

Overview of the Reports on the Reformation of Personal Income Taxation

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Presentation of the reports on the reformation of personal income taxation that have been prepared with a development plan for the Greek economy, that discuss the issue of taxation and point out its important features. The goal is the complete modernization of the tax system, so that it responds more fully to the principles of social justice, contributes to the economic development of the country and is governed by simple and modern procedures, which apply to all tax objects. The purpose of the study is to deepen the proposals for tax reform based on the peculiarities of the Greek economy, the international trends in this field and the weaknesses of the tax system. The effects of a tax reformation are analyzed and how it should take the form of the reform, which, however, requires a new legislation, which will bring about radical and deep cuts, which respond to the new conditions and the internationalization of the economy. Proposals for a set of structural measures, which are necessary for the country's adaptation to the wider European environment and the elimination of the weaknesses that increase its distance from the other member countries. Citation of the common points of the reports on the reformation of personal income taxation and their adoption by the tax leadership.

Keywords: tax reformation, personal income tax, structural measures

Commission 1990

The Minister of Finance with his decision 1056645/1386/0006A/31-7-1990 established a twelve-member committee to submit proposals for the reform of the Greek Tax system and in particular the taxation of the income of natural and legal persons, the taxation of capital (F.M.A., tax on inheritances, donations and parental benefits, etc.), the VAT and other taxes, with the aim of its complete modernization, so that it responds more fully to the principles of social justice, contributes to the economic development of the country and is governed by simple and modern procedures, which apply to all tax objects.

The Committee, after 86 meetings, submitted to the Minister of Finance its report dated October 21, 1991, which includes specific proposals for the reformation and modernization of our tax system, both in direct and indirect taxation. These proposals mainly aim to:

1. In the restoration of the constitutional principle of the contribution of citizens to the public burdens, according to their economic powers.
2. In the creation of healthy competitive economic units.

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3. In the utilization of domestic savings by businesses.
4. In the choice by the savers of the best financial investment for the economic development of the country.
5. Among the most important proposals of the committee for reforming the tax system are the following.
6. Broadening the tax base.

7. In reforming the presumptions (living expenses and acquisition of assets) for a fairer determination of the net income of tax evaders. In the determination, in an approximate manner, of the gross and net income from commercial and agricultural enterprises as well as from liberal professions.

8. In the readjustment of the value of the fixed assets of the companies so that the balance sheets of the companies are cleaned, and the depreciation is calculated on the current value of the fixed assets. With this measure, the capital market will also be strengthened.

9. The abolition of unjustified tax exemptions.

10. To increase the capital of joint-stock companies and limited liability companies.

11. In the capitalization of tax-free reserves and tax-free reserves that have been formed by businesses since 1955 with various development laws, with certain conditions, without taxation, after the purpose sought by these laws has been achieved. This measure will make it easier for businesses to cover the proposed capital increase and will undoubtedly strengthen the capital market.

12. The abolition of the real estate tax and the provision of the possibility for Municipalities and Communities to impose a special fee on the real estate of their area, with a small rate (up to 4% for properties that generate income and 2‰ for properties that do not generate income) to carry out specific projects.

13. The increase in tax-free amounts for the acquisition of a first home.

14. The significant increase in tax-free amounts, especially in the first category (spouse and children of heirs and ascendants of the first degree) and the complete reformation of the tax scales to significantly reduce the tax burden, especially on the heirs of the first degree.

15. In the abolition of the high rate (30%) in VAT.

16. In the complete reformation of stamp duties by consolidating all rates into one rate, except for the rates applicable to bills of exchange and promissory notes, checks, acceptances, advances, and guaranteed credits.

17. In the establishment of a single procedure for all tax items to serve both taxpayers and services.

18. Reforming the penalties (surcharges, etc.) so that tax evasion becomes completely unprofitable.

The above proposals of the Commission, which as the Minister of Finance stated at the time when presenting the Commission's report, do not bind the Government and as announced the tax bill would be tabled which would implement the Government's decisions on reforming the tax system.

However, the success of a tax system depends to a large extent on the existence of the appropriate organizational framework, which allows the tax services to implement it in the best way. Because even the best tax system is doomed to failure if the tax services entrusted with its implementation are inadequate.

Tax Proposals of a Scientific Committee in View of the Challenge of 1992 and the Single European Market

In the landmark year 1992, the complete single European act for the unification of the markets of the member states of the EEC came into effect. In the almost seven years that Greece has been a full member of the European Communities, it has been sought to maximize the country's net economic benefit from Community payments. Few steps were taken in the direction of taking those structural measures, which were necessary for the country's

adaptation to the wider, European environment of integration and the elimination of the weaknesses that increase its distance from the other member countries (1981: Greek per capita income 58.4% of Community, 1987: forecast for 53.7%). 1992 meant the abolition of the last protective provisions for the Greek economy and society and the beginning of a period of full and free competition.

Our country, like the other countries of the European community, moved towards the single market in 1992, at which point the single European act ratified in our country by Law 1681/1987, for the unification of the markets of the member states, is fully valid of the European community. Faced with this challenge in 1992, many institutional changes had to be made, in order to eliminate as much as possible, the weaknesses of our country, in various fields, compared to the other member states of the European community. Among the most important institutional changes were those that must be made in our tax system. The changes should not have been only those foreseen by articles 95 to 102 and 220 of the Treaty of Rome, the Act of Accession of Greece to the European Economic Community and the guidelines of the Council of the European Communities, but also others, so that our tax system to be able to contribute decisively, among others, to:

1. Utilization of domestic savings by businesses through the execution, as much as possible, of greater productivity of fixed capital investments.
2. Choice by savers of the best financial investment for economic development.
3. Creation of large economic units in order to increase productivity.
4. Increasing the competitiveness of Greek products. Furthermore, our tax system should not affect the movement of goods and services, factors of production and the establishment of businesses

