37%
Romania	27%	Portugal	37%
Japan	28%	Slovenia	38%
Switzerland	28%	Croatia	38%
Malta	31%	Norway	39%
Bulgaria	31%	Luxembourg	40%
Lithuania	32%	Netherlands	40%
Latvia	32%	**Greece**	**41%**
Estonia	34%	Finland	42%
Slovakia	35%	Germany	42%
United Kingdom	35%	Austria	43%
Cyprus	35%	Italy	43%
Iceland	36%	Sweden	44%
Czech Republic	36%	Belgium	46%

Hungary	36%	France	47%
Poland	37%	Denmark	48%

Source: European Union, Ameco

Greece is above the average taxation in the Eurozone, Japan, and the USA from direct and indirect taxation as a percentage of GDP. At the same income level as Greece are Spain and Portugal and Greece has a higher tax burden than them, in this case with Spain, Portugal at 37% and Greece at 41%. Finland and Sweden, which have the same tax burden as Greece, have twice the average income of Greece. In Ireland, which follows a successful economic model, the tax burden is only 21%, which is almost half of Greece. In conditions of a significant decrease in incomes, it is necessary to reduce taxes that contribute to economic growth as well as the creation of new jobs.

From the beginning of the 1990s, Greece began a slow process of decentralization of state services. It was largely related to spending to improve the administration and efficiency of the provision of public goods and to a better relationship between citizens and the state (OECD 2001b).

In countries with higher income levels the main sources of revenue are income taxes, especially personal income taxes and various consumption taxes. The tax ratio has followed an upward trend as the country has reached higher levels of economic growth but remains well below the OECD or EU-15 average. The tax/GDP ratio (excluding social security contributions) rose from around 12% in the mid-1960s to over 20% in 2008, before the outbreak of the fiscal crisis. However, it remains 5% of GDP lower than the average of OECD or EU-17 countries. In OECD countries, personal income taxation accounts for about 35%-40% of government revenue, while taxes on capital income raise only about 10%-15% of total revenue.

Among the entire European Union, Greece's tax/GDP ratio is among the lowest, just surpassing some economies such as Latvia, Romania, or Slovakia. Based on the tax rate alone, Greece ranks closer to the group of developing rather than developed countries. Comparing Greece with the relatively more homogenous group of Eurozone countries we conclude that Greece and Portugal have the lowest direct/indirect tax revenue ratio of around 0.64, while for the same period Greece has by far the lowest direct tax ratio / GDP around 8.3%, compared to the Euro area average of 11.7%.

For the entire OECD region, taxes on income and profits in Greece in 2008 amounted to 7.3 per cent of GDP (the lowest after Mexico, Turkey and Slovakia), compared to the OECD average 12.5%. Regarding the importance of personal income taxes in total tax revenues, Greece ranks 31st among the 33 OECD countries. The two main conclusions that can be drawn from contrasting the Greek data with the international experience are that despite increasing levels of taxation, the tax-to-GDP ratio remains lower than expected. Secondly, the structure of tax revenues resembles that of a country with a much lower level of economic development, even though Greece has been under the influence of the European Union for tax matters for at least the last 20 years. Apparently, Greece has adopted for most types of taxes the established rates that are very close to the average of OECD countries or the Eurozone (OECD 2011a).

The tax-free personal income tax threshold was until recently about 78% of household disposable income per capita, much higher than in most other OECD countries (OECD 2011a).

Comparing the declared incomes of workers/pensioners (who are less likely to hide income) with the incomes of other taxpayers shows that for 2009, approximately 42% of workers/pensioners reported an income of less than 10,000 euros, while the corresponding percentage for the other professional groups is twice as much (83%). Such figures are indeed difficult to rationalize. Contrasted reported incomes and consumption expenditure by different occupational groups, from different statistical sources, provide further evidence that some groups significantly understate their incomes. Such a comparison reveals that in terms of expenditure farmers are the least well paid compared to the average of population, but also to a much lesser extent in terms of income.

Tax audits are sparse, resulting in the accumulation of unaudited tax returns. The Ministry of Finance proceeds to "settle" such cases by resorting to tax amnesties every 3 to 5 years, such as the one held in September 2011. Such practices reward tax evaders and act as punishment for honest taxpayers. Taxpayers themselves perceive the tax authorities as ineffective. Taking the example of undeclared work, according to the 2007 Eurobarometer for the 27 EU countries, Greeks report the highest number of hours for undeclared work and at the same time there is the lowest proportion of those who are penalized either through fines or imprisonment. The complexity of the tax code and its constant amendments (about 2 to 3 tax laws are passed each year) act as further obstacles to the proper functioning of the tax mechanism. The number of active taxpayers per employee in the tax administration is lower in Greece than the average of a sample of 23 high-income countries examined by USAID13 (778 compared to 848 respectively). A recent study provides estimates that the scope for increasing government revenues from personal income tax by tackling tax evasion is around 2.5% of GDP (Mylonas, Magginas & Pateli, 2010).

