The political economy of the distributional character of the Greek taxation system (1995–2008)

Ioannidis, Yiorgos

2015

Southeast European and Black Sea Studies

Publication details, including instructions for authors and subscription information:
http://www.tandfonline.com/loi/fbss20

The political economy of the distributional character of the Greek taxation system (1995–2008)

Yiorgos Ioannidis[a]

[a] Labour Institute of the Greek Confederation of Labour (INE-GSEE), Fanarioton 25, Athens 11471, Greece

Published online: 10 Mar 2015.

To cite this article: Yiorgos Ioannidis (2015) The political economy of the distributional character of the Greek taxation system (1995–2008), Southeast European and Black Sea Studies, 15:1, 77-96, DOI: 10.1080/14683857.2015.1007748

To link to this article: http://dx.doi.org/10.1080/14683857.2015.1007748

Southeast European and Black Sea Studies, 2015
Vol. 15, No. 1, 77–96, http://dx.doi.org/10.1080/14683857.2015.1007748

Routledge
Taylor & Francis Group

The political economy of the distributional character of the Greek taxation system (1995–2008)

Yiorgos Ioannidis*

Labour Institute of the Greek Confederation of Labour (INE-GSEE), Fanarioton 25, Athens 11471, Greece

(*Received 20 January 2014; accepted 22 October 2014*)

The period between 1995 and 2008 is one of the fundamental transformations in the Greek economy. In that sense, we would expect an equally drastic change to have taken place in the structure of the taxation system. Nevertheless, no such change occurred. The explanation of this seeming paradox should be sought in the peculiar distributive (as opposed to redistributive) character of the Greek taxation system. The aim of this paper is to provide evidence for this phenomenon from a political economy perspective. The first section examines the general trends of taxation in Greece during the period 1995–2008 and the structure of personal income taxation. The second section delineates the basic features of the reform in income taxation and land taxation effected by the conservative government; lastly, the third part provides some critical commentary on the data as well as an interpretive context for the peculiar features of the Greek taxation system.

Keywords: Greece; taxation; political economy

Preface

The period between 1995 and 2008 is one of the fundamental transformations in the Greek economy. The robust economic growth,[1] the dominance of the service sector and the decline of manufacturing and agriculture,[2] the increase in the number of wage earners and the decline of self-employment,[3] the strengthening of large companies at the expense of smaller ones,[4] the massive influx of immigrants and women in the labour market,[5] the outward expansion of Greek companies towards Southeast Europe and Turkey, the liberalization of the financial system and the country's accession to the Eurozone are all aspects of a radical change that took place over this period.[6]

In the light of the above, we would expect an equally drastic change to have taken place in the structure of the taxation system, especially since it is a common assumption that the taxation system in Greece is counterproductive, unequal and outdated. Nevertheless, no such change occurred. The explanation of this seeming paradox should be sought in the peculiar distributive (as opposed to redistributive) character of the Greek taxation system; namely, in the fact that governmental interventions between 1995 and 2008 resulted in the distribution of the surplus, generated from the robust economic growth, towards business elites and specific social

*Email: geoion@otenet.gr

groups, instead of being utilized in order to fund a reform of the taxation system that could ensure a more just distribution of the tax burden.

The aim of this paper is to provide evidence for this phenomenon from a political economy perspective. The first section examines the general trends of taxation in Greece during the period 1995–2008 and the structure of personal income taxation. The second section delineates the basic features of the reform in income taxation and land taxation effected by the conservative government; lastly, the third part provides some critical commentary on the data as well as an interpretive context for the peculiar features of the Greek taxation system.

1. The structure of the Greek taxation system

1.1. Public expenditure and the importance of the taxation system

Despite a widely held belief, the Greek state is not costly as such. As indicated in Table 1, Greece's public expenses (as a percentage of the GDP) do not exceed the Eurozone average. Even though public expenses in Greece are managed quite inefficiently, being as they are poorly targeted and distributed in an unproductive manner (Förster and Pearson 2002; Maniatis 2003; Dafermos and Papatheodorou 2010), their volume is by no means excessive in comparison with other Eurozone members.

At first, it has to be reminded that during the post-war period with the expansion of the welfare state in Western Europe, Greece was in political turmoil. The civil war, the authoritarian regimes of the '50s and '60s and the military junta ('67–'74) resulted in the exclusion of large sectors of the population from the welfare state. At the end of the '70s, there was still no universal health care system or welfare services in place. In this sense, the particularity of the Greek case also stems from the fact that the welfare state was developed gradually, over a period of global economic turbulence (for a detailed discussion see Gravaris 1998). For all these reasons, public expenditure accelerated sharply after the mid '80s mainly as a result of a much-needed expansion of the welfare state and of the implementation of a sizeable public infrastructure programme, as well as due to an increase in

Table 1. Total general government tax receipts, revenue and expenditure as a percentage of GDP.

	Total tax receipts		Total receipts from taxes and SC*		Total revenue		Total expenditure	
	Euro area	Greece	Euro area	Greece	Euro area	Greece	Euro area	Greece
1996	24.2	21.4	41.4	34.3	n.a	41.9	50.6	49.4
1998	25.6	24.2	41.7	37.7	n.a	45.3	48.6	49.6
2000	26.0	23.6	41.8	36.0	46.2	43.0	46.2	46.7
2002	24.9	21.7	40.5	35.3	44.9	40.3	47.6	45.1
2004	24.8	19.9	40.3	33.2	44.6	38.1	47.5	45.5
2006	25.8	20.7	41.0	33.2	45.4	39.2	46.8	45.3
2008	25.3	20.7	40.6	33.9	45.1	40.7	47.2	50.6
2010	24.5	20.3	40.0	33.6	44.8	40.6	51.0	51.5

Source: Eurostat, Statistics Database, Economy and finance, Government statistics.
*(Including imputed social contributions) after deduction of amounts assessed but unlikely to be collected.

interest payments on the public debt. Nonetheless, the general volume of public expenditure did not rise beyond OECD or European levels.

At the same time, the increase in revenues did not follow suit with spending, a fact which resulted in a growing government deficit. The real fiscal problem, therefore lay in the revenues, which remained consistently well below both the public expenses and the Eurozone average. To sum up, the Greek fiscal problem is one of the poor revenues and not of exorbitant expenses, which is why the structure and function of the taxation system should be seen as a factor of major importance.

In the relevant theoretical literature as well as the case studies, it has been argued that increasing levels of economic activity are accompanied by high levels of public expenditure. For example, a number of authors suggest (e.g. Tanzi 1987; Bird and Zolt 2005) that while there are significant variations in the tax ratio among different countries, the general trend is that the tax ratio in high-income countries is considerably higher than the tax ratio in low-income countries. Moreover, the structure of the taxation system also differs according to the level of national income. Higher income countries tend to gain a larger proportion of tax revenues through income taxes. By contrast, lower income countries mostly rely on consumption and border taxes (Tanzi 1987; Tanzi and Zee 2000; Fox and Gurley 2005; Bird 2007).

