

Greeks unhappy over online banking push

Government plans to claw back lost VAT revenues splits opinion in austerity-hit country

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By Magda Panoutsopoulou

ATHENS

A Greek government plan to push citizens into online banking to cut down on VAT avoidance is causing confusion in the austerity-hit country.

Astounded Greek taxpayers are waiting in bank lines across the country to apply for compulsory e-banking accounts, debit cards and other kinds of cashless money in order to be entitled to their tax-free threshold.

The government says the measures are to try and recoup an estimated €6.5 billion (\$6.9 billion) in lost revenue caused by people paying for

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services cash-in-hand -- thereby avoiding general sales taxes.

However, many ordinary citizens -- from pensioners to the self-employed and small-business owners -- say this informal economy is the only way of avoiding taxes that they simply cannot afford.

Adding to the unease is a failure to be clear about when the scheme will start. Although Greek lawmakers have approved the plans, the measures have not yet come into force. The lack of a public information campaign has left millions of Greeks at a loss about the future of their personal finances.

It is still unclear what types of expenditure are covered by the scheme -- for example, if payment for medical services is exempt.

The draft law tabled last month says a person with an annual income up to €10,000 will have to spend 10 percent of their annual revenues through this electronic banking, where VAT is unavoidable.

This means that a citizen with an annual income of €5,000 will have to spend at least €500 via cards or e-banking.

For annual incomes up to €30,000 this minimum spend rises to 15 percent and jumps to 20 percent for incomes over €30,000.

If the taxpayer fails to reach the necessary allowance, he or she will pay a fine totaling 22 percent of the difference between the necessary amount of card expenditure and the amount actually achieved.

This new law has left many taxpayers worried and insecure but some economists see it from a different angle.

Black economy

According to a 2015 study, one of the main structural problems in Greece is tax evasion and the black economy.

Research by Professor of Economics at the University of Athens and Director General of the Foundation for Economic & Industrial Research (IOBE) Nikos Vettas and Svetoslav Danchev, head of the IOBE's Microeconomic Analysis & Policy Unit, blames the incomplete recording of transactions and the extensive use of cash.

For this reason, the increasing use of electronic payment (cards, electronic banking and electronic money) is an important policy goal for the restoration of the Greek economy.

The same 2015 study stated that electronic payments could increase public revenues by as much as €700 million.

In fact, public revenue collection in Greece overshot its target in the first 11 months of 2016 by about €1.4 billion, which is closer to the

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estimate of the impact on public revenue from the digital payments in the upside scenario of this study (+€1.6 billion).

Vettas told Anadolu Agency: "There is a tremendous potential to reduce tax evasion and boost public revenue in Greece through a further increase of the use of electronic payments."

He added: "Their effectiveness and efficiency, however, can be improved by targeting particular sectors with higher incidence of tax evasion, while further incentives can also be introduced to that effect."

More importantly, however, as stressed by Vettas, the measures should be implemented as part of an overall credible strategy of reforms that aim to simplify the tax system and broaden the tax base.

However, many regular Greeks are unhappy with the proposals.

Small businesses

Christos Papazoglou, 48, an Athens restaurant owner, told Anadolu Agency electronic banking would not hit tax evasion.

"What they should do is to stop taxing self-employed people like me with enormous amounts of taxes.

"It is more likely that someone asks to give me the money in hand than to use their card for payment. They get a better price and I am not taxed," he said.

Papazoglou said the rise in taxation and continuous efforts of the government to destroy the middle-class by forcing them to declare everything would not help the situation, especially after a recent rise in VAT.

Giorgos Kostakis, 39, a self-employed computer engineer in Athens, told Anadolu Agency the government was trying to fight the problem in the wrong way:

"The taxes are too high. If I manage to hide something so that I don't get over taxed, then I will do it.

"I'm sure my customers will also seek a better price; if they don't want a receipt for a better price then let it be."

However, a bank official with 14 years' experience in small and medium-sized businesses told Anadolu Agency the measures were not a bad move, but were not a complete solution.

The Piraeus Bank source, who spoke on condition of anonymity, said: "When taxes have increased, the ones that mostly pay the price are small and medium-sized enterprises, self-employed people and pensioners... this new law will not help overcome tax evasion."

"The taxation is enormous," he said, adding: "People are not paying their taxes, just to be able to survive."

Dimitri Vayanos, professor of finance at the London School of Economics, told Anadolu Agency the law was a useful step but clearly not enough to stop tax evasion alone.

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He added that over-taxation was a huge problem for the economy, accusing it of discouraging economic activity overall, pushing some of it underground and distorting activity towards small (and hence on average less-productive) firms since these can evade taxes more easily.


Vayanos said Greece was collecting the same percentage of its GDP in taxes as the European Union average, but because the tax base is smaller (due to evasion), rates have to be higher than the EU average, leading to over-taxation.


"Dealing with tax evasion would require not only laws such as the recent one," he added, "but also lowering tax rates significantly, especially on corporations and the labor tax [social security contributions] and making up for the shortfall mainly by cutting expenditure."

Despite repeated attempts by Anadolu Agency to secure an interview with the Greek Finance Ministry, no one was available for comment.

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