

# **The viability of the Greek tax system from the point of view of Hospitality Enterprises. A field research in Athens, Greece**

**KARAGIANNIS GEORGIOS**

Department of Mathematics Track in statistics and Actuarial – Financial Mathematics,  
University of the Aegean- Karlowasi, Samos Greece

**METAXAS MILTIADES**

Department of Mathematics Track in statistics and Actuarial – Financial Mathematics,  
University of the Aegean- Karlowasi, Samos Greece

**LALOUMIS, ATHANASIOS**

Tourism and Hospitality Management, TEI of Athens, Greece

## **ABSTRACT**

The main scope of our work deals with the viability of the viability of our country. It is mainly focused on hospitality enterprises. In our point of view, a field research was considered necessary in order to allow us to determine more objectively the possibility of the viability of our tax system. In continuation, the institutional and remaining sector issues were examined, i.e. the over-taxation of hospitality enterprises, the property tax, the accommodation fees, and the value added tax. The secondary sources of information as well as the conclusions derived from our research lead us to tax system which is viable or not.

**Key Words:** viability, viability, hospitality, enterprises

## **1. INTRODUCTION**

The “tourism” phenomenon can be approached from a variety of sides. Tourism is accepted to be an activity in which people travel away from home for leisure for at least 24 hours. It is a colossal business, providing goods and services to travelers in exchange for the expenses they make while traveling. As a dominant business, tourism includes hundreds of other businesses, both small and large. Modern states view tourism as a field with great potential for development, which is why they create and modify laws and fiscal systems that ensure the sustainability of tourist enterprises (Karagiannis & Exarchos, 2016). Thus, the voices that view Tourism as the sector on which to base Greek economy for the coming decades are multiplying, and it seems that the political powers of the country share this view, even those who in the recent past had expressed the fear of “Greek people turning into the waiters of Europeans”(Exarchos & Karagiannis, 2004). Regarding predictions on Tourism, it is said that no safe prediction can be made on how the 2017 tourist season will turn out, as was the case for 2016 – a tourist season that was not deemed successful in terms of profits, since revenue reached 13,1 billion euros, less than the 2015 revenue by 576 million euros. Based on the aforementioned, it is expected with near certainty that revenue for the tourist year 2017 will not exceed 14 billion euros, that is 1 billion euros less than the sum originally predicted, leaving the country at about the same levels as the previous year. Of course, a drop in the expenses per capita is a widely observed trend, since there has been a rise in the taxation on services and goods (increased VAT on hotel stays, food, and purchases), which exacerbate the drop in tourist consumption (Kourlimpini, V. [www.capital.gr](http://www.capital.gr), 16/2/2017). This is clearly due to our unsustainable tax system. How we ended up at this point can be traced back to causes such as the fact that all sorts of privileges and exemptions were granted in our country, there was a lack of political will on combating tax evasion and eliminating “black” economy reflected on the difficulties of small businesses to subsist, without economies of scale and technological modernization (Marabegias, 2017).

## **2. TAXES**

Tax: The mandatory financial contribution paid by citizens or businesses to the state or to other legal entities (Tegopoulos – Fytrakis, 2005). However, the concept of taxation is multifaceted and complex, and it should be studied in all its forms: economic, social, political, administrative, and legal. Taxes are governed by “clearly defined provisions and, without a specific return, they are the contribution of citizens – businesses to the state in order to cover public expenses, which include: sociopolitical and economic purposes” (Sygkouridou, 2011). Enacting social policies, the state uses taxes to redistribute resources so as to benefit people from lower income backgrounds, often at the expense of high income classes (Samartzis, 2002).

### **3. TAX SYSTEM – SUSTAINABLE TAX SYSTEM**

The tax system of a country can be defined as the sum of taxes in effect at a given time, also taking into consideration the provisions of tax laws over time. The tax system changes according to objective factors, which depend on the types and levels of development of economic activity, as well as on the objectives of the state in the context of its economic and intervention policies (Chrysafi, 2014). According to members of the Hellenic Confederation of Commerce and Entrepreneurship (ESEE), a sustainable tax system is considered the springboard to development and getting out of the crisis. On a daily basis, people in the tourism business, regardless of the size of their businesses, ask for reduced taxes and friendly measures instead of suffocating ones. What they want is tax reforms instead of heavy and unfair taxation, especially in order to have an “effective, sustainable, and socially fair tax system” (<http://www.newsbomb.gr/oikonomia> 2012). This is also the goal of this study, with the central question being: “How sustainable is the current tax system regarding the tourism businesses of the country?”

### **4. IDENTITY OF THE STUDY**

We conducted a theoretical analysis of the subject and went on to empirically verify it, in order to present our findings and suggestions with greater validity. Our methodological background was based on a series of visits and discussions with representatives of hotels, tourist agencies, and other tourist businesses in Athens, and they also filled out anonymous questionnaires. We also visited Private Colleges of tourist education, the Technological Educational Institute of Athens – tourism sector – and the Panteion University. The anonymous questionnaire includes 21 questions. Our goals, strategies, and drawing of the questionnaire helped us profile the sample, which in this case consists of 300 individuals. The study took place from January to March 2017.

