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Athens University of Economics and Business

WORKING PAPER no. 04-2026

**Tax Structure Reform and
Macroeconomic Strategy in Greece:
Econometric Evidence and Policy Implications**

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April 2026

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Tax Structure Reform and Macroeconomic Strategy in Greece: Econometric Evidence and Policy Implications

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Abstract

Building on recent econometrics findings, the paper develops an applied policy framework for Greece, advocating a rebalancing of the tax mix toward less distortionary bases, the strengthening of property taxation, and the institutionalization of evidence-based fiscal governance. The analysis provides robust evidence that the composition of taxation, rather than its aggregate level alone, plays a critical role in shaping economic performance. The proposed reform strategy integrates dynamic methods and econometric forecasting tools into the policy process, aiming to enhance both the effectiveness and credibility of tax policy. Overall, the study contributes to the empirical literature on tax composition and growth while offering a concrete, data-driven roadmap for the design of growth-oriented tax systems in advanced economies under fiscal constraints

JEL Classification:

E62, H21, H25, C32, O40

Keywords: Growth-Friendly Taxation, Tax Reform Strategy, Fiscal Sustainability, Evidence-Based Policy

1. Introduction

The design of tax policy remains a central determinant of macroeconomic performance, particularly in economies characterized by structural rigidities and fiscal constraints. In the case of Greece, the evolution of the tax system since the restoration of democracy in 1974 has been marked by a persistent reliance on distortionary forms of taxation, most notably personal income taxes and broad-based consumption taxes. While such instruments have historically served immediate revenue needs, their cumulative effects on economic activity, investment, and long-term growth have raised significant concerns in both academic and policy circles. The Greek fiscal experience—especially during the sovereign debt crisis—has underscored the limitations of tax systems that prioritize short-term revenue generation over efficiency and growth. Repeated tax increases, often implemented under conditions of fiscal stress, have contributed to adverse supply- and demand-side effects, weakening incentives for labor participation, reducing disposable income, and constraining private investment. At the same time, relatively underutilized tax bases, such as property taxation, have not been systematically

leveraged as part of a coherent growth-oriented fiscal strategy. Against this background, a growing body of empirical literature emphasizes that the composition of taxation is at least as important as its overall level. In particular, taxes on income and profits tend to be more distortionary, whereas recurrent taxes on immovable property are generally found to be more growth-friendly. However, despite the relevance of these findings, country-specific evidence for Greece remains relatively limited, especially in terms of dynamic macro econometric analysis spanning multiple decades. The paper aims to bridge the gap between econometric evidence and policy design. In contrast to studies that remain primarily descriptive or theoretical, this analysis develops a structured, evidence-based policy framework tailored to the Greek institutional context. The objective is not only to quantify the effects of tax instruments but also to translate these findings into actionable policy recommendations that can support a transition toward a more efficient, growth-oriented, and resilient tax system. In doing so, the paper contributes to the literature. First, it adds to the empirical literature on taxation and growth by providing long-horizon, country-specific evidence using modern time-series techniques. Second, it contributes to the policy debate by proposing a coherent reform strategy that integrates tax structure, fiscal governance, and institutional capacity. By emphasizing the role of evidence-based policymaking and dynamic macroeconomic analysis, the paper advances the argument that credible and well-designed tax systems are not only compatible with fiscal sustainability but are essential for achieving sustained economic growth.

