Table 1. Greece: Prior Actions

Policy	Actions to be taken in consultation with EC/ECB/IMF staff:

1. 2015 supplementary budget and 2016-19 MTFS

Adopt effective as of ~~(~~July 1, 2015~~)~~ a supplementary 2015 budget and a 2016–19 medium-term fiscal strategy, supported by a sizable and credible package of measures. The new fiscal path is premised on a primary surplus target of 1, 2, 3, and 3.5 percent of GDP in 2015, 2016, 2017 and 2018. The package includes VAT reforms (¶2), other tax policy measures (¶3), pension reforms (¶4), public administration reforms (¶5), reforms addressing shortfalls in tax collection enforcement (¶6), and other parametric measures as specified below.

2. VAT reform

Adopt legislation to reform the VAT system that will be effective as of ~~(~~July 1, 2015~~).~~. The reform will target a net revenue gain of ~~0.74~~1 percent of GDP on an annual basis from parametric changes. The new VAT system will: (i) unify the rates at a standard 23 percent rate~~,~~ and a reduced 13 percent rate for unprocessed ~~basic~~ food, energy, water, ~~catering/restaurants~~ and hotels, and a super-reduced rate of 6 percent for ~~medical supplies~~pharmaceuticals, books, and theater; (ii) streamline exemptions to broaden the base; and (iii) eliminate discounts, including on islands.~~)~~

3. Fiscal structural measures

Adopt legislation to:

- close possibilities for income tax avoidance (e.g., tighten the definition of farmers), take measures to increase the corporate income tax in 2015 and ~~beyond~~require 100 percent advance payments for corporate income as well as individual business income tax by end-2016; eliminate the preferential tax treatment of farmers in the income tax code; raise the solidarity surcharge;

~~;~~

- abolish subsidies for excise on diesel oil for farmers and better target eligibility to [halve heating oil subsidies expenditure in the budget 2016].
- In view of any revision of the zonal property values, adjust the property tax rates if necessary to safeguard the 2015 and 2016 property tax revenues at €2.65 billion and adjust the alternative minimum personal income taxation.

- eliminate the cross-border withholding tax introduced by the installments act (law XXXX/2015) and reverse the recent amendments to the ITC in the public administration act (law XXXX/2015), including the special treatment of agricultural income~~.)~~.

- adopt outstanding reforms on the codes on income tax, and tax procedures: introduce a new Criminal Law on Tax Evasion and Fraud to amend the Special Penal Law 2523/1997 and any other relevant legislation, and replace Article 55, ¶s 1 and 2, of the TPC, with a view, inter alia, to modernize and broaden the definition of tax fraud and evasion to all taxes; abolish all Code of Book and Records fines, including those levied under law 2523/1997 develop the tax framework for collective investment vehicles and their participants consistently with the ITC and in line with best practices in the EU.

- adopt legislation to upgrade the organic budget law to: (i) introduce a framework for independent agencies; (ii) phase out ex-ante audits of the Hellenic Court of Auditors and account officers (ypologos); (iii) give GDFSs exclusive financial service capacity and GAO powers to oversee public sector finances; and (iv) phase out fiscal audit offices by January 2017~~)~~.

By September 2015, (i) simplify the personal income tax credit schedule; (ii) re-design and integrate into the ITC the solidarity surcharge for income of 2016 to more effectively achieve progressivity in the income tax system; (iii) issue a circular on fines to ensure the comprehensive and consistent application of the TPC; (iv) and other remaining reforms as specified in ¶9 of the IMF Country Report No. 14/151.

On health care, effective as of ~~(~~July 1, 2015~~),~~, (i) re-establish full INN prescription, ~~with~~without exceptions ~~as determined by the national and European drug regulatory authorities (EMEA),~~, (ii) reduce as a first step the price of all off-patent drugs to 50 percent and all generics to 32.5 percent of the patent price, by repealing the grandfathering clause for medicines already in the market in 2012, and (iii)) review and limit the prices of diagnostic tests to bring structural spending in line with claw back targets; and (iv) collect in the full the 2014 clawback for private clinics, diagnostics and pharmaceuticals, and extend their 2015 clawback ceilings to 2016.

Launch the Social Welfare Review under the agreed terms of reference with the technical assistance of the World Bank to target savings of ½ percent of GDP which can help finance a fiscally neutral gradual roll-out of the GMI in January 2016~~in order to phase-in a system of GMI which does not rely on related cuts in benefits in kind.~~

Incorporate into the 2016 budget:

- reduction in the expenditure ceiling for military spending by €~~2~~400 million with a targeted set of actions, including a reduction in headcount and procurement ~~[specify]~~;

- introduce reform of the income tax code, [inter alia covering capital taxation], investment vehicles, farmers and the self- employed, etc.;

- [raise the corporate tax rate from 26% to ~~29~~28%];

- ~~introduce one off corporate tax of 12% on corporate profits over €0.5 million to meet the fiscal target for 2015;~~

- introduce tax on television advertisements;

- announce international public tender for the acquisition of television licenses and usage related fees of relevant frequencies; and

- extend implementation of luxury tax on recreational vessels in excess of 10 meters and increase the rate from 10% to 13%, coming into effect from the collection of 2014 income taxes and beyond;

- ~~implement taxation on Gross Gaming Revenues (GGR) of 30% on VLT games expected to be installed at second half of 2015 and 2016;~~

- ~~generate revenues through the issuance of 4G and 5G licences~~[A1]~~;~~

~~provide special tax deductions for permanent residents of Greek islands with low income levels.~~

4. Pension reform

The Authorities will implement in full the 2010 pension reform law (3863/2010), and implement in full or replace/adjust the sustainability factors for supplementary and lump-sum pensions from the 2012 reform with [*to be specified by the authorities*] to achieve equivalent savings and take further steps to improve the pension system.