Another issue closely related to that of tax evasion is corruption (ie the abuse of public office for private gain). Corruption is difficult to measure because it is hidden and can take a wide range of forms. More specifically, of the 182 countries surveyed by Transparency International in 2010, Greece was ranked 80th. In Pissarides and Weber's perception (1989), in household surveys the self-employed were shown to be untruthful in declaring their incomes, due to their apparently higher expenses e.g., in foodstuffs, in relation to the (reliable) employees. The tax evasion rates for self-employment income are always higher than those of employment income.

Uslaner (2002) also found that societies where trust in institutions is strong and corruption is low have better governance, stronger economic growth, and greater respect for the law by citizens. Greece is at a high level of corruption, which goes hand in hand with low levels of trust in government.

The average family declared income for 2008 was €16,733 and over 40% of taxpayers (2,406,451 people) declared incomes of less than €10,000. That is, 4 out of 10 households declared themselves "poor". 48% of total taxes in 2008 were paid by employees and pensioners. Legal entities paid 35% and the rest of the taxpayers (income earners, self-employed, etc.) paid 17% of the total taxes.

One in 2 taxpayers, the 2,852,679 taxpayers, declared an income of up to €12,000. 1,765,967 taxpayers declared an income between €10,000 and €20,000. 31,454 taxpayers, just 0.56% of the total, declared incomes above €100,000 and 74 Greeks declared incomes above €200,000 each.

Indicatively, the average individual income declared by the self-employed amounted to 10,493, while the employed and pensioners declared an average individual income of €16,123. 7 out of 10 freelancers (doctors, lawyers, electricians, plumbers, singers, etc.) show incomes of less than €10,500 to the tax authorities. A substantial increase in tax revenues can only occur with a high rate of growth, simplification and stability of tax legislation, rational management of the tax revenue by governments and more efficient operation of tax authorities. (G. Agapitos, 2009).

Laffer saw that tax revenues begin to decline after a certain level of tax rates and lower tax rates collect, ceteris paribus, at least the same revenues as higher rates, but with favorable downstream effects on economic activity. When a tax rate is zero or 100%, revenue is zero, while a lower rate maximizes revenue. But if the tax rate is increased, the revenue is reduced and is the same as that collected at a much lower tax rate. For the economy to balance, demand must be stimulated, and the demand curve shifted. This move to close the anti-inflationary gap can be achieved through a combination of fiscal and monetary measures, i.e., reducing tax rates, increasing disposable income and reducing tax evasion, increasing public investment spending, increasing the money supply, which it will be accompanied by a reduction in borrowing rates (cost of capital) and will encourage new investment initiatives. Beyond this point, if higher tax rates are applied, the tax revenue of the State will not only not increase, but instead will decrease, because the taxpayers will be so discouraged that they will reduce their productive activity and thus the high tax rates will be applied for even longer. more reduced income. This well-known "Laffer curve" (which was diagrammatically captured on a restaurant napkin as part of a debate), expresses the potential for a high tax burden to become a disincentive to generate income, and was used as the basis of an entire argument for lowering tax rates.

In 2016, out of a total of 8,768,000 citizens who made an income tax declaration, only 1,670,000 natural persons declared an annual income of up to €15,000, while only 24,850 taxpayers, natural persons declared a monthly income of more than €50,000. From the statistics on the number of personal income tax returns and the classification of declared incomes, it follows that about 20% of the natural persons who submit an income tax return bear about 90% of the personal income tax, which is assessed against this category. From the comparison of the statistics of the tax years 2009, 2014 and 2017, it can be concluded that the tax base is constantly decreasing. In 2009, the total number of employees was 1,848,935 and only 3.25% of them declared an income of €0-250, while the corresponding percentage for the year 2014 had tripled to approximately 9.78%. In 2017, the percentage of those declaring an income of 0-250 € had reached 11.10%. The OECD report for 2016 highlighted the fact that one of the 5 heaviest taxed families among OECD member states is the Greek family. The tax burden and other deductions of an average family with 2 children in Greece reaches an average of more than 38% of its annual income, according to the OECD. tax revenue. Revenues at the general government level ended up lower in 2017 than in 2016, and the decline would have been much greater had it not been for a larger increase in revenues from insurance contributions, which were disconnected from profitability and increased excessively. Over-taxation therefore exhausted the resources that could be allocated to consumption or savings, with a further result of the dystopia in the re-heating of the Greek economy. Over-taxation has exceeded the limit point of its yield curve, with the consequence that the increase in tax burdens and rates does not yield a proportional increase in tax revenues, but rather a decrease in them.

