THE EFFECTS OF VAT RATE INCREASES ON WELFARE IN ROMANIA: INSIGHTS FROM THE 2025 REFORM. AN EARLY EMPIRICAL ASSESSMENT

Patricia-Georgia LELE
Doctoral School of Economic Sciences, University of Oradea, Oradea, Romania
georgialele@yahoo.com

Abstract: *This paper provides an early empirical assessment of the welfare effects of Romania's August 2025 VAT reform, implemented in the context of fiscal consolidation under the EU's Excessive Deficit Procedure. The reform increased the standard VAT rate from 19% to 21% and replaced the reduced rates of 5% and 9% with a unified 11% rate. The analysis combines insights from the empirical literature on VAT incidence with early macroeconomic evidence, including inflation dynamics, retail trade indicators, and real wage developments.*
The findings suggest that the reform generated significant short-run welfare costs. The VAT increase contributed to a sharp rise in consumer prices, a contraction in retail consumption following a pre-reform demand surge, and a marked decline in real wages. Consistent with the literature, the effects appear to be regressive, disproportionately affecting lower-income households, particularly through higher prices for essential goods. At the macroeconomic level, the reform is associated with a suppression of aggregate demand and the onset of a technical recession in late 2025.
The paper contributes to the literature by providing evidence from a high-inflation Central and Eastern European economy, a context largely underrepresented in existing studies. It also distinguishes between fiscal revenue improvements and household welfare outcomes and highlights the importance of accounting for pre-announcement consumption effects in the evaluation of VAT reforms.

Keywords: *VAT reform; welfare effects; Romania; consumer price pass-through; fiscal consolidation; regressivity; Central and Eastern Europe.*

JEL Classification: *H22; H23; D12; E21*

1. VAT as a Consumption Tax in the EU

1.1 The Role of VAT in EU Tax Systems

Value Added Tax is one of the most significant sources of consumption tax revenue in the European Union. VAT generates over €1.2 trillion annually across the EU, equivalent to approximately 7% of EU GDP and roughly one-fifth of total government revenues (European Parliament Research Service, 2026, EPRS Briefing PE 782613). An earlier estimate confirmed that VAT raises revenues equal to roughly 30% of total tax revenue or approximately 12% of GDP across member states, with its relative importance growing steadily over time (Benzarti et al., 2017, citing CEPR data). The structural significance of VAT means that changes to its rate are among the most consequential fiscal policy decisions a government can take, with immediate implications for prices, household budgets, and aggregate demand.

The standard economic rationale for VAT is that it taxes final consumption in a broadly neutral manner, avoiding distortions to production decisions. The primary merit widely claimed for VAT is that it constitutes a particularly efficient way of raising substantial revenue (De Mooij, Hebous & Keen, 2025, IMF WP/25/165), a claim supported by cross-country evidence on its revenue-generating capacity relative to alternative tax instruments. However, efficiency at the aggregate level does not preclude significant distributional and welfare costs at the household level — a distinction that is central to the analysis developed in this paper.

