

VALUE ADDED TAX

The abbreviation VAT means value added tax. We pay this tax everytime we buy something and it is included in the price of all goods. VAT is paid to the state budget by a trader instead of us.

VAT is added to the price of goods, which is set by a trader himself (price nett), and its percentage fee is determined by the state law.

Therefore a VAT is a law-determined percentage from the price of goods set by a trader. You can see the whole sum of money you pay for your purchase on a price tag. This gross price is a sum of the price set by a trader (price nett) and a VAT.

In Slovakia the VAT on groceries was 6% in 1998 and the VAT on electronics was 23%.

Excercise 1: In 1998 the price of bread without VAT was 25 Sk (Slovak crowns) in 1998. What was its gross price (with VAT) at this shop?

Calculation:

Answer:

In 1998 the gross price of a TV set was 13, 038 Sk.

Excercise 2: How much did this shopkeeper have to pay to the state budget in form of VAT from the price of one TV set?

Calculation:



Answer:

In the year 2007 there was a flat rate of 19% (VAT) on all common products.

Excercise 3: Fill in the missing numbers in this table. The prices in the table were valid in 2007.

	1st product	2nd product	3rd product
Net price	113, 050 Sk		
VAT		113, 050 Sk	
Gross price			113, 050 Sk

Calculation:



Excercise 4: What percentage from a gross price of goods had to be paid to the national budget in the form of VAT in 2007? Give the percentage correct to 2 decimal places. (Be careful, 19% is not the correct answer).

Calculation:

Answer: %.



In 2007 Kamil and Milan decided to buy the same dishwashers via the Internet. Kamil had already bought it in spring. In the beginning of the summer Milan found the same dishwasher but 1,250 Sk cheaper than Kamil's one in another internet shop. He ordered it immediately and was looking forward to saving 1,250 Sk. What a surprise it was when he was supposed to settle the bill and he found out that he would pay 1,600 Sk more than Kamil. When he was looking for an explanation on that web page he found out that the lower price was given without VAT.

Excercise 5: How much did Kamil pay for his dishwasher and how much did Milan pay?

Calculation:

Answer: Herr Kamil pay.....Sk, herr Milan paySk.

The Slovak government wanted to reduce the VAT rate on groceries. It was supposed to be reduced from 19% to 6%. Optimists assumed that it would consequently reduce the prices of groceries because they thought that groceries nett prices would not change.

Excercise 6: What new gross price of tomatoes would be expected by the optimists if they could buy 1kg for 63.07 Sk before the reduction of VAT rate?

Calculation:

Answer:

Pesimists expected no change for a customer and that only traders would increase their income (gross prices would stay unchanged, only the nett prices would change and this difference between a new and old nett price would be the trader's earnings).



Excercise 7: What new price of tomatoes was expected by the pesimists if they could buy 1kg of tomatoes for 63.07 Sk before the reduction of VAT rate? How much would the trader earn on each kilogram of tomatoes?

Calculation:

Answer: New net price, that would pessimist expect is

Trader earn on each kilogram

Excercise 8: In a certain country the gross price of a painkiller drug is 981 *crowns*. What is the VAT rate for drugs in this country if VAT from this price is 81 *crowns*?

Calculation:

Answer:

Excercise 9: Determine a relation between the gross price (marked G) of the product and its VAT (marked V) to calculate the VAT rate (marked S).

Calculation:

Answer: $S =$