### **5. THE FINDINGS OF THE STUDY**

First of all, it should be noted that out of the 300 individuals of the sample, 177 are women and 123 are men, and the majority are between the ages of 26 and 35. We initially examined “Sustainability” and the “Sustainability of the tax system”, where the majority believes that “the sustainability of the tax system” does not lead to the destruction of the business tissue, on the contrary it enhances every business activity. At the same time, the majority believes that taxation of tourist businesses should serve the stabilizing of the economy and be fair and effective so that

the problems of tourist businesses can be easily addressed. A significantly large percentage thinks that the complicated tax system of our country should not remain as it is, since it makes tourist businesses and taxpayers in general unable to follow the ongoing developments of tax laws. Especially the participants from tourist businesses were dissatisfied with the current tax system (as they also highlighted in person), as it is extremely complicated due to overregulation. The majority of the participants also believe that negative effects are amplified in tourist businesses, starting with the hotel tax, which ranges between 8-10% in other countries but is 13% in Greece; this puts Greece at a competitive disadvantage. The unified property ownership tax (ENFIA) rose by 200% for tourist businesses (as highlighted by many of the participants). When asked how serious these problems are and how strongly felt they are in practice, the majority emphasized that tourist businesses – and, indeed, all citizens – are experiencing an unsustainable tax system. According to the sample, an 11-13% reduction of tax rates for tourist businesses would improve the competitiveness of the country's hospitality industry.

## **6. CONCLUSION – SUGGESTIONS**

The opinion of the participants – and ours as well – is that the tax system should be simple, as both the fiscal institutions and the tax-paying tourist businesses find it nearly impossible to follow the constant changes and ongoing developments of Greek tax laws. Over-taxation is perhaps the greatest problem currently facing a tourist business. The participants deem that the hotel tax ought to be repealed: it is a measure that directly harms the competitiveness of Greek tourism services; hotels cannot absorb this tax (too). It should be noted that in the case of other rented accommodation (“rooms-to-let”, B&B, etc.) businesses, since their classification is now optional, this tax essentially no longer applies. Therefore hotels are the only businesses burdened with this tax. The VAT on hotel stays is up to 13% and on food services it is 23%; our competition ranges between 6% (Portugal), 7% (Malta), 8% (Turkey), 9% (Cyprus), and 10% (Spain, Italy, France) for hotel stays and 8% (Turkey), 9% (Cyprus), 10% (Spain, Italy, France), and 23% (Portugal) for food services. Therefore, the total tax for tourist services ranges between 8-10% for our competitors, while our high VAT puts us at a huge competitive disadvantage, and combined with the general climate of recession in the country, the sustainability of tourist businesses is seriously threatened. Finally, regarding the unified property ownership tax (ENFIA), there is the issue that hotel properties, the “tools” for providing tourist services, or the “product” of such, are considered to have an exceptionally high objective value and are thus over-taxed with this particular tax. The increased unified property ownership tax (ENFIA) and the abolishing of the exemption have resulted in tourist businesses having to pay an additional tax that sometimes exceeds 200%! In the name of sustainability, the exemption must be re-established.

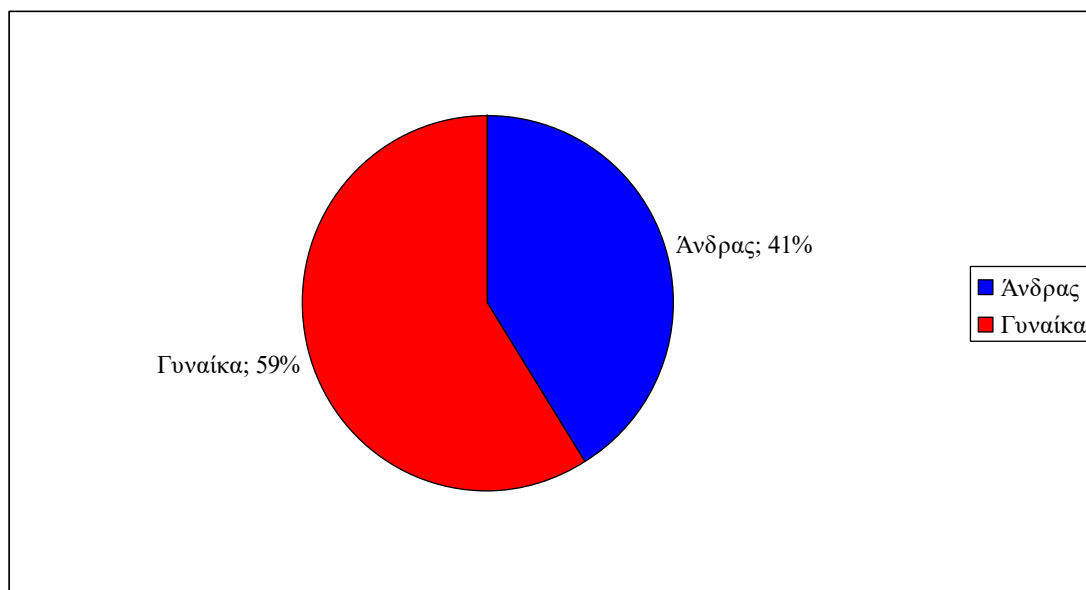
In addition, the appropriate measures to combat tax evasion should be established, since it amplifies all negative impact on the country's economy. A substantial change of the tax system is also deemed necessary, with the purpose of a simple, fair, and stable tax system, otherwise the

