



## Latvia Latest to Increase VAT to Cope With Credit Crunch

by Richard Asquith

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Latvia has become the latest EU country to increase VAT to help make up budgetary shortfalls caused by the deepening financial crises. The government has announced a 3 percent increase to 21 percent, effective in January 2009.

This follows VAT increases by Lithuania in November and Ireland in October.

It seems the U.K. may be going it alone with its strategy to cut VAT to stimulate the economy out of a recession. (For prior coverage of the U.K. VAT reduction, see *Doc 2008-24815* or *2008 WTD 228-1*.) The prospect of colossal budget deficits and demands from buyers of government debt mean that much of the rest of the EU is headed the other way.

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