

ARENCORES

CHANIA REAL ESTATE EXPERTS

A photograph of a modern building with a large glass facade and a swimming pool on a rooftop terrace. The sky is a vibrant orange and red, suggesting a sunset. The building has a dark wooden deck and a concrete pool. The pool is rectangular and has a metal ladder. The building has a dark wooden frame and large glass windows. The sky is a mix of orange, red, and purple. The overall scene is a high-end, modern property.

2019 SHORT TERM LEASE TAX GUIDE
ON AIRBNB TYPE BUSINESS

I. INTRODUCTION



Since 1 January 2017 the income from the renting of immovable property in the context of the sharing economy is taxed in accordance with the provisions of Article 39A of Law 4172/2013. (see below in the Tax section). Specifically for the tax year 2017, income from the short-term lease of real estate in the sharing economy will be declared separately and on a centralized basis on the income tax return forms of the tax year concerned.

The property register of short-stay residences, the procedure for the submission of the short-stay residence tax return and other details referred to in the article 111 of law 4446/2016 have been in force since 1 January 2018, in accordance with the delegated decision of the Independent Authority for Public Revenue (IAPR) , 2017 (Government Gazette B '4232 / 04-12-2017). The first application will include the leases to be concluded from the above mentioned date and then on the "Property register of short-stay residences ".

II. IMPORTANT DEFINITIONS

1. Short-term lease is defined as the letting of immovable property concluded through digital platforms for a specified duration of less than one year.
2. The Registry of Short-Term Real Estates is defined as the register kept by the Independent Authority for Public Revenue (IAPR), in which the "Property Manager" receives a registration number per leased "Property".
3. The Statement of short-term residence is defined as a statement for initial or modifying short-term lease agreements the "Manager" concludes through digital platforms of the sharing economy and is required to submit an electronic application by the Independent Authority for Public Revenue (IAPR) for the purpose of the annual determination of income.

4. A short-term lease manager is defined as a natural or legal person or any legal entity. In relation to the tax administration and for each and every property that he leases, he is responsible for:

- a) the registration in the "Short-Term Real Estate Register"
- b) the posting of the "Property" of short-term lease on digital platforms of the sharing economy as well as in any projection means by compulsory indication of the registration number of the aforementioned "Real Estate Registry of short-stay residence",
- c) submitting the "Short-Term Residence Statement" per tenant,
- d) the posting in the "Register of Short-Term Fixed Assets" of information (co-beneficiaries of income, percentages etc.) necessary for the determination of the annual income per beneficiary,
- e) the public deposit to the Deposit and Consignment Office of the amount corresponding to unknown income beneficiaries, whom the "manager" was not possible to know when registering the "Property" to "Registry of Short-Term Real Estates". The "Administrator" has the obligation to deposit the above mentioned amount to the Deposit and Consignment Office until the date of finalization of the image of "Registry of Short-Term Real Estates " with a specific reference to the note of permanent deposit.

The "Property manager" may be either the owner of the property or a landlord or sub-tenant or a third party.

The "third party administrator" exclusively refers to the following:

- (a) the guardian of an estate without a claimant
- (b) the inheritance liquidator
- (c) the executor of the will
- (d) the insolvency administrator
- (e) the temporary administrator,
- (f) the sequestrator/administrator
- (g) the commissioner or guardian or legal guardian or parent who exercises parental responsibility on a case-by-case basis.

5. The "Income Beneficiary" refers to a natural or legal person or any legal entity that is subject to income tax.

The "Administrator" enters the data of the Income Beneficiaries in the "Short-Term Real Estate Registry", by the registration number of the "Property", with the corresponding percentage of income based on a legal relationship.

The "Income Beneficiary" of short-term lease is in any case the "Administrator" as well as the other co-beneficiaries of income that he has registered.