As is well known, with Article 2 of the Treaty of Rome, the European Economic Community has as its mission, with the establishment of a common market and the progressive approach of the economic policy of the member states, to promote the harmonious development of economic activities in the area of the Community, the continuous and balanced expansion, the increasing stability, the acceleration of the improvement of the standard of living and the achievement of closer relations between the states which it unites. In order to achieve the above objectives, in accordance with Article 3 of the Treaty, obstacles to the free movement of persons, services and capital should be abolished between Member States. To this end, articles 95-102 and 220 of the Treaty of Rome provide for the harmonization of indirect taxes, general and special, and set rules aimed at creating conditions of full and free competition between the products and businesses of the member states of the European community. In particular, the above articles set the following rules:

1. No member state of the European community shall impose, directly or indirectly, higher taxes on the products of other states than those affecting, directly or indirectly, the same national products.
2. It is prohibited to subsidize or grant or aid from state resources in any form and name for certain products or certain businesses (in the form of refunding higher internal taxes on exported products or the imposition of higher taxes on import, granting aid to certain domestic businesses, etc.), in a way that circumvents or threatens to circumvent the rules of free competition.
3. In the event that the Executive Committee finds that the existing disparity between the laws, regulations or administrative provisions, distorts the conditions of competition in the common market and is caused, by this fact, a disturbance, which must disappear, it consults with the States concerned, and if the consultations do not result in an agreement, the Council, by decision of the Executive Committee, shall issue the necessary instructions for this purpose.

The act of accession, ratified by Law 945/1979, provides regulations for the technique of the imposed adjustment of materials and tax provisions, and further determines the application of the new Community regulations.

The guidelines of the European Community determine the way of harmonizing individual taxes and provide the framework for the amendments to the tax legislation, to achieve the required harmonization of our tax system,

According to the guidelines of the European Community, our country has the obligation to harmonize taxation. On the contrary, there is no obligation to harmonize direct taxation, because there is still no common system in both personal income taxation and corporate income taxation. However, the challenge of 1992 requires that the Greek tax system be further modernized, including direct taxation, in the direction that the community systems are moving, regardless of whether our country has or does not have the obligation to harmonize certain taxes.

The tax system in force in the country is mainly based on the following taxes:

In the personal income tax that has been imposed with the N.D. 3323/1955. This law during the 33 years has been amended by about 100 laws. The main characteristics of this tax are the following:

1. The uniform taxation, which means that the tax is imposed on the total net income of each natural person, acquired during the previous calendar or administrative or agricultural year of taxation, from any of the seven categories, in which income is distinguished, depending on the source from which it originates.

2. For certain categories of income (salaried services, freelancers, presumptive income from owning a main residence, etc.) there are special reductions, for others there are exemptions up to a certain amount (income from agricultural enterprises, income from dividends of shares of domestic limited companies, mutual funds, etc.), while certain incomes (interest on deposits, profits from the sale of securities, etc.) are exempt from taxation

3. For certain categories of persons (disabled, journalists, actors, footballers, etc.) special reductions apply to incomes derived from certain sources (from salaried services, liberal professions, etc.).

4. The total net income is taxed according to the progressive tax scale, with rates from 18% to 50%. Income from certain sources (from securities, profits from limited liability companies, etc.) is subject to an additional tax (3%). The amount of tax resulting from the scale is reduced by the tax corresponding to the tax-free amounts recognized for taxable and protected members and certain expenses based on supporting documents and the special reductions of certain incomes (from hired services, etc.). It is noted that the tax for the above amounts is calculated based on the rates that apply to the first steps of the tax scale.

5. The total net income of the taxpayer, which will be subject to taxation, can be determined on the basis of his living expenses, which are determined by the expenditure for the purchase of certain movable things, the taxable horsepower of passenger cars I.X. etc., when this is greater than the declared net income.

6. The determination of the net profits of the enterprises, when no accounting books are kept, is done by multiplying the purchases or the gross revenues of the enterprises, as the case may be, by a coefficient of net profit, which is unique for each profession, to determine the net profit of certain businesses and liberal professions, the so-called “viability presumptions” apply, under conditions, which means that the taxable persons cannot be less than a certain amount determined by law. Despite the efforts made over the last 30 years to improve the personal income tax system, the expected results have not been achieved, objectively speaking. This is due to many factors, including:

- (1) The permanent and in some cases mutually canceling reforms in basic matters of taxation (presumptions,

tax-free amounts, determination of income from commercial enterprises, etc.), which do not allow the achievement of the objectives sought by the specific reforms, even in the short term. It is typical that the presumptive method of determining the taxpayer's net income has changed at least ten times with known effects on his performance.

(2) The way of checking and delaying the cases during the last twenty years (submission of supplementary declarations for the unaudited financial years without any penalty and with payment of the due taxes, including the indirect taxes in several installments or with a discount), which results in the lowering tax consciousness to the lowest point, since in this way dishonest taxpayers benefit and are rewarded, with all the subsequent adverse effects on the effort made to reduce tax evasion. This unorthodox and unjustifiable, for honest taxpayers, way of delaying the affairs of dishonest taxpayers can weaken any measure to curb tax evasion. The 1992 challenge mandates a statutory amendment to personal income taxation in a way that contributes to, among other things:

- In the drastic limitation of tax evasion as well as tax avoidance, which will ensure additional healthy resources in the state budget.
- To the fairest distribution of the tax burden among all taxpayers.
- To increase the productivity of employees' work and create a climate of confidence for businesses to make investments.

To achieve the above, the following changes are proposed, which may form the basis for the study of a real reform of income taxation:

A) Broaden the tax base. For this purpose, you must:

1. To abolish all kinds of exemptions, which have been given to various categories of income, including interest on deposits, because it does not contribute to the restoration of tax justice, the taxation of salaries and pensions and the exemption from tax of those who have income from interest on deposits, from profits of sales, securities, etc.