2. Framework and Historical Evolution

The development of the Greek tax system from the mid-1970s to the late 2010s reflects a gradual, though uneven, transition from a fragmented post-authoritarian framework to a complex, multi-layered fiscal structure shaped by European integration, domestic administrative constraints, and, ultimately, the pressures of sovereign debt crisis adjustment. Each decade encapsulates a distinct phase in the transformation of tax policy priorities, institutional design, and the balance between equity, efficiency, and revenue extraction. The late 1970s constitute a foundational period during which the modern architecture of taxation in Greece began to take shape. In the aftermath of the political transition, legislative efforts focused primarily on defining tax bases, introducing coherent rate structures, and formalizing the taxation of personal and corporate income. Early attempts to broaden the tax base were evident, particularly through the introduction of presumptive criteria and the initial use of imputed income mechanisms linked to asset acquisition. These measures signaled a recognition of widespread tax evasion and the administrative inability to rely solely on declared income. As such, the period is best understood as one of institutional consolidation, where the primary objective was to establish a minimum level of fiscal capacity and legal coherence. The 1980s mark a decisive shift toward modernization and European alignment, culminating in the introduction of the Value Added Tax in 1986 within the broader framework of integration into the European Economic Community. This reform represented not merely a technical adjustment but a structural reorientation of the tax system toward indirect taxation, enhancing revenue stability and administrative traceability. Concurrently, the decade witnessed the expansion of objective valuation systems in real estate and the strengthening of withholding mechanisms, reflecting an increasing reliance on standardized and enforceable tax collection instruments. Investment incentives and corporate taxation provisions were also refined, indicating an emerging, albeit partial, shift toward growth-oriented fiscal policy. Nonetheless, these developments coexisted with persistent administrative fragmentation, limiting the overall effectiveness of reforms. During the 1990s, the Greek tax system entered a phase of codification

and relative stabilization. The enactment of the comprehensive Income Tax Code in 1994 constituted a critical milestone, consolidating disparate provisions into a unified legal framework. This period was characterized by systematic efforts to align domestic tax rules with European standards, while also introducing more sophisticated mechanisms for income determination, particularly for self-employed professionals and small enterprises. The expansion of capital taxation, including taxes on large real estate holdings, alongside the gradual introduction of capital gains taxation, reflected a broadening of the fiscal base in line with international practices. At the same time, tax policy increasingly incorporated investment incentives and exemptions, suggesting an attempt to reconcile revenue needs with competitiveness considerations. Despite these advances, the growing complexity of the system began to generate compliance costs and administrative burdens that would become more pronounced in subsequent decades.

The 2000s can be described as a period of apparent stability combined with underlying structural weaknesses. Legislative activity continued at a steady pace, including the codification of the VAT system and the introduction of various property taxes, yet these changes largely took the form of incremental adjustments rather than comprehensive reform. The proliferation of tax incentives, exemptions, and special regimes contributed to an increasingly intricate legal environment, while enforcement mechanisms failed to keep pace with the expanding scope of the system. Although certain tax rates were reduced in an effort to stimulate economic activity, the absence of a coherent long-term strategy limited the effectiveness of these measures. In retrospect, the decade's relative fiscal calm masked significant vulnerabilities, particularly in terms of tax compliance, administrative efficiency, and the sustainability of revenue collection.

The onset of the sovereign debt crisis in the 2010s precipitated a profound transformation of the Greek tax system, driven largely by external conditionality imposed through adjustment programs involving the International Monetary Fund, the European Commission, and the European Central Bank. Tax policy during this period was dominated by the imperative of rapid fiscal consolidation, resulting in significant increases in tax rates, particularly in indirect taxation, with VAT reaching historically high levels. At the same time, a series of extraordinary levies and solidarity contributions were introduced, often on a temporary basis but with lasting effects on the tax burden. Structural reforms included the adoption of a new Income Tax Code in 2013 and the establishment of a unified property tax, the ENFIA, which consolidated multiple previous instruments into a single, broad-based levy. These measures were accompanied by intensified efforts to combat tax evasion through the expansion of electronic transactions, the reinforcement of indirect audit techniques, and the increased use of presumptive taxation. However, the cumulative effect of these policies was a substantial increase in the overall tax burden, coupled with a further shift toward indirect taxation and asset-based levies. While revenue performance improved in the short term, concerns regarding equity, growth, and the distortionary impact of taxation became more pronounced. The tax system, in this context, functioned primarily as an instrument of fiscal adjustment rather than as a tool for long-term economic policy.