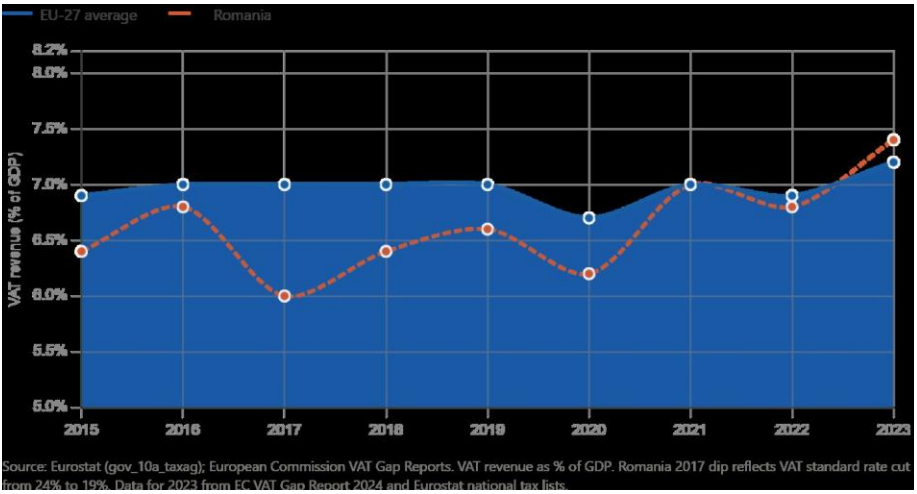

Figure 1. Evolution of VAT revenue as a percentage of GDP, EU-27 average and Romania, 2015–2023. Source: Eurostat (gov_10a_taxag); European Commission VAT Gap Reports (2022–2024).

1.2 Romania's Reliance on Consumption Taxation

Romania presents a particularly instructive case for the analysis of VAT reform. Prior to the 2025 reform, Romania had already undergone a significant VAT reduction cycle — cutting the standard rate from 24% to 20% in January 2016 and further to 19% in 2017 — motivated largely by stimulating domestic consumption. Despite this, between 2013 and 2021 the Romanian economy grew by 34% in real terms, yet the large downward shift in VAT rates did not produce a noticeable impact on the VAT compliance gap, which remained among the highest in the EU (European Commission, DG TAXUD, 2024, VAT Gap Report). By 2023, Romania's VAT compliance gap reached 30.0% of its total VAT tax liability — equivalent to approximately €9.2 billion — placing it last among all 27 EU Member States (European Commission, DG TAXUD, 2024). This persistent shortfall in VAT collection reflects underlying structural weaknesses in tax compliance and constituted an important element of the fiscal context preceding the 2025 VAT rate increase.

Romania's fiscal deterioration in the preceding period was severe. In 2024, Romania recorded the worst budget deficit in the European Union at 9.3% of GDP (ING Research, 2025), prompting mandatory corrective action under the EU's Excessive Deficit Procedure. In response, the parliament adopted in July 2025 a comprehensive fiscal consolidation package including significant tax revenue increases — notably the VAT rate rise, a broadening of health contribution bases, higher excise duties, and a higher dividend tax rate (European Commission, DG ECFIN, 2025). Against this institutional context, Romania's decision to raise VAT was as much a response to external fiscal pressure as it was a domestic policy choice.

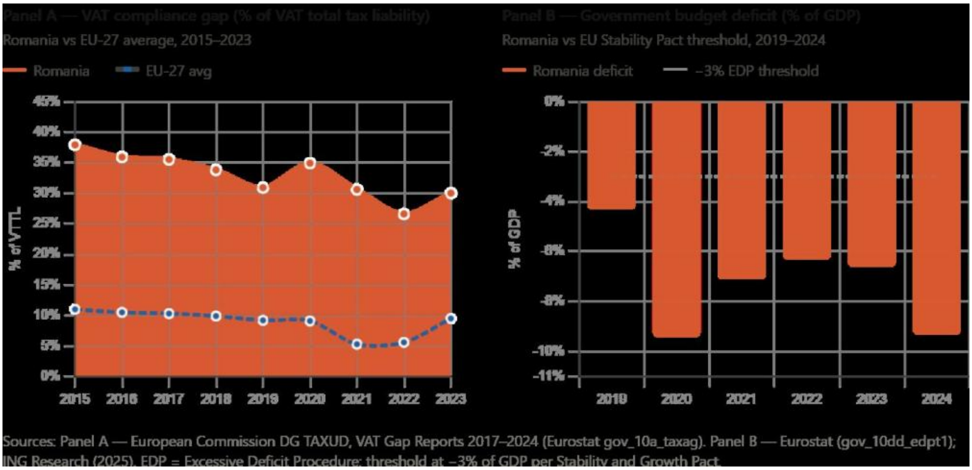

Figure 2. Romania's structural fiscal vulnerabilities: VAT compliance gap (Panel A) and government budget deficit (Panel B). Sources: European Commission DG TAXUD, VAT Gap Reports 2017–2024; Eurostat (gov_10dd_edpt1); ING Research (2025).

