





### Tax Treatment of REICs vs Société Anonyme Société Anonyme **REIC** Investments and liquid assets taxed at 10% \* (ECB rate + 1%) Corporate Income Tax 29% on taxable profit Since 2016, tax floor 0.375% **Unified Real Estate** Main Tax: Scale Based Main Tax: Scale Based Ownership Tax (ENFIA) Complementary: 0.55% Complementary: 0.55% Real Estate Transfer 3% on taxable value Exempt Tax Full **Land Registry Duties** Reduced Subject to CIT (29% on taxable **Capital Gains Tax** profits) Shareholder 10% (2019) **Dividend WHT** Exempt 15% (2018)



### History of Real Estate Tax

1975

"Real Estate Tax" (FAP) was introduced for the first time in Greece as an annual tax on property

1982

FAP was reintroduced with a tax rate up to 2% on an annual basis but its implementation was cancelled 1997

Real Estate Tax is reintroducted for the third time as Big Value Real Property Tax (FMAP) with a tax rate of 0.3 – 0.8% 2010

ETAK was replaced by FAP 2013

EETIDE was extended under a different name EETA for 1 year (2013) 2016

The Supplementary Tax ENFIA / EETA rate increased from **0.5%** to **0.55%** for legal entities, while for non-profit legal entities of public and private law, the rate of was increased from **0.25%** to **0.35**. At the same time, the reduced tax rate for REICs was abolished.

1975

1985

1995

2005

2010

2015

1999 – The first REIC (Trastor) was established

1980

FAP was repealed due to strong protests of real estate owners, while it was declared unconstitutional by the Supreme Administrative Court of Greece. FAP replaced by a complementary tax of 2-4% on rental revenues and an increase of 2% in Real Estate Transfer Tax

1993

Real Estate Duty (TAP) was introduced while the complementary tax of 3% on rental revenues was remained

