

## **VAT reduction for restaurant services in France and its effect on consumption prices**

*Mémoire de Master 2 (septembre 2012)*

This work aims at estimating the price's decrease caused by the VAT cut in restaurant services in July 2009 in France. It uses several datasets produced by the French Statistical Institute (INSEE) to compute the Consumption Price Index. Thanks to a “differences-in-differences” identification strategy, we find that 22% of the VAT cut has been passed through prices in the baseline specification, which corresponds to an absolute decrease of 2.10% for the representative consumer.

We then show that the VAT cut does not affect equally the different activities in the restaurant sector. Belonging to a chain and being in a less competitive segment can explain a part of this heterogeneity.

In an extension of this work, we analyze the distributive aspect of this policy using the IPP microsimulation model *TAXIPP*.