2. Theoretical Framework: Transmission Mechanisms from VAT to Welfare

2.1 Consumption as a Proxy for Welfare

The use of consumption as a proxy for economic welfare is well-established in economic theory. Under standard utility maximisation frameworks, household welfare is directly linked to the quantity and quality of goods consumed. A reduction in real consumption — whether caused by higher prices, lower real incomes, or both — maps directly onto a reduction in utility and measurable welfare. In this sense, VAT increases function as an implicit welfare tax: they raise the price of consumption goods, compress real purchasing power, and reduce the volume of goods and services that households can afford to purchase.

This transmission chain — VAT increase → consumer price inflation → erosion of real purchasing power → decline in consumption volume → welfare loss — underpins the empirical literature reviewed in subsequent sections and provides the theoretical foundation for using consumption data as the primary indicator of welfare impact in the present study.

2.2 Price Pass-Through and Consumer Behaviour

A critical determinant of the VAT-welfare relationship is the degree to which businesses pass the tax increase onto consumer prices. Standard economic theory assumes complete pass-through — a 2-percentage point VAT increase translates into an approximately equivalent consumer price rise. However, a substantial

empirical literature consistently demonstrates incomplete and asymmetric pass-through in practice.
The most rigorous empirical study on this question is provided by Benzarti, Carloni, Harju, and Kosonen (2020), who demonstrate, using two plausibly exogenous VAT changes in Finland and all VAT changes across EU member states from 1996 to 2015, that prices respond twice as strongly to VAT increases as to VAT decreases (Journal of Political Economy, 128(12), 4438–4474). Their EU-wide analysis shows that the average pass-through of VAT increases to consumer prices is approximately 55%, while that of VAT decreases is only 13% — a finding of direct relevance for Romania, where the reform is a permanent and substantial rate increase. A complementary European panel study found that a 1 percentage point VAT increase generates a 0.42 percentage point rise in consumer prices (Lowe, 2024, Oxford University Centre for Business Taxation WP 24/12), suggesting that firms absorb part of the tax increase through reduced profit margins rather than fully adjusting consumer prices.
The European Parliament Research Service (2026) summarises the empirical consensus as follows: empirical evidence indicates that VAT changes are asymmetrically transmitted, with the prevailing pattern being one of under-shifting for reductions — though higher pass-through rates are observed in more competitive market sectors, or when the rate change is large, permanent, and subject to public and regulatory scrutiny (EPRS Briefing PE 782613). In Romania's case, a permanent 2-point standard rate increase — the largest since 2016 — would be expected to generate substantial but incomplete consumer price inflation, with firms in less competitive segments retaining a portion of the tax burden within their margins.

2.3 Regressivity of VAT
VAT is widely recognised in the public finance literature as a regressive tax when measured against household income: lower-income households allocate a higher proportion of their income to consumption goods and therefore bear a proportionally larger effective tax burden than higher-income households. Cross-country empirical evidence consistently shows that consumption taxes tend to increase inequality, disproportionately affecting low-income, retired, and unemployed households (Blasco, Guillaud & Zemmour, 2023; Decoster, Loughrey, O'Donoghue & Verwerft, 2010).
In the Romanian context, the 2025 reform amplifies these effects by eliminating the previously differentiated reduced VAT rates of 5% and 9%, which had partially mitigated the tax burden on essential goods, and replacing them with a unified 11% rate. This change is particularly significant given that demand for essential goods such as food is price inelastic. Empirical evidence indicates that a 1% decrease in food prices leads to an increase in consumption of less than 0.5% (European Commission study on reduced VAT rates, cited in EPRS, 2026), implying that consumption responds only weakly to price changes. Consequently, increases in VAT on essential goods are unlikely to generate proportional reductions in consumption; instead, lower-income households are compelled to absorb the higher costs by reducing expenditure on non-essential items or drawing down limited savings.