The third "Administrator", as long as he operates with one of the following attributes, cannot be an income beneficiary:

- a. the guardian of an estate without a claimant
- b. the inheritance liquidator
- c. the executor of the will
- d. the insolvency administrator
- e. the temporary administrator
- f. the sequestrator/administrator

REGISTRATION STEPS



III. REGISTRATION STEPS IN THE SHORT-STAY REGISTER

Before the registration in the Registry and provided that the owner or usufructuary of the property is not the manager, but the one who assigns the sublease of its management for the purpose of short-term lease, is required to submit a Statement of Information on Letting immovable property in which the data of the Administrator are recorded.

In the event that the statement is not submitted, he is considered to be the owner of the property.

In the case of co-ownership of the property, when the Administrator is one of the co-owners, the co-owners are not obliged to submit a *Statement of Information on Letting* immovable property.

Once the above procedure has been completed (for cases where required), we can start the registration process in the Short-Term Register.

The steps for registration are as follows:

Visit the website www.aade.gr

Introduction in the system with the TAXISnet personal codes of "Administrator"

After entering the system, the following data are required:

- Contact info
- Information on recipients of income
- Details of Property (Identification number of the Immovable Property and, in the case of subleases and the Statement of Information on Letting immovable property)
- Notes

Following the above mentioned procedure, the unique registration number is allocated to the Short-Term Real Estate Register.

FOOTNOTE:

In the case where the "Administrator" is also the owner, in order to receive a registration number in the "Short Term Real Estate Registry", it is necessary to have an Identification number of the Immovable Property confirmed indicated with the data kept in the subsystems (integrated information system of the Register of Assets) of the E-Government Division and corresponding to rights in rem other than the bare ownership. In case he is the sublet, the Identification number of

the Statement of Information on Letting immovable property he has concluded with at least one owner of the property he intends to register must be confirmed.

The remaining data (other income recipients, percentages, etc.) may be registered during the process of the finalization of the "Short-Term Real Estate Registry" up until the date of the tax returns for each tax year in order to determine the taxable income per beneficiary of income.

IV. FINALIZATION OF REGISTRY PROCESS OF SHORT-TERM PROPERTIES

The "Administrator" has the obligation to register all the required data and to finalize the "Short-Term Real Estate Registry" by the date of commencement of the application for the submission of the income tax returns for each tax year with the possibility to amend it until the final date of submission of the income tax return.

In the case of non-finalization by him by the above mentioned deadline, the data entered in the "Short-Term Real Estate Register" are considered final.

When there is more than one income beneficiary, with the finalization of the "Short-Term Real Estate Registry" the other income beneficiaries are notified via a standardized e-mail message posted to their personalized information at TAXISnet.

In the event that at the date of finalization of the "Short Term Real Estate Registry" the income beneficiary rates and / or the percentage of unknown owners have not been registered by the "Administrator", so that 100% of the income is paid, the amount corresponding to the remaining percentage is taxed to the same.

If the income beneficiary appears and the amount from the Deposits and Loans Fund is collected, the beneficiary is obliged to submit a statement of the income received.

V. PROCEDURE FOR SUBMISSION OF SHORT-TERM RESIDENCE

From the website www.aade.gr and with the TAXISnet personal codes of the manager, one may enter the short-term residence declaration system, after first having entered the property that he wishes to lease in the Short-Term Register.

1. The minimum information that he may be asked to fill out is:
2. Registration number in the Short-Term Real Estate Register
3. The total agreed rent or the total amount based on the cancellation policy (in case there is an amount of compensation if a reservation is canceled)
4. The name of the digital platform
5. The details of the tenant
6. The start and end date of the lease
7. The payment method

For natural persons holding an authorized license of managing a tourist villa and who have the right to rent the property for a period of at least one week and not more than three months in total per year, they must also enter the number of the authorized license.

In order to allow short-term residence declarations to be made, these persons should register the property's details in the "Short-Term Real Estate Register" without a short-term residence permit number.

VI. MODIFIED SHORT-TERM STATEMENTS

It is possible to submit a Modified Short Term Residence statement in cases where the duration of the stay, the originally agreed value of the rent, the cancellation of the stay, the registration of the wrong data or for any other reason.

VII. DEADLINES FOR SUBMISSION SHORT-TERM DECLARATIONS (INITIAL OR MODIFIED)

The "Short-Term Residence Statements" (initial, modifying) are submitted until the 12th hour of the following working day from the day of the tenant's departure from the "Property".