Taken as a whole, the evolution of the Greek tax system over the period 1975–2018 reveals a pattern of reactive policymaking, characterized by frequent legislative changes and limited strategic continuity. While significant progress has been made in terms of formal alignment with European standards and the expansion of the tax base, these gains have often been offset by increasing complexity and administrative inefficiencies. The experience underscores the importance of moving beyond piecemeal reforms toward a more coherent and performance-

oriented approach to tax policy and administration, particularly in a context where compliance and institutional capacity remain critical constraints.

3. A Growth-Oriented Approach and Institutional Transformation

A credible strategy for enhancing growth through tax policy in Greece requires a dual approach that combines structural rebalancing of the tax mix with a deep institutional transformation of fiscal governance. The proposed reform agenda is anchored in the premise that the effectiveness of taxation is not solely determined by statutory rates or bases, but by the interaction between policy design, administrative capacity, and forward-looking macro-fiscal evaluation. In this respect, the reform package advances a coherent framework that integrates legislative interventions with managerial and analytical innovations, thereby shifting the Greek tax system from a static, compliance-driven model to a dynamic, performance-oriented regime. At the core of the proposed tax structure reforms lies a reconfiguration of the tax burden in a manner that supports labor supply and productive investment. The reduction of marginal tax rates, particularly for low- and middle-income groups, is expected to alleviate distortions in labor market participation and improve disposable income dynamics. This is complemented by the introduction of an earned income tax credit, designed to strengthen work incentives and address inactivity traps, especially among vulnerable population segments. Such measures, however, are not conceived in isolation; rather, they are embedded within a broader strategic shift toward property, consumption, and energy taxation. The expansion of the property tax base through systematic valuation updates enhances both equity and revenue stability, while the rationalization of VAT exemptions, combined with strengthened enforcement, aims to reduce inefficiencies without undermining distributional objectives. Equally critical is the need to address base erosion and structural inefficiencies within the corporate tax system. The introduction of minimum effective taxation rules and the alignment of domestic legislation with international standards contribute to safeguarding the tax base in an increasingly globalized economic environment. At the same time, tax base broadening measures ensure that the fiscal system relies less on high nominal rates and more on comprehensive and enforceable tax coverage, thereby improving both efficiency and compliance.

Notwithstanding the importance of legislative reform, the transformative dimension of the proposed framework lies in its institutional architecture. Within the General Secretariat for Fiscal Policy, the establishment of an independent Fiscal Policy Evaluation Unit represents a pivotal innovation. This unit would be mandated to conduct ex-ante impact assessments using advanced econometric methodologies, including VAR and VECM models, thereby embedding quantitative rigor into the policy formulation process. The creation of a dedicated Macro-Fiscal Policy Lab further reinforces this capacity by enabling the development of integrated simulations that jointly assess tax and expenditure measures. This institutional infrastructure supports the adoption of dynamic scoring practices, replacing static budget projections with forward-looking evaluations that capture growth, behavioral responses, and debt sustainability effects.

The integration of tax policy within the Medium-Term Fiscal Strategy constitutes an additional pillar of this governance reform. By systematically linking tax measures to medium- and long-term fiscal objectives, the framework ensures policy consistency and enhances credibility. Importantly, it allows for the incorporation of long-run growth effects into national planning, thereby overcoming the short-termism that has historically characterized fiscal policymaking in Greece.

The introduction of a performance-based Balanced Scorecard (Asimakopoulos 2025a, 2025b) represents a shift toward results-oriented management, where key performance indicators extend beyond revenue collection to include compliance quality, administrative efficiency, and equity considerations. This approach aligns operational objectives with strategic priorities, facilitating accountability and continuous improvement. The deployment of artificial intelligence-based risk assessment tools further enhances enforcement capabilities by enabling targeted audits and reducing unnecessary administrative burdens for compliant taxpayers. In this context, predictive analytics serve not only as a control mechanism but also as a means of optimizing resource allocation within the administration.

A distinctive feature of the proposed framework is the institutionalization of feedback loops between the tax administration and the research community. By formalizing partnerships with academic institutions, the system benefits from continuous methodological innovation and empirical validation, thereby fostering a culture of evidence-based policymaking. This interaction is particularly important in a rapidly evolving economic environment, where traditional policy tools may prove insufficient to address emerging challenges.

