

# State finance studies

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- EU budget
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# Course of the subject

- Meeting 1 – 28 September
- Meeting 2 – virtual meeting/e-learning
- Meeting 3 – 30 November



# Sources

- Internet links in the presentation
- Collis, J – Jones, P: Public Finance and Public Choice, 2009, ISBN: 9780199234783

# Method of assesement

- Option 1 – oral exam
- Option 2
  - a maximum 15 minutes presentation
  - on 30 November
  - the content will be presented at the end of the day

# State finance – What it means?

- Public finance
- Community (EU) –finance
- Governmental finance
- General government

**State finance**



# Public finance – What it means? History

- „State ... becomes when the individuals are not independent already, but much is needed for them.” (Plato)

Greek philosophy saw two primary roles for public finance. The first was to **provide for public consumption**; every town had its own theatre, great works of art were scattered throughout the countryside, and annual festivals were held. The second role for government was **to raise and train soldiers and provide finance for war**, which would bring both slaves and glory upon the city-state. It is notable that there is no word for 'unemployment' in Greek; economic ruin meant slavery.

# Public finance – What it means? History

- In 1776 Adam Smith published his five volume work on "The Nature and Causes of the Wealth of Nations". He dealt with labour, capital, economic development, the history of economics, and public finance. His central claim was that self-interest can lead to the common good.

# Public finance – What it means? History

- The modern theory of public finance really blossomed after the Second World War. It owes much to the work of J.M. Keynes who questioned the adequacy of demand in the classical system and saw a **role for government in maintaining aggregate demand at its full employment level.**
- Youtube video: <https://www.youtube.com/watch?v=cAw4CKynIGI>

# Public finance - definition

- "The investment into the nature and principles of state expenditure and state revenue is called *public finance*"
- „Collection of taxes from those who benefit from the provision of public goods by the government, and the use of those tax funds toward production and distribution of the public goods.” – business dictionary
- „**Public finance** is the study of the role of the government in the economy.” - *Gruber, Jonathan (2005). Public Finance and Public Policy. New York: Worth Publications. p. 2.*
- "Branch of economics which deals with income and expenditure of public authorities or the state and their mutual relation as also with the financial administration and control the term public authorities includes ail bodies which help in carrying on the administration of the state,, - Professor Bastable - [http://www.economicconcepts.com/public\\_finance.htm](http://www.economicconcepts.com/public_finance.htm)

# Open questions

- Why do we give up (forced) a big amount of our incomes to achieve certain goals?
- Do we need more or less public services?
- Could support the central government the development of private companies?
- Why do we need financial audit authorities?
- Do we need local governments?
- Is it right that ensuring public services is not only the central government's responsibility?
- Is it needed and possible to measure the quality of public services?