Nonetheless, Kaplanoglou and Rapanos (2012) have pointed out that when Greece is compared to the rest of the world on the basis of the structure of tax revenues, it resembles to a developing rather than to a developed country. Despite the fact that tax revenues increased as the country achieved higher growth levels, they remained at considerable lower levels compared to the rest of the OECD or Eurozone countries. Consumption taxes continue to be the most important source of tax revenues, while income taxes are of more peripheral significance. What is more, the structure of revenues from income taxation indicates an unequal distribution of the taxation burden at the expense of wage earners and pensioners because of the high level of tax evasion and tax avoidance of the self-employed, the farmers and the entrepreneurs (Agapitos and Mavraganis 1995; Eble and Petrova 2013, 18). Moreover, the principles of horizontal and vertical equity have been continually undermined, through the increased number of tax exemptions and the frequent tax amnesties (Bronchi 2002).

1.2. Volume and structure of public revenues from 1995 to 2008

Regarding public revenues, the period between 1995 and 2008 can be subdivided into two major periods. In the first period (1995–2000) the main objective of economic policy was to meet the Maastricht convergence criteria in order for the country to enter the Eurozone. There was a significant rise in public revenues (total receipts from taxes and social contributions) which in 1999 reached 39.6% of the GDP as compared with 34.7% in 1995 (Table A1 – Appendix 1). About 70% of the increase came from tax receipts and the remaining 30% from the increased social contributions revenues produced by the increased volume of employment.

In the case of tax receipts (i.e. taxes on production and imports, taxes on income and wealth, and capital taxes), the increase was achieved mainly as a result of corporate and household income tax (Tables A1 and A2 – Appendix 1). In 2000 the corporate income tax receipts rose to 4.1% of the GDP as compared with 2.3% of the GDP in 1995. Accordingly, revenues from the household/personal income

tax (PIT) increased from 4.1% in 1995 to 5.0% in 2000. This increase is mainly due to the abolishment of several social tax exemptions such as family allowances (Manesiotis and Reischauer 2002). On the other side, the revenues from VAT simply followed the growth of consumption (6.8% in 2000 from 5.6% of the GDP in 1995), something which reflected the deeper incapability to sufficiently address and curtail the shadow economy and to improve the collection of VAT at a time when tax evasion remained at high levels.

The second period spans between 2000 and 2008. Following accession to the Eurozone there was a sharp decline in tax revenues, in a manner which was inversely proportional to the increase in the previous period. After 2001, the governments of PASOK (Socialists) and Nea Dimokratia (Conservatives) gradually reduced corporate income tax rate from 45% in 1995 to 21% in 2004,[7] thus limiting the revenues gained from this tax from 4.1% of the GDP in 2000 to 2.5% in 2008 (Tables A1 and A2 – Appendix 1). Therefore, despite the fact that in 2008 the declared profits were increased by 35.2% when compared to 2004, the tax revenue was by 1.3% lower than in 2004 (Table 2). Thus, the implicit tax rate of corporate income in Greece (18.6%) remained at levels well below the Eurozone average (27.8%) (Eurostat 2013, 257, also see Papageorgiou, Efthimiadis, and Konstantakopoulou (2012)). At the same time, in spite of the growth of private consumption, the revenues from VAT increased only slightly (6.8% of the GDP in 2000, 7.1% in 2008), while the tax burden of the households remained on the same level (5% of the GDP in 1995, 4.8% in 2008).

There were three factors that counterbalanced revenue reduction. The first concerned the state's ability to borrow more and on better terms in the money market. Although the newly-imposed fiscal and monetary discipline was treated by many as an opportunity to abandon many of the previous, 'unorthodox' financial practices (see, e.g. Alogoskoufis, Giavazzi, and Laroque 1995; Simitis 2005), entry into the Eurozone enhanced the role of debt management due to the significant decline in interest rates and improved (cheaper) access to money markets. Indeed, the average long-term nominal interest rate decreased from 20.7% in 1994 to 3.6% in 2005, while the average debt maturity rose from 1.6 years in 1994 to 10.5 years in 2005. Through accession to the Eurozone, the Greek government could borrow at a lower interest rate and also extend the repayment time period (for a detail discussion, see Agreitis, Dafermos, and Nikolaidi 2011).

Table 2. Total taxable income and total tax (million of Euros).

		2002	2004	2006	2008
Total	Taxable income and profits	68,369	83,382	95,395	113,091
	Total tax	9022	10,389	11,783	13,466
Personal income	Total taxable income	56,641	69,034	80,968	93,688
	Total tax	4900	5614	7336	8752
Personal income (employees and pensioners)	Total taxable income	44,484	55,614	65,594	73,920
	Total tax	3521	4126	5686	6456
Personal income (other)	Total taxable income	12,157	13,42	15,374	19,768
	Total tax	1379	1488	1650	2296
Profits	Total taxable profits	11,728	14,348	14,427	19,403
	Total tax	4122	4775	4447	4714

Source: General Secretariat of Information Systems, Statistical Bulletin of Taxation Data 2002–2008.

The second factor which counterbalanced the reduction of tax revenue connects with the robust growth achieved during the period. From 1995 to 2008, the real GDP annual growth rate was 3.6%, well above the Eurozone average. As expected, intense growth followed by increased income/profits, and increased income/profits yielded more tax revenue.

The third factor concerns the significant growth in employment opportunities and more particularly the multiplication of wage earners. According to the Labour Force Survey, from 1995 to 2008, wage earners increased from 54% of all employed to 65%. Given the well-known adage that 'employees do not tax evade', the increase of wage labour ratio resulted in a kind of broadened tax base. As indicated in Table 3, between 2002 and 2008, the number of tax statements submitted by employees and pensioners increased by 16.5% as compared with the average increase of 13.0% of all tax statements. Moreover, during the same period, the declared income originating from salaries and pensions increased by a higher rate than the total declared income (66.8–59.1%). Given the high level of tax evasion such developments further aggravated the unequal distribution of the tax wedge. Because of the rapid increase of declared income from salaries and pensions, the composition of tax revenues was modified. During the period 2002–2008, the income taxes paid by employees and pensioners increased from 39 to 48% of all income taxes (Table 2).

In conclusion, the increased revenues between 1995 and 2000 did not result from a successful national strategy to combat tax evasion. For instance, according to Schneider, Buehn, and Montenegro (2010), the size of shadow economy in Greece did not change significantly during the period in question (24.9% of GDP in 1991, 28.7% in 2000, 26.9% in 2005 and 26.5% in 2007). In reality, the increased revenues of that period were partly owed to economic growth which generated increased income and therefore tax receipts; they were also partly a consequence of the broadening of the tax base caused by the increased wage labour ratio; and finally, they were also the result of the abolishment of a number of tax exemptions of social nature. Between 1995 and 2000, more taxes were collected, but in a peculiar 'pre-deposit' manner, in the name of the national goal of entering the Eurozone. This is why following Greece's entry into the Eurozone, and as long

Table 3. Number of tax statements by main source of income and volume of declared income by source.