Taken together, these reforms coalesce into a four-pillar strategy that redefines the role of taxation within the broader economic policy framework. Tax structure modernization reduces distortions and enhances growth incentives; dynamic fiscal governance embeds analytical depth and forward-looking evaluation into policymaking; smart tax administration leverages technology and performance metrics to improve compliance; and strategic fiscal planning aligns short-term actions with long-term development objectives. The resulting system is not merely more efficient, but fundamentally more adaptive, capable of responding to economic shocks while maintaining a consistent orientation toward sustainable growth.

4. From Reactive Taxation to Strategic Tax Governance

The transition from a reactive to a strategic model of tax governance in Greece necessitates a redefinition of both policy priorities and institutional mechanisms. The proposed framework advances a coherent set of tax policy recommendations anchored in the rebalancing of the tax mix, the rationalization of public expenditure, and the systematic integration of macro-fiscal analysis into the policy cycle. At its core lies the recognition that sustainable growth cannot be achieved through ad hoc fiscal interventions, but rather through a stable, rules-based system that aligns taxation with long-term macroeconomic objectives.

A central element of this approach is the gradual shift of the tax burden away from personal income taxation and transaction-based consumption taxes toward property taxation. The reduction of top marginal rates in personal income taxation is expected to mitigate disincentives to labor supply and high-skilled productivity, while a more selective approach to value-added tax—focusing on base efficiency rather than rate increases—can reduce distortions in consumption without undermining revenue performance. In parallel, the reassessment and modernization of property taxation, including the rationalization of exemptions and systematic updating of valuations, enhances both equity and fiscal stability. This reallocation of the tax burden reflects a broader strategic orientation toward less distortionary tax instruments that are more conducive to growth.

Equally important is the expenditure side of fiscal policy. The framework emphasizes the reduction of unproductive government consumption through the adoption of performance-based budgeting and constraints on administrative expansion. By linking resource allocation to

measurable outcomes, fiscal policy can achieve efficiency gains without resorting to additional tax increases. This approach is particularly relevant in the Greek context, where the quality of public spending has historically been as critical as its level.

The introduction of a formal linkage between tax policy and a debt rule framework further strengthens fiscal credibility. By establishing structural surplus benchmarks tied to the trend growth of GDP, tax policy becomes an integral component of a broader macro-fiscal rule system. This not only enhances transparency but also reduces policy uncertainty, thereby supporting investment and long-term planning. Crucially, such a framework requires the institutionalization of forward-looking analytical tools. The systematic use of macro-fiscal models, including vector autoregression and vector error correction methodologies, enables policymakers to assess the dynamic effects of tax measures on growth, investment, and debt sustainability. The establishment of a dedicated Fiscal Simulation Unit within the Ministry of Finance operationalizes this capability, transforming econometric analysis from an ad hoc exercise into a core function of policymaking.

The proposed action plan for the period 2025–2030 translates these strategic objectives into a sequenced set of interventions. Initial legislative adjustments to personal income tax brackets and a comprehensive audit of property taxation lay the groundwork for reform. Subsequent implementation of a digital property tax system and targeted reductions in transaction-based taxes further advance the rebalancing of the tax mix. Over the medium term, the introduction of a debt-growth-linked tax rule and the institutionalization of fiscal impact reviews ensure that reforms are both sustainable and adaptable to evolving economic conditions. The expected macroeconomic outcomes of this framework are consistent with a moderate but meaningful improvement in growth dynamics. Model-based estimates suggest an increase in GDP growth of approximately half to three-quarters of a percentage point, accompanied by a significant cumulative rise in investment. At the same time, the stabilization of the debt-to-GDP ratio is anticipated as early as the mid-phase of implementation, reflecting the combined effects of enhanced revenue efficiency and disciplined expenditure management. Improvements in tax efficiency are also expected, driven by stronger compliance and a more predictable policy environment.