As a result, the removal of reduced VAT rates on essential goods in Romania is expected to impose disproportionate welfare costs on lower-income households, reinforcing the regressive incidence of the reform.

3. Empirical Evidence on VAT Increases and Consumption

3.1 Consumption Responses: Estimates from the Literature

The empirical literature on consumption responses to VAT changes yields a range of elasticity estimates, with the key finding being that responses are asymmetric and depend on the direction, permanence, and magnitude of the rate change.
Benzarti and Carloni (2019), examining the 2009 VAT cut for French sit-down restaurants, find that firm owners captured more than 55% of the tax reduction, while consumers received the smallest share of the benefit, indicating that the reduction was only weakly transmitted into lower prices. This finding is consistent with Benzarti et al. (2020), who show that VAT increases are passed through to prices more strongly than VAT decreases across a broad set of EU reforms. Taken together, these studies suggest an asymmetric incidence pattern: consumers tend to benefit only modestly from VAT cuts, whereas they bear a larger share of VAT increases through higher prices, while firms preserve or enhance margins relative to a symmetric pass-through benchmark.
Crossley, Low and Wakefield (2009) analyse the United Kingdom's temporary reduction in VAT from 17.5% to 15% in 2009 and find only a modest stimulus effect on consumption, partly because the tax cut was not fully passed through to consumer prices (Fiscal Studies, 30(1), 3–16). As a result, the reduction generated limited improvements in household purchasing power and therefore only a weak demand response.
The implication for VAT increases is asymmetrical. If tax reductions are only partially transmitted to prices, while tax increases are more fully reflected in consumer prices, then increases in VAT are likely to have a stronger and more persistent impact on consumption than equivalent reductions. In the Romanian context, where the 2025 reform represents a permanent increase in VAT rates within a relatively concentrated retail environment, this asymmetry suggests a potentially significant and durable contraction in household consumption.

3.2 Short-Run Versus Long-Run Effects

The temporal dimension of VAT changes is critical for interpreting the observed effects within Romania's current 8-month post-reform window. In the short run, the impact of a VAT increase is driven primarily by price adjustments and the immediate compression of household purchasing power, resulting in a direct reduction in real consumption. Over the medium term, however, households and firms begin to adjust their behaviour, with households reallocating consumption, reducing savings, or altering labour supply decisions in response to sustained income pressures.
Evidence from temporary VAT changes highlights the importance of policy duration. In Spain, a temporary reduction in VAT on food between January 2023 and December 2024 resulted in a relatively high pass-through of approximately 90%, but prices began to revert within a few months, indicating that the consumption effects of temporary measures may dissipate relatively quickly (Amores et al., cited in Bernardino et al., 2025, Journal of Public Economics, 248, 105416). By contrast, Bernardino et al. (2025) find that a permanent VAT reduction in the Portuguese supermarket sector was fully and symmetrically passed through to consumer prices,

suggesting that permanent policy changes are more likely to be fully embedded in pricing behaviour.
Taken together, these findings imply that the effects of Romania's 2025 VAT increase — which is both permanent and broad-based — are likely to be more persistent and structurally embedded than those observed in temporary policy episodes, with correspondingly stronger implications for household welfare.
Buettner and Madzharova (2021) identify significant pre-announcement consumption effects in European VAT reforms, showing that consumers tend to bring forward purchases — particularly of durable goods — in anticipation of future tax increases, followed by a pronounced decline in consumption after implementation (American Economic Journal: Economic Policy, 13(3), 103–134). This behaviour reflects intertemporal substitution, whereby households shift consumption to periods with lower expected prices.
The Romanian VAT reform, effective 1 August 2025, appears consistent with this pattern. Retail sales increased by 5.4% year-on-year in July 2025, the month immediately preceding the reform, before declining by approximately 4.0% month-on-month in August 2025 (National Institute of Statistics, cited in Romania Insider, February 2026). This dynamic suggests that part of the observed post-reform contraction reflects a reversal of pre-reform demand brought forward, rather than a purely contemporaneous decline in consumption.
Accordingly, this pre-announcement effect constitutes an important source of empirical distortion and should be explicitly accounted for when assessing the welfare impact of the reform.