	Number of tax statements by main source of income (thousands)			Volume of income declared by source (millions of €)		
	2002	2008	2002–2008 (%)	2002	2008	2002–2008 (%)
Total	4953.1	5598.9	13.0	58,656.6	93,323.8	59.1
Other sources of income (land, abroad)	520.3	582.1	11.9	5527.5	8510.2	54.0
Merchants, employers and self-employed	984.3	1054.0	7.1	9940.5	13,230.6	33.1
Farmers	386.2	395.4	2.4	1283.3	1695.3	32.1
Employees and pensioners	3062.3	3567.4	16.5	41,900.9	69,880.2	66.8
Total tax				4899.2	8751.8	78.6

Source: General Secretariat of Information Systems, Statistical Bulletin of Taxation Data 2002, 2008.

as the public debt manageable, the exact same factors that led to higher revenues during the first period (i.e. intense growth, cheap borrowing and expansion of wage labour) permitted the reduction of the corporate tax rate, but also the tolerance of tax evasion. For this reason, despite its sharp rise after 1995, public debt continued to fluctuate close to 110% of the GDP.

1.3. The nominal progressivity of the taxation system

Extensive tax evasion and avoidance create a false impression as regards the purportedly progressive nature of the taxation system in Greece. As portrayed in Table 4, in 2008, 31,500 households declared income of more than €100,000. Even though these statements accounted for 0.6% of all statements and 5.4% of the total taxable income, they provided 18.1% of the total tax revenue from PIT. In other words, the richest 4.9% of the population (those exceeding the income threshold of €50,000) produced 65.1% of all PIT revenues. In this sense, the system seems to indicate evidence of strong progressivity since the bulk of the tax revenues originate from the higher income levels.

Nevertheless, this nominally high progressivity is actually a result of the fact that the bulk of the declared income originates from salaries and pensions (which in reality is only a part of total personal income). Put otherwise, the high progressivity of the taxation data only mirrors the progressive taxation of employees and pensioners. According to the tax statements from the same year, 37.1% of the income declared by entrepreneurs and self-employed and 56.8% of farmers' income originates from wages (Table 5). Similarly, wage labour seems to be the chief source of income for 45.3% of those who declared more than €100,000 and for 41.5% of those who declared more than €500,000. In other words, the income declared to the tax authorities is simply the income that could not be hidden. It, therefore, comes as no surprise that throughout the period between 2002 and 2008, 85.9% of the self-employed and the farmers declared an annual income of less than €10,000 (in 2002 prices – Figure 1).

Table 4. Number of tax statements, volume of taxable income and total tax revenue (2008).

Income brackets	Number of tax statements		Taxable income		Total tax	
	In thousands	Regressive cumulative frequency (%)	In millions	Regressive cumulative frequency (%)	In millions	Regressive cumulative frequency (%)
€0–10,000	2328.9	100.0	12,021.4	100.0	42.4	100.0
€10,000.01–20,000	1766.0	58.4	24,953.6	87.2	662.6	99.5
€20,000.01–50,000	1261.0	26.9	38,271.5	60.5	4050.7	92.2
€50,000.01–100,000	211.5	4.3	13,615.6	19.7	2709.8	47.1
€100,000.01–500,000	31.1	0.6	4557.7	5.2	1413.7	16.9
€500,000.01+	0.3	0.01	268.3	0.29	104.7	1.17
Total	5598.9		93,688.0		8983.9	

Source: General Secretariat of Information Systems, Statistical Bulletin of Taxation Data 2008.

Table 5. Percentage of income from salaries by occupational group and income brackets (2008).

	%
By main occupation	
All professions (total)	74.9
From rental income	18.0
Traders–industrialists–craftsmen–small traders	27.1
Farmers–livestock breeders–fishermen	56.8
Wage earners	96.9
Freelance workers	51.6
Pensioners	92.2
By total declared income	
Total	74.9
Less that €10,000	76.2
From €10,000.01 to 30,000	78.8
From €30,000.01 to 50,000.1	77.3
From €50,000.01 to 100,000.01	68.5
From €100,000.01 to 500,000	45.3
More than €500,000.01+	41.5

Source: General Secretariat of Information Systems, Statistical Bulletin of Taxation Data 2008.

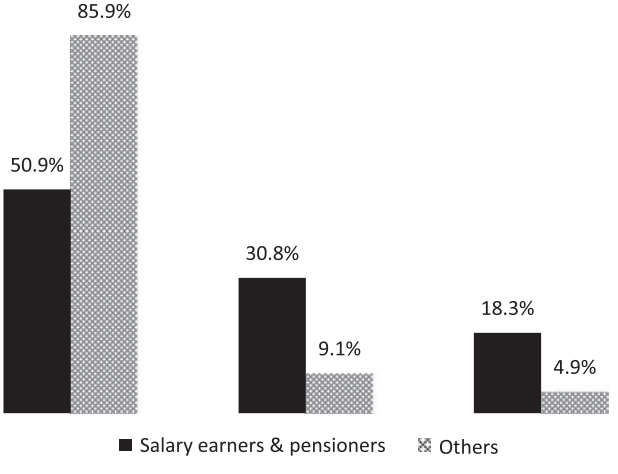

Figure 1. Declared earnings by different occupational groups – average 2002–2008 (at 2002 prices).
Source: General Secretariat of Information Systems, Statistical Bulletin of Taxation Data 2002–2008.

Tax avoidance and tax evasion remained a structural feature of the Greek taxation system, characterizing the higher as well as the lower income groups. Some population groups, such as high-status professionals (like surgeons, private practitioners, lawyers etc.) and the self-employed, were evading tax thanks to the opportunities they had to disguise their actual incomes;[8] others, such as farmers and engineers, did so thanks to the institutionalized understatement of their earnings, while managers and executives thanks to the autonomous taxation of their income;

for their part, large corporations screened their income by employing the 500 tax exemptions afforded to them (Stathakis 2011),[9] while small and medium enterprises did so through a special scheme which permitted them to calculate their tax obligations by themselves (Gk. *aftopereosi*).

In the light of the above, governmental interventions in the tax system between 1995 and 2008 were highly distributive – as opposed to redistributive – since they resulted in the channelling of the surplus generated from the robust growth towards business elites and specific social groups. For this very reason, the elasticity of tax revenues is low with respect to the economic cycle (Manesiotis and Reischauer 2002), but high with respect to the electoral cycle (Christodoulakis and Skouras 2009).

