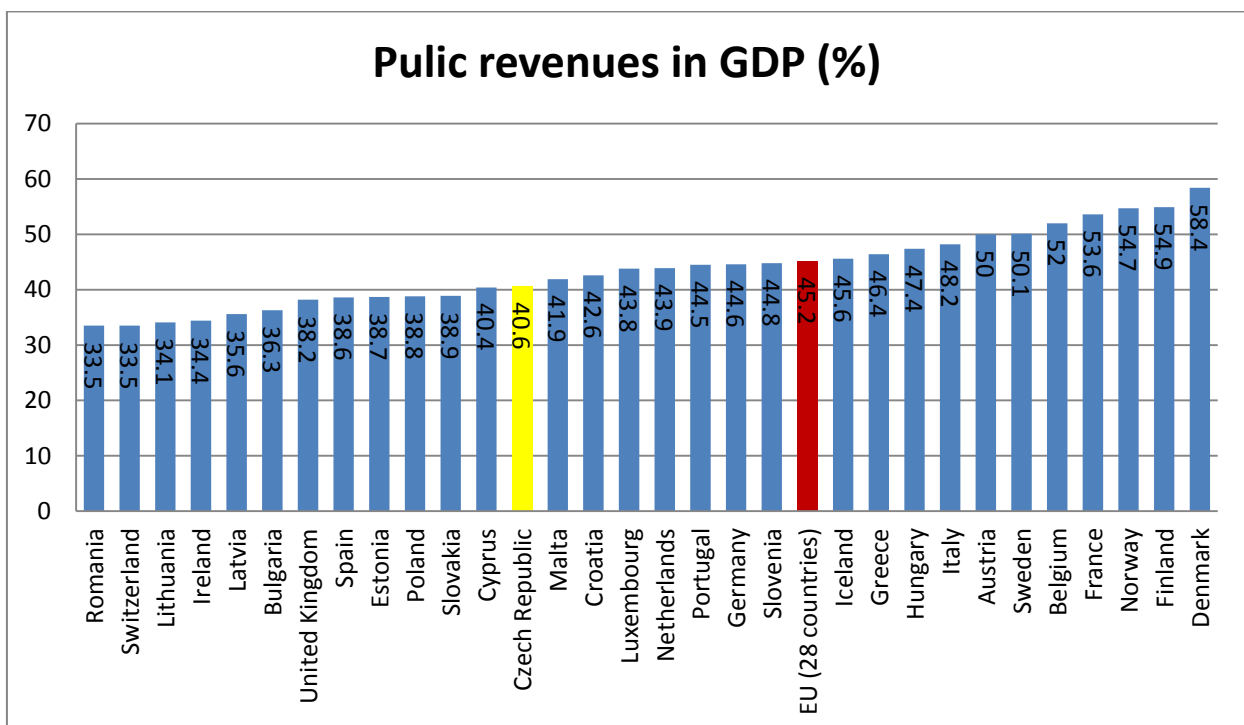


Public finance 1

Public revenues and tax theory

1. Public revenues

- What we can include to public revenues? Try to enumerate several categories of public revenues and include various sources of public revenues to the each group.
- Which group of public revenues makes up the largest part of public revenues?
- What is the importance of public revenues for public finance and what is it for?
- What is the planned amount of public revenues for 2014 in your country (in % GDP)? How an economic crisis influenced the public revenues (mainly 2008-2012).
- Compare the size of public revenues with the size of public spending
- Compare the amount of public revenues in % GDP with other countries.
- What can you deduce from identified data?



Source: Eurostat (2015)

2. Tax system

- Try to define tax. What in relation to tax revenues means these principles - non-recovery, non-equivalency, non-voluntarily?
- What functions do taxes perform? For each function, tell at least one example. (allocation, redistribution and stabilization)
- What is the difference between a tax and fee? Try to define the main differences. What fees do you have in your country? (*administrative, judicial, local*)
- Describe tax system in your country. Characterize individual taxes.

Each tax has certain characteristics and according to them we can categorize taxes:

- *According to a linkage to taxpayer – direct and indirect taxes*
- *According to a subject – wealth tax, income tax, excise tax, lump sum tax etc.*
- *According to a tax rate– fixed and percentage (progressive, proportional, regressive)*

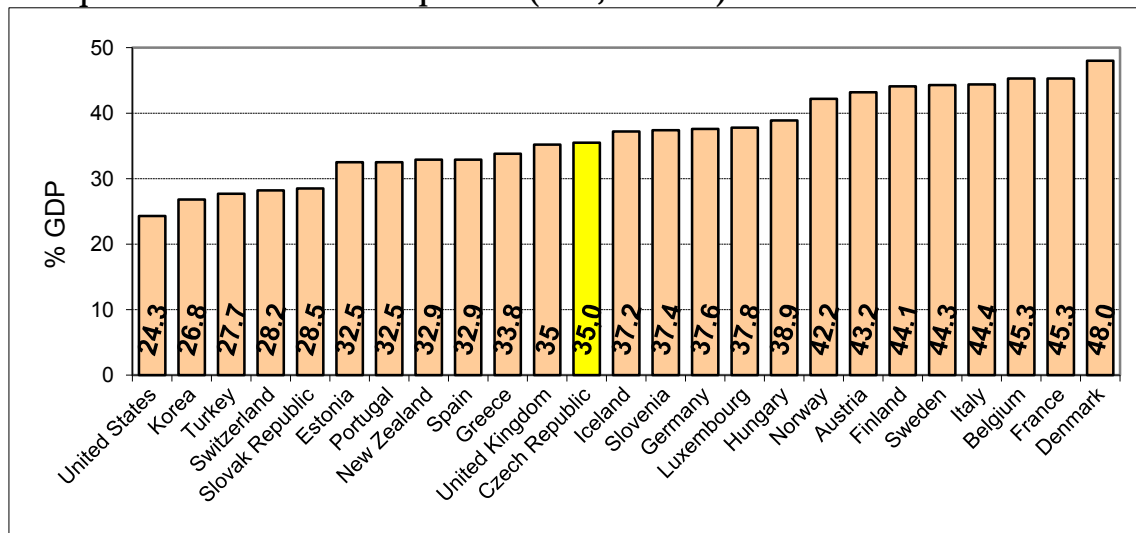
Give an example from your tax system for each cases.

