



STATE OF ISRAEL  
MINISTRY OF FINANCE

SPOKESPERSON OFFICE

INTERNATIONAL AFFAIRS  
DEPARTMENT

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## Press Release

### **Finance Minister to Cut VAT by Half a Percent at the Beginning of 2010**

Finance Minister **Dr. Yuval Steinitz** has decided to cut VAT by half a percent right at the start of 2010. This rate cut will not only help boost economic growth but alongside further increases to allowances in 2010, it will increase the purchasing power of the weak strata and reduce income gaps. Additionally, this cut combined with concurrent interest rate adjustments will alleviate inflationary pressures. **Accordingly, the VAT will be cut to 16% this coming Friday.**

The decision to accelerate the implementation of the half-percent VAT tax relief from 2011 to 2010 was influenced by the upturn in growth and government revenue since the approval of the bi-annual budget and the economic program. As a result of this improvement, the macroeconomic fallout of the global recession for the Israeli economy has been milder than expected. However, the modest extent of the cut is an indication of the high level of uncertainty still prevalent in the economy. This makes it vital to operate within predetermined budget limits and to continue reductions in the budget deficit.