In the case of cancellation of the short-term lease and when a cancellation policy provides for a lease to be paid by the lessee, an initial 'Short-Term Statement' is submitted up to the 12th hour of the next business day following the cancellation.

The date of submission of the statements is considered as the date of their registration in the system, with automatic delivery to the liable 'Administrator' of a unique registration number.

VIII. PENALTIES AND FINES

1. An administrative fine of five thousand (5,000) euros is imposed on property managers for each of the following offenses:

- a. Failure to register in the "Short-Term Real Estate Register".
- b. Invalid entry of the registration number in the "Short Term Real Estate Registry" in the post of "Property" on the digital platforms as well as on any other means of projection.
- c. Not visibly displaying the registration number in the "The Registry of Short-Term Real Estates" in the posting on digital platforms and on any other means of display by the "Administrators" for whom there is no obligation to register in the Registry of Short-Term Real Estates".

The fine, which is public revenue, is imposed and is collected in accordance with the provisions of the Public Revenue Collection Code from the Independent Authority for Public Revenue (IAPR).

From the infringement, the Short-Term Property Manager is required to take the necessary compliance actions within fifteen (15) calendar days.

If the above conditions are not met again, within one year from the adoption of the fine, the fine is imposed twice, and in the case of each subsequent infringement, four times the original penalty.

2. In the event of failure to submit or inaccurate submission of a "Statement of short-stay Residence", a penalty equal to twice the rent as shown on the digital platform on the day of the control shall be imposed on the Property Manager.

3. In the case of a late submission of a statement of short-stay residence, a separate administrative fine of one hundred (100) euros is imposed.

4. In the event that the digital platform fails to respond to the request of the Independent Authority for Public Revenue (IAPR) regarding the provision of any information necessary for the identification of the property managers and the immovable property housed there, fines of 250 or 500 euros will be imposed depending on whether there is an obligation to keep simplified or complete accounting standards.

For the application of the short-term lease provisions, the Tax Administration bodies may identify the Managers via electronic cross-checks through their own or third sessions, by any appropriate means or even controls by joint control teams consisting of employees of the Independent Authority for Public Revenue (IAPR) and the Ministry of Tourism may be carried out.

In addition, the Financial Police may be required to assist.



INCOME TAX

IX. INCOME TAX

Pursuant to the provisions of Article 39a of Law 4172/2013, the following will be applied:

1. As the income received by natural persons from the short-term letting of a property of the sharing economy shall be considered the income from immovable property as long as the immovable property is rented furnished without the provision of any service other than the provision of bed linen. In this case, the provisions of article 39 of the Code of Civil Procedure (LA 42172) apply, while the rents are taxed on the following scale:

The income from immovable property acquired by natural persons is taxed separately according to the following scale:

Income from real estate (euro)	Factor%
0-12.000	15%
12.001 – 35,000	35%
35.001-	45%

Table: 1 The income from immovable property acquired by natural persons

Source: ARENCORES RESTful

The laws allow for a 15% tax rate on small-time operators who bring in less than 12,000 euros, but more ambitious hosts who make up to 35,000 euros are hit for 35 percent of their revenue. And if a Greek property owner makes in excess of 35,000 euros, 45 percent goes to the state. In the event that any other services are provided, this income is income from business activity and the provisions of Article 21 of the Code of Civil Procedure (Law 4272/2002).

2. Income received by legal persons or legal entities from the short-term lease of a property of the sharing economy as defined in the preceding paragraph is considered to be income from immovable property (in accordance with the provisions of article 47, paragraph 2, of Law 4172 / 2013, all income received by legal persons and legal entities referred to in the cases of the Article 45 will be considered to be income from business activity).

3. In order to determine the annual taxable income from the short-term lease, the likely amount paid for the sublease is deducted from the total rental income earned.

The exercise of an undertaking by a natural person, who also earns real estate income, does not affect the above tax treatment for property income (i.e. it remains as income from real estate and not from business activity).