tourist businesses of the country are going to crash. The current tax system, particularly its overregulation, produces instability to tourist businesses – and to the country in general. This tax charge against tourist businesses needs to be replaced with equivalent measures. Among other things, the study showed that Greek tourist businesses are facing great, unfair, and eventually ineffective taxation compared to the average of the other countries in the Organization for Economic Cooperation and Development (OECD). Then there will be an increase of 9,8 billion euros of the revenue from VAT, covering a 4,6% of the Gross National Product, and there will be no need for a VAT increase or abolishing the reduced VAT rates in the Greek islands. The bottom line of the participants in the study, people in the tourism business, is that this bitter tax cocktail on tourist businesses has to end.

## 7. ANONYMOUS QUESTIONNAIRE SECTION

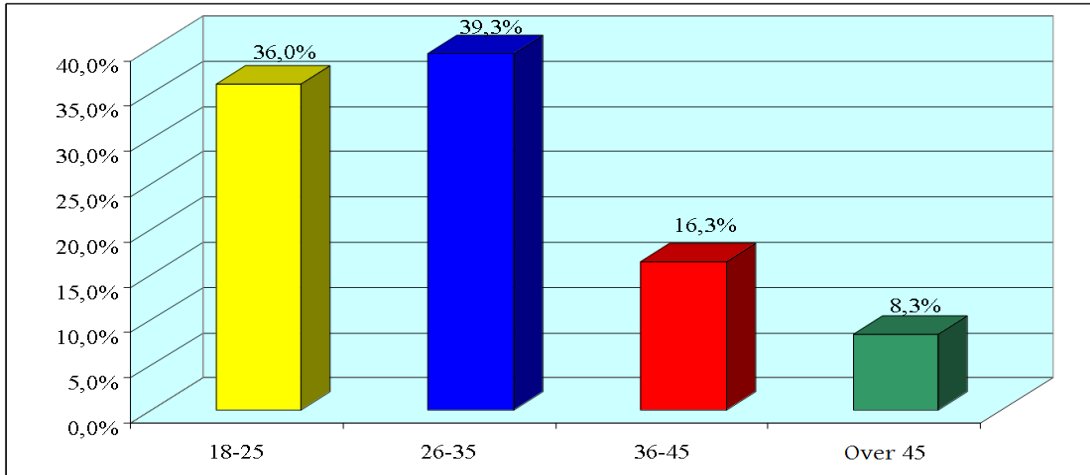
### DEMOGRAPHICS

#### Gender



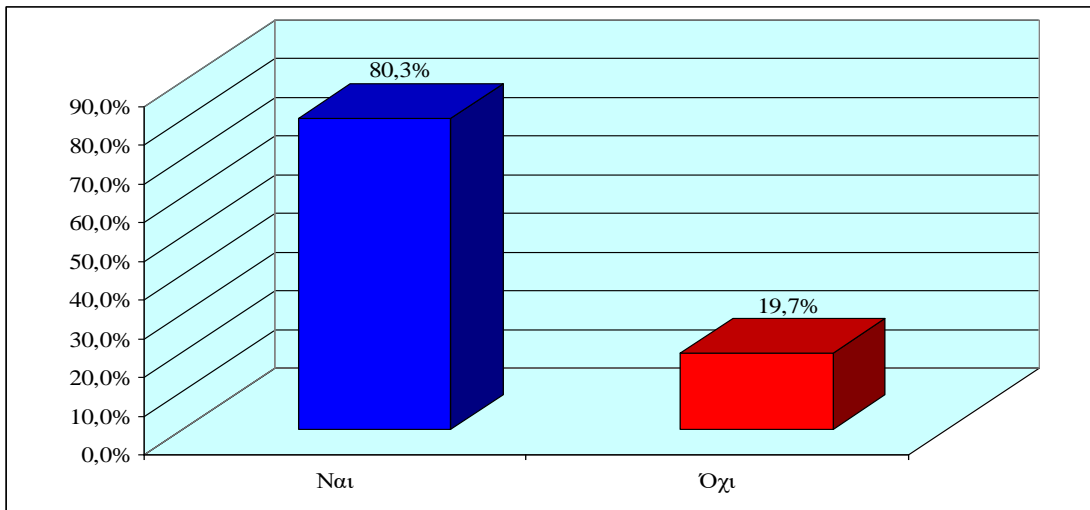
Male	123
Female	177
TOTAL	300

#### Age



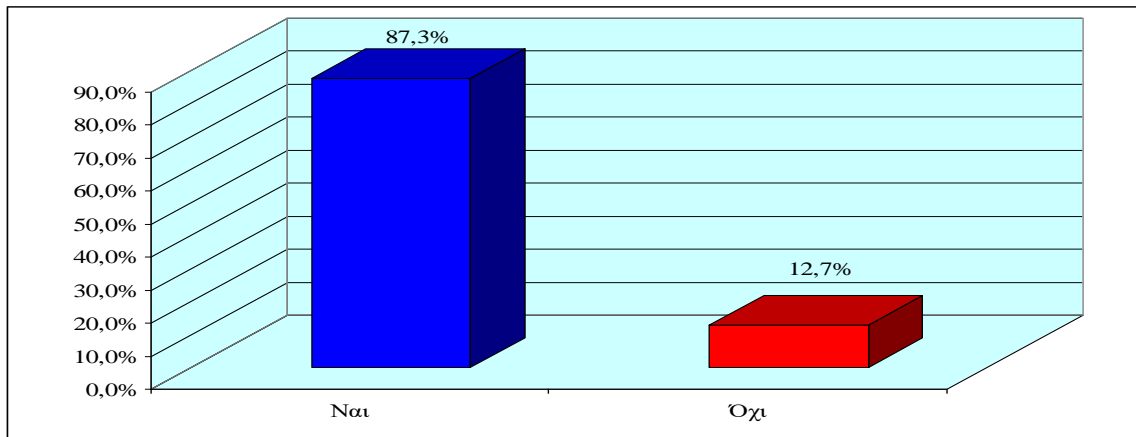
18-25	108
26-35	118
36-45	49
Over 45	25
<b>TOTAL</b>	<b>300</b>

The “Sustainability of the tax system” does not lead to the destruction of the business tissue’ on the contrary it enhances all business activity.



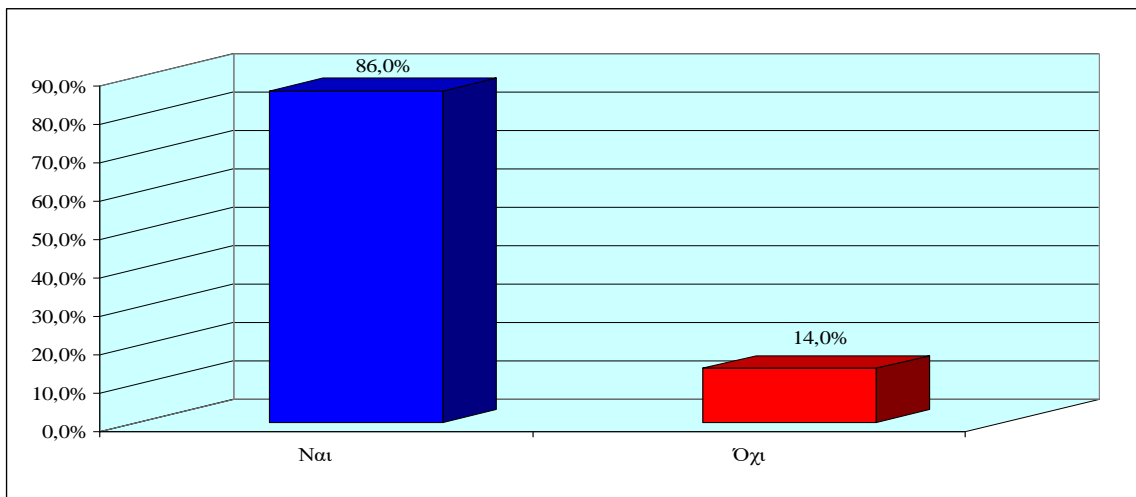
Yes	241
No	59
<b>TOTAL</b>	<b>300</b>

The concept of taxation differs depending on the time and the country in question, and it has to do with the functioning and form of development of the economy.