It is crucial to stress that this policy ensured a broad social consensus, because the sources of income of a narrow majority of the population were (and still are) highly fragmented, and self-employment remains at high levels (for the relation between self-employed and shadow economy see, Tanzi 1999; ILO 2002; Williams 2010). Maintaining in force a taxation system with numerous tax avoidance loopholes and weak tax audit ability, favoured – even if unequally– numerous professional groups. Therefore, while not everybody profited equally, those who did so, even in a marginal way, were not few.

The big losers from this tax policy were the employees, the pensioners, the unemployed and in general the poorest sectors of the population. Not only were they the ones who were 'picking up the tab', but also, at the same time, they were deprived of the much-needed services of a welfare state. Since the entitlement of social benefits of various sorts is linked to the level of income, a number of real low-income earners found themselves excluded from access to social benefits since their declared income was deemed to be higher than that of less 'well-fortunate'. Because of protracted tax evasion and shadow economy, an employee with income equal to the basic salary (i.e. around €9000/year in 2008) appeared to be in the same financial position with the 66% of the entrepreneurs and 96% of the farmers (Statistical Bulletin of Taxation 2008, Table 8A). According to Förster and Pearson (2002, 31), before the crisis set in the poorest 30% of the Greek population received only 20.9% of social transfers, while the richest 40% received 41.5%. This trend lies behind the fact that social transfers in Greece decrease the poverty rate only by 6% (EU average is 20%) (Maniatis 2003; Dafermos and Papatheodorou 2010, 11 estimated the redistributive effect of the net social wage in Greece to be almost zero).

2. The necessary reform that never took place

In the light of the above, there are several reasons which render necessary a reform of the taxation system. Firstly, there is a widespread demand for a just distribution of the tax burden across the various groups of the population. The second reason relates to the recession of the Greek economy itself; tax reform in Greece is thus necessary not only for social reasons but also for economic ones. Since external borrowing is limited and 'printing money' is not feasible, the only possible domestic policy to fund a public investment programme is to productively reallocate existing spending as well as to enhance the taxation system. In other words, a tax reform would not only contribute to a just redistribution of the tax burden but also to 'reveal' additional funds.

However, the tax agenda of the bipartite government (Nea Dimokratia and PASOK) has led to movements in the opposite direction than the one needed. The new system of income taxation (Law 4110/2013) and the controversy over the taxation of real estate exemplify this.

2.1. *The new system of income taxation*

It is a common assumption in Greece that the main problem of the previous taxation systems lies in the numerous special tax regimes. A large proportion of personal and corporate income either remains untaxed on account of tax exemption loopholes or is under taxed due to extensive separate taxation schemes. Therefore, an appropriate solution would be to tax jointly all of the taxable income under progressive taxation brackets (Economic Chamber of Greece 2010; Rapanos 2012). The government chose otherwise. Law 4110/2013 introduced a new method of taxing income which differentiates taxation (as well as tax rates) according to the source of income. Instead of one single tax scale and numerous loopholes, the new legislation retains the same number of loopholes whilst introducing five different modes of taxation: one for employees and pensioners, another one for farmers, another for self-employed persons and entrepreneurs, one for those living off rental income and finally one for income out of securities.

It is well known that the differentiation in the modes of taxation favours the wealthier groups since they exhibit a greater variety of income sources (taxing two 'packages' of €50,000 yields less revenue than taxing one single 'package' of €100,000). In 2010, for example, approximately 39,000 people declared an income which exceeded €100,000, with an average personal income amounting to €149,000. If this income were to be taxed jointly (i.e. the tax brackets of the wage earners), it would have yielded a sum equal to €54,000. By contrast, if the same amount of income was to be taxed on the basis of its source, it would have given €42,000, i.e. 22% less tax. Indeed, under the new mode of taxation, the tax burden for higher incomes (set at €50,000 and above) has been reduced for everybody except for the employees (Table 6).

Table 6. Impact of the new system of taxation of personal income by occupational group.

	In comparison with the previous mode of taxation	
Professional group	Increase in tax	Reduction in tax
Wage earners with income…	…over €26,000 (20% of the employees)	…from €5000 to €26,000
Professionals and self-employed with income…	…up to €57,000 (97% of the self-employed)	…over €57,000
Farmers with income…	…up to €22,000 (98% of the farmers)	…over €22,000
Income from rents…	…up to €50,000	…over €50,000
Income from multiple sources…	…up to €9000.	…over €9000.
Income from stocks and bonds	All taxpayers with income from loyalties, stocks or bonds are paying less tax due to the reduced tax rate (from 25 to 10%)	

Source: own estimations.

However, taxing income according to its source benefits not only the wealthiest income groups but also a broader group of taxpayers, which comprise nearly 29% of the taxable population: those with incomes received through rental properties.[10] Under the new system of taxing rental income, there is a direct transfer of the tax burden from the poorest to the middle-income groups (Table A3 in Appendix 1), aiming at ensuring the political tolerance of the latter towards the new system. For example, a low-income taxpayer, with an annual income of €9,000, 50% of which is rental, will be obliged to pay a tax of €450. If the same amount of income is provided entirely from salaries, they would not have to pay any tax. On the contrary, a medium-income taxpayer, i.e. with annual income of €24,000, 50% of which is rental and 50% from wages, will have to pay a tax of €1570. If the same amount of income comes entirely from salaries, they will have to pay a tax of €3390. In other words, a person with a low pension/wage and a complementary low rental income will pay more tax than before, while a person with a medium wage and a complementary medium rental income will pay less tax than before.

The same distorted logic is enforced with respect to the taxation of the self-employed persons. In Greece, as elsewhere, the self-employed tax evades more frequently than other taxpayers because of their enhanced ability to conceal income from the tax authorities (Schneider 2011).[11] However, in order to collect more taxes from the self-employed, the government did not adopt a strategy to combat tax evasion through measures aimed at specifying the real income. It chose to tax at a higher rate the income which had already been declared, thereby creating even stronger incentive for hiding income.

Secondly, the new system equates the self-employed with companies. This means that from now on they will be taxed under a single tax rate according to their profits (income minus expenses); 21% for the first €50,000 and 35% for the excessive sum. Essentially, the novel mode of taxation of the self-employed penalizes those who were declaring their true income while rewarding those that were tax evading, because in fact a tax rate of 21% is high if applied to a low annual income (i.e. €10,000) and low if applied to higher one (i.e. €45,000). A self-employed taxpayer who declares their true income will pay more tax, while someone concealing their income will also pay more but, ultimately, considerably less to what they should have.

All in all, this system of taxation raises significant moral questions, for it equates personal income with profits. Nevertheless in actual fact, there is no such thing as a 'poor company', but there are poor self-employed people; a person may go bankrupt, but cannot 'shut down' like a company can; a company does not have 'household members to care for' as a person may have; furthermore, personal/household income defines who receives social benefits while profits don't.

Finally, an additional noteworthy feature of the new system is the taxation of agricultural income with a flat rate of 13% regardless of the size of the income, with poorer and richer citizens being taxed at the same rate.