4. Distributional and Welfare Effects

4.1 Income Group Impacts

The welfare effects of VAT increases are not evenly distributed across households, but vary systematically by income level. Evidence from EU member states over the 2010–2019 period indicates that changes in consumption taxation have generally increased inequality, with the strongest effects associated with higher effective taxation of housing-related energy consumption (Blasco, Guillaud & Zemmour, 2023, Economic Policy). These findings reflect the fact that lower-income households allocate a larger share of their budgets to essential goods, making them more exposed to consumption-based taxation.
In the Romanian context, the 2025 reform amplifies these distributional effects. The simultaneous increase in the standard VAT rate from 19% to 21% and the replacement of reduced rates of 5% and 9% with a unified 11% rate effectively removes mechanisms that previously mitigated the tax burden on essential goods. As a result, the reform increases the effective tax incidence on lower-income households, reinforcing the regressive nature of VAT.
Supporting evidence from microsimulation analysis of a comparable uniform VAT reform in Italy shows a measurable increase in income inequality, reflected in a higher Gini coefficient (Journal of Policy Modeling, 2025). However, these effects are partially attenuated when VAT evasion is incorporated into the analysis, as a share of economic activity—particularly among lower-income or informal sectors—falls outside the formal tax base.
This moderating effect of non-compliance is particularly relevant for Romania, where the VAT compliance gap remains the highest in the European Union at approximately 30% of total VAT liability. While such a gap may reduce the effective tax burden on

segments of the informal economy, it simultaneously undermines revenue collection. Consequently, the Romanian case highlights a fundamental trade-off between distributional outcomes and fiscal effectiveness, whereby reduced regressivity due to evasion may come at the cost of diminished public revenues.

4.2 Affordability of Essential Goods
The removal of reduced VAT rates on essential goods in Romania has direct implications for household affordability, particularly for lower-income groups. Reduced VAT rates function as an implicit price subsidy, lowering the cost of goods such as food, medicines, and other basic necessities. Since lower-income households allocate a larger share of their expenditure to these items, such reduced rates play an important role in mitigating the regressive effects of consumption taxation.
Empirical studies from the Netherlands show that higher-income groups benefit nearly twice as much as lower-income groups in absolute terms from reduced VAT rates on foodstuffs and cultural activities (Bettendorf & Cnossen, 2015, as cited in Cnossen, 2022, International Tax and Public Finance, 29(1), 215–236). However, this finding does not negate their redistributive role: by lowering the price of essential goods, reduced VAT rates provide meaningful support to lower-income households in relative terms. Their removal therefore eliminates an existing, though only partially effective, mechanism that helps sustain consumption among more vulnerable groups.
In the Romanian context, this effect is further intensified by concurrent macroeconomic pressures. The increase in the standard VAT rate, combined with the upward adjustment and partial consolidation of reduced VAT rates, rising energy costs following price deregulation, and the freezing of public wages, creates a cumulative affordability shock. Given the price inelasticity of essential goods, households are unable to significantly reduce consumption and must instead adjust by cutting expenditure on non-essential items or reducing already limited savings. As a result, the reform is expected to disproportionately affect lower-income households, both through higher effective taxation and through a direct deterioration in the affordability of basic consumption goods.

5. Macroeconomic Effects of VAT Changes

5.1 Inflation Transmission
A VAT increase of the scale implemented in Romania — 2 percentage points on the standard rate, combined with the effective doubling of the lowest reduced rate from 5% to 11% — constitutes a substantial one-time inflationary shock. Post-reform data confirm this assessment unambiguously. HICP inflation in Romania accelerated sharply following the August 2025 reform, reaching 8.6% in September 2025 — the highest in the European Union — driven primarily by the VAT rate increase and the concurrent elimination of household electricity price caps (European Commission, DG ECFIN, Autumn Forecast 2025). This placed Romania as a clear outlier in the EU inflation landscape: in December 2025, Romania recorded one of the two largest annual decreases in retail trade volume among EU member states, in contrast to the EU-wide average growth of 1.7% (Eurostat, February 2026, Euro Indicators).
The inflation surge directly erodes real purchasing power. In an environment where public sector wages and pensions were simultaneously frozen as part of the broader

