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EU Tax Chief: Greece Could Generate EUR10 Billion by Reducing Tax Evasion--Report

By Nektaria Stamouli

ATHENS--Greece could increase its budget revenues by about 10 billion euros ($13.2 billion) annually if it cuts down tax evasion, European Union's tax chief told a Greek newspaper Saturday.

Greek government submitted to parliament late Thursday a new tax bill--that imposes higher taxes to wages and pensions in an effort to increase state revenue and simplify the tax system--but is expected to pass a second law overhauling the country's tax system by mid-2013, which is expeced to focus mainly on tax cheats.

Euro-zone finance ministers backed Thursday the release of long-delayed aid payments to Greece, saying the first batch of about EUR34 billion of money will be sent to Athens in the coming days.

"If Greece reduced tax evasion to European levels, EUR10 billion could be collected," EU tax commissioner Algirdas Semeta told Kathimerini newspaper. He added that according to the European Commission's estimates out of the EUR53 billion euros in overdue taxes, Greek state could collect 15% to 20%.

Greece's "shadow economy" accounts for about 24% of Greek gross domestic product, according to a study by Margarita Tsoutsoura of the University of Chicago Booth School of Business. Tax dodging costs Greece about EUR28 billion a year, an amount equivalent to roughly 15% of economic output, the study says.

Mr. Semeta says the country needs simplified and easily applicable rules in its tax system.

The tax bill tabled in parliament reduces tax brackets from eight to three and abolishes many tax exeptions. It is expected to be voted on by early January, before Greece's international creditors disburse about EUR9 billion in aid.

It aims to generate more than 1 billion euros of additional revenue annually and is part of a EUR13.5 billion austerity package that the Greek parliament passed early November.

Under a new regulation set to take effect the following days, customers of all sorts of businesses in Greece will be able to walk away without paying if they don't receive a record of their transaction.

Restaurants--seen as among the worst offenders, in part because much of their business is transacted in cash--will be required to add a notification about the right to refuse payment to their menus. But everyone, from doctors and lawyers to plumbers and taxis, also is liable to be stiffed if they don't give receipts.

The new rule introduced by Development Ministry adds an extra incentive for businesses to issue receipts. The receipts produce a record of the transactions, and authorities use that record to calculate taxes owed by the business.

In the past, efforts to crack down on cheating by small entrepreneurs and the self-employed have drawn little support from a public that widely believes the root of the problem is the rich and not ordinary Greeks.

Speaking at a medical conference earlier Saturday, Greek Finance Minister said that under the new tax reform all Greeks would to saving the country.

Mr. Stournaras said that half of the self-employed reported annual incomes of up to 5,000 euros in 2011, leaving the biggest tax burden on wage-earners and pensioners.

Write to Nektaria Stamouli at nektaria.stamouli@dowjones.com