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Revaluation of business real estate

This is part of our continuous effort to keep you updated on current tax developments.

According to Law 2065/1992, enterprises that maintain double-entry accounting books according to the Greek Code of Books and Records (CBR), as well as enterprises implementing International Accounting Standards (IAS), irrespective of their bookkeeping method, are required to perform a revaluation of real estate owned by them every four years. The last revaluation was effected in 2004, therefore, a new revaluation should be performed in 2008. Real estate of leasing companies which is leased out on financial leasing, as well as real estate owned by enterprises which are under liquidation in the year of revaluation are not subject to revaluation.

The revaluation is implemented by multiplying the acquisition value and the value of additions and improvements of land and buildings with revaluation rates, determined by a ministerial decision issued in this respect.

A recent decision issued by the Greek Ministry of Finance determined the applicable revaluation rates, which

range from 1.20 to 1.40 for land and from 1.15 to 1.35 for buildings, depending on the year in which each item was acquired.

In the cases where the value of revaluation emerging from the application of the respective rates exceeds the objective value of the real estate, as this is determined based on provisions regulating real estate transfer taxation (Law 1249/1982), the value of revaluation is limited at the amount resulting from the objective value system. If the value recorded in the accounting books exceeds the objective value of the real estate, no revaluation is performed.

The revaluation surplus which arises from revaluation of land and buildings is taxed at the rates of 2% and 8%, respectively. The corresponding tax burdens the enterprise and it is not tax deductible nor can it be offset against tax arising from other income.

According to the aforementioned law, the required accounting entries for the revaluation should be recorded as at 31 December 2008. The respective return should be filed by the last working day of the first month following the year of revaluation, that is, by 30 January 2009.

The Greek Ministry of Finance issued a circular whereby it stipulates that enterprises implementing the IAS, shall perform the revaluation by applying the revaluation rates on the fair value recorded in their books as at 31 December 2004, irrespective of whether such books are maintained pursuant to the IAS or the Greek CBR. In any case though, the value of revaluation which will emerge from the implementation of the revaluation rates on the above value cannot exceed the current fair value at the time of revaluation (31 December 2008). Enterprises which have not evaluated their real estate at the fair value, will have to apply the revaluation rates on the value emerging from the revaluation effected in 2004.

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In view of the above, we recommend that legal entities consult with their tax advisors regarding developments on the above matters.

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This Newsflash aims to provide the reader with general information on the above mentioned matters. No action should be taken without first obtaining qualified professional advice specifically relating to the factual circumstances of each case.

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