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Answer given by Mr Dombrovskis
on behalf of the European Commission
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During the period of the economic adjustment programmes (2010-2018), Greece implemented a wide range of fiscal and structural reforms aimed, among others, at improving the efficiency of public finances. Among these measures was the gradual elimination of reduced VAT rates for certain economically rich islands in the Cyclades, as part of a broader reform of simplifying the VAT structure, broadening the tax base, and eliminating various exemptions. It is noteworthy that the Ionian islands never benefited from reduced VAT rates, while the islands of Leros, Lesvos, Kos, Samos and Chios maintained reduced VAT rates.

Following Greece's successful completion of the financial assistance programmes, the country returned to normal economic governance under the European Semester framework. As such, decisions on tax policy fall entirely under the competence of the Greek authorities but need to comply with the rules set out in Council Directive (EU) 2022/542.

The EU continues to provide targeted support to Greek islands through various instruments, including the Cohesion Policy Funds. As announced in the Communication on 'A modernised Cohesion policy: The mid-term review', to support islands in addressing their challenges, the Commission will also launch a consultation on the development of a Strategy for Islands.

Member States are free to design their tax systems, including how to determine the tax base and tax rates as well as appropriate incentives and tax breaks for taxpayers, as long as they respect primary and secondary EU law. Such policies must be designed carefully taking into account effectiveness, fairness, their fiscal impact and with minimal compliance costs.