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## Uniting VAT, dividing business

If you're running a Czech company, you might look at the proposal to bring the two VAT rates closer together strictly from a P&L perspective. If your products carry a 10% rate, you're probably terrified by what a jump to 17% could do to consumer demand, esp. given the additional whammies of a 10% cut in public-sector salaries and a 12-18% rise in electricity rates. Contrarily, if your products already face a 20% VAT rate, you might find a decrease to 19% worth the trade-off of a rise in the lower rate. This helps explain why the powerful Confederation of Industry supports the idea of merging the two rates. Yet unless the business community can agree on a single message, the government is going to raise the overall tax burden, and nearly everyone doing honest business is ultimately going to lose. That message to the government should be: Crack down on budgetary waste and theft before raising anybody's taxes.

Please join us in toasting our client Stock Plzeň–Božkov on the occasion of its 90<sup>th</sup> anniversary.

**Donath  
Burson-Marsteller**

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