The broader policy implications are clear. Fiscal consolidation strategies that rely excessively on personal income and consumption taxes risk undermining growth and exacerbating inefficiencies. In contrast, a system that leverages property taxation, rationalizes public spending, and embeds tax policy within a credible macro-fiscal framework is better positioned to support sustainable economic performance. Within this context, tax reform must be guided by a dual objective: enhancing efficiency while preserving equity, without imposing undue constraints on growth. Operationally, the framework is supported by a set of concrete policy actions that reinforce its analytical and institutional foundations. The creation of a narrative-based fiscal database enables the systematic tracking and classification of tax measures, facilitating both empirical analysis and policy evaluation. The adoption of growth-weighted impact assessment methodologies ensures that tax measures are evaluated not only in terms of immediate revenue effects but also their broader macroeconomic implications. The introduction of a performance-based management system within the tax administration aligns operational incentives with strategic objectives, while the launch of a Fiscal Policy Simulation Unit embeds advanced analytical capacity within the core of government decision-making. The next steps for implementation require coordinated administrative and political action. The commissioning of a feasibility study for the establishment of the Simulation

Unit, the integration of performance indicators within the tax administration, and the engagement of technical expertise for the development of econometric models constitute immediate priorities. Taken together, these measures lay the foundation for a transition toward a system that is not only more efficient and equitable, but fundamentally more strategic in its orientation, capable of supporting long-term growth while maintaining fiscal discipline.

5. Policy Implications: Toward a Growth-Oriented and Evidence-Based Framework for Tax Structure Reform and Macroeconomic Strategy in Greece

The empirical findings derived from Asimakopoulos (2025a,2025f,2025h) provide a robust basis for rethinking the structure and institutional governance of tax policy in Greece. The results indicate that the composition of taxation, rather than its aggregate level alone, plays a decisive role in shaping macroeconomic outcomes. In particular, the evidence suggests that increases in distortionary taxes—most notably personal income taxation—exert a disproportionately negative effect on short-run economic growth, while more stable tax bases, such as property taxation, are associated with positive investment dynamics. These findings carry direct policy relevance. The estimated short-run elasticity of GDP with respect to total taxation underscores the contractionary nature of tax increases in a fragile macroeconomic environment. More strikingly, the negative coefficient associated with personal income taxation highlights its adverse impact on labor supply, productivity incentives, and overall economic activity. In contrast, property taxation appears to support capital formation, with a positive association with fixed investment, suggesting that a rebalancing of the tax mix could yield both efficiency and growth dividends. In this context, a first-order priority for reform lies in reducing the reliance on income-based taxation. This may be operationalized through a gradual reduction in marginal tax rates, particularly for low- and middle-income households, thereby enhancing labor market participation and disposable income. Complementary measures, such as the introduction of an earned income tax credit, could further strengthen work incentives while preserving progressivity. At the same time, a strategic shift toward less distortionary tax bases is warranted. Broadening the property tax base—supported by regular updates in property valuations—would enhance both revenue stability and allocative efficiency. Similarly, rationalizing the system of VAT exemptions and preferential treatments would improve neutrality and reduce compliance gaps, provided that such reforms are accompanied by targeted measures to protect vulnerable groups.

Table 1: Estimated Short-Run Effects from VAR

Dependent Variable	Independent Variable	Coef. (%)	Stat. Significance	Interpretation
GDP Growth	Total Tax Rate	-0.86	Yes	Higher tax rates reduce GDP growth
GDP Growth	Personal Income Tax	-1.97	Yes	Strong contractionary effect
GDP Growth	Tax on Goods & Services	-0.85	Yes	Negative impact on activity
GDP Growth	Govt. Expenditure	-0.54	No	Possible inefficiency or crowding out
GDP Growth	Household Consumption	-0.65	No	Non-productive consumption
GDP Growth	Debt Ratio	-0.19	Yes	Debt burden affects growth
GDP Growth	Lagged GDP	+0.48	Yes	Growth persistence
Investment (GFCF)	Property Tax	+3.62	Yes	Stimulates capital accumulation