fiscal adjustment, private consumption was projected to sputter as higher VAT cut into disposable incomes, with the combination of fiscal tightening and weak confidence carrying significant downside risks (ING Research, July 2025). These projections proved prescient: real wages contracted by 4.2% year-on-year in Q3 2025 and by approximately 5% in Q4 2025, according to INS data (cited in Romania Insider and bne IntelliNews, February 2026).

5.2 Aggregate Demand and Economic Growth

The macroeconomic channel from VAT increases to growth operates primarily through aggregate demand suppression. When households simultaneously face higher consumer prices and lower real incomes, their purchasing power declines, leading to a reduction in consumption expenditure. Given that private consumption represents the largest component of GDP in Romania's relatively consumption-intensive economy, even moderate contractions in household demand translate directly into downward pressure on overall economic growth. Romania's real GDP growth was projected at just 0.7% for 2025 and 1.1% for 2026, as fiscal consolidation dampened both private and public consumption, further exacerbated by the inflation surge (European Commission, DG ECFIN, Autumn Forecast 2025). In reality, actual outcomes were weaker than projected: Romania entered technical recession in Q4 2025, with GDP contracting 1.9% quarter-on-quarter following a 0.1% contraction in Q3 (FocusEconomics, 2026, supplementary).

This dynamic is central to the paper's contribution. The improvement in Romania's budget deficit — projected to decline from 9.3% of GDP in 2024 to approximately 7.5–7.8% in 2025 (ING Research, 2025) — is attributable to a revenue extraction effect rather than to productivity growth or real output expansion. In other words, the fiscal adjustment reflects higher effective taxation and reduced expenditure, rather than an expansion of the underlying economic base. The divergence between fiscal improvement on paper and simultaneous household welfare deterioration is precisely the trade-off this paper seeks to quantify. As the European Commission notes, Romania's fiscal stance is contractionary in both 2025 and 2026, before turning neutral in 2027 (DG ECFIN, 2025) — implying that the consumption suppression documented here is not transitory but will persist well beyond the 8-month observation window.

6. Evidence from Central and Eastern Europe, with focus on Romania

6.1 Comparative Evidence from Central and Eastern Europe

Romania is not unique among Central and Eastern European transition economies in facing the welfare costs of VAT-led fiscal consolidation. Hungary operates the highest standard VAT rate in the EU at 27%, providing the most developed long-run case study of sustained high consumption taxation in a CEE context. Research on Central and Eastern European economies shows that VAT compliance gaps, informality, and regressive incidence tend to be more pronounced than in Western European counterparts. These patterns are generally linked to structural characteristics of the region, including lower income levels, higher consumption-to-income ratios, and comparatively weaker social protection systems, all of which increase household exposure to consumption-based taxation.

A distributional microsimulation study applying household-level data to Spain, France, Romania, and Poland finds that demand-side VAT reforms are regressive in the absence of complementary redistribution measures across all four countries — providing direct comparative evidence that the welfare costs of VAT increases in Romania are consistent with broader patterns observed in both Central and Eastern and Southern European economies (cited in Blasco, Guillaud & Zemmour, 2023, Economic Policy, and related distributional microsimulation work on Romania/Poland in ScienceDirect, 2023–2025). In the Romanian case, these effects are likely to be more pronounced due to the interaction between high consumption dependence, elevated VAT non-compliance, and limited compensatory redistribution, which together amplify the transmission of VAT increases into household welfare losses.