2. To review the special way of taxing certain categories of income (special categories of income from commercial enterprises (article 32 N.D. 3323/1955), dividends from shares, compensation, etc.)

3. To abolish all kinds of reductions provided for certain incomes (from salaried services, etc.) and the exemptions provided for certain categories (farmers, etc.) and instead to establish increased tax-free amounts.

B) To reform the tax-free amounts deducted from the taxable income to find the taxable income of each taxpayer. For this purpose, you should:

- To determine a tax-free amount for the taxpayer, the spouse, and each protected member
- This tax-free amount should be increased for employees and pensioners, for farmers and for certain categories of persons (disabled, victims of war, etc.) as deemed appropriate and imperative.
- To further deduct certain expenses and contributions based on supporting documents (insurance contributions to insurance funds, hospitalization, donations, life insurance premiums, etc.). In this way, the tax relief for taxpayers, who are currently entitled to special reductions for certain categories of income (from wages, pensions, etc.) will now become fair and effective, since it will be differentiated according to the number of protected members. The tax-free amounts should be deducted from the total net income of the taxpayer, in order to find the taxable income that will be subject to tax, because it is fair that the taxpayers should benefit, with the tax-free amounts, in tax according to their marginal tax rate, since their incomes are taxed on a progressive scale.

C) To reform the system of imputed income determination. To this end, you should:

- To determine a basic amount for the taxpayer and each protected member to cover basic living expenses.
- This amount should be increased, with differentiated rates for those who have one or more passenger cars, pleasure boats or employ domestic workers, etc.
- The amount of living expenses to be further increased by all kinds of expenses for the purchase of real estate and movable things, except for the items for living. The amounts that will result based on the above data cannot be disputed (rebuttable presumption), but the origin of the money to cover the above amounts can be proven in any legal way (rebuttable presumption).

D) To reform the way of determining the net profits of businesses. To this end you should:

1. To change the method of calculating the net profits of businesses that keep books of the first and second category of the Tax Code and to determine, instead of the single coefficient of net profit, which is certain to favor some businesses and unfairly treat others, since they are not taken into account at all the expenses of the business, a unique coefficient of gross profit, with which the gross profit of the business will be determined. From this will be deducted the company's expenses, which will be clearly defined in the law, so that the taxable profits of the companies correspond, as far as possible, to reality. With this system, the receipt of legal supporting documents for the deduction of expenses will gain substantial content, which will also contribute to the reduction of tax evasion.

2. To reform article 35 of the N.D. 3323/1955, so that based on today's data and the jurisprudence of the courts, the costs that can be deducted from the gross revenues of the companies can be clearly defined. It is not correct not to deduct from the gross revenues of the companies the provisions for the compensation of dismissed personnel when the formation of this provision was imposed by the PD. 409/1986 at the behest of a relevant directive of the European Community. To further determine the costs that burden the tax-free income of businesses. To provide the possibility to businesses to assign to the State the bad debts that the tax office does not recognize for deduction from their gross income, so that, without further procedure, the assigned bad debts can be deducted from the gross income of the businesses.

- To change the way of determining the net profits of technical companies, because the existing system of presumptive determination of net profits favors some companies and wrongs others, and furthermore does not facilitate tax evasion.

E) To further reform the tax scale, by widening the income brackets and establishing a marginal tax rate for taxable income over 10 million drachmas. Further establish that the income brackets shall be indexed every year that inflation exceeds 10%, otherwise every two years.

F) To reform the control procedure and the way of filing tax cases. To this end you should:

i) To define clearly, in view of the jurisprudence of the Council of State, the rights and obligations of the tax collector.

ii) Limit the deadline for the notification of control sheets and result determination acts to four or five years at most. In no country of the European Community is there a ten-year or fifteen-year statute of limitations, which applies in our country, with all the consequent adverse consequences for the interests of the State, for businesses and taxpayers in general, which have pending (unaudited declarations) up to 10 years.

iii) To define clearly, on a new basis, all kinds of sanctions (financial, administrative, and criminal), which must be imposed in cases of late submission, inaccurate submission or non-submission of a declaration. Particular attention is needed in determining the penalties, so that, on the one hand, the financial incentives of taxpayers to commit the above violations are neutralized, on the one hand, and on the other hand, they are not destructive and

manifestly unfair in cases of typical or trivial violations. Administrative and criminal sanctions to be imposed by the Administrative and Criminal courts respectively.

iv) In the event of an out-of-court settlement of the dispute (compromise), the reduction of the surcharge or fine should be scaled according to the amount and percentage of the tax difference. A similar possibility of reducing the surcharges should also be provided to the administrative courts. It is impermissible to prevent taxpayers from going to court, when they believe they have been wronged, by threatening not to reduce the surcharges.

v) That the state takes the appropriate measures for the short, if possible, adjudication of the cases in all levels of the courts.

The above proposals can be taken into account for a systematic tax reform, to be accepted at least by the majority of taxpayers.

The tax reforms that must be made with the aim of modernizing and harmonizing the tax system, to have the expected results, must necessarily be accompanied by:

(1) With full computerization of the tax services in order to be able to provide the necessary information and make the appropriate audit verifications.

(2) By manning the financial audits with sufficient and suitable staff, who have the possibility to be informed about all tax changes, but also to be paid, depending on the seriousness of the work offered.

Hellenic Society of Tax Law and Fiscal Studies

The Hellenic Society of Tax Law and Fiscal Studies in 1990 published its report with the indicated amendments to the taxation of natural persons. In order to implement the express imperative of Article 4 paragraph 5 of the Constitution, that is, that Greek citizens contribute without discrimination to the public burdens according to their abilities and to restore tax justice, it is necessary to review all tax exemptions, personal and real, as and reductions and deductions from net income and to retain only those that contribute to economic development and are socially justified. The method of calculating the deduction of income reductions and tax-free amounts is complex and socially unfair. It is necessary to reform the way of calculating and deducting the tax-free amounts and reductions, which are deducted from the net income, in order to find the taxable income. To this end a tax-free amount should be determined for the taxpayer, the spouse and each protected member. Tax-free amounts should be increased for employees and pensioners, for farmers and certain other categories of persons (such as the disabled, victims of war, etc.) as deemed appropriate and imperative. In this way, the tax relief for the above taxpayers will now become fair and effective, since it will be differentiated according to the number of protected members. The tax-free amounts should be deducted from the total net income of the taxpayer, in order to find the taxable income that will be subject to tax, because it is fair that the taxpayers benefit in tax by deducting the tax-free amounts, depending on the marginal tax rate, since the income is taxed on a progressive scale.

The system of presumptions is complex and does little to reduce tax evasion. It is necessary to define a new system of presumptions that is simple, helps to reduce tax evasion without affecting honest taxpayers. The new evidence system should work as follows:

- To determine a basic amount for the taxpayer and each protected member, which is necessary to cover their basic living needs. This amount should be multiplied by differentiated coefficients, for those who have one or more passenger cars, pleasure boats or employ domestic workers, etc.

- The amount of living expenses is increased by the expenses for the purchase of real estate and movable things, except for the items for the taxpayer's living.
- The taxpayer must be able to prove in any legal way the origin of the money to justify the eventual difference that will arise between taxable income and the presumptions (rebuttable presumption).

The current tax scale (income brackets, tax rates) is unfair as it overtaxes middle income earners. It is advisable to reform the tax scale in accordance with the real economic data which form the basis for the balanced achievement of the two main purposes, the coverage of public revenues and the development promotion of the country in view of 1992. In the new tax scale, the marginal tax rate to apply to taxable income over ten million drachmas.

As long as the real estate tax exists there is no reason to burden income from real estate with an additional tax. For this reason, the additional tax of 2% to 4% levied on real estate income must be abolished.

The method of determining the net profits of companies that keep first and second-class books, i.e. by multiplying purchases or sales with a single net profit coefficient, is unfair, since it favors some companies (those that make larger profits) and unfairly treats others (those that make less profits and losses), as long as their business conditions and expenses are not taken into account. To avoid this unfair and unscientific way of determining the net profits of businesses, the alternative ways are proposed:

a) To determine a unique gross profit coefficient, which will be determined by multiplying the purchases or sales, the gross profits of the business, from which the costs of the business will be deducted, which will be clearly determined by law, so that the final financial result, which can be positive (profit) or negative (loss) corresponds as much as possible to reality.

b) Determine two net profit coefficients (lower and upper) and the higher coefficient should not exceed 50% of the lower coefficient. These coefficients will be possible to increase or decrease on a case-by-case basis when it is proven that the company made more or less profits than those obtained with the highest or lowest net profit coefficient, on a case-by-case basis, it will be possible to use a negative coefficient in case it is proven that the business made a loss.

In the above two ways, the receipt of supporting documents for the expenses incurred by the businesses that keep first and second-class books will gain substantial content.

The provisions of article 35 of the N.D. 3323/1955, which determine the expenses that can be deducted from the gross income of businesses, have created many interpretative issues. In addition, they do not contradict the recent amendments made with the P.D. 409/1986 in Law 2190/1920 (deduction of provisions for compensation of dismissed personnel, deduction of establishment, organization and first establishment expenses, etc.). It is therefore necessary to clearly define, in view of the existing jurisprudence of the Council of State, the expenses that can be deducted from the gross income of businesses. The amount of expenses that will be charged to the tax-free income of businesses should be determined, because on this issue there is a dispute and fluctuating jurisprudence of the Council of State that has plagued businesses for 25 years. They should also be deducted from gross income:

a) The loss from the sale of securities, when this is not covered by a reserve formed from the profit from the sale of securities. The current provision that stipulates that this loss is transferred to the assets of the balance sheet contradicts the general principles of accounting and the Greek General Accounting Plan.

b) The loss from the sale of real estate that is not used by the company, since the corresponding profit is taxable.

The special way of determining the net profits of certain businesses (technicians, etc.) and the net income of certain freelancers (civil engineers, architects, etc.) by multiplying the gross income by a fixed (uniform) rate of net profit, is unfair and unscientific, since it favors some (those making more profits) and wrongs others (those making less profits and losses). Furthermore, for these categories of businesses and freelancers there is no incentive to request legal supporting documents for the expenses they make, with the result that these businesses and freelancers facilitate the tax evasion of those who do business with them.

To review the special method of taxation of certain incomes (capital gains, rights, compensations, etc.) because the existing regime is not fair since it has been determined in a piecemeal manner and without justifying the independent taxation, which in some cases is unfair and in others extremely favorable.

The provisions of article 36 of the N.D. 3323/1955 which determine the accounting method of determining the net profits of companies that keep inaccurate or insufficient books, in view of their generality and their general and partial vagueness, have created many interpretative problems and have contributed to the issuance of contradictory decisions by all the courts. The result of all this is that there is a constant dispute between tax authorities and businesses, with all the adverse consequences that follow. For these reasons, it is necessary, in view of the jurisprudence of the Council of State, to amend the relevant provisions and to define in the clearest possible way the non-accounting determination of the net profits of businesses

The basic depreciation rates by which businesses calculate their depreciation have remained unchanged since 1973, even though since then there have been many technological advances in business equipment. It is therefore necessary to determine the basic depreciation rates of fixed assets with the greatest possible specificity. It is further stipulated that in the event that certain fixed assets are idle, depreciation should be calculated with rates reduced by 50%, because even in this case the value of the assets decreases due to technological progress, etc. With the provisions in force, depreciation is not recognized on fixed assets that are idle.

It is advisable to reform the tax scale according to the real economic data, which form the basis for the balanced achievement of the two main purposes, the coverage of public revenues and the development promotion of the country in view of 1992.