Table 2: Policy Recommendations Based on Empirical Findings

Policy Area	Empirical Insight	Recommendation
Income Taxation	Strong negative effect on growth	Lower PIT rates, broaden base
Consumption Taxes	Negative GDP correlation	Avoid hikes, improve VAT efficiency
Property Taxation	Positive for investment	Shift toward property tax
Govt. Spending	Hurts growth and investment	Reallocate toward capital spending
Debt Management	Mild negative impact	Strengthen fiscal buffers
Tax Policy Design	Causal effect on GDP	Use proactively, avoid procyclical hikes
Tax Mix	Direct taxes more harmful	Rebalance toward less distortionary taxes

Table3: Model Robustness and Econometric Validity

Diagnostic	Test	Result	Conclusion
Stationarity	ADF	I(1), GDP I(0)	Used differences appropriately
Cointegration	Johansen	1-2 vectors	VECM justified
Lag Selection	AIC, SC	Lag(1)	Efficient estimation
Stability	AR roots	All < 1	Model stable
Normality	Jarque-Bera	p > 0.05	Normal residuals
Autocorrelation	LM/Portmanteau	None	No omitted lags
Heteroskedasticity	White test	p > 0.05	Homoskedastic residuals
Granger Causality	Wald	Tax -> GDP	Supports exogeneity
IRF	Cholesky	Neg. GDP response	Confirms contractionary tax effects
Variance Decomp.	Forecast error	11% from tax	Tax key external driver

Beyond tax structure, the findings point to the critical importance of institutional capacity in shaping policy effectiveness. In this regard, embedding econometric based simulations into the policy cycle would allow for a more accurate estimation of the dynamic effects of tax measures on growth, investment, and debt sustainability and this should be strengthened through the establishment of a dedicated fiscal evaluation unit, tasked with conducting ex ante policy assessments using modern econometric techniques.

Moreover, the creation of a macro-fiscal policy laboratory could facilitate scenario analysis and the integration of tax and expenditure policies into a unified analytical framework. Such an approach would support the transition from static to dynamic scoring methodologies, enabling policymakers to account for behavioral responses and second-round effects when designing fiscal interventions and would further ensure that short-term policy decisions are consistent with long-term fiscal sustainability objectives. The integration of advanced data analytics and artificial intelligence tools into audit selection processes could significantly enhance the targeting of enforcement actions, reducing administrative costs while increasing deterrence. Equally important is the institutionalization of knowledge exchange between the tax administration and the academic community. Formal partnerships with research institutions would enable continuous feedback, facilitating the incorporation of empirical evidence into policy design and implementation. Taken together, these reforms can be conceptualized within a four-pillar strategy: (i) modernization of the tax structure through a shift toward growth-friendly tax bases; (ii) adoption of dynamic, evidence-based fiscal governance; (iii) deployment of technology-driven, performance-based tax administration; and (iv) alignment of fiscal policy with a coherent, long-term growth strategy.

Overall, central finding concerns the asymmetric effects of different tax categories on economic growth. Increases in personal income taxation are associated with a substantial contraction in output, with an estimated semi-elasticity approaching -1.97% , reflecting distortions in labor supply, human capital accumulation, and productivity incentives. Similarly, consumption-based taxation exhibits a negative impact on GDP, albeit of smaller magnitude (approximately -0.85%), suggesting that indirect taxation—while often considered less distortionary—still imposes non-negligible demand-side constraints in the Greek context. Importantly, these effects are not transitory; impulse response functions indicate persistence extending up to a decade, underscoring the long-lasting macroeconomic consequences of tax policy choices. In contrast, property taxation emerges as a comparatively growth-compatible instrument. The empirical results reveal a positive association between property tax increases and gross fixed capital formation, with an estimated effect of approximately $+3.62\%$. This finding is consistent with the theoretical argument that recurrent taxation on immovable property constitutes a relatively efficient tax base, exerting limited distortion on productive decisions while supporting revenue stability. In the Greek case, this channel appears to operate primarily through improved allocation of capital and enhanced investment incentives.