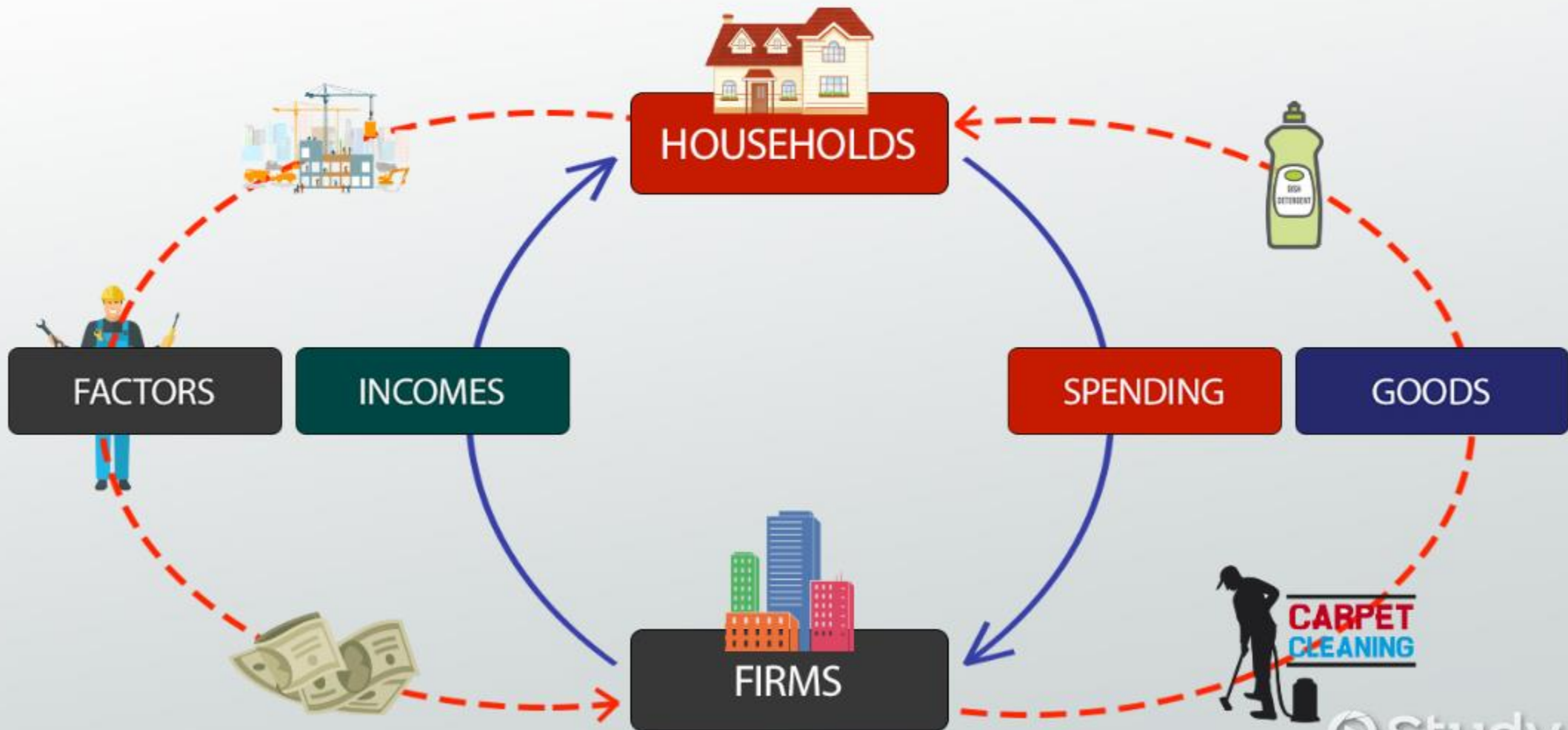
# System of state finance

## Actors of the national economy

- Households
  - Generally final consumers but as a self-employed also could be producer or service provider,
  - HR for other actors
  - Save the unspent money
- Firms, financial corporations
  - Collecting and redividing other actors savings
  - Producers or service provider activities
  - Generally net borrowers, supplementing the own resources



# Circular Flow Diagram



# System of state finance

## Actors of the national economy

- NGO (Non Governmental Organisations)
  - The main goal is not the profit-making but performing community tasks
  - The main part of the incomes coming from households
  - Generally final consumers
- Foreign countries
  - Buying national products (Export) selling own products (import)
  - Flow of savings is also possible
  - Flow of HR is also possible
- State finance
  - Final consumer, common social consumption
  - Incomes coming from the other actors' taxes, contributions
  - Generally provides common social and financial services

# Group work 1 – planning a household/family budget

Incomes

Expenses

# Family budget

## Incomes

- Salary of father
- Salary of mother
- Family allowance
  - (Pension)
  - Credit

## Expenses

- Catering
- Overhead (heating, electricity, water, telephone, TV ...)
- Season tickets
- Health expenses (doctor, medicines)
- Education
- Expenses of a car
- Taxes and fees
- Credit repayments

- <https://www.youtube.com/watch?v=6dElE3hDWMo> – about family budget

# Functions of a state

Based on the functions

Traditional (public power)  
Social (social politics)  
Economic

