

Tax evasion and avoidance

## Grumbling Greek cabbies drive towards tax-compliant future

Taxi drivers now obliged to join other  
professions in accepting card payments

Eleni Varvitsioti in Athens 6 HOURS AGO

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Giorgos Arvanitis, a taxi driver with four decades of experience behind the wheel, faces a new and irritating chapter in his working life as he prepares to introduce a point-of-sale system in his cab.

Arvanitis's reluctant transition to electronic payments is part of Greece's national effort to deal with widespread [tax evasion](#): from Wednesday, taxis and outdoor market stalls, like other sectors previously dominated by cash, will have to accept card payments from customers.

“I’m not familiar with these machines, and frankly, I have no inclination to learn,” grumbles Arvanitis, citing his age — he is 75 — and his lack of digital proficiency.

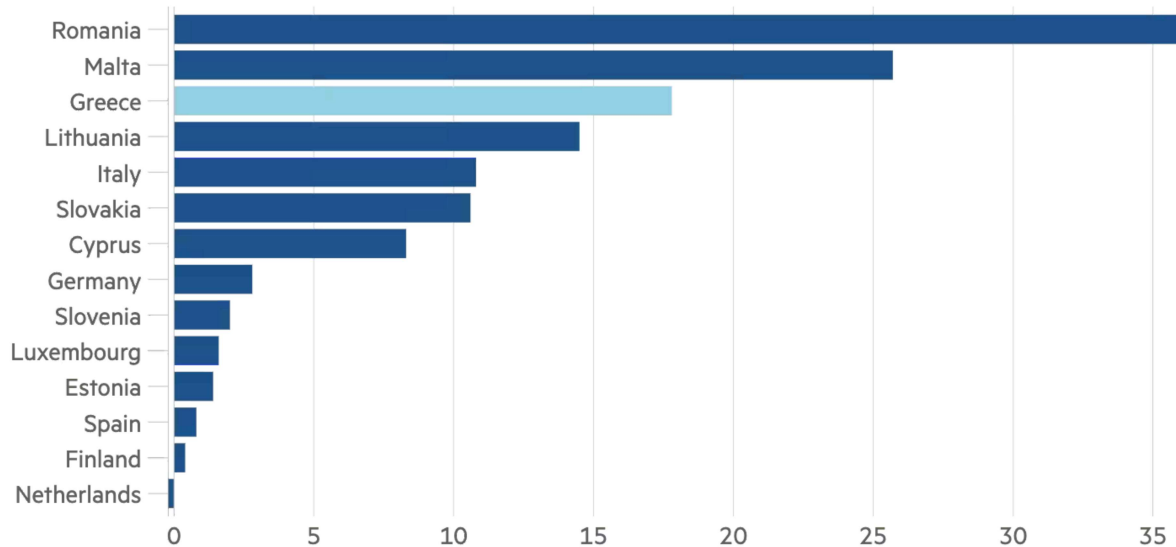
Greece, long regarded as one of the most tolerant countries for tax evaders in the EU, is notorious for the number of undeclared business transactions and the size of its cash [economy](#) and had come under intense pressure from Germany and other eurozone partners to tighten its controls.

“From now on, no electronic payments will be left without being invoiced,” said George Pitsilis, the governor of the Independent Authority for Public Revenue, noting that information would be collected in real time.

Despite recent efforts, Greece still ranks third worst in the EU among those with high VAT gaps — the difference between potential VAT revenues under full compliance and actual collections. Greece aims to halve its current gap and align with the EU average of 9 per cent within three years.

## Greece has one of the worst VAT compliance gaps in the EU

Compliance gap as a % of VAT total tax liability 2021\*, 7 highest and lowest



\*EU calculations

Source: European Commission, VAT gap in the EU report 2023

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After economic turmoil in 2010, Greece’s creditors forced the country to establish a new independent revenue authority to combat tax evasion. In 2017, it found VAT to be uncollected in about 30 per cent of transactions, a figure that had dropped to 17.8 per cent by 2021. “Even though we have come a long way, compared to the European average we are relatively high,” said Pitsilis.

According to Greek finance minister Kostis Hatzidakis, increasing the share of digital transactions is the key to reducing tax evasion. “We are putting a lot of effort into connecting POS [point-of-sale] with cash registers,” he said. “We need everything to be interconnected.”

In 2015, Greece teetered on the brink of a sovereign debt default and potential exit from the euro, prompting strict controls on cash withdrawals. Card usage at the time was as little as 5 per cent of all transactions but soon became the main way to bypass the cash limits — a development that also boosted tax revenues because card payments leave an electronic record.

By 2022, card usage among Greeks had grown rapidly to reach the EU average of 39 per cent. “The increased use of cards was the sole collateral benefit from capital controls,” Hatzidakis told the Financial Times.