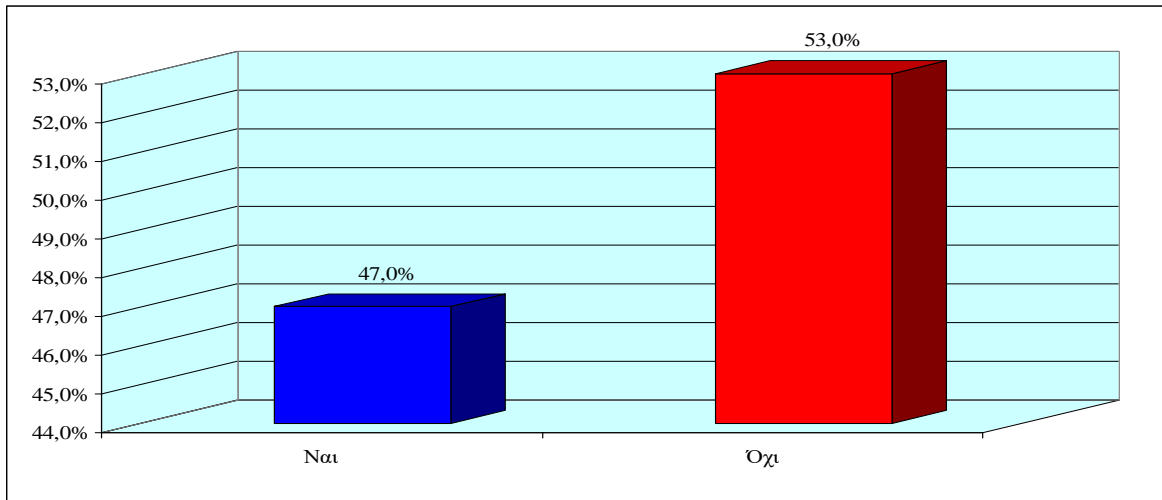
Yes	262
No	38
TOTAL	300

Taxes on tourist businesses should serve the stabilizing of the economy, be fair, and be effective, so that financial problems can be addressed.



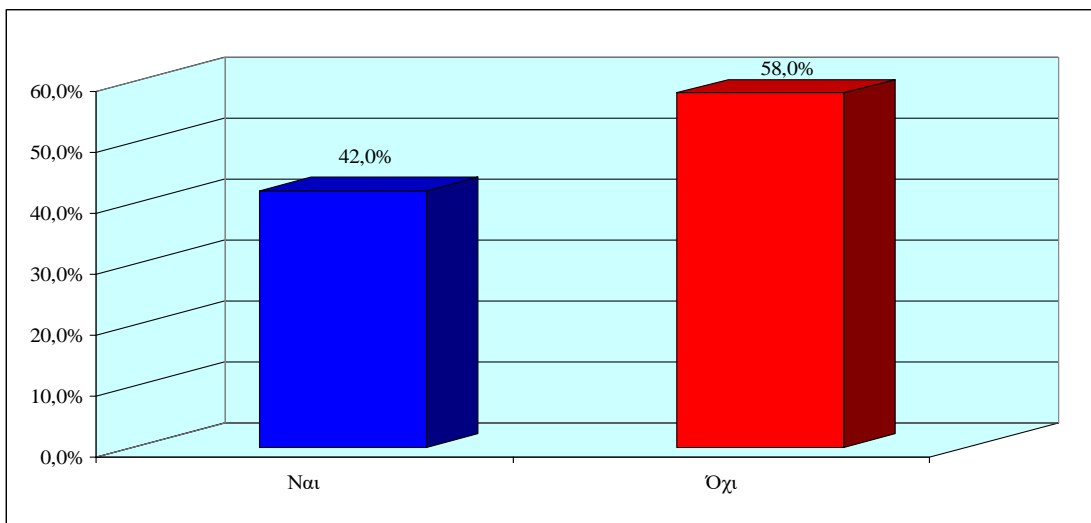
Yes	258
No	42
TOTAL	300

Do you believe that the complicated tax system of the country should remain as it is since both tourist businesses and taxpayers find it easy to follow the ongoing developments of tax laws?



Yes	141
No	159
TOTAL	300

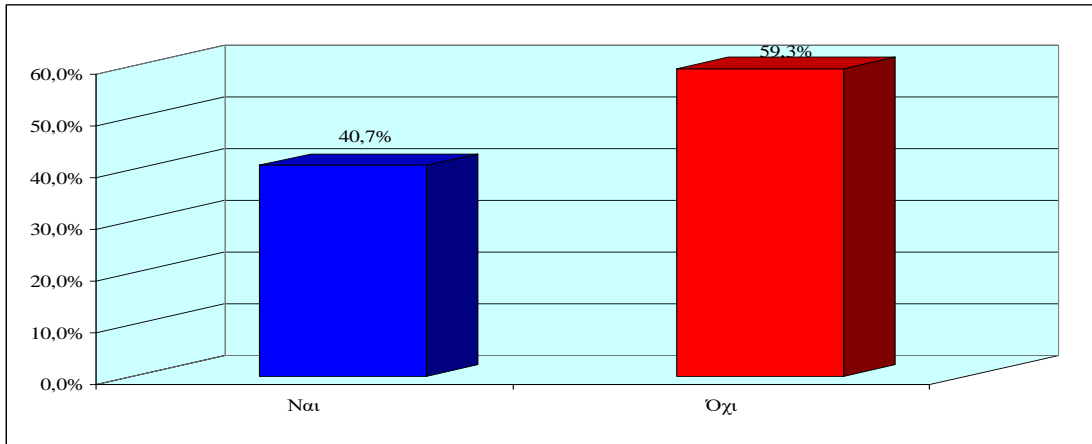
Can the current tax system address tax evasion, which amplifies negative effects on all three economic sectors of the country?



