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Greece

Market Development Reports

VAT tax rates increase

2005

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Report Highlights:

The Greek Minister of Economy and Finance announced on March 29 that VAT tax rates are to increase by one percent to 19 percent and 9 percent depending upon product category. A lower rate of 4.5 percent applies to a few items. The effective date of these increases is April 1, 2005.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Rome[IT]
[GR]

The Greek Minister of Economy and Finance presented the government's updated Stability and Growth Program for the period 2004-2007 on March 29. He announced an increase in the Value Added Tax (VAT) rates, the introduction of a minimum special consumption tax on cigarettes and an increase of 20% on the consumption tax for alcoholic beverages, all starting April 1, 2005. The Minister of Economy also announced its intention to reduce government spending and to privatize some establishments. These measures are expected to increase public revenues and to reduce the government deficit, with most of this driven by the VAT increases.

The minimum special consumption tax on cigarettes is estimated at €50.45, approx \$65.3 per 1,000 cigarettes. A pack of cigarettes now priced at €1, as of April 1 will cost €1.40. The 20 percent increase in the special consumption tax on alcoholic beverages will be only a 10 percent increase for three types of traditional Greek liquors, ouzo, tsipouro and tsikoudia, as well as for alcoholic beverages consumed in the Dodecanese islands. The current tax on alcoholic beverages of at least 40% alcoholic content is €2.54, approx \$3.3, and €3.12, approx \$4, including all taxes. The estimated price increase will be approximately €1 per bottle, and €0.50 per bottle for the traditional Greek alcoholic beverages.

The following table provides new VAT rates for specific products and categories:

Formerly 8, now 9 percent VAT	Formerly 18, now 19 percent VAT	Formerly 4, now 4.5 percent VAT
Food products	Services	Press
Non-alcoholic beverages	Alcoholic beverages	Books
Electric power	Cigarettes	Theater tickets
Water	Telecommunications	
Hotel prices	Household items	
Restaurants and cafes *	Cars and moto-bikes	
Seeds	Fuel	
Lubricants	Tickets	
	Construction materials	
	Computers	
	Leather goods	
	Detergents	
	Medical services	

* For products actually consumed, while VAT on restaurant services will be 19%.

The above measures are expected to hike prices on all consumer goods and services, fuel inflation and reduce consumers' buying power. The measures have been criticized by industry, supermarket associations and consumers groups. The government is planning to grant a 10-day unofficial extension to traders to adapt to the increases.

Note: Post expects that the main impact on the food sector will be increased business for the deep discount supermarkets and that consumers will turn towards more competitively priced products.