6.2 Romania-Specific Context and the Crisis Parallel

Romania's 2025 reform unfolds against a backdrop of structural fiscal fragility that makes the welfare stakes unusually high. Reports in the Romanian financial press — including Ziarul Financiar — suggested, in the months following the August 2025 reform, that the scale of the consumption decline was comparable to that observed during the 2008 financial crisis. This interpretation is consistent with expectations from the academic literature, which predicts that a large and permanent VAT increase, when combined with public wage freezes and energy price deregulation in a high-inflation environment, can generate a substantial contraction in household demand.

The available data support this interpretation. Retail sales volume declined 3.6% year-on-year in Q4 2025, with food sales contracting 5.1% — the steepest annual decline since the COVID-19 pandemic (National Institute of Statistics, INS, cited in Romania Insider and bne IntelliNews, February 2026). In September 2025, Romania registered one of the two largest annual decreases in retail trade volume among all EU member states (-2.1%), in contrast to the EU-wide increase of 1.3% (Eurostat, November 2025). The decline in food sales, measured at 3.1% year-on-year and 2.6% quarter-on-quarter in Q3 2025, has been characterised as regressive, disproportionately affecting lower-income households (Romania Insider, November 2025).

From an academic perspective, the closest historical parallel for Romania is the 2010–2011 austerity episode, during which a 25% reduction in public sector wages, combined with fiscal tightening, led to a sharp contraction in GDP. The 2025 reform, while involving a smaller direct wage shock, operates in a context of compounding fiscal pressures — frozen wages, deregulated energy prices, higher excise duties, and higher health contribution bases — that collectively produce an aggregate demand shock of comparable severity. Romania's fiscal stance is expected to remain contractionary through 2026, before expected to turn neutral in 2027 (European Commission, DG ECFIN, 2025), meaning the welfare costs documented in this early-impact study are likely to persist and deepen over the medium term.

7. Conclusions

Existing empirical and theoretical research on VAT reforms converges on several key mechanisms. First, VAT increases are often transmitted to consumer prices asymmetrically and incompletely. Second, their incidence tends to fall disproportionately on lower-income households, reflecting the regressive nature of consumption taxation when assessed relative to income. Third, at the

macroeconomic level, VAT increases primarily affect activity through the compression of domestic demand. At the same time, the extent of pass-through, and therefore the scale of the resulting welfare loss, depends on contextual factors such as market structure, the inflation environment, and whether the tax change is temporary or permanent. These conditions vary substantially across the country settings from which most existing empirical evidence has been drawn.
Against this background, three gaps in the literature are particularly relevant to the present study. First, the empirical evidence remains concentrated in Western European contexts — including France, Finland, Germany, the Netherlands, and Portugal — which are generally characterised by lower inflation, stronger institutional capacity, and more developed social protection systems. By contrast, the welfare effects of VAT increases in a high-inflation, post-austerity Central and Eastern European economy with a large compliance gap, frozen public wages, and simultaneous energy price deregulation remain comparatively underexplored. Second, the literature has not always clearly distinguished between fiscal improvement in the sense of higher tax extraction and genuine economic improvement in the form of stronger real incomes, consumption, or welfare. This distinction is central to the Romanian case, where a narrowing deficit may coexist with a deterioration in household economic conditions. Third, although pre-announcement demand shifts are well documented in the VAT literature, no widely adopted methodological approach has emerged for incorporating such effects into welfare assessments of recent reforms, despite their capacity to distort pre-and post-reform comparisons.
This paper seeks to contribute to the literature in three corresponding ways. First, it provides an early empirical assessment of Romania’s 2025 VAT reform using recent macroeconomic indicators, thereby extending the evidence base beyond the Western European cases that dominate the existing literature. Second, it places the distinction between fiscal consolidation and household welfare at the centre of the analysis, treating revenue improvement and welfare outcomes as analytically separate rather than implicitly aligned. Third, it explicitly incorporates the pre-announcement consumption effect into the interpretation of the post-reform evidence, recognising that part of the observed contraction reflects demand brought forward before implementation. In doing so, the paper responds to recent calls for more context-sensitive evidence on VAT incidence, pass-through, and welfare effects across diverse European settings (Benzarti et al., 2020; De Mooij, Hebous & Keen, 2025; European Parliament Research Service, 2026).