Effective from ~~31 October~~July 1, 2015~~,~~ the authorities will phase~~-~~-in reforms that would deliver estimated permanent savings of ~~1.05~~¼-½ percent of GDP ~~annually in 2016. The fiscal impact of the measures listed below will rise to 1.~~in 2015 and 1 percent of GDP ~~in 2017. To achieve these aims, the Greek Government willAdopt~~on a full year basis in 2016 and thereafter by adopting legislation to~~-~~:

- create strong disincentives to early retirement, including the adjustment of early retirement penalties, and through a gradual elimination of grandfathering to statutory retirement age and early retirement pathways progressively adapting to the limit of statutory retirement age of [67] years, or 62 and 40 years of contributions by 2022, applicable for all those retiring (except arduous professions, and mothers with children with disability) ~~and other special categories)~~ after ~~1 January 2016;~~June 30, 2015;

- ~~Implement provisions for the progressive adaptation of early retirement rules to the limit of 67 years by 2025, while preserving vested rights;~~

- Adopt legislation so that withdrawals from the Social Insurance Fund will incur an annual penalty, for those affected by the extension of the ~~ded~~ retirement age period, equivalent to 10 percent on top of the current penalty of 6 percent;
- ~~Integrate~~integrate into ETEA all supplementary pension funds~~;~~ and ensure that, starting January 1, 2015, all supplementary pension funds are only financed by own contributions;
- ~~Improve targeting of~~better target social pensions by increasing OGA uninsured pension~~, thus focusing resources to those most in need~~;
- Gradually ~~replace~~phase out the solidarity grant (EKAS) for all pensioners by end-December 2017;
- freeze monthly guaranteed contributory pension limits in nominal terms until 2021;
- provide to people retiring after 30 June 2015 the basic, guaranteed contributory, and means tested pensions ~~by 2020 starting in 2018. This reform to be linked to the second phase~~only at the attainment of the ~~pension reform due in September 2015 and benefit from the planned Social Welfare Review such that~~statutory normal retirement age of currently 67 years;
- increase the ~~solidarity grant is replaced with an appropriate framework that delivers targeted support to retirees who are most in need;~~
- ~~Increase health contributions from pensioners to 5% on average, taking account of ability to pay;~~
- ~~Increase~~relatively low health contributions for pensioners from 4% to 6% on average and extend it to supplementary pensions ~~from 0% to 5%;~~;
- phase out all state-financed exemptions and harmonize contribution rules for all pension funds with the structure of contributions to IKA from 1 July 2015~~Restore employer contribution levels for main pensions to 2014 levels (3.9% - IKA);~~
- ~~Increase the social security contribution rate from 3% to 3.5%.~~ ;
  ~~In addition~~

Moreover, the authorities will by 31 October 2015, legislate further reforms ~~so as~~to take effect from January 1, 2016 (i) specific design and parametric improvements to establish a closer link between contribution and benefits~~, within the framework of the tripartite financing, and facilitate the integration of funds. The authorities drawing upon an actuarial study and in collaboration with the EU's Aging Working Group, will legislate:~~

- ~~to~~; (ii) broaden and modernize the contribution and pension base for all self-employed, including by switching from notional to actual income, subject to minimum required contribution rules;
- ~~to~~ (iii) revise and rationalize all ~~current~~different systems of basic~~ and~~, guaranteed ~~contribution schemes;~~

- contributory and means tested pension components, taking into account incentives to ~~consolidate~~work and contribute; (iv) the main ~~SSF~~ elements of a comprehensive SSFs consolidation, including any remaining harmonization of contribution and benefit payment rules and procedures across all funds;
- ~~to~~ (v) abolish ~~most of the~~all nuisance charges financing pensions and offset by reducing benefits or increasing contributions in specific funds to take effect from 31 October 2015; and ~~to~~(vi) harmonize pension benefit rules of the agricultural fund (OGA) ~~in line~~ with the ~~overall~~rest of the pension system in a pro~~-~~ rata manner, unless OGA is merged into other funds. ~~. This shall be done after consulting the social partners and in full agreement the institutions.~~

The consolidation of social insurance funds will take place by end 2017~~in two phases and~~ over ~~a period of three~~ two years. In 2015, the process will be activated through legislation to consolidate the social insurance funds under a single entity ~~at a second stage,~~ and the ~~first phase of their~~ operational consolidation will have been completed by 31 December 2016. Further reductions in the operating costs and a more effective management of fund resources including improved balancing of needs between better-off and poorer-off funds will be actively encouraged. [~~The codification of the insurance law will be completed in the immediate future and will correspond to the new organization of the new and more integrated social security system~~[A2].]

The authorities will adopt legislation to fully offset the fiscal effects of the implementation of court rulings on the 2012 pension reform.

5. Public Administration, Justice and Anti Corruption

Adopt legislation to:

- reform the unified wage grid, effective 1 January, 2016, setting the key parameters in a fiscally neutral manner and consistent with the agreed wage bill targets and with comprehensive application across the public sector, including decompressing the wage distribution in both directions in connection with the skill, performance and responsibility of staff~~;~~.
- ~~implement the new unified wage grid with a guaranteed starting point the salaries of each employee as of 31 December 2014, and~~ legislation to rationalise the specialised wage grids, will be adopted by end-November 2015[A3]
- ~~;~~
- align non-wage benefits such as leave arrangements, per diems, travel allowances and perks, with best