



New tax law redesigns the short-term lease framework and sets new rules for real estate transactions

Law 5073/2023 introduces a reform in the short-term rental activity in Greece aiming at balancing the conflicting interests between real estate owners wishing to exploit their properties within the short-term lease framework and the players of the tourism industry as a whole. This is the third attempt to regulate the short-term rental activity in Greece. The previous legislative frameworks (originally provided in Law 4446/2016 and subsequently in Law 4472/2017) were considered not efficient enough to tackle tax evasion and to separate owners who share their property to increase their personal income from those who have been doing business.

The new framework of short-term leases applies to income earned from 1 January 2024.

What changed compared to the previous legislative framework?

1. Term of qualifying short-term leases; introduction of a 60-day limit per lease

Qualifying short-term leases should have a maximum duration of 60 days, contrary to the maximum duration of one (1) year pursuant to the previously applicable framework. According to the explanatory note of the new framework, the 60-day limit is with reference to each single short-term lease. Hence, by way of example, taxpayers are entitled to rent their properties throughout

the year provided that the duration of each short-term lease does not exceed 60 days.

2. Same rules for all qualifying short-term leases; conclusion of a lease through digital platforms is not a requirement

The new framework applies to short-term leases irrespective of whether the property is listed on a digital platform or not and irrespective of whether

the short-term lease is concluded through a digital platform.

3. Different tax treatment between individual owners with two leased properties vs individual owners with three or more leased properties & legal persons

A different tax treatment will apply between private individuals who share up to two (2) properties for short-term lease on the one hand, and private individuals with three (3) or more leased properties for a short-term lease, and legal persons, on the other hand. The different tax treatment is relevant to the following:

3.1. Classification of income

Income earned by private individuals from the short-term lease of up to two (2) properties is classified as income from immovable property, provided that no services are rendered, other than the supply of bed linen (like under the previous framework). Taxation of relevant income is based on the following tax brackets: the first 12k at 15%; the next 23k at 35%; and the excess amount at 45%.

Income earned by private individuals from short-term leases of three (3) or more properties is now classified as income from business activities and not as income from immovable property, as was the case under the previously applicable rules. Therefore, income tax is now levied at a progressive scale from 9% to 44% following deduction of business expenses. Therefore, said taxpayers are now liable to register as businesspersons for tax and social security purposes.

Income earned by legal persons from short-term leases is classified as income from business activities, as is the case with any type of income earned by legal entities which is taxed pursuant to the general income tax rules, i.e. with 22% on profits.

3.2. VAT on rentals

Rentals from short-term leases by business persons with three (3) or more leased properties and legal entities are subject to VAT at 13%. On the other hand, rentals earned by private individuals who share up to two (2) properties in short-term lease activities are still treated as residential leases and therefore remain out of the scope of VAT.

4. Increased penalties for failure to comply with registration formalities

For rentals concluded through sharing-economy digital platforms, failure of taxpayers to register the properties with the "Short-Term Stay Property Registry" results to penalties equal to 50% of the gross income generated within the year the infringement occurred with a minimum amount of 5,000 euros (until now the penalty was a fixed monetary amount of 5,000 euros). Repetition of the same infringement within the year increases the penalty to double.

5. Stayover municipality duty will now also apply to short term leases

A stayover duty in favor of the municipalities at a rate of 0.50% on the nightly rental will now apply to all short-term rentals, whereas until now only tourism businesses had such liability.

Reporting for the municipality duty follows the VAT periodical reporting, i.e. monthly or quarterly, depending on the size of the business and the type of accounting books. In the case of non-business persons (i.e. private individuals with up to two (2) rented properties) reporting and payment will be made on a quarterly basis.

Late filing is subject to a 2% penalty which should not exceed the 100% of the stayover duty which will be unpaid.

The recent law also extends the deadline for late reporting by the taxpayers that were already liable

to the stayover duties for years 2022 and 2023 until the last working day of January 2024.

6. Enactment of a new climate crisis resilience charge applicable to both short-term leases and hotel accommodations

The current accommodation tax charged on hotel guests will be replaced with a “climate crisis resilience charge” that will also apply to short-term rentals. This will be a daily charge which will range from 1.50 euros to 10 euros from March until October and from 0.5 euros to 4 euros from November to February, depending on the type of the tourism accommodation establishment. When it comes to short-term rentals, it will be 1.50 euros per day from March until October and 0.50 euros per day from November to February, while in case of detached houses with a surface of more than 80 sq.m., the relevant charge will be 10 euros and 4 euros per day respectively.

Like with the previously applicable accommodation tax, the climate crisis resilience charge is due and payable by the guest upon the check-out and the taxpayers are liable to issue a special receipt to the guest which is free of VAT. Taxpayers are in turn liable to comply with special monthly reporting and to remit the climate crisis resilience charge to the Greek state. According to the government’s announcements, all revenues from this charge will create a special fund for natural disasters.

Other highlights of Law 5073/2023 impacting real estate investments

1. Prohibition of cash payments for the settlement of the purchase price of real estate transactions

With effect from 11.12.2023 new rules apply to the settlement of the purchase price for the purchase of real estate property that should be made only by means of bank and electronic payments. Cash payments are prohibited and render the notarial deed ipso jure null and void.

Relevant rule captures payments performed by virtue of any type of agreement vested in a notarial deed for the transfer of a real estate, i.e. final deeds, pre-contracts and repayment contracts.

Notaries who breach their obligation to make an explicit reference in the deed that the settlement of the purchase price has been or will be made exclusively through electronic means will be subject to a penalty equal to 10% of the purchase

price not settled through the bank system, which should be at minimum 10,000 euros and at maximum 500,000 euros per infringement.

2. Enhanced incentives targeting private individuals for buildings’ energy upgrade

The income tax rebate for costs incurred by private individuals for the energy, functional and aesthetic upgrading of their buildings is now increased to 100% of the eligible costs instead of 40% that applied until now. The rebate is granted by means of income tax reductions in equal parts over a period of five years following the realisation of the eligible costs and for a maximum amount of expenses up to 16,000 Euros. Eligible costs now capture not only supply of services but also supply of goods whose value should not exceed the 1/3 of the costs incurred for the services.

The above tax rebate that is granted to taxpayers that have not benefited previously by other similar incentives for upgrading the energy efficiency of their properties will apply for expenses incurred during the fiscal year 2024 unless the relevant measure is further extended.

3. Digitalisation of property data as a tool to align objective values to market values

A Digital Register/Database of real estate and values is established for the purpose of collecting and processing all data which are susceptible to shape and affect real estate values. The Digital Register will maintain property data from any legitimate source both in the public and in the private sector, including those published in the existing Registry of Real Estate Transfers of the Ministry of Finance (<https://www.gsis.gr/polites-epiheiriseis/akinhta/mitroo-axion-metabibaseon-akiniton>).

Furthermore, a computer-assisted mass appraisal system, named Integrated Geoinformation System for Mass Valuation of Real Estate (ΟΓΣ – CAMA), is established for performing uniform valuations of real estates on the basis of the property data kept with the Digital Register, as well as for maintaining historical background for the respective valuations and for producing statistical information.

Both the Digital Register and the ΟΓΣ – CAMA System aim at contributing to the automated readjustment of the objective values of the properties at regular intervals to the levels of the market values, so that in the long run, the objective values will be aligned with the market values. Both systems will be also interconnected with the various electronic platforms of the tax administration and the town planning authorities.

Both above initiatives are part of the implementation of the integrated information systems provided for in the Digital Transformation Book 2020-2025 (B' 2894/5.7.2021).

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