“Young Economic Summit” awards school students under KU direction

How can states take action against everyday tax evasion and how can a better tax morale be achieved? A team of students of the Deutsche Berufsschule Hong Kong has developed an exceptional solution which was given the Best Scientific Analysis Award at the nationwide “Young Economic Summit YES!”.

The annual competition is a joint project with the ZBW - Leibniz Information Center Economics and the Joachim Herz Foundation in Hamburg. Researchers from the WFI Ingolstadt School of Management of the Catholic University Eichstätt-Ingolstadt (KU) are among the academic partners of YES! and as such gave the school teams a current problem to work on.

The competition provides students with a common platform and tools for the development of solutions for economic, ecological and social challenges. International schools were eligible to participate for the first time this year.

In collaboration with Prof. Dr. Dominika Langenmayr (Chair of Economics, especially Public Finance) at the KU and her research associate Philipp Krug, the team of Deutsche Berufsschule Hong Kong developed the concept “Re-Tax - Together win in the fight of tax evasion!”.

In their project, they focused on the problem that many countries lose valuable revenue if, for instance, the fee for a new haircut or the price of groceries do not find their way into the official accounts of a business. Thus states lose revenue in value added tax. “Tax evasion does not only lead to a lack of income for the state, but is also perceived as unfair. Measures against tax evasion don`t have to be limited to monitoring and investigation under threat of punishment. That is why the students and our team have taken a look at the question how positive incentives might help improve tax morale”, says Philipp Krug.

The school students have expanded the concept of tax lotteries that is already being put into practice in different countries, such as Greece or Portugal. In these countries, you can participate in state lotteries with your sales slip, which means customers habitually ask for their receipts. The team of Deutsche Berufsschule Hong Kong has expanded this idea into a concept for a smartphone app. After the first registration in the app, users get a personalized QR code. When buying goods at the checkout, customers show the code. In addition to the information required by law, a QR code is then printed on the sales slip or shown in the electronic display of the cash register. When the customer scans this code, they automatically participate in the lottery. With each collected sales slip, customers get the chance to win cash prizes in a weekly, monthly or annual lottery. This is meant as an incentive for customers to ask for their receipt after a purchase. This demand would be a stumbling block for any cashier who intended not to enter the sale in the books.

After each purchase, the app also sends a message to the customer’s phone and gives an example of the equivalent of the value added tax for the purchase. This might read “The value added tax you have paid for your purchase corresponds to the hourly wage of a policeman”. Each time a person participates in the lottery, they are confronted with the way taxes are spent and consequently gain insight and awareness of their relevance.

“Aspects of digitalization generally and in fiscal management specifically as well as the questions of tax evasion and tax equity are burning issues. We can safely assume that politics will also have to consider how we can use new
technologies to create incentives. Concepts such as this one can be one way”, says Krug.

More detailed information on the competition is available at www.young-economic-summit.org.

contact for scientific information:
Philipp Krug (research associate; Chair of Economics, especially Public Finance; pkrug@ku.de)