In conclusion, the new taxation system favours the higher income groups while also affording significant concessions to the middle-income groups (Table 6). Those favoured include the wealthiest groups, the medium-upper self-employed and shop owners, as well as richer farmers and major landholders. Those who were taxevading 'a bit' will end up paying more tax, but not as much as they should, and those who were declaring their actual income will pay considerably higher taxes.

2.2. The taxation of real estate

Tax revenues from real estate were extremely low until 2009, accounting from somewhere between 350 and 400 million Euros per year. Given the inaccurate widespread belief that land ownership is highly fragmented, it was widely argued that by not taxing real estate property, the state is implementing a kind of social policy which is in favour of the majority of the small owners.

While it is an established fact that, for historical reasons, real estate ownership in Greece is not as concentrated as in Western Europe (Sampaniotis and Chardouvelis 2012), the dispersion of real estate ownership is not nearly as high as it is believed to be. Data from the Ministry of Finance indicate that when it comes to privately owned urban land 34% of the owners own 74% of the total land value, while the richest 2% of the owners (property over €500.000) hold 20% of the total urban land value (Table 7). The available data reveal that the under taxation of real estate, in general, was not functioning as a social policy but was a reality mainly favouring the wealthiest population groups. While a policy aimed at protecting small owners would had excluded from taxation land value up to a certain amount and would have taxed the rest, all land value was under taxed instead.

Moreover, several factors indicate that the taxation of real estate could end up having significant political cost. Firstly, the owners of high-value urban estate were represented by a powerful and active organization (POMIDA) which maintained close political connections with a number of parliamentarians of the ruling parties (Nea Dimocratia and PASOK). Secondly, as demonstrated by the European elections of May 2014, the rural population – also owners of non-urban parcels – constituted the most significant electoral base of the two out of three co-governing parties (ND and PASOK). Finally, there were a number of important technical problems which could not be resolved in time. For instance, the value assessments used by the tax authorities were out-of-date (Kathimerini, October 13, 2014c) since they were referring to a totally different economic context, (dating to 2009); the National Registry of Land Ownership (*Ktimatologio*) was (and still is) under development (since 1995); the relevant databases of the Ministries of Agriculture and Economics were (and still are) not compatible with each other. In that sense, there was the danger (ultimately realized, see Kathimerini, Wednesday August 13, 2014a) of making planning mistakes in the tax estimation mechanics. These factors, combined with the extremely ambitious budgetary goal, rendered it virtually impossible to arrive at a solution at minimum political cost.

Table 7. Distribution according to the value of urban real estate held by individuals.

	% of people	% of urban real estate value
From €0.01 to 300,000	94.8	67.4
Of which…		
From €0.01 to 50,000€	49.8	12.3
From €50,000.01 to 100,000	24.4	18.8
From €100,000.01 to 200,000	15.8	23.7
From €200,000.01 to 300,000	4.8	12.6
Over €300,000	5.2	32.6
Of which: over €1000,000	0.5	8.5

Source: Ministry of Finance, Capital Taxes Directorate, Department of FMAP-ETAK.

Pressured to boost state revenues, the Papademos administration (PASOK with the support of Nea Dimokratia and the nationalistic LAOS – Popular Orthodox Party) set as their goal to increase property taxation revenues from €0.4 billion Euros to €3.0 billion annually. It should be noted that given the radical decrease in household income, this target was extremely difficult to achieve at that time.

Initially, the government chose to tax only buildings connected to the electricity network (Law 4021/2011). In this way, the rural population was somehow protected (since the parcels were excluded from taxation), as well as the high urban (??) value owners (since they could disconnect empty non-rented buildings from the electricity network). As a consequence, the tax-weight shifted overwhelmingly to the household residence. Considering that the network buildings connected to electricity constitute only a portion of total property, the amount charged was quite significant (over €600 for houses of 100 m^2). Moreover, the absence of special provisions for the unemployed and the penalty of power cuts in the event of non-payment, added a particularly onerous feature to this measure.

Under social pressure, the coalition government that emerged from June's 2012 elections (Nea Dimokratia with the support of PASOK and the Democratic Left party) pledged to introduce another mode of taxation that would replace the previous one. For this purpose, a committee was established (in which the author was a member) under the presidency of the Deputy Minister of Finance and with the participation of representatives from the three governing political parties, scientific advisors and high ranking-civil servants. The mandate of the committee was to submit a proposal which would yield the same amount of revenue (€3000 millions) by widening the tax base – thus making it possible to lighten the tax burden of each individual taxpayer. The only way for this to be achieved was by including into the taxable property the rural plots and all of the buildings.

Four months later, the committee suggested the inclusion of ecclesiastical and monastic property, argued for the need to introduce a non-taxable value to protect low-value properties and also proposed the tax exception of the unemployed and all at-risk-of-poverty households. To finance this, the committee recommended the inclusion to the taxable property of all private-owned land property and its taxation under a progressive taxation scale. Moreover, it produced more than 10 scenarios on the basis of various possible revenue targets. According to these scenarios, the small residential property owners would enjoy significant tax reductions (55% per average) and farmers and small parcel owners would have to pay a small amount of tax (around 1–6€/hectare for the agricultural land), while the major landowners and the holders of high-value urban real estate would stand to lose from this arrangement.

However, the most difficult task was to reach a political agreement on the level of taxation of the rural plots. The governing parties resisted the idea of taxing rural land ownership in view of the electoral cost this would entail. By June 2013, the government rejected the proposals of the committee, cancelled its mandate and entrusted the design of the new taxation system to ministerial advisors.

Following numerous delays, the government finally introduced Law 4223/2013 (ENFIA). Under the new law, the object of taxation was not the total personal property value but the individual building/plot. In this way, the large real estate owners have been considerably favoured (as it is rare to own land valued at i.e. €1000,000 which is also concentrated in one building/plot). At the same time, the tax burden of the rural plots has been minimized by reducing the budgetary goals.

Table 8. Tax wedge (in €) according to the different tax regimes on real estate taxation, rough estimations.

Property value	FAP 2010 (law 3842/2010)	EETIDE (law 4021/2011)	EETA (law 4152/2012)	Committee proposal*	ENFIA (law4223/2013)
1000,000	4400	3000	2600	7900	2500
530,000	600	1600	1400	3200	1300
95,000	0	500	425	111	370
60,000	0	400	340	39	300

*Under the scenario of total revenues 1700 million Euros and non-taxable of €30,000.

In total, a fund reallocation of nearly €650 million[12] has been used to lighten the tax burden on the non-urban plots instead of, say, introducing tax exemptions for small property owners or the unemployed.