References
1. Benzarti, Y., Carloni, D., Harju, J., & Kosonen, T. (2020). What goes up may not come down: Asymmetric incidence of value-added taxes. Journal of Political Economy, 128(12), 4438–4474. https://doi.org/10.1086/710558
2. Benzarti, Y., & Carloni, D. (2019). Who really benefits from consumption tax cuts? Evidence from a large VAT reform in France. American Economic Journal: Economic Policy, 11(1), 38–63. https://doi.org/10.1257/pol.20170504
3. Benedek, D., De Mooij, R., Keen, M., & Wingender, P. (2015). Estimating VAT pass-through. IMF Working Paper WP/15/214. International Monetary Fund. https://www.imf.org/external/pubs/ft/wp/2015/wp15214.pdf

4. Bernardino, T., Gabriel, R. D., Quelhas, J., & Silva-Pereira, M. (2025). The full, persistent, and symmetric pass-through of a temporary VAT cut. Journal of Public Economics, 248, 105416. https://doi.org/10.1016/j.jpubeco.2025.105416
5. Blasco, J., Guillaud, E., & Zemmour, M. (2023). The redistributive impact of consumption taxation in the EU: Lessons from the post-financial crisis decade. Economic Policy, 38(115), 565–612. https://academic.oup.com/economicpolicy/article-abstract/38/113/157/7089820?redirectedFrom=fulltext&login=false
6. Buettner, T., & Madzharova, B. (2021). Unit sales and price effects of preannounced consumption tax reforms: Micro-level evidence from European VAT. American Economic Journal: Economic Policy, 13(3), 103–134. https://www.aeaweb.org/articles?id=10.1257/pol.20170708
7. Cnossen, S. (2022). The C-inefficiency of the EU-VAT and what can be done about it. International Tax and Public Finance, 29(1), 215–236. https://doi.org/10.1007/s10797-021-09683-0 [Open access via PMC: https://link.springer.com/article/10.1007/s10797-021-09683-0
8. Crossley, T. F., Low, H., & Wakefield, M. (2009). The economics of a temporary VAT cut. Fiscal Studies, 30(1), 3–16 https://onlinelibrary.wiley.com/doi/10.1111/j.1475-5890.2009.00087.x
9. Decoster, A., Loughrey, J., O'Donoghue, C., & Verwerft, D. (2010). How regressive are indirect taxes? A microsimulation analysis for five European countries. Journal of Policy Analysis and Management, 29(2), 326–350. https://onlinelibrary.wiley.com/doi/10.1002/pam.20494
10. European Bank for Reconstruction and Development (EBRD). (2024).
Transition Report 2024–25: Navigating industrial policy. Country profile: Romania. London: EBRD. https://www.ebrd.com/home/news-and-events/publications/economics/transition-reports/transition-report-2024-25.html
11. European Economic Forecast. Autumn 2025 (Institutional Paper). Brussels: European Commission. Country chapter: Romania. https://economy-finance.ec.europa.eu/economic-surveillance-eu-member-states/country-pages/romania/economic-forecast-romania_en
12. European Commission, Directorate-General for Taxation and Customs Union. (2024). VAT Gap in the EU: 2024 Report. Publications Office of the European Union. file:///C:/Users/patricia.lele/Downloads/vat%20gap%20in%20the%20eu-KP0124001ENN.pdf
13. Eurostat. (2026, February 5). Volume of retail trade — December 2025. Euro Indicators. Luxembourg: Publications Office of the European Union. https://ec.europa.eu/eurostat/web/main/news/euro-indicators
17. ING Research. (2025, July 16). Monitoring Romania: Tackling Europe's largest deficit. ING Economic and Financial Analysis. https://think.ing.com/articles/monitoring-romania-tackling-europes-largest-deficit/
18. National Institute of Statistics, Romania (INS). (2025–2026). Press releases: Retail trade volume index. Bucharest: INS. https://insse.ro/cms/en/tags/press-release-retail-trade