Abstract

To study the effect a change in a tax base has on the corresponding tax revenue is a useful tool to better predict future tax revenues. This property is called a tax revenue elasticity but generally it does not get as much attention as it deserves, and when it does, key points like using data adjusted for the effects of tax reforms or distinguishing between the short-run (instantaneous) and the long-run (equilibrium) elasticity are often omitted. In my thesis, I am the first one to estimate the tax revenue elasticities for Slovakia. I use a unique dataset adjusted for the effects of tax reforms and tax changes to estimate both the short-run and the long-run elasticities for the three tax categories that account for the majority of each year's tax revenue – Personal Income Tax, Corporate Income Tax and Value Added Tax. I obtain a long-run elasticity of 0.98, 1.28 and 0.94 for the Personal Income Tax, the Corporate Income Tax and the Value Added Tax respectively and a short-run elasticity of 3.51 and 1.93 for the Corporate Income Tax and the Value Added Tax respectively. I do not obtain a significant estimate in the case of the Personal Income Tax. Additionally, I find that it takes more than a year for the elasticity to reach its equilibrium value for all the three tax categories and that there is an asymmetric behaviour of the short-run elasticity according to the amount of the tax revenue in the case of the Corporate Income Tax.

JEL Classification	E62, H21, H24, H25
Keywords	tax revenue, tax base, elasticity, Slovakia

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