

# **Incidence and Welfare Effects of Indirect Taxes\***

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## **Abstract:**

The majority of microsimulation models are confined to ex ante evaluations of reforms in the personal income tax system or in social security contributions and benefits. This paper reports on an incorporation of indirect taxes, mainly VAT, excises and other consumption taxes, in the EUROMOD-microsimulation model. We sharpen the distributional picture of the overall tax and benefit system by bringing the indirect tax incidence for five European countries into the picture. We investigate explanations for the regressivity, and study the distributional effect of an integrated simulation of changes in social security contributions and indirect