Report on Bachelor **Thesis**

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Student:	**Veronika Horváthová**
Advisor:	**Martin Gregor, Ph.D.**
Title of the thesis:	**The VAT lottery as a charitable lottery**

The thesis analyzes existing VAT lotteries from a microeconomic perspective. First, it presents key features of two main VAT lotteries (Taiwan and Slovakia) and characterizes formally the win probabilities in the two lotteries which is a non-trivial exercise given particular features of the lotteries.

Second, the thesis considers a VAT lottery to be a lottery through which a consumer who „purchases a ticket" (i.e., who buys a good and asks for a ticket) in fact buys a combined good. The combined good consists of the private good as well as the public good (purchased by the government though the incremental tax revenue). This combined purchased resembles charitable lotteris. Since Morgan (2000), it has been show that financing public goods through lotteries with prizes in the form of private goods (charitable lotteries) may boost willingness to provide public goods. Thus, one of the benefits of VAT lotteries is this increasing tax compliance which goes beyond the pure incentive to take part in the lottery.

The main part of the thesis is devoted to the analysis of two main VAT lotteries (Taiwan and Slovakia) in the context of a risk-neutral consumer with quasi-linear preferences over the private and public goods. While the author's perspective of VAT lottery as a charitable lottery is not entirely new, the formal treatment of the problem is still relatively scant. What I especially like in this thesis is modeling of jackpot and TV chance of the Slovak lottery. To my knowledge, these lottery features have not yet been analyzed in the context of charitable lotteries.

The third part is devoted to modeling of behavior of sellers (firms) which constitutes the key difference to the original model of the charitable lottery in which purchases are made directly to the lottery organizer. With firms, there is a possibility of collusion between the buyer and the firm. Among others, the author approaches the problem mainly through detection probabilities that affect the buyers. In this respect, I would rather consider internal motivations to comply with regulations (heterogeneous moral obligations), since for unrecorded transactions, only the seller can be punished; an ordinary buyer normally cannot be identified. However, this would require a model with private information of the buyer, which would be far beyond methodology taught on the undergraduate level.

Overall, I consider this thesis an innovative and interesting microeconomic treatment of a recent tax policy, and thus a valuable contribution to the tax analysis from the corner of formal public economics.

SUMMARY OF POINTS AWARDED *(for details, see below):*

CATEGORY		POINTS
Literature	*(max. 20 points)*	20
Methods	*(max. 30 points)*	28
Contribution	*(max. 30 points)*	26
Manuscript Form	*(max. 20 points)*	20
TOTAL POINTS	*(max. 100 points)*	**94**
GRADE	**(1 – 2 – 3 – 4)**	**1**

NAME OF THE REFEREE: Martin Gregor

DATE OF EVALUATION: **May 28, 2015**

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Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

LITERATURE REVIEW: The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.

Strong	Average	Weak
20	10	0

METHODS: The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.

Strong	Average	Weak
30	15	0

CONTRIBUTION: The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.

Strong	Average	Weak
30	15	0

MANUSCRIPT FORM: The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.

Strong	Average	Weak
20	10	0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě