

[Download](#)

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

Arango-Thomas, Luis Eduardo

Flórez-Flórez, Luz Adriana

Marín, N. Johana

Posada-Posada, Carlos Esteban

Autores y/o editores

[Arango-Thomas, Luis Eduardo](#)

[Flórez-Flórez, Luz Adriana](#)

[Marín, N. Johana](#)

[Posada-Posada, Carlos Esteban](#)

The series [Working Papers on Economics](#) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc). The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Publication Date:

Friday, 20 September 2024

Abstract

This paper analyzes whether the policy of VAT exemption days, implemented in Colombia between 2020 and 2022 for some products and merchandise lines, had a positive effect on the consumption of such exempted goods. The evidence shows an intertemporal substitution in consumption of the items that benefited from the VAT exemption policy around the months when the policy came into effect; that is, purchases of these goods decreased in the months before and after the month of the VAT-free day, on which purchases increased. Moreover, we find that the VAT exemption days have a transitory positive effect on the items covered by the policy compared with those not covered. In terms of prices, we also find evidence of a transitory reduction in prices.