Commission 2002

According to the report of the Tax System Reform Commission 2002 under the president Theodoros Georgakopoulos on personal income taxation, it is found that the tax burden in Greece as a ratio of total tax revenue to GDP has increased significantly in recent years and is approaching the average of the countries of the European Union. Tax legislation is constantly changing with continuous and piecemeal provisions with negative effects on economic activity. The functioning of the tax system acts as a brake on the undertaking of economic activities. The distribution of tax burdens does not correspond to the principles of horizontal and vertical equality. These findings led the Commission to proposals for a broad reform of the tax system, which covered both the institutional framework of taxation and the procedures for applying taxes in practice. The uneven distribution of tax burdens on employees and pensioners is a given, caused by the bureaucratic nature of the current income tax, the unsatisfactory operation of the tax and audit services and the large exposure of tax evasion and tax avoidance by professionals and businesses. The consequence of this is the lack of tax awareness and consequently the lack of social consent to take structural measures, which will have a beneficial effect on the development of the economy and consequently on the horizontal expansion of the tax base and the collection of more public revenue.

Association of Businesses and Industries (SEV) Proposals 2004

In 2004 the Association of businesses and industries (SEV) positions on tax reform were:

The tax system must be understandable and simple, specifying:

- Replacement with a single real estate tax in lieu of all taxes and fees borne by real estate.
- Simplification in a systematic manner of contradictory and unclear provisions that facilitate challenge and transaction.

- Codification on a systematic basis of tax legislation without scattered, difficult to understand tax provisions in unrelated bills.

- Removal of the Books and Items Code.
- Use of International Accounting Standards to calculate tax for businesses that keep books and data kept and published based on International Accounting Standards with the aim of avoiding double bookkeeping with significant operating costs.

- Exploitation of technology through the crossing of data with the TAXIS system.
- Introduction of VAT in the building and abolition of the transfer tax especially on the first transfer.
- Taxpayers have access to all the circulars and case law of the tax legislation through the website of the Ministry of Finance.

- Not to issue circulars late and contrary to the spirit of the Law.
- Issuance of Presidential Decrees and Ministerial Decisions in a timely manner provided for under tax laws.
- The taxpayer should be able to calculate the relevant tax.

The tax system must be fair, specifying:

- To have a broad tax base and leave no room for tax evasion.
- Harmonization with International Accounting Standards.
- Non-prevention of wealth creation, employment, business risk taking.
- Low tax rates for natural and legal persons and progressive according to those of EU member countries.
- Facilitation of recourse to Justice by abolishing or significantly limiting the advance payment of 25% of the difference between fines and tax.

- Tax violations committed with intent should be a criminal offense.
- Non-dependence of the recognition of production costs on compliance with the obligations or procedures deriving from other legislations of insurance funds, advertisements, etc.

It should not be formulaic but objective:

- Mandatory response from the Ministry of Finance within one month to questions created by the tax legislation, for the audit authorities with a binding nature.

- Strict observance of the three-year statute of limitations.
- To predetermine the deductible expenses.
- Targeting the fight against corruption.
- Non-imposition of fines for formal violations of the Code.
- Refund of VAT immediately. of exports to those taxpayers who have a clean record.
- Tax evasion by guilds and organized groups should not be allowed.
- To carry out audits of large and listed companies on an annual basis.

- To recognize bad debts without requiring time-consuming court procedures and the possibility of recognizing bad debts by assigning bad debts to the State.

- Do not leave room for transactions and disputes of controls.
- Interest-free and hassle-free return of outstanding payments.
- To satisfy the social feeling and to be socially acceptable.
- Recognition of business expenses for group insurance premiums up to 12% of wages paid.
- Extensive use of the internet and technology.

The tax system must attract foreign investments by specializing:

- To recognize the rights for trademarks and industrial methods (royalties).
- Possibility of taxation at the level of a group of companies and not of each legal entity as in other EU countries, Germany.

- To recognize the costs for services provided by foreign parent companies with participation in the cost of centers created to provide indirect services from the foreign group to its subsidiaries.

- To be able to reject expenses aimed at accounting differences that significantly increase the actual tax rate, only after a written warning has been given about the specific way of handling the expense by the tax office in a previous audit.

The tax system must upgrade the tax administration, specializing in:

- Delivery of tax justice at a rapid pace. Tax cases should be heard by the Council of State within three years from the appeal to the Court of First Instance.

- To create a special judicial body of tax judges.
- Recruit and train tax judges in depth in tax law as well as accounting.

The tax system must proceed with the abolition of taxes in favor of third parties, specifying:

- Abolition of taxes that yield minimal revenue to the State.
- Imposition of taxes, levies, fees, duties by the local government without prior approval of the central government.

- Local taxes and fees should be purely remunerative in nature.
- Abolition of the 0.6% levy on loans of Law 128/75 which increases the cost of financing businesses in Greece by up to 20% compared to European ones.

- Non-burdening of businesses with property taxes for the real estate they use for the operation of the business.

The tax system must facilitate the creation of strong business units, specializing in:

- Removal of disincentives in the tax treatment of dividends of profits and losses of subsidiaries of Greek companies abroad (EU and third countries).

- Tax incentives for mergers.
- To equalize the taxation on the transfer of listed and non-listed companies at 0.6%.
- There should be a highly competitive framework for holding companies with offsetting losses abroad with profits in Greece.

- Avoiding double taxation of profits by concluding agreements to avoid double taxation with all countries.

The tax system must be internationally competitive and developmental, specializing in:

- Through regional subsidies.
- Stimulation of competition in Greece and the EU.
- Abolition and limitation of all taxes in favor of third parties.

