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## Czech Republic

**Post:** Prague

### Czech Republic Increased VAT

**Report Categories:**

Agriculture in the Economy

Agriculture in the News

Beverages

Food Processing Ingredients

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**Report Highlights:**

The Czech Republic increased the Value Added Tax rate by one percent, to 15 and 21 percent, respectively. Food items mostly fall within the lower of the two VAT rates.

**General Information:**

Shortly before the end of 2012, the Czech president signed an amendment to the VAT Act effective as of 1 January 2013. The VAT rate increases by one percent, i.e. the reduced VAT rate is now 15 percent (previously 14 percent), and the standard VAT rate is 21 percent (previously 20 percent).

The reduced 15-percent-rate applies to certain categories of goods and services including: food and beverages, animal feed, live animals, plants and seeds, food ingredients, and some other non-food, non-agricultural items.

Consumers' concern regarding an increase in food prices due to this adjustment in VAT rates is not expected to materialize. In the past when the VAT rate increased marginally, larger retailers absorbed the increase by adjusting on quality of product offered. For small retailers such market tactic is more difficult to implement as they have less ability to diffuse costs across their operation. This year, given the added cost challenges confronting this class of retailers - operational inputs (energy, transportation, labor, etc.), are all rising, the contraction trend witnessed in this sector in recent years is likely to continue.