However, individuals owing immovable property for business and professional purposes, i.e. those whose scope of business is commercial exploitation, development and investment in real estate, are subject to income tax at a rate of 22% for annual income up to €20.000, 29% on band over €20.000, 37% on band over €30.000 and 45% on all income over €40.000.

This taxation applies to natural persons who run an individual real estate business in their name, such as owners of tourist premises (hotels, rooms to let etc.) and hold a Special Authorized License for this activity.

Income from paid employment, entrepreneurial activities, and pensions

Bracket	Annual income	Rate
1	up to €20 000	22%
2	€20 001 - €30 000	29%
3	€30 001 - €40 000	37%
4	over €40 000	45%

Table: 2 Income from paid employment, entrepreneurial activities, and pensions

Source: ARENCORES RESTful

Income from goodwill or transfer of capital: 15%

**Income tax on capital gains from transfer of immovable property is suspended until 31.12.2019.*

Income (in EUR)	Percentage of minimum expenditure by electronic saction and card-based payment instruments (progressive application)
1-10.000	10%
10.000-30.000	15%
30.000,01 and above	20% and up to 30.000 euro

Table: 3 The personal income tax may depend on your family situation, dependent children, etc.

Source: ARENCORES RESTful

A special solidarity levy may be levied on income above EUR 12.000. For the purpose of levying the contribution, an account is taken of all income, resulting from the sum of income from salaried employment and pensions, from business activity, from capital, from capital gains transfers, taxed or exempted, whether real or presumed.

The special solidarity levy is calculated as follows:

Income (in EUR)	Solidarity levy
0-12.000	0%
12.001-20.000	2,2%
20.001-30.000	5,0%
30.001-40.000	6,5%
40.001-65.000	7,5%
65.001-220.000	9,0%
>220.000	10,0%

Table: 4: The special solidarity levy

Source: ARENCORES RESTful

When and how do you pay?

You should submit your tax declaration by 30 June of the following tax year.

As a foreign resident, you need to submit an income tax declaration in Greece only if you obtain a real income in Greece.

Payment of the tax shall be made in 3 equal bi-monthly installments, the first of which shall be paid by the last working day of July and each of the following up to the last working day of September and November.

How to appeal/complain

If you want to appeal your tax review, you have to file an appeal with the tax authority that has issued your tax review and it must contain the reasons and documents on which you base your request. You must submit the application within 30 to 60 days from receiving your tax declaration.

X. VAT

Income earned from the short-term lease of the property of the sharing economy is exempt from VAT.

XI. Single social security entity (EFKA)

Income from the short-term lease of real estate, as income from real estate, is not subject to insurance contributions.



ARENCOORES

PROPERTY MANAGEMENT

MARKET RESEARCH

PROPERTY VALUATION

DEVELOPMENT

MEDIATION EXCELLENCE

INVESTMENT MANAGEMENT

DEDICATED AND PROFESSIONAL SERVICES IN CHANIA AND
RETHYMNO PROPERTY MARKET

XII. IMPORTANT NOTES

- By common decision of the Ministers of Economy and Development, Finance and Tourism and for reasons related to the protection of housing, it is possible to define geographical areas where restrictions on the disposal of real estate for short-term lease will apply as follows:

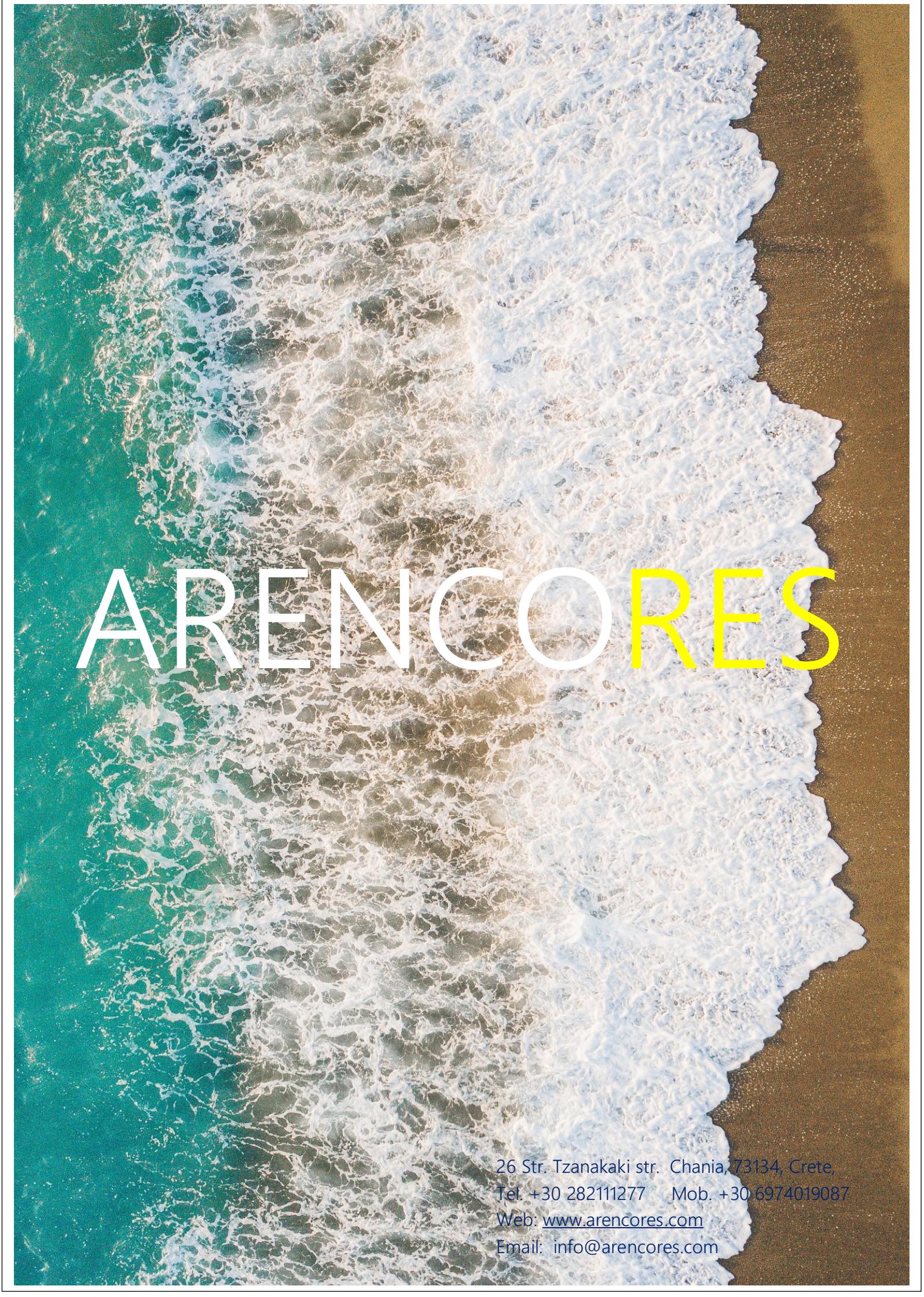
- a. Not to allow the short-term lease of more than two (2) real estate per Tax registration number of the income beneficiary.

- b. The rental of each property does not exceed ninety (90) days per calendar year and for islands of less than ten thousand (10,000) inhabitants sixty (60) days per calendar year. The excess of the duration of the preceding paragraph is allowed, if the total income of the lessor or the sub-tenant, out of the total of the immovable property available for lease or sublease, is not more than twelve thousand (12,000) euro in the tax year concerned.

Until the adoption of the Joint Ministerial Decision, none of the above limitations exists:

- The deletion of the condition in the previous Law on the legality of the building may no longer create an obstacle to entry in the register but it must concern the property managers because there may be legal claims by lessees in the event of their possible damage during their stay.
- It is often seen on the digital platforms that when entering the data of the property the owners or sub-tenants fill the field related to the cleaning service or other extra provisions.

That fact alone suffices so that the conditions laid down by the law on short-term residence are not met with the direct consequence that the income resulting from the lease is considered as income from a business activity (with all the obligations deriving from that fact) and not as income from real estate.



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