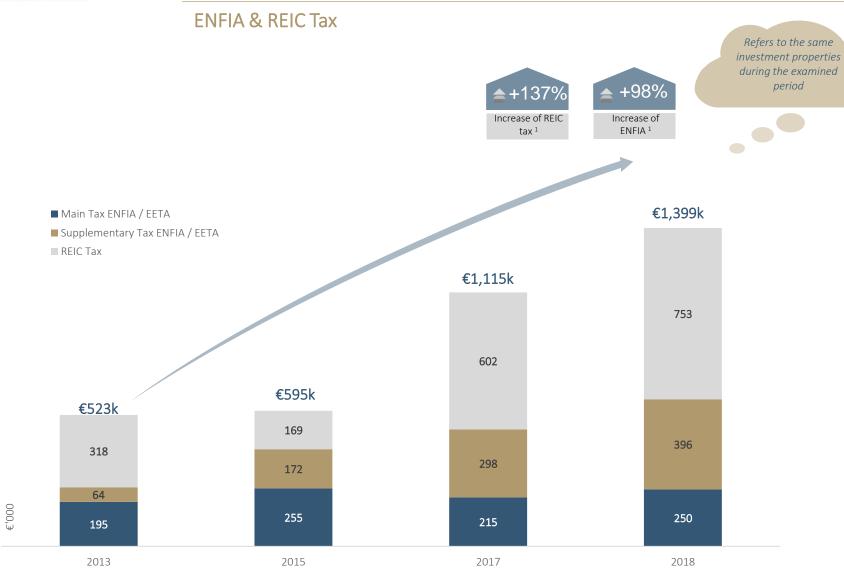
2008

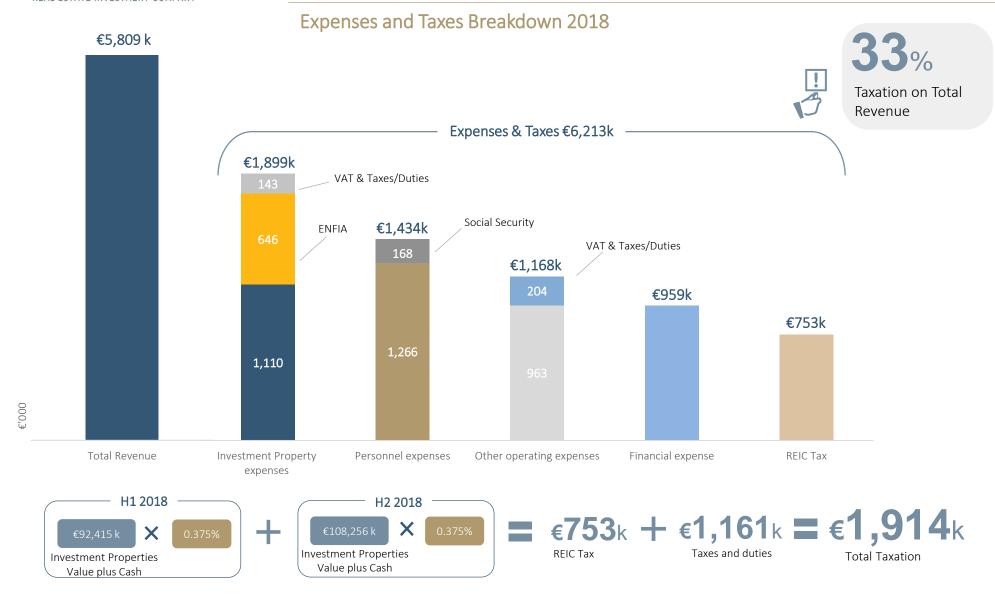
FMAP was repealed with the Law 3634/2008 and replaced by Real Estate Duty (ETAK) with a Tax rate of 1‰ 2011

Special real estate tax on buildings with an electricity supply (ΕΕΤΗΔΕ) was introduced 2014

Unified Real Property Ownership Tax was introduced replacing EETA και FAP







REIC vs S.A.

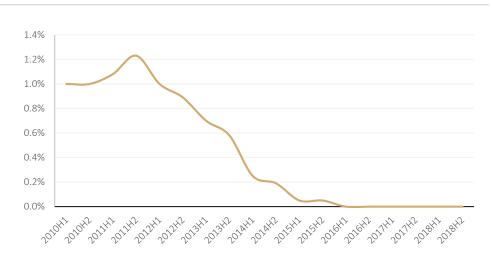


Note: Gain from Fair Value adjustments of investment properties and impairment of receivables are not included in the calculations presented above.



#### **ENFIA & REIC Tax**

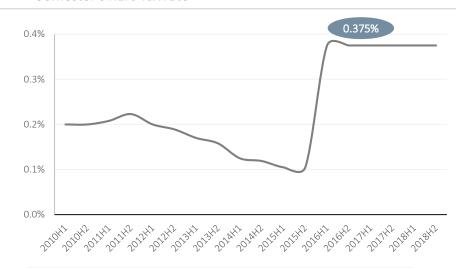
#### Semester's Intervention Rate ECB



#### **Spread**



#### Semester's REIC Tax rate



- The connection of REIC's Tax rate with the Intervention Rate of ECB didn't pose a significant problem on the taxation of cash and cash equivalents
- The taxation of the cash equivalents could be hedged with financial income from cash at banks and short-term deposits
- The establishment of a minimum six-month period tax rate of 0.375% in 2016 combined with the past declining and even negative interest rates causes adverse environment for REICs:
  - Hinders large equity raise (total taxation rate of 1.75% during the 1<sup>st</sup> year)
  - Increases the cost of issuing bond loans from the market for new investments as carrying both interest and REIC's tax expense



#### Conclusions

The possible tax benefit highly depends on the size, growth, capital structure and the investment activity of a REIC

Unstable tax framework with frequent amendments during the crisis

The taxation of cash and cash equivalents discourages new investors

Rethink of the tax framework based on international common practices



