Tax Lottery Receipts in Romania, a Different Approach to Fight Against Tax Evasion

Authors: Dragoș Ungureanu
Doina Elena Dascălu
1. The concept of a tax receipt lottery

The concept of a tax receipts lottery is based on the idea that a consumer purchase is much easier to record in the official economy, where it can be taxed by the authorities, if sellers issue a fiscal receipt to the customer.

People who abide by the law (they ask for the receipt) are awarded, in opposition to those who evade the law (do not give the receipt) and are punished.

Tax receipts lotteries are designed to increase the issuance of receipts in business-to-consumer-transactions.
2. Tax lottery receipts abroad

Malta

Malta has been the first European country to introduce a tax receipts lottery, as early as 1997.

The Maltese lottery system has flaws, as shown in the case where several withdrawals in 2002 and 2003 were schemed, involving 11 people, 3 of the organizers.

We can identify some of the characteristics of Maltese tax lottery: receipts are centralized in a physical format for each withdrawal, it takes time to complete the personal data on each ticket and prize value is capped at Euros 11,647. We conclude that participation in the lottery is not free, because sending bills involves costs; the management of unsuccessful receipts also presumes costs for their destruction and the system is not sufficiently transparent as there is no certainty that the receipts are the box.
Slovakia

The tax lottery scheme in Slovakia has been introduced in the second half of 2013, receiving widespread media attention and causing a large increase in interest regarding the use of such lottery schemes across Europe.

While the effective tax rate (the share of VAT revenues in the tax base) had been rising in Slovakia prior to joining the European Union (EU), since Slovakia’s membership in the EU in 2005 it had been significantly falling. The VAT gap had been increasing from its low point of 18.2% in 2003 to a high point of 40.1% in 2012.

The fiscal impact of the lottery is estimated to be modest, leading to extra revenue of about EUR 8 million annually. Initial costs for organizing tax lottery had been EUR 1.6 million. It is generally judged to be of modest impact compared to other available measures in fighting tax evasion.

The Slovak tax lottery does not enjoy great popularity as registration is cumbersome. Sending or dictating to the vendor whole ranks of codes involves patience and can be easily mistaken, which invalidates the gain.
Portugal

A tax invoice and receipts lottery on all VAT relevant transactions was implemented in Portugal too, called ‘Lucky Invoice Lottery’

The experience with the lottery scheme so far is relatively limited. The first draw was on April 17, 2014 over 207 million coupons and with 7.9 million buyers and 171000 issuer companies involved. Given the size of Portugal, this can be seen as significant participation. While no evaluation of the lottery scheme exists, it can be considered a success.

The Portuguese tax lottery system is overly bureaucratic lottery in order to provide equal opportunities to everyone. Also offering prizes in goods is a disadvantage and that’s why there are stipulated mechanisms to donate the prize.
3. Tax Lottery receipts in Romania

In Romania, tax lottery was implemented in January 2015. A mechanism was created to stimulate citizens to ask for a receipt for every purchase.

The drawings are held monthly on the first Sunday after the 15th of each month, taking into account tax receipts issued in the previous month. Receipts participating in the lottery must meet a number of conditions such as: have been issued by a fiscal electronic cash register, the mandatory information must be readable, have a value between 1.00 and 999.99 lei.

In the lottery, prizes may be claimed at any territorial unit of the National Agency for Fiscal Administration (ANAF). Claiming prizes is made within 30 days of the drawing, and if the number of receipts exceeds 100, an additional withdrawal is organized and 100 winning tickets are drawn.
4. Conclusions

The specifics of how best to design and introduce the lottery are often less clear. Also the positive fiscal effect (the cost of the lottery being outweighed by the reduction of VAT evasion) is an empirical question.

The tax lottery can also serve other purposes, such as serving as a communication vehicle to the citizens to stress the importance of tax payments.

They may also trigger a public discussion about the two-way character of taxes (them being more than just a tribute, but something from which citizens expect something in return).

The mechanism of the operation of tax lottery has been designed to respond to principles of equity, efficiency and simplicity. The main advantages are related to reduced costs for both participants and organizers and unhindered participation of all socio-professional categories is ensured.

The main advantage concerns the low management costs, which sets the premises for using the money for prizes and not for administrative costs. However, the tax impact of this project and its direct benefits against tax evasion in Romania are yet to be seen.