All in all, the tax wedge on urban property has been eased but the reduction has been rather modest (Table 8). Moreover, the government partially responded to POMIDA's 'request and warning' (Kathimerini, August 26, 2014d) by reducing the tax burden of the non-rented empty buildings by 20%. In this way, taxpayers pay tax for their residence but not for the non-rented apartment (or building) they might own. As Table 8 demonstrates, the government has chosen to enforce higher tax rates for lowest property values in order to ease the burden of the higher value property. What is striking is that an owner of a building of 1,000,000€ value will pay less tax under previous laws despite the fact that the total amount of tax collected has been raised from 400 million to 3000.

3. The political economy of the Greek taxation system: final remarks

It is indisputable that the Greek tax system is unjust as well as inefficient. What usually escapes our attention, however, is that its stability was grounded in a broad social alliance which includes not only powerful business elites but also various large social groups, especially those comprising the self-employed, highly skilled professionals (such as lawyers, doctors and engineers) and farmers. The common feature that these diverse social groups enjoy is the persistent under taxation of their wealth, a situation which is mirrored negatively (in the form of over taxation) in the case of employees and pensioners.

Nevertheless, it must be underlined that those who benefit from this system are not necessarily wealthy. A coffee shop owner in the small island of Ikaria may earn exactly the same amount of money as a bank clerk; but it is most probable – almost certain, in fact – that the former has paid less tax than the latter. Consequently, the clear class structure of the taxation system cannot be described according to an outdated dichotomy between the 'few rich' and the 'masses'. This class structure crosscuts 'the people' placing each one according the level and source of their income. Therefore, we end up with as much taxation consciousness as sources of income. Needless to say that the fragmentation of taxation modes does not encourage the development of a common tax consciousness.

Ironically, the structural transformation which the Greek economy has undergone over the past 20 years, the growth of the wage earners ratio, Eurozone membership and the concomitant minimization of the borrowing costs are all elements

which gave an impetus to tax exemption, tax avoidance or simply tax evasion by specific population groups. This policy resulted in a greater tax inequality at the expense of wage earners and pensioners. Unfortunately, the governmental interventions of the last three years have not improved this and today the Greek taxation system remains as unfair as ever; the only difference, though essential, is that the overall taxation burden has nearly doubled.

Addressing these problems appears today to be an even more difficult task. To begin with, the tax reform was delayed for far too long: after six years of deep recession, a significant part of the accumulated wealth has been consumed. Secondly, under the pressures applied to the household income, tax evasion is gradually being transformed to a survival mechanism instead of a means of wealth accumulation. Finally, the conservative party (Nea Dimocratia) is unwilling to run counter to the few social groups which continue to support the government. On top of all these reasons, the ever-present climate of political polarization is not conducive to the development of a dispassionate and constructive dialogue.

The study of modern Greek history reveals that domestic political life is characterized by an intense discursive polarization which gives rise to an 'identity-based politics' as opposed to the more traditional 'issue-based politics' (Voulgaris 2005). In this context, the major political parties, regardless of their ideology, do not necessarily forge social alliances according to a programmatic agenda in a number of issues. Instead, they tend to formulate cleavages based on a collective political identity (i.e. the Left vs. the Right, the Good vs. the Corrupt, the patriots vs. the traitors, etc.) which crosscut social classes. In this setting, a highly polarized political discourse plays a critical role. Conflicts on issues relating to the production sphere, to the distribution of wealth or to the distribution of power among different social groups or classes tend to be resolved within the major parties. In other words, the political ability of the major parties to govern depends primarily on their ability to produce, through internal procedures, a synthesis of the different economic and social demands and then to 'export' this synthesis in the form of government policy (Ioannidis 2012). In this sense, political parties function in a way similar to the one Poulantzas attributed to the state: they hierarchically integrate conflicting interests (Jessop 1985; Poulantzas 2001). Indeed, the clientelistic character of the political system remains strong by virtue of its ability to continually regenerate its capacity to consolidate conflicting interests, to promote consensus based on multi-lateral, but rarely common (in the sense of a 'social contract') agreements. The peculiar distributional nature of the Greek taxation system can be viewed as the fruit of a policy which promotes a kind of economic liberalization accompanied by strong clientelistic relations.

Notes

1. Real GDP grew from 1980 to 2008 by 79.3%; a growth that took place almost entirely after 1995. Real GDP growth was 13.9% from 1980 to 1995 and 57.4% from 1995 to 2008 (AMECO database GRC.1.1.0.0.OVGD).
2. From 1980 to 2008 the agriculture gross value added (GVA) decreased from 14.9 to 3.6%, the GVA of the secondary sector decreased from 29.6 to 18.1%, while the GVA of the services rose from 55.5 to 78.3% (AMECO database GRC.1.1.0.0.OVG0; GRC.1.1.0.0.OVG1; GRC.1.1.0.0.OVG5).
3. The major change in the structure of the labour market had to do with the 'boom' of the wage earners (50.5% of the total employment in 1983, 65.0% in 2008). For

instance, according to the Labour Force Survey, in 1988 wage earners were the majority of the employed in only two (2) out of the thirteen (13) regions of the country. In 2009 the region of Peloponnese was the only one in which the wage earners accounted for less than 50% of the total employment.

4. A process of business polarization was initiated: the average size of the average company decreased while the average size of the big company increased. In 2004 all the sectors of manufacture numbered fewer companies with more than 10 employees compared to 1994 while the proportion of employees per employer in the manufacturing companies with more than 50 employees increased from 46.1 in 1993 to 121.5 in 2005.
5. For a detailed discussion see Liberaki and Tinios (2010), Lianos (2003).
6. For a detailed discussion see Ioannidis (2012).
7. Laws 2238/94, 2992/02, 3091/02, 3296/04, 3220/04, 3427/05, 3453/06, 3483/06, 3517/06, 3522/06, 3634/08, 3697/08.
8. For estimations regarding the tax evasion by occupational group see Artavanis, Morse, and Tsoutsoura (2012), Matsaganis and Flevotomou (2010).
9. For a detail discussion on tax evasion in big corporations see Kannelopoulos (2002).
10. 10% for income up to €12,000 euro and 33% for income exceeding €12,000.
11. Moreover, Schneider and Buehn (2012) argue that in the case of Greece self-employment appears to be the most significantly correlated variable with the size of the shadow economy.
12. The final budgetary goal was set at €2650 million (Greek Ministry of Finance, State Budget of 2014), that is €250 million less than the amount originally agreed with the Troika (Kathimerini, August 26, 2014b). Moreover, €400 million was to come from a special tax on urban land owners with properties valued at a sum exceeded €300,000. In other words, there was a reallocation of nearly €650 million.

Notes on contributor

Yiorgos Ioannidis holds a PhD in Political Economy and Employment Policy. He is currently employed as a research associate at the Labour Institute of the Greek Confederation of Labour (INE-GSEE). He has also been employed for several years as an economic policy advisor of the Greek Confederation of Small Businessmen (GSEVEE) and of the Democratic Left political party. He has also been a member of the *Board of Experts of the National Council of Competitiveness* of the Greek Ministry of Development (1/2007–11/2007), of the *National Council for Spatial Planning and Sustainable Growth of the Greek Ministry of the Environment, Physical Planning & Public Works* (1/2007–2/2008), of the Scientific Council of the 'Lisbon Observatory' of the Greek Economic and Social Committee (1/2007 – 2/2008). His research interests are employment policy, economic policy, political economy, European integration and economic history.

References

Agapitos, G., and G. Mavraganis. 1995. Tax evasion: The case of Greece. *Bulletin of the International Bureau of Fiscal Documentation* 49, no. 12: 569–76.

Agreitis, G., Y. Dafermos, and M. Nikolaidi. 2011. *The debt crisis in Greece* [in Greek]. Athens: INE-GSEE.

Alogoskoufis, G., F. Giavazzi, and G. Laroque. 1995. The two faces of Janus: Institutions, policy regimes and macroeconomic performance in Greece. *Economic Policy* 10, no. 20: 147–92.

Artavanis, N., A. Morse, and M. Tsoutsoura. 2012. *Tax evasion across industries: Soft credit evidence from Greece*. Chicago Booth Paper No. 12–25. Fama-Miller Center for Research in Finance.

Bird, R. 2007. *Tax challenges facing developing countries: A perspective from outside the policy arena*. SSRN. http://ssrn.com/abstract=1393991.

Bird, R., and E.M. Zolt. 2005. The limited role of the personal income tax in developing countries. *Journal of Asian Economics* 16, no. 6: 928–46.

Bronchi, C. 2002. Options for reforming the tax system in Greece. Working Papers No. 193/2002, Societa Italiana di economia pubblica.
Christodoulakis, N., and S. Skouras. 2009. *Electoral law-bending cycles: Wildfires and tax evasion in Greece*. Athens: Department of International and European Economic Studies, Athens University of Economics and Business.
Dafermos, Y., and Papatheodorou, Ch. 2010. *Macroeconomic environment and poverty* [in Greek]. Athens: INE-GSEE.
Eble, St., and I. Petrova. 2013. *Revenue administration and fiscal consolidation, in Greece selected issues*. IMF, May 21, 2013.
Economic Chamber of Greece. 2010. *Proposals for the reform of the taxation system* [in Greek]. Athens: Economic Chamber of Greece.
Eurostat. 2013. *Taxation trends in European union*, 2013 Edition. http://ec.europa.eu/taxation_customs/taxation/gen_info/economic_analysis/tax_structures/index_en.htm.
Förster, M., and M. Pearson. 2002. Income distribution and poverty in the OECD area: Trends and driving forces. *OECD Economic Studies* 2002/I, No. 34. http://www.oecd.org/economy/growth/2968109.pdf.
Fox, W., and T. Gurley. 2005. An exploration of tax patterns around the world. *Tax Notes International*, February 28.
Gravaris, D. 1998. Building the social state: From party discourse to state policy [in Greek]. In *PASOK, Party – State – Society*, ed. M. Spourdalakis, 91–120. Athens: Patakis Press.
ILO. 2002. *Decent work and the informal economy*. Geneva: International Labour Office.
Ioannidis, Y. 2012. The political economy of the Greek employment policy, 1995–2008: The European context & the national transformations. PhD thesis, submitted to the Department of Economics, University of Crete.
Jessop, B. 1985. *Nikos Poulantzas. Marxist theory and political strategy*. London: MacMillan Press.
Kannelopoulos, K.N. 2002. *Tax-evasion of corporations of the Greek stock-market* [in Greek]. Athens: Center of Research and Economic Surveys.
Kaplanoglou, G., and V. Rapanos. 2012. *Economic and societal institutions and the tax system: The case of Greece*. http://www.econ.uoa.gr/fileadmin/econ.uoa.gr/uploads/events/Kaplanoglou_Rapanos_Tax_and_trust_Jan2012_d.pdf.
Kathimerini Newspaper. August 13, 2014a. Gov't seeks to tackle property tax confusion. http://www.ekathimerini.com/.
Kathimerini Newspaper. August 26, 2014b. Greeks ask for lower tax on empty properties. http://www.ekathimerini.com/.
Kathimerini Newspaper. October 13, 2014c. Objective values will not change before 2016. http://www.ekathimerini.com/.
Kathimerini Newspaper. August 26, 2014d. Taxpayers granted six installments to pay property tax. http://www.ekathimerini.com/.
Lianos, Th. 2003. *Immigration in Greece* [in Greek]. Athens: Centre of Programming and Economic Research.
Liberaki, A., and P. Tinios. 2010. *Women and employment, in (collective) the Greek labour market* [in Greek]. Athens: Bank of Greece.
Manesiotis, V., and R. Reischauer. 2002. Fiscal policy in Greece and the Eurozone. In *The economic performances and prospects of Greece* [in Greek], eds. R. Bryant, N. Garganas and G. Tavlas, 129–88. Athens: Bank of Greece and the Brookings Institute.
Maniatis, Th. 2003. The net social wage in greece 1958–1995. *International Review of Applied Economics* 17, no. 4: 377–98.
Matsaganis, M., and M. Flevotomou. 2010. *Distributional implications of tax evasion in Greece*. GreeSE Paper No. 31, Hellenic Observatory Papers on Greece and Southeast Europe.
Ministry of Finance, Hellenic Republic. 2014. *State budget* [in Greek]. Ministry of Finance.
Papageorgiou, D., T. Efthimiadis, and I. Konstantakopoulou. 2012. *Effective tax rates in Greece*. Discussion Paper No. 124, Centre of Planning and Economic Research, March.
Poulantzas, N. 2001. *State, power, socialism* [in Greek]. Athens: Themelio Press.

Rapanos, V. 2012. *Tax reform: Tax administration and social environment* [in Greek], speech on the seminar Thematic Circles of Discussion, University of Athens. http://elearn.elke.uoa.gr/etvedu/parousiaseis/forologiko_sistima_28-11-2012.pdf.

Sampaniotis, Th., and G. Chardouvelis. 2012. *The Greek real estate market during the crisis* [in Greek], Eurobank research, VII, 2. Eurobank EFG.

Schneider, F. 2011. *The shadow economy and shadow economy labor force: What do we (not) know?* IZA Discussion Paper No. 5769, June.

Schneider, F., and A. Buehn. 2012. *Shadow economies in highly developed OECD countries: What are the driving forces?* IZA DP No.6891, October.

Schneider, F., A. Buehn, and Cl.E. Montenegro. 2010. *Shadow economies all over the world: New estimates for 162 countries from 1999 to 2007*. Policy Research Working Paper 5356, The World Bank Development Research Group Poverty and Inequality Team & Europe and Central Asia Region Human Development Economics Unit.

Simitis, K. 2005. *Politics for a creative Greece 1996–2004* [in Greek]. Athens: Plethron Press.