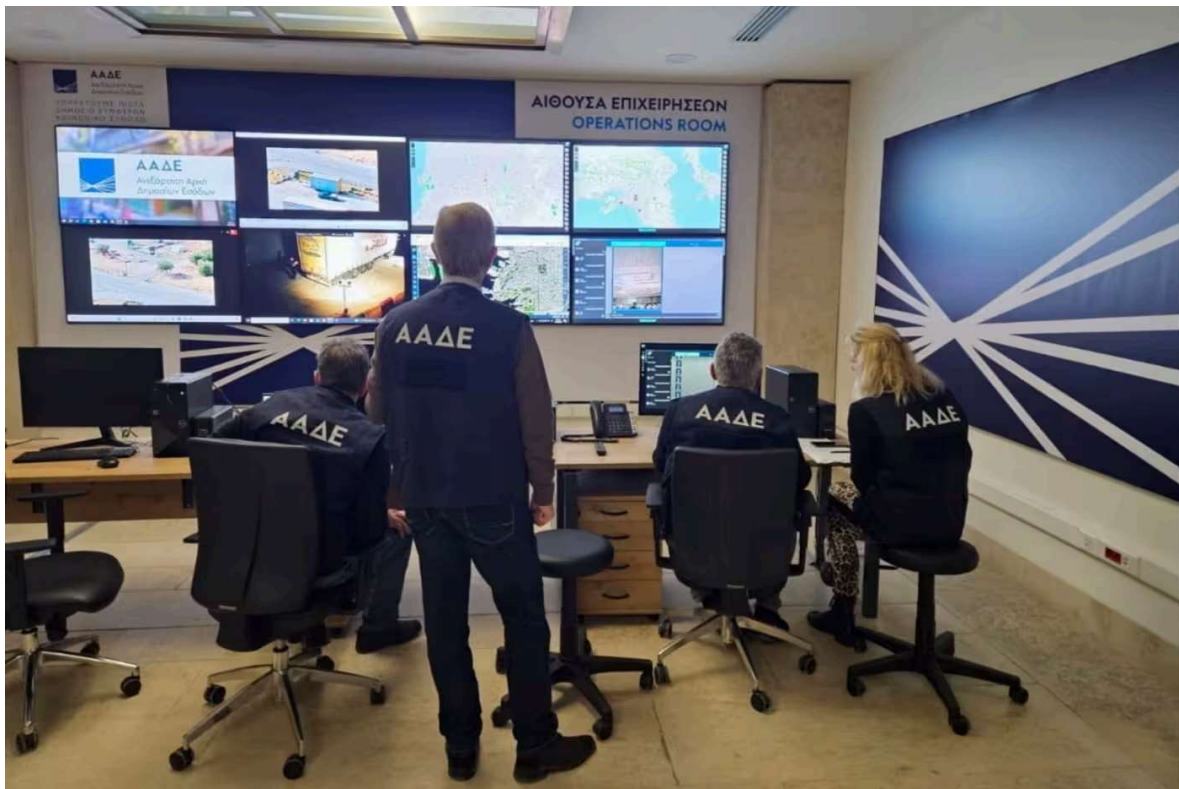
Greek finance minister Kostis Hatzidakis, right: ‘We need everything to be interconnected’ © Giorgos Arapekos/NurPhoto/Getty Images

But for the Greek minister, fighting tax evasion is about more than filling the public coffers: it is about positioning Greece as a modern, transparent country conducive to investment. “Investments gravitate towards either banana republics, where grey areas and corruption abound, or modern, well-regulated countries. Greece is in the middle, but our aim is unequivocal: to become a fully modern nation,” Hatzidakis said.

About 90 per cent of the 350,000 businesses targeted have now acquired POS systems linked to their cash registers. Hatzidakis warned of steep fines for non-compliance, pointing out that the EU might deprive Greece of billions of euros of Covid-19 recovery funds if the reform fails.

From 2015 to 2019, one out of every eight card transactions went unrecorded by the tax authorities, a situation set to change with the implementation of interconnected systems, said Georgios Gatopoulos of IOBE, an Athens-based economics think-tank.

In the IAPR operations room, the team uses electronic maps and live images from drones relayed on big screens to direct tax inspectors on the ground. “HY26 can you hear us?” a co-ordinator asked inspectors about to enter a flower store in central Athens.



Electronic maps and live drone images are used by the Independent Authority for Public Revenue to direct tax inspectors on the ground © Eleni Varvitsioti/FT

“Before national holidays and celebrations, we prepare a list of possible targets for weeks, and on the day, we do on-the-ground inspections,” said Timos Papadopoulos, general director of tax operations.

Last year, his teams performed more than 70,000 checks covering hundreds of millions of euros worth of transactions. Each year, Papadopoulos observes a drop in delinquency. Last year, 28 per cent of businesses were not compliant, down from about 40 per cent in 2022. “Now, with the connection of the POS with cash machines, we expect tax evasion to drop even further,” Papadopoulos said.

Not everyone is yet in the net. Despite the anticipated increase in tax revenues, significant business sectors, including plumbers, electricians, architects, doctors and lawyers, are still excluded from the measures. “This omission is glaring,” Gatopoulos said.

Even the self-employed will face some new restrictions from Wednesday and will be forbidden to declare annual earnings that amount to less than the minimum wage — something officials say 70 per cent of them have been falsely doing until now.

“It’s insane for the employer to declare less than his employee,” said Hatzidakis.

For the drivers of Greece’s 25,000 taxis, the need to accept card payments marks a dramatic shift in the way they account for their income and pay their taxes. “I’ll give it a shot,” said a recalcitrant Arvanitis, “but you can’t teach an old dog new tricks.”

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