



*Preliminary Analysis*

---

## IMPACTS OF PROPOSED VAT TAX ADJUSTMENTS ON LIVING STANDARDS OF HOUSEHOLDS

December 16, 2010

LIBOR DUŠEK AND PERT JANSKÝ

---

### **Abstract**

This preliminary analysis shows the increase of living costs of different types of households due to proposed VAT rate adjustments. In the recent months there have been several proposals of tax reforms based on harmonization of VAT rates, and a potential reduction in social security contributions. The proposal of harmonization of VAT rates to 19 percent and the social security contributions reduction by 5 percent were recommended by the Bezděk committee. On one hand, achieving a more effective taxation system and the necessity to fund the increasing pension system costs are cited as the arguments in favor of these changes. On the other hand, these reforms are often criticized in public debates due to their uneven social impacts. According to this analysis, however, the harmonization of the VAT rate to 19 percent does not have a significantly higher impact on poorer households in comparison to richer households. If the two rates are preserved (the standard VAT rate of 20 percent and the reduced VAT rate of 17 percent), the outcome is in fact very similar to the VAT rate harmonization.

---

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

---

Institute for Democracy & Economic Analysis (IDEA) is a think-tank arm of CERGE-EI focusing on policy-relevant research and recommendations. Backed by rigorous analysis and academic expertise of CERGE-EI scholars, IDEA contributes to policy debates with its non-ideological, evidence-based approach to public policy. IDEA is directed by Professor Jan Švejnar. IDEA is funded by private donors and public research grants.

Sign up for news on upcoming events at [idea@cerge-ei.cz](mailto:idea@cerge-ei.cz).

IDEA gratefully thanks to its supporters!

[idea-en.cerge-ei.cz](http://idea-en.cerge-ei.cz)