

Increasing flat prices due to possible changes in VAT?

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New housing prices may grow again, by at least seven percent in case of the reduced VAT tax rate is increased. Chairman of FINEP development group Michal Kocián said this at a meeting with journalists. In such case, also other large flat constructors don't exclude price increases. Reduced VAT rate from the current ten to up to 17 percent, under preparation by the government, should be ready by 2012 in connection with the prepared pensions reform. After implementing the most consistent possible pension reform, Finance Minister Miroslav Kalousek would like to adopt a unified VAT rate of 19 %. "The total price of new flats can increase by up to ten percent. The final price has to reflect not only a higher VAT rate but also higher energy costs and construction materials, otherwise we would end in the red figures," head of FINEP said. Evžen Korec, CEO of Ekospol, sees the situation similarly. "Currently there is no room for covering the increased VAT from Ekospol's profit, the prices are pressed to their bottom," he said. FINEP's boss says that possible tax increase for the developers may, on the contrary, bring them more buyers in the short-term. This happened before increasing the reduced VAT rates in 2007. At the moment, the VAT rate of ten percent applies in flats of below 120 sqm and family houses of up to 350 sqm.

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