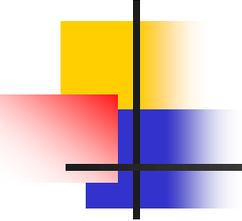# Economics and Public Finance Tutorial 7

- Topics:

  - VAT
  - Public Sector.
  - Scope and concepts in Public Administration.
  - Political decentralization (devolution).
  - Administrative decentralization.

  - Readings from lectures 11-12

Bibliography

Readings:

In English:

See P.Pereira and Nunes, Economia e Finanças Públicas: da Teoria à Pràtica, Summary of Chapter 11 (translated) and slides Lecture 13.

In Portuguese:

Chapter 11 of both books (theory and exercises):

- Pereira et al (2015) Economia e Finanças Públicas, Escolar Editora
- Pereira, P. and Nunes, F. (2016) Economia e Finanças Públicas: da Teoria à Prática, Edições Almedina
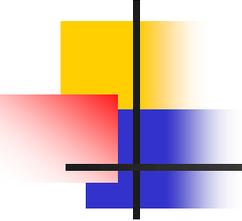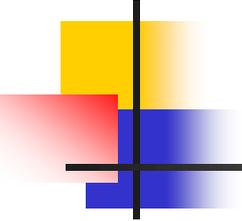
Topics for discussion 1

Taking into account the desirable characteristics of a tax system, efficiency, equity and transparency, compare the personal income tax (IRS) and the value added tax (VAT).
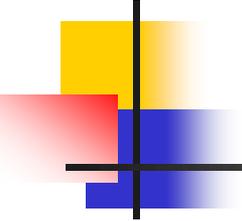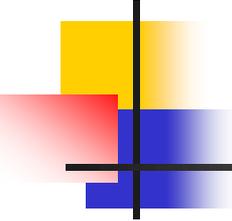
Topics for discussion 2

Clarify the criteria for determining whether a given institution belongs to public administrations.

Topics for discussion 3

The internal structure of Public Administrations (PAs) or general government, in Portugal and other countries can, to a certain extent, be explained through the phenomenon of decentralization.

a) Explain, briefly, the characteristics of the PA sub-sectors.

b) What justifies the autonomy of Social Security as a sub-sector? Justify.

Topics for discussion 4

Considering the structure of both the Public Sector and Public Administrations, say how you would classify the following entities:

a) University of Lisbon;

b) Lisbon Hospital Center (*Centro Hospitalar de Lisboa Central, EPE)*;

c) Public Bank (Caixa Geral de Depósitos);

d) General Directorate of the Budget (Ministry of Finance);

e) Funchal (Madeira) Municipality.
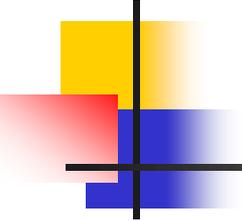
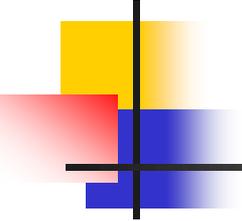# Multiple Choice - 1

The **central government** consists of:
a) Institutions from the direct and indirect administration of the State and Social Security.
b) Institutions of the State's direct and indirect administration.
c) Institutions of the direct and indirect administration of the State and of the indirect administration of the Autonomous Regions.
d) Public entities that supply non-market goods and services.
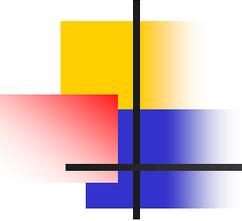
Multiple Choice - 2

Which is a *false* statement. The institutions from indirect administration with autonomous administrative and financial autonomy in general:

a) Have legal personality.
b) Its leaders have only powers of daily management.
c) They have own revenues.
d) Have access to credit in certain situations.

Multiple Choice - 3

The increase in the maximum VAT rate from 23% to 25% may be justified:

a) For reasons of equity.

b) For reasons of efficiency, for non-consumption externalities.

c) For reasons of financial income of the State.

d) For reasons of efficiency and on a user-pays basis.

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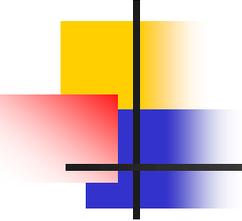
Exercise 1 – VAT

Consider a producer that purchases raw material from supplier A worth €10,000, at 6% VAT rate and to supplier B with 15.000€ at rate 13%.

The value of sales amount to €100,000+VAT at VAT rate 13%. Determine the VAT to be paid to the State.