

# Giorgos Stamatopoulos

## *Presentation Title*

### **A Strategic Tax Mechanism**

#### ***Abstract***

We introduce a novel commodity tax mechanism in oligopolies that improves upon the standard tax policies. The government (i) announces an excise tax rate  $\tau$  and (ii) auctions-off a number of tax exemptions. Namely, it invites the firms in a market to acquire the right to be exempted from the excise tax. The highest bidders are exempted paying the government their bids; and all other firms remain subject to  $\tau$ . Depending on the characteristics of the market, the mechanism we suggest has a number of desirable features. First, it allows the government to collect more revenues than the standard commodity tax policies (this is due to the competition among the firms to acquire the exemptions). Second, for markets where firms have informational advantage over the government, the mechanism allows for information revelation (via the firms' bids in the auction). Third, it impedes collusive activities in the market (as the mechanism creates an artificial asymmetry among the firms, which hinders collusion). Lastly, the mechanism is voluntary, namely the firms participate in the auction only if they wish and hence they are free to choose how to be taxed.

#### ***Keywords***

Excise tax; tax exemption; auction; asymmetric information; collusion

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