

Abstract: This paper characterizes the shape of the Laffer curve for consumption tax analytically. The Laffer curve for consumption tax can be hump-shaped if the utility function is an additively separable one in consumption and labor supply. Conversely, it cannot be hump-shaped if the utility function is the one employed by previous researchers. The difference in the utility functions has quantitatively significant effects on the peak tax rates of the Laffer curves for labor and capital income taxes.