



HELLENIC REPUBLIC
MINISTRY OF FINANCE

MINISTER

Athens, 19 November 2018

Ext.N.:00023

Mr Valdis Dombrovskis

Vice-President of the European Commission

Mr Pierre Moscovici

Commissioner for Economic and Financial Affairs, Taxation and Customs

Dear Vice President,

Dear Commissioner,

I am writing further to the submission of Greece's Draft Budgetary Plan (DBP) for 2019, which you received on October 15th. Following an update of our fiscal projections, we have now finalized the composition and quantification of the envisaged discretionary fiscal measures that will be included in the 2019 Budget.

A comparison with DBP has as follows:

- As in the DBP, we maintain the non-implementation of the pension interventions – provisions of law 4472/2017 (€-2.065 million) and the respective counter-measures except from family benefits (€-1.730 million). The total cost of the non-implementation is €335 million.
- As in the DBP, we maintain a 10% weighted average reduction of the property tax ENFIA. The total cost of this intervention is €260 million.
- As in the DBP, we maintain the reduction of the main insurance rate of the social security contributions of the self-employed, independent professionals and farmers by 1/3 while we also implement the lowest entry-level salary for supplementary pension and lump sum. The total cost of this intervention is €177 million.
- As in the DBP, we maintain the reduction of the dividends tax rate from 15% to 10%. There will be no fiscal impact in 2019. The measure will start having a fiscal impact from 2020 onwards.

- As in the DBP, we maintain the reduction of the corporate income tax rate (CIT) by 1% in 2019. This intervention is the first step of a gradual steady reduction of the CIT from 29% to 25% over the next four years. There will be no fiscal cost in 2019. The measure will start having a fiscal impact from 2020 onwards.
- As in the DBP, we maintain the expenditure interventions on the Special Education and the Help at Home programs. The total cost of the two interventions is €22 million.
- We increase the envelope for the housing allowance by €200 million, with a view to achieving a substantial effect on housing poverty and avoid narrow eligibility criteria that would create disincentives for labour market participation. The new cost of this intervention is now €400 million.
- We adjust the intervention on the social security contributions for those under 24 by €52 million. The new cost of this intervention is now €51 million.
- We maintain the national component of the public investment budget both for 2019 and 2020 at the 2018 level (€1 billion).
- We adjust downwards the appropriation of non-allocated expenditure, which is included in the General State Expenditure as a buffer against potential needs of line ministries, by €40 million for 2019 and €50 million for 2020.

Please also note that we have now sought technical assistance in order to build capacity at the Ministry of Finance in the area of public investment and develop methods to improve the forecasting of investment spending. The scope of these actions will be assessed in the context of the upcoming OECD Budget Review. In light of this and in the context of the transport equivalent – a public investment project aiming at subsidizing the cost of transportation in the islands – we will implement a subsidy on the price of fuel on a pilot basis in 2019 and will assess the results of the pilot at the end of the year.

The Ministry of Finance stands ready to provide any further information the European Commission may require.

Sincerely,



Euclid Tsakalotos