Yes	126
No	174
TOTAL	300

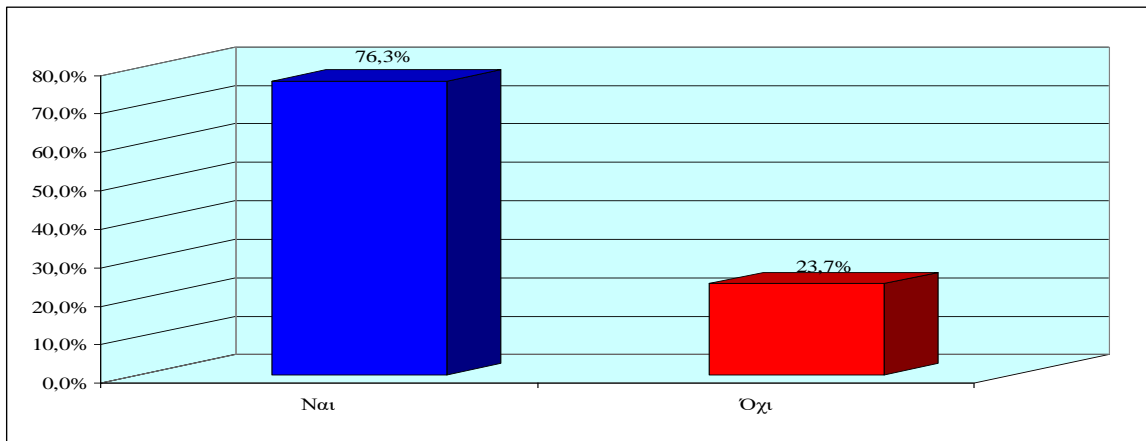


Do you consider most tourist businesses to be content with the current tax system?



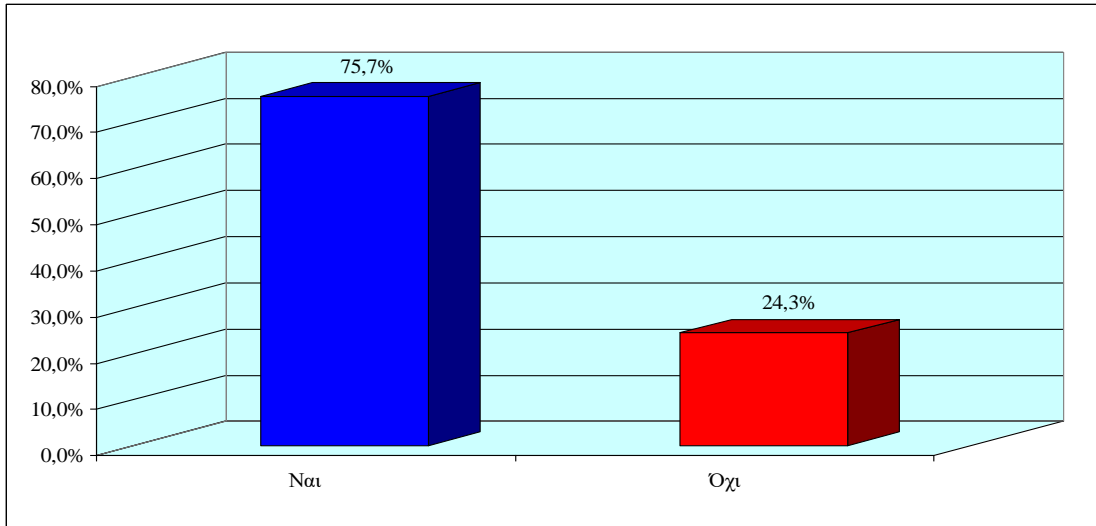
Yes	122
No	178
TOTAL	300

Do you deem the radical change of the Greek tax system necessary so that it can be simple, fair, and stable?