- Subsidies to new technology, research, and innovation.
- Tax burden on businesses in direct taxes and excise taxes so that Greece is among the 3 lowest countries in the EU.
- Reduction of tax on retained earnings which will allow for retained earnings and the phasing out of tax-free reserves.
- Encouraging investments with the widest application of tax-free reserves and the recognition of depreciation chosen by the investor on a case-by-case basis.
- To define the special taxes on the consumption of petroleum products that burden the transport of goods to the minimum allowed by the EU. levels, in order to partially address the costs created by the distance of Greece from the European markets and of the region from Attica.
- To implement the EU directive. which provides for exemption from excise duty on petroleum products consumed in production. There needs to be the lowest possible cost of production to create jobs and attract investment and tax only the profit.

IOBE Proposals 2004

The tax reform is taking place in the country at a time when the domestic and international economic situation is not better. The high rate of growth of the Greek economy, which was achieved thanks to the large public projects carried out in the country in recent years, influenced mainly by external factors, began to decline. The upward trend in primary surpluses experienced in recent years has been halted, while primary expenditure has remained stagnant if not on an upward trajectory. The rate of inflation began an unstable and rather upward course, and the country became a member of the Economic and Monetary Union enjoying the benefits that it entails. The state was forced, to reduce the budget deficits of the general government, to significantly increase the tax burden, without at the same time restraining public spending. The increase in the tax burden at a time when the international situation was negative came to worsen the competitiveness of the Greek economy. The goal of reforming the tax system was to not affect tax revenue, meaning any changes had to be made so as not to result in a change in tax revenue. The changes carried out led to a restructuring of the existing structure of the tax system and the radical changes of the system, which would affect tax revenues, were ruled out in advance. The main burden of the tax reform was focused on the simplification of the tax system which took various forms, such as the reduction of the number of taxpayers who submit a tax return, the reduction of the number of periodic VAT returns, the abolition of certain taxes in favor of third parties. These simplifications improved the image of the tax system and led to a reduction in administration and compliance costs for taxpayers, especially small and medium-sized enterprises. Simplifying the tax system in some cases may lead to a reduction in tax revenue. One such example is the abolition of the stamp. This means that in order not to affect the total revenue, according to the basic principle of the reform, the burden of some other taxes should be increased. However, the increase in the burden of some taxes would certainly have negative effects. The Georgakopoulos Committee proposed as a last resort for this purpose, the increase of the VAT rate by one percentage point.

A radical reform of the tax system would lead to a decrease in tax revenues. In the long run, it would lead to an increase in tax revenues, but economic theory and experiments carried out in some countries of the European Union showed that a reduction in the tax burden by one percentage point would lead to an increase in employment by 750,000 people. The experiences of some countries that reduced the tax burden, confirmed the above position, since their tax revenues had an initial reduction obtained by implementing this policy and then increased, with

important examples such as the countries of Ireland and the United Kingdom. UK SMEs are taxed at a rate of 0% to 10%, allowing these businesses to experience high growth rates and face increasing competition within and outside the UK. Businesses with profits of around £150,000 were not taxed at all. Tax reform should be combined with a broader consolidation of the fiscal system. The course of the primary expenditure of the public debt, the insurance system and more generally the size and functions of the public sector should be considered. To satisfy the Maastricht criteria, Greece moved in the opposite direction, increasing the tax burden in a period of intense tax competition within the European Union.

The tax reform should be designed based on the peculiarities of the Greek economy, the international trends in this field and the weaknesses of the tax system. To be part of a wider economic policy, which will aim at the fiscal consolidation of the Greek economy, considering the structure and amount of public expenditure, the contribution to the financing of the insurance system and the reduction of public debt. International practice dictates the expansion of the tax base by reducing tax rates and abolishing unjustified exemptions. Adoption of this practice will lead to a reduction of the distortions caused by the tax system in the economy, but therefore to greater rates of growth, to the reduction of the incentive for tax evasion and in reducing inequalities in the distribution of income. The tax reform should take the form of the reform, which, however, requires a new legislation, which will bring about radical and deep cuts, which respond to the new conditions created by the country's inclusion in the EMU and the internationalization of the economy. Such tax reform should take the form of revolution and overturn and cannot be done by amending and supplementing existing tax legislation. The Greek experience of amendments and additions may have corrected, cured occasional problems, but it did not help in making the big leap in the Greek economy. The reduction in tax revenue that can be promoted in the short term will lead to an increase in deficits. It cannot be an inhibiting factor for the adoption of bold measures if we get rid of the political cost syndrome. The international trend is in the direction of expanding the tax base, with the revision of some elements that make it up. The need to fight the shadow economy, tax evasion and corruption is imperative. The measures taken in other countries for this purpose vary according to the conditions prevailing in each one, but also the size and forms of the phenomena. These measures can be grouped into the following 3 categories.

- Measures that contribute to reducing the demand for corruption from the private sector.
- Measures referring to political government choices and priorities of political will.
- Measures that contribute to reducing the supply of corruption by public sector officials.
- The measures concerning controls and penalties.

Some of the measures that can contribute to the reduction of corruption are the objectification of many variables of the tax system. The reduction of personal contacts between taxpayers and the tax authority and their electronic communication. The country, following the example of other countries, should gradually integrate the informal economy into the official economy. To this end measures should be taken to prevent individuals from being outside the formal economy. To create incentives for integration into the formal economy. To undertake efforts to identify those involved in the underground economy. To make the advantages of joining the formal economy widely known. Those who commit repeated offenses should be severely punished. Fluctuations in the tax burden should not be the dominant element in a tax reform. The issue of tax administration is the most important and must be the basis on which the edifice called the tax system must rest. The priority must be to consolidate a relationship of trust and mutual respect between state and citizen. This initiative belongs to the state. He should tell the citizen that he respects him and that he does not consider him a tax evader in advance and then

ask him to comply with the tax law. The citizen should then be convinced that the state manages his money correctly. Secondly, every taxpayer should pay the amount of tax that is attributable to him. To suffer severe penalties if he violates the tax legislation.

For the state to pass on the above messages to the citizen, it should create a stable tax system, clear, transparent and reliable with the minimum possible existence of tax exemptions. Tax rates must be valid for a certain period. To abolish retroactive taxation. To close all the “windows” that the tax legislation has. Abolish banking secrecy. To create a special land register. To make the operation of Taxis efficient. To adopt a uniform tax policy, regardless of the legal form of businesses. For the locality barrier to apply to D.O.Y. workers. and not to work for more than 5 years in the same D.O.Y. The selection of supervisors and department heads should be based on merit-based criteria. To create flexible D.O.Y. with a small tax number for a small number of tax returns and specialized D.O.Y. The leadership of the Ministry of Finance should practice politics and not administration. To treat the taxpayer as a customer. This means that the tax return should create the “Map of Taxpayers” and create performance indicators in customer service-taxpayers, such as speed of reply to letters, waiting time at tax office counters. The “Charter of Taxpayers” should refer to the obligations and rights of both parties. Removal of certificates and their replacement with responsible declarations.

The reform of the tax administration is successful and lasts when it is characterized by the following elements:

- Tax administration to be staffed by competent and hard-working people.
- Continuous training of the staff in the subject they deal with.
- To follow a very well defined and appropriate strategy.
- Appropriate utilization of the productive resources it has.
- Changes in incentives for both taxpayers and managers.
- Clear and sustainable political will.

The globalization of the economy combined with the developments in modern technology have created new data for the future course of taxation. Among the factors that created these developments are the increase in cross-border sales, the increase in tax havens, the substitution of bank accounts with electronic money, the increase in tax havens, the increase in trade between multinationals.

There has been interest in these issues, both at the OECD and European Union level, with the aim of providing solutions to the tax competition that has occurred in recent years and to the effects of e-commerce on taxation. The effects of the introduction of the Internet refer to 4 main areas, taxation of agreements, internal pricing of multinational enterprises, tax administration and taxation of expenses. In matters of taxation, expenditure taxation may need to be redesigned, while corporate taxation should be significantly redesigned. The need for governments to exchange information on tax matters is important and new and other forms of cooperation should be sought. The European Union’s position on tax policy should focus on the following:

- The reforms should consider the need to protect the environment and protect the health of the consumer.
- Further harmonization of indirect taxes, excise duties and VAT, because the deviations that exist between Member States distort competition.
- In the field of business taxation, the aim of the European Union should not be, nor can it be, the imposition of uniform tax rates, but all taxes that hinder cross-border activities must be identified and abolished.
- Tax reforms need to lead to a sustainable reduction of all tax burdens, combining tax cuts with investment in public services and support for fiscal consolidation.

Based on the social, political and economic conditions prevailing in the country, the current structure and characteristics of the tax system, the rich experience gained, especially in the last decades in the field of taxation, should create a medium-long-term tax policy program. This will set objectives, define the means needed to achieve them and prioritize. This program will be closely linked to the course of public expenditure. Safety valves should be put in place which will ensure the progress of these two sides of the budget, which are expected to play an important role in the exercise of economic policy at the national level, after the transfer of competence:

- Spasmodic moves that create reactions and reflect the state's inability to capture taxable income in its entirety, while fragmenting the systematicity of tax law, resulting in legal uncertainty.
- The lack of stability and predictability of the tax system which creates deterrent mechanisms in attracting foreign investments.
- The complexity and continuous change of the tax provisions that create interpretive anchorages and obstacles to the creation of a stable development regime.

To reform the tax system, it is deemed necessary:

- To improve the relationship between direct and indirect taxes, either by reducing indirect taxes, which are the most unfair, or by abolishing taxes that do not keep pace with today's economic and social needs and cause a high tax burden.
- To maximize the degree of integration of the underground economy into the legal economy since both tax evasion and the underground economy increase and feedback on the unequal distribution of tax burdens.
- To make use of all the possibilities of the control mechanisms to combat tax evasion.
- To protect incomes that are below the limit of tolerable living, as well as incomes at the family level.

Proposals of the Panhellenic Federation of Taxpayers 2004

Some proposals of the Panhellenic Federation of Taxpayers are:

- The increase of the tax-free limit to 12,000 euros for all taxpayers, with the parallel establishment of an additional tax-free limit for employees and pensioners in the amount of 1,000 euros, provided that the income comes exclusively from wages and pensions and is below 18,000 euros.
- The establishment of a family tax-free income of 18,000 euros, in cases where one of the two spouses do not earn income.
- The increase of the tax deduction for one child to 300 euros, to 400 euros for each child, when he has up to two dependent children, and to 500 euros for each child when he has up to three children.
- The abolition of the granted deduction of family expenses for the purchase of goods and services with receipts.
- The simplification of the personal income tax declaration form, so that the average citizen is able to know the tax he has to pay based on the declared incomes.
- Reduction of tax rates for new businesses, in industries with high added value and for businesses operating in selected areas and with a specific activity.
- The abolition of the 55% withholding tax for the first three years of operation of new businesses and its gradual reduction to 25% for the remaining businesses.

Finally, the establishment of a committee to study the decisions of the European courts and to seek solutions for the settlement of the problems arising from the improper application of the provisions of the conventions to avoid the imposition of double taxation.

