

## Abstract

This thesis consists of two main parts. At first, VAT lotteries are modelled as charitable lotteries for a public good. For that purpose, an economy consisting of risk-neutral, utility maximizing consumers with quasi-linear preferences is assumed. It is shown that the Taiwanese and the Slovakian versions of the VAT lottery provide more of the public good than an economy with no such lottery. The second part analyzes the willingness of firms and consumers to cheat and keep part of the VAT revenue for themselves. This is done because the key difference between the VAT and the charitable lotteries is the existence of firms which have an incentive to cheat and collude with the customers at the expense of the tax office. So when a set of profit maximizing firms is added to the model and the presence of the VAT lottery is still assumed, it is shown that under certain circumstances it might be more profitable for firms and customers to cheat because higher levels of profit or utility, respectively, might be achieved.

**JEL Classification** H25, H41, D62, H26

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