Beyond taxation, the analysis highlights the role of fiscal aggregates in shaping long-run growth outcomes. Both government consumption and public debt are found to exert a negative effect on GDP in the long run, suggesting that the composition and efficiency of public expenditure are as critical as revenue-side policies. These results reinforce the need for fiscal discipline and a reorientation of public spending toward productive uses. The direction of causality further strengthens the policy relevance of these findings. Granger causality tests indicate that tax policy innovations precede and predict changes in economic activity, rather than merely responding to them. This implies that tax policy can be effectively used as a proactive macroeconomic instrument, provided it is designed within a credible and stable institutional framework. Taken together, the empirical evidence supports a coherent reform strategy centered on the rebalancing of the tax mix and the strengthening of fiscal governance. First, there is a clear rationale for reducing reliance on distortionary taxes, particularly personal income taxation and, to a lesser extent, broad-based consumption taxes. Second, expanding and modernizing the property tax base offers a viable pathway to enhance both efficiency and revenue stability. Third, the adverse effects associated with government consumption and debt accumulation point to the necessity of expenditure rationalization and medium-term fiscal discipline. From an implementation perspective, a gradual and sequenced reform path is essential. Initial efforts should focus on simplifying the structure of personal income taxation and reducing marginal rates, thereby improving incentives and compliance. This should be followed by reforms aimed at broadening the property tax base and strengthening administrative capacity, including the digitalization of property registries and valuation systems. In the medium term, tax policy should be explicitly linked to fiscal rules targeting debt sustainability, ensuring that revenue reforms are consistent with broader macro-fiscal objectives. The expected macroeconomic gains from such a reform strategy are non-trivial. By improving the composition of taxation and strengthening fiscal institutions, Greece can achieve a sustained acceleration in economic growth, increased private investment, and enhanced debt sustainability, while simultaneously improving the efficiency and perceived fairness of the tax system. In sum, the evidence underscores that tax structure is not merely a revenue-raising mechanism but a central determinant of macroeconomic performance. A strategic, evidence-based reconfiguration of the Greek tax system—anchored in empirical analysis and supported

by institutional reform—can serve as a cornerstone for long-term economic resilience and growth

6. Conclusions and Further Remarks

These results carry clear policy implications. They suggest that a growth-oriented fiscal strategy for Greece should prioritize the rebalancing of the tax mix away from distortionary instruments and toward more stable and efficient tax bases. In parallel, fiscal policy should be embedded within a credible medium-term framework that ensures debt sustainability while supporting investment and economic expansion. Crucially, the evidence also indicates that tax policy operates as an active macroeconomic tool, reinforcing the need for forward-looking, evidence-based design rather than reactive, short-term adjustments. Beyond the specific policy recommendations, the analysis underscores the importance of institutional capacity in shaping fiscal outcomes. The integration of econometric tools such as into the policymaking process can enhance the evaluation of tax measures, allowing for a more accurate assessment of their dynamic effects. This, in turn, can improve both the effectiveness and credibility of fiscal interventions, particularly in environments characterized by uncertainty and structural constraints. Notwithstanding its contributions, the paper is subject to certain limitations that open avenues for further research. First, while the econometric framework provides a powerful tool for capturing dynamic interactions, it remains inherently reduced-form and does not fully identify structural shocks. Future research could extend the analysis using structural VAR (SVAR) models or narrative identification approaches allowing for a more precise isolation of exogenous tax policy changes. Second, the analysis is conducted at an aggregate level, abstracting from distributional effects across households and firms. Micro-level data could provide valuable insights into the heterogeneity of tax incidence and behavioral responses. In addition, further work could explore the interaction between tax policy and institutional quality, including tax compliance, administrative capacity, and governance indicators. The incorporation of forward-looking expectations and policy credibility into the empirical framework would also enhance the analysis, particularly in the context of economies with a history of fiscal instability. In conclusion, the evidence presented in this paper supports the view that tax structure is a central lever of macroeconomic policy. A systematic, evidence-based reconfiguration of the Greek tax system—combined with strengthened fiscal institutions and forward-looking governance—can play a pivotal role in fostering sustainable growth, enhancing investment, and ensuring long-term fiscal stability.

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DOI:10.12681/eadd/58639



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