Working Papers on Economics - Temporary VAT exemption in Colombia: How did household consumption respond?

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AUTHOR OR EDITOR Arango-Thomas, Luis Eduardo Flórez-Flórez, Luz Adriana Marín, N. Johana Posada-Posada, Carlos Esteban AUTHORS AND/OR EDITORS Arango-Thomas, Luis Eduardo Flórez-Flórez, Luz Adriana Marín, N. Johana Posada-Posada, Carlos Esteban
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Publication Date: Friday, 20 of September 2024 **Abstract**
This paper analyzes whether the policy of VAT exemption days, implemented in Colombia between 2020 and 2022 for some products and merchandise lines, had a positive effect on the consumption of such exempted goods. The evidence show an intertemporal substitution in consumption of the items that benefited from the VAT exemption policy around the months when the policy came into effect; that is, purchases of these goods decreased in the months before and after the month of the VAT-free day, on which purchases increased. Moreover, we find that the VAT exemption days have a transitory positive effect on the items covered by the policy compared with those not covered. In terms of prices, we also find evidence of a transitory reduction in prices.

Fuente: https://www.banrep.gov.co/en/publications-research/working-papers-economics/temporary-vat-exemption-colombia-how