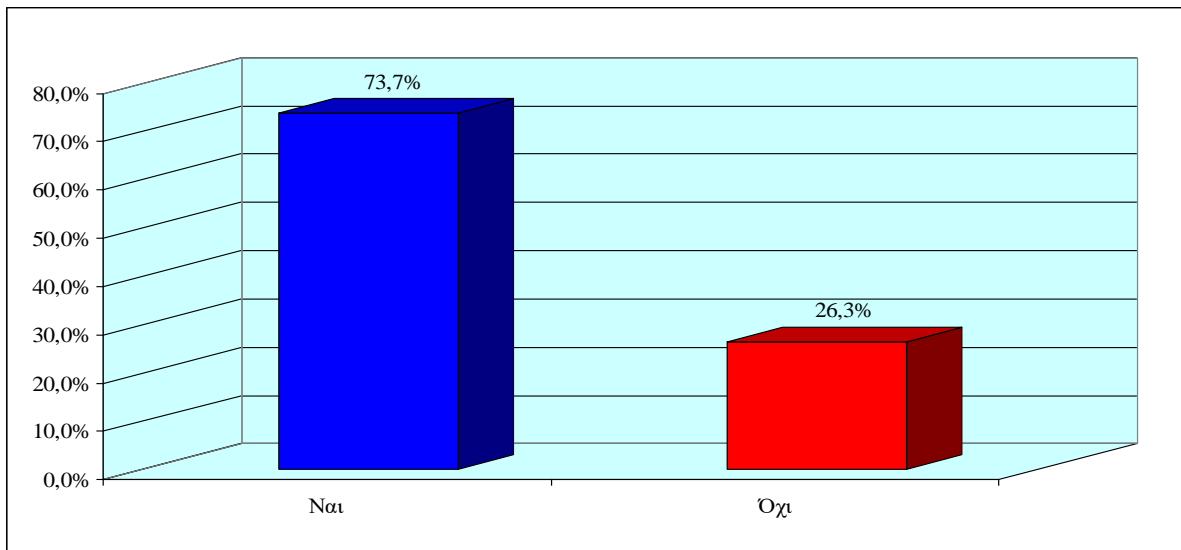
Yes	229
No	71
TOTAL	300

The average hotel tax abroad is 8-10%, while in Greece it is 13%: Do you believe that this puts the Greek businesses at a disadvantage?



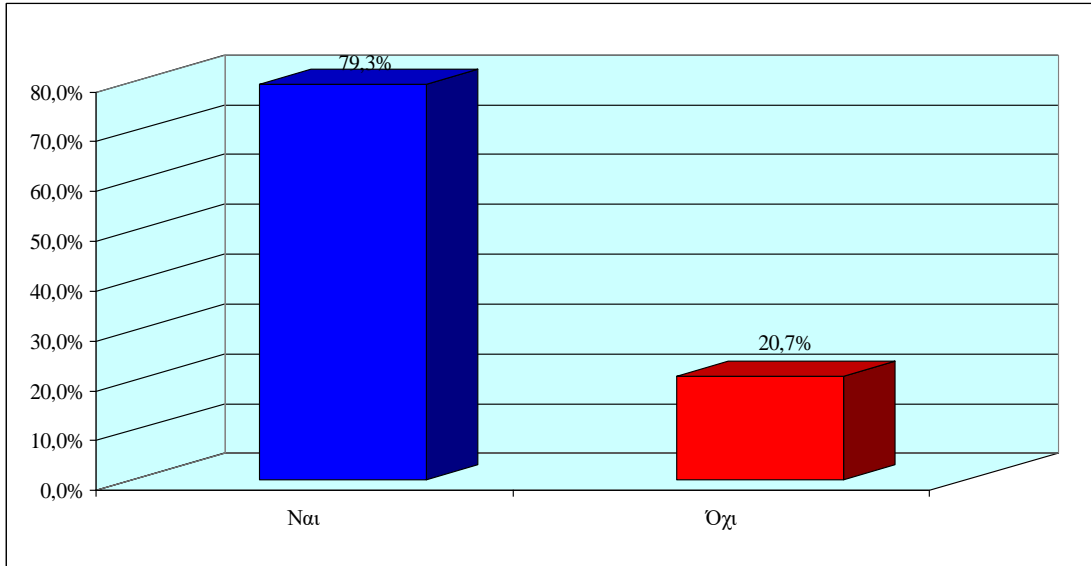
Yes	227
No	73
TOTAL	300

The unified property ownership tax (ENFIA) has increased by 200% in total for tourist businesses: In your opinion, should it be less?



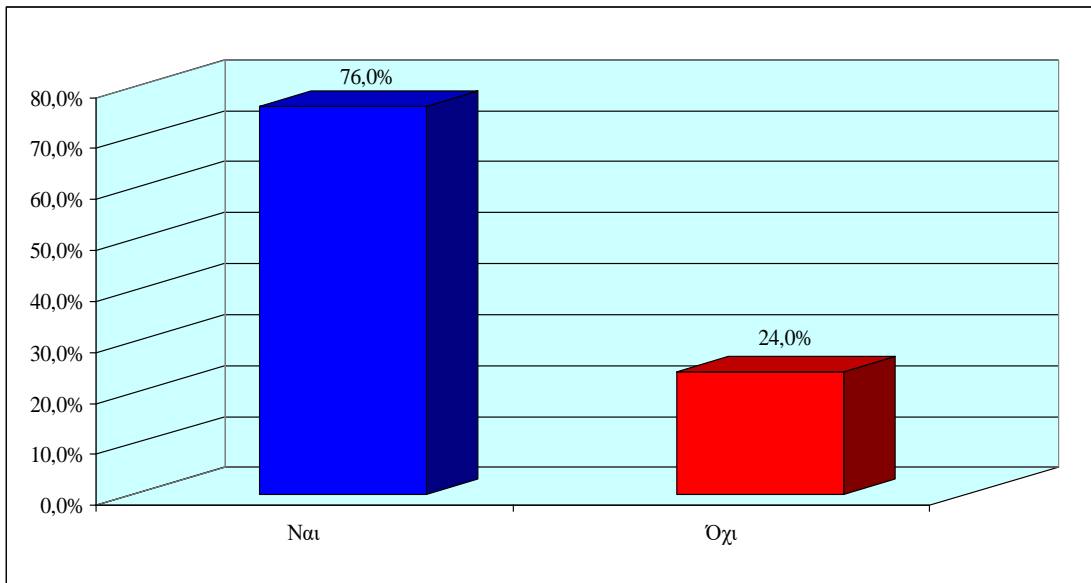
Yes	221
No	79
TOTAL	300

Would an 11-13% reduction of the tax rates for hospitality service tourist businesses improve their competitiveness?



