



Preliminary Analysis

IMPACTS OF HARMONIZED VAT RATE TO 20% ON LIVING STANDARDS OF HOUSEHOLDS

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Abstract

The planned harmonization of VAT rates to 20 percent after mandatory pension valorization will increase the living cost of an average household by 1.57 percent (CZK425 per month). The VAT harmonization impacts households of all income groups relatively equally (from 0.87 to 2.14 percent increase in living costs); however, the most affected is the poorest decile of income distribution. Pensioners will not be affected by the VAT harmonization, because they are fully compensated by the mandatory pension valorization. Exceptions proposed by the government, such as preserving the reduced 10 percent VAT rate on selected items (bread, fish etc.) will mitigate the impact of VAT increase on an average household by only 0.26 percent (CZK60 per month).

[Download](#) the complete study (in Czech only).

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