The corresponding OECD report for 2019 highlights the tax burden on the Greek family as the second highest among the 36 countries of the Organization for Economic Co-operation and Development (OECD). The principle that all citizens should contribute according to their financial ability was not followed for a considerable time. For most of the 20th century, personal income taxation was directed only at the very wealthy households and so for most of the income scale there was no progressivity.

A high percentage of people didn't even file a tax return, and many reported incomes well below their true median value. Income tax was severely affected by lack of compliance with administrative and legislative developments. (Sara Torregrosa-Hetland, 2015).

According to the logic of these models the degree of tax compliance will increase if the government is able to increase the frequency of audits and the imposition of fines. Several studies on a taxpayer's honesty and tax compliance have found that honesty is significantly related to compliance variables, perceptions of the fairness of the tax system, and tax evasion. Therefore, in addition to individual norms, social norms seem to play a very important role in compliance.

Scholz and Lubell (1998) show that people tend to fulfill their tax obligations when they trust and believe that others will also pay their fair share of taxes. If someone believes that the government collects taxes and spends the revenue in an efficient way, then they will be more willing to pay taxes. The level of the shadow economy and tax evasion in Greece is quite high, compared to other EU and OECD countries. The shadow economy is calculated from the number of hours of undeclared work. Trust in justice can mean that if citizens feel they are being treated unfairly by the tax authorities, they can turn to the court system. The image of the quality of the country's tax environment is classified in a problematic global zone. It is characteristic that in 2005, according to the World Economic Forum, the efficiency of the tax system (efficiency of tax system) of Greece is ranked 94th out of a total of 117 countries, which is the worse than the corresponding one in bureaucracy (burning of government regulation) where ranks 69th.

Income taxation and especially personal income tax seems to be the biggest flourishing area of tax evasion, which perhaps explains the low direct/indirect tax mix. The self-employed and certain types of sole proprietorships are also subject to this tax, so a large portion of business income is taxed under the provisions of personal income tax. The revenue from this tax is more than four percentage points below the Euro area average, despite comparable rates and similar income levels (OECD 2011a). According to Ministry of Finance data (GSIS 2011), for incomes earned in 2009, almost 60% of Greek taxpayers had incomes below the tax-free threshold and paid no income tax. For 2009, almost 90% of taxpayers reported annual incomes below €28,000, while only 1,700 people reported an income of €250,000 or more. Consequently, tax payments were heavily concentrated at the top of the income distribution, with 30% of taxpayers paying 95% of total personal income tax.

According to the studies of the Bank of Greece, the KEPE, the OECD, the IMF, it is estimated that the amount of tax evasion in Greece is between 10% and 20% of the GDP, that is 25-50 billion annually. Based on the statistics of the 2008 tax returns, i.e., for the incomes obtained in 2007, out of a total of 5,598,885 taxpayers, 2,018,905 are employees, 1,548,531 are pensioners, 698,790 are traders, 582,091 are income earners, 395,406 they are farmers, breeders, fishermen and 355,162 are self-employed.

According to OECD data for 2017 the average ratio of total tax burden to GDP is 34.2% (the highest perhaps since the year 1965), the corresponding ratio of total tax burden to GDP for Greece is 39 .40% compared to the corresponding 30.6% in 2009. The tax reform must broaden the tax base to the many, limit over taxation to the few and facilitate the country's international transactions and the attraction of foreign capital, without phobic syndromes and with safe criteria of substantial economic activity. Tax reform without tax rationalization and above all without accepting the internationalization of transactions cannot bring about economic recovery results for a country. It needs extroversion and ensuring the rules of transparency, as well as the smooth and effective control of the economic content of business choices. The tax system today is characterized as anti-growth because it minimizes disposable income. And combined with the reduction of public spending and incomes it shrinks active demand and zeroes out savings. Instability and high tax rates discourage any initiative for new investment and job creation. According to the OECD, tax revenues in Greece from 32% in 2007 have reached 39.4% of GDP in 2017. Greece is characterized as a champion in this field. There is an impoverishment and over-indebtedness of households and a strengthening of the shadow economy and tax evasion.

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