Abstract

This thesis studies the effects of the electronic revenue registry introduced in the Czech Republic in December 2016 on reported firm output, purchases, and on firm entry/exit. The policy aimed to reduce tax evasion via improved reporting of cash transactions at the end of the supply chain. Firms in affected industries were required to use special electronic revenue registers that automatically send information to tax authorities. We conduct a difference-in-differences estimation on representative firm-level data provided by the Czech Statistical Office and construct control groups from industries that were unaffected by the policy but were otherwise similar to the affected industries. We construct multiple alternative control groups for each treated industry to test the sensitivity and robustness of the results to the choice of the control group. The thesis finds that the policy increased reported output in industries characterized by a high volume of small-ticket sales, which include *Food and beverage service activities*, *Accommodation*, and *Retail*. Additionally, in *Food and beverage service activities*, reported purchases increased by 16%, which could imply that the firms offset the increase in output by reporting greater purchases. Firm entry decreased and firm exit increased around and after the introduction of the policy, but there was a positive spike in firm entry in 2016. No clear effects were found on *Wholesale* and *Wholesale and retail trade and repair of motor vehicles and motorcycles* industries. The results of the thesis should, however, be interpreted in the light of the limitations of the data used and, in particular, the challenges of constructing a truly comparable control group.

JEL Classification D22, D24, E26, K34,
Keywords electronic revenue registry, tax regulation, difference in differences, fixed effects

Title The impact of the electronic revenue registry on Czech firms

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