IOBE 2018

In the April 2018 IOBE study on income taxation in Greece, a comparative analysis was made, and tax reform proposals were presented. The study was carried out under the auspices of the DiaNEOSIS Research and Analysis Organization and resulted in the following proposals:

- Reduction of top and intermediate tax rates that will strengthen and provide incentives for employment, promote business activity through investments in Greece and limit tax evasion and avoidance, as well as the accumulation of overdue debts.
- Limiting the number of marginal rates to one or two would make the system simpler and reduce the tendency for tax shifting and tax avoidance.
- Broadening the tax base by reducing tax deductions would serve the redistributive role of taxation.
- The gradual abolition of subsistence presumptions for the determination of the taxable base, to make the tax system more efficient, to consolidate economic justice and equality and to simultaneously have tax audits through electronic systems.
- The imposition of new extraordinary and additional taxes on declared incomes is not proposed, because it does not promote economic justice and undermines taxpayers' confidence in the system.
- To limit tax evasion and restore economic justice in personal income taxation, the use of plastic money and electronic business invoicing must be further spread, combined with the intensification and special targeting of tax audits.
- Faster resolution of tax disputes and imposition of strict penalties.
- There should be an evaluation of the tax legislation. This will be achieved by annual planning of the legislative work and simplification of the tax legislation by publication of reports of what happened on a six-monthly basis and mandatory analysis of the effects of each tax bill and each amendment and an evaluation of the implementation of the tax legislation when it comes into force and after.
- In the context of economic efficiency, the number of personal income tax brackets should be reduced to one to two at most.
- Taxation redistribution mechanisms must be promoted through public spending and not through taxation.
- It is proposed to strengthen and administratively reorganize tax authorities by staffing them with enough employees in tax control.
- Creation of electronic tax administration by modernizing tax administration through information systems. The performance of the tax collection mechanism is an important factor for the efficiency of the tax system.
- The reduction of compliance costs, the faster service of taxpayers and the improvement of the efficiency of the tax authorities, the limitation of corruption incidents, the strengthening of the trust of citizens in the tax system will be achieved through the reorganization of the tax administration.

Pissarides Committee

The report of the Pissarides committee regarding the development plan for the Greek economy discusses the issue of taxation and points out its important features. It examines the period from 2010 to the present day and reports that during this period there has been a gradual percentage increase in tax revenue from 32% to 38.9% with 2012 figures on the ever-shrinking GDP relative to the Eurozone average. There is a disproportionate tax burden on labor, energy products and real estate. This burden is cumulative, and it should be taken into account

that the disproportionate burden on real estate is added to labor, and these are added to the excess on energy products and indirect taxation. This disproportion in the structure of tax revenues creates and not only reflects the chronic distortions of the Greek economy. The chronic distortions of the Greek economy are the large number of self-employed, the high shadow economy, low productivity and added value, the small percentage of the economically active population linked to high tax rates on declared work and high unemployment and high dependence on consumption. Among the proposals of the Pissarides committee we can summarize that they are the following:

- The simplification of the tax system
- Its transfer to the local level, i.e., to the level of municipalities
- The harmonization of tax burdens, rates in the individual sources of income, reformation of the rates and income tax scales with a proportional adjustment to the average of the Eurozone counterparts
- The most favorable taxation for mechanical equipment investments
- The establishment of a stable tax framework
- The restriction on the smuggling of fuel and tobacco
- The reduction of taxation on energy products
- Strengthening the incentives for shrinking the shadow economy and
- The strengthening of savings in households and
- The removal of disincentives for the purpose of expanding companies

These proposals include the rationalization of tax burdens on real estate, the simplification and security of the tax regime, the stimulation of middle incomes and to give new possibilities to the development of the Greek economy. The administrative courts that adjudicate tax disputes must also be uncongested. It is fundamental to modernize the tax administration so that it can respond with competent executives to the service of the public interest and the removal of obstacles to the development of the private economy. It is also important to legislate favorable and safe tax frameworks to become incentives for attracting venture capital.

Reports of International Organizations

According to the report published by O.O.S.A. entitled “Tax Policy Reforms 2018” which explores the period 2007-2016, in Greece taxes increased by 7.4% as a percentage of GDP. and for the period 2015-2016 the tax burdens increased by approximately 3%. That is, almost half of the tax burdens of the time 2007-2016 occurred in the time period 2015-2016.

Income tax as well as insurance contributions are the most significant burdens cumulatively in Greece. In the field of real estate taxation, Greece occupies one of the five positions in the ranking of the countries with the highest burdens.

Conclusions & Suggestions

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.

Table 1

Comparison of the Main Reports on the Reformation of Personal Income Taxation

Issues	Tax System Reform Committee 2002	Bar Association 2010	IOBE 2018	Current essay	Comments
Tax modernization	Tax simplification	Unified progressive tax scale for all incomes, e-invoicing, e-government in tax audit and electronic interconnection of state authorities and market players	Reduce the number of income tax scales to a maximum of two. Further spread the use of plastic money and electronic invoicing. Simplification of tax legislation	A single tax scale should be prepared for each year for all incomes of persons, with the differentiation of certain incomes, from paid services and pensions, from agricultural enterprises and from real estate	Common recommended for simplification of the tax system legislatively and with the use of new technologies
Exemptions / discounts / tax free	Abolition of a series of exemptions, deductions from income	Reduction of expenses with receipts at a rate of 100% of the expense. Maintaining most exemptions of a diplomatic or social nature	Reduction of tax deduction for personal income to be acquired in 2020.	Deduction of medical hospital expenses and certain expenses in whole or in part. Assessment of existing exemptions, discounts, tax incentives and removal of unnecessary	Review of the framework of exemptions, reductions
Imputed determination of income	Elimination of all imputed off-balance sheet and special ways of determining taxable income	Extend the system of evidence, to act as evidence of expenditure and not of income and to be in line with the system of issuing evidence-based expenditure	Gradual abolition of living presumptions for the determination of the tax base through the improvement of the efficiency of tax audits, which will be implemented on a large scale by electronic means	Establishment of a special scientific committee to study the presumptions of living. The phasing out of the evidence should proceed with a comprehensive application of electronic payments in all categories of personal income	Common recommended for changing the operating framework of living criteria
Tax rates	Reduction of nominal tax rates	Review by a competent committee	Reduction of marginal tax rates	Reduction of tax rates	Joint proposal to reduce tax rates with beneficial effects on the economy

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).

3) 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.

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.

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