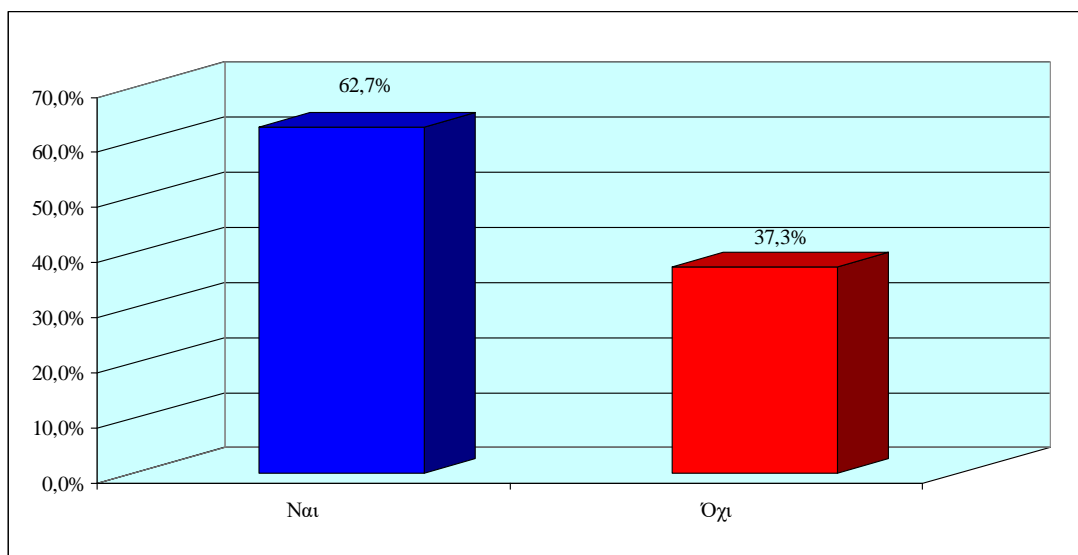
Yes	238
No	62
TOTAL	300

Do you believe that the instability and overregulation of the current tax system of our country will ruin all three sectors of the economy?



Yes	228
No	72
TOTAL	300

Finally, do you believe that the current tax system of the country is indeed unsustainable for tourist businesses?



Yes	188
No	112
TOTAL	300

## REFERENCES

- Chrysafi, E. (2014), *The Greek Tax System, and how it compares to the tax systems of other European countries*, University of Macedonia, Thessaloniki, p. 8.
- Exarchos, G. & Karagiannis, S. (2004), *Agrotourism. The Center for Technological Research*, Crete, p. 19.
- Grotte (2015): *New Trends in the Hospitality Industry*, 6<sup>TH</sup> International Conference on Tourism & Hospitality Management, Athens, Greece, 5-7 June 2015
- Karagiannis, S. & Exarchos, G. (2016), 'Tourist Growth'. *Diavlos Publications, Athens*, p. 28.
- Samartzis, I. (2002), *Macroeconomic Data, with Greek Economy tables. Self-published, Rhodes*, p. 79-81.
- Syngouridou, A. (2011), *The tax system in Greece: a historical approach within a theoretical and research context*, Technological Educational Institute of Kavala, p. 9.
- Tegopoulos – Fytrakis (2005), *'Greek dictionary'*, Armonia Publications, Athens, p. 825.

Marabegias, N. (2017), '*Strategies on addressing the debt*', *Review of the Decentralization of Local Government and Regional Development, Athens, Vol.87*, p.23.

## **BIBLIOGRAPHIE**

- Lynn, N.A., Brown, R.D., 2003. Effects of recreational use of impacts on hiking experiences in natural areas. *Landsc. Urban Plan.*
- Patterson, T., Gulden, T., Cousins, K., Kraev, E., 2004. Integrating environmental, social and economic systems: a dynamic model of tourism in Dominica. *Ecol. Model.*
- Petrosillo, I., Cataldi, M., Zurlini, G., 2005. Fragility estimates of seasonal tourism-based socio-ecological systems. In: Petrosillo, I., Zurlini, G., Kepner, W., Müller, F. (Eds.), *Landscape Assessment and Quality of Life. EcoSys. Kiel University Press*, pp. 107–121
- Walker, B., Meyers, J.A., 2004. Thresholds in ecological and social-ecological systems: a developing database. *Ecol. Soc.* 9 (2), 3 (Online) URL: <http://www.ecologyandsociety.org/vol9/iss2/art3>.
- Zurlini, G., Zaccarelli, N., Petrosillo, I., 2006. Indicating retrospective resilience of multi-scale patterns of real habitats in a landscape. *Ecol. Indicat.* 6 (1),