Public finance 1

3. Tax revenues

- What is the share of tax revenues in public revenues in your country?
- Which tax has the largest share in public revenues in your country? (try to find out shares for each taxes)
- Why do we rank social security and health insurance to the tax revenue?
- What does it mean tax quota? What is a difference between simple and compound tax quota?

Tax quota – international comparison (2012, % GDP)



Source: OECD.stat. (2014)

- Can we deduce according to the tax quota a characteristic of tax revenues and tax system in certain country?

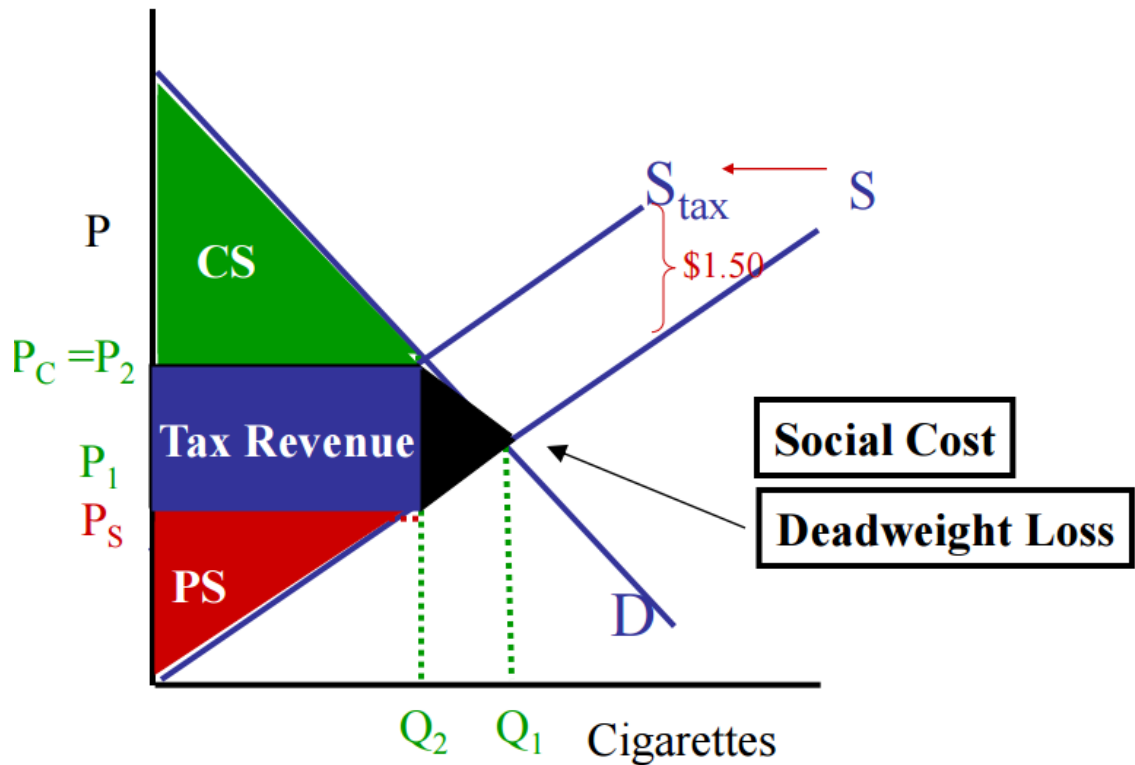
4. Tax efficiency and tax burden

- Are there costs associated with tax collection? What additional costs except the actual tax payment you perceive?
 - o Direct administrative costs (ie. connected with tax collection)
 - o Indirect administrative costs (private sector bears)
 - o
- Deadweight loss = Excess burden
 - o Imagine – taxes don't exist. On a market with cigarettes is equilibrium – consumer buy what they want and producer sell what they are able to produce. Than government impose taxes (1,50\$ for each package) to cigarettes because of citizens' health. Because it is indirect tax – producers transfer this “additional cost” to consumers and price of cigarettes go up. People are forced to decrease a cigarettes consumption because of limited incomes and part of consumer replace it ie. tobacco, electronics cigarettes which are cheaper. Producers sell fewer cigarettes and limit their production.

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- To what losses and benefits and on what side (consumer, producer, state) in this situation come about?

Deadweight Loss



Tax burden = tax + excess burden + administrative costs

5. Tax incidence

- In other words – who bears the burden of taxes?
- An important distinction:
 - Formal Incidence: Who is legally obliged to pay the tax.
 - Effective Incidence: Who actually bears the burden of the
- What is the difference between formal and effective incidence? What plays the most important role in effective incidence?
- Can you control, respectively. prevent effective tax incidence?

6. Tax equity

How can we judge the tax equity and fairness?

According what principles taxpayer should contribute to government (in form of taxes)? *Benefits-received principle, ability-to-pay principle*

Public finance 1

What is more important – EFFECIENCY OR FAIRNESS????