Stathakis, Y. 2011. The fiscal crisis of the Greek economy. In *Economic crisis and Greece*, Greek Scientific Association of Political Economy [in Greek]. Athens: Gutenberg Press.

Tanzi, V. 1987. Quantitative characteristics of the tax systems of developing countries. In *The theory of taxation for developing countries*, eds. D. Newbery and N. Stem, 205–41. Oxford: Oxford University Press.

Tanzi, V. 1999. Uses and abuses of estimates of the underground economy. *The Economic Journal* 109, no. 456: 338–47.

Tanzi, V., and H.H. Zee. 2000. Tax policy for emerging markets: Developing countries. *National Tax Journal* 53: 299–322.

Voulgaris, Y. 2005. *Greece following the Metapolitefsi, 1974–1990* [in Greek]. Athens: Themelio Press.

Williams, C.C. 2010. Beyond the market/non-market divide: A total social organization of labour approach. *International Journal of Social Economics* 37, no. 6: 402–14.

Appendix 1.

Table A1. Tax receipts of the General Government, Greece, 1995–2008 (current prizes, in million Euros).

INDIC_NA/TIME	1996	1998	2000	2002	2004	2006	2008
D2_D5_D91_D611_D612_M_D995 – Total receipts from taxes and social contributions (including imputed SC) after deduction of amounts assessed but unlikely to be collected	34,349.8	41,872.2	50,415.6	55,885.0	61,956.0	69,764.0	79,724.0
D2_D5_D91 – Total tax receipts	21,704.3	27,090.6	33,281.4	34,575.0	37,285.0	43,822.0	48,975.0
D2 – Taxes on production and imports	14,454.3	16,410.5	19,529.1	20,793.0	22,145.0	26,537.0	29,662.0
D21 – Taxes on products	13,726.1	15,761.4	18,742.6	20,261.0	21,590.0	25,713.0	28,674.0
D211 – Value added type taxes (VAT)	6850,8	8120.8	9944.2	11,969.0	12,573.0	14,910.0	17,020.0
D212 – Taxes and duties on imports excluding VAT	158.4	183.4	241.9	276.0	336.0	435.0	667.0
D214 – Taxes on products, except VAT and import taxes	6716.9	7457.3	8556.5	8016.0	8681.0	10,368.0	10,987.0
D29 – Other taxes on production	728.2	649.1	786.5	532.0	555.0	824.0	988.0
D5 – Current taxes on income, wealth, etc.	6969.0	10,347.2	13,320.1	13,415.0	14,825.0	16,975.0	18,714.0
D51 – Taxes on income	6529.6	9882.6	12,819.0	12,650.0	13,963.0	15,724.0	17,432.0
D51A – Taxes on individual or household income	4020.4	5979.8	6885.3	7119.0	8229.0	9677.0	11,226.0
D51B – Taxes on corporate profit incomes	2205.9	3412.3	5711.1	5295.0	5556.0	5689.0	5875.0
D51E – Other taxes on income n.e.c.	303.3	490.5	222.6	236.0	178.0	358.0	331.0
D59 – Other current taxes	439.4	464.7	501.1	765.0	862.0	1251.0	1282.0
D91 – Capital taxes	281.0	332.8	431.2	367.0	315.0	310.0	599.0
D611 – Actual social contributions	10,589.0	12,519.1	14,474.0	18,128.0	20,668.0	22,347.0	25,985.0

Source: Eurostat

Table A2. Tax receipts of the General Government, Greece, 1995–2008 (percentage of GDP).

INDIC_NA/TIME	1996	1998	2000	2002	2004	2006	2008
D2_D5_D91_D611_D612_M_D995 – Total receipts from taxes and social contributions (including imputed social contributions) after deduction of amounts assessed but unlikely to be collected	35.1	38.4	36.5	35.7	33.4	33.4	34.2
D2_D5_D91 – Total tax receipts	22.2	24.9	24.1	22.1	20.1	21.0	21.0
D2 – Taxes on production and imports	14.8	15.1	14.2	13.3	12.0	12.7	12.7
D21 – Taxes on products	14.0	14.5	13.6	12.9	11.7	12.3	12.3
D211 – Value added type taxes (VAT)	7.0	7.5	7.2	7.6	6.8	7.1	7.3
D212 – Taxes and duties on imports excluding VAT	0.2	0.2	0.2	0.2	0.2	0.2	0.3
D214 – Taxes on products, except VAT and import taxes	6.9	6.8	6.2	5.1	4.7	5.0	4.7
D29 – Other taxes on production	0.7	0.6	0.6	0.3	0.3	0.4	0.4
D5 – Current taxes on income, wealth, etc.	7.1	9.5	9.7	8.6	8.0	8.1	8.0
D51 – Taxes on income	6.7	9.1	9.3	8.1	7.5	7.5	7.5
D51A – Taxes on individual or household income	4.1	5.5	5.0	4.5	4.4	4.6	4.8
D51B – Taxes on corporate profit incomes	2.3	3.1	4.1	3.4	3.0	2.7	2.5
D51E – Other taxes on income n.e.c.	0.3	0.4	0.1	0.1	0.1	0.1	0.1
D59 – Other current taxes	0.4	0.4	0.4	0.5	0.5	0.6	0.5
D91 – Capital taxes	0.3	0.3	0.3	0.2	0.2	0.1	0.3
D611 – Actual social contributions	10.8	11.5	10.5	11.6	11.2	10.7	11.1

Source: Eurostat

Table A3. Tax wedge (in Euros) under the previous and the new regime of PIT.

Income (in €)		9,000	12,000	24,000	50,000	100,000	251,000
Tax wedge (in €) under the previous tax regime		400	700	3,420	12,620	39,590	100,340
Tax wedge (in €) under the new tax regime if income…	…only from salaries	0	540	3,480	14,300	35,300	98,720
	Difference to previous tax regime	−400	−160	60	1,680	−4,290	−1,620
	…only from entrepreneurship	117	1,820	4,940	11,700	28,200	78,300
	Difference to previous tax regime	−283	1,120	1,520	−920	−11,390	−22,040
	…only from farming	1,170	1,560	3,120	6,500	13,000	32,630
	Difference to previous tax regime	770	860	−300	−6,120	−26,590	−67,710
	…only from rents	900	1,200	5,160	13,740	30,240	80,070
	Difference to previous tax regime	500	500	1,740	1,120	−9,350	−20,270
	…70% from salaries and 30% from rents	270	360	2,316	10,190	29,840	89,183
	Difference to previous tax regime	−130	−340	−1,104	−2,430	−9,750	−11,157
	…70% entrepreneurship and 30% from rents	1,089	1,452	3,788	9,990	25,440	75,270
	Difference to previous tax regime	689	752	368	−2,630	−14,150	−25,070
	…70% form farming and 30% from rents	412	549	1,212	3,489	10,447	31,874
	Difference to previous tax regime	12	−151	−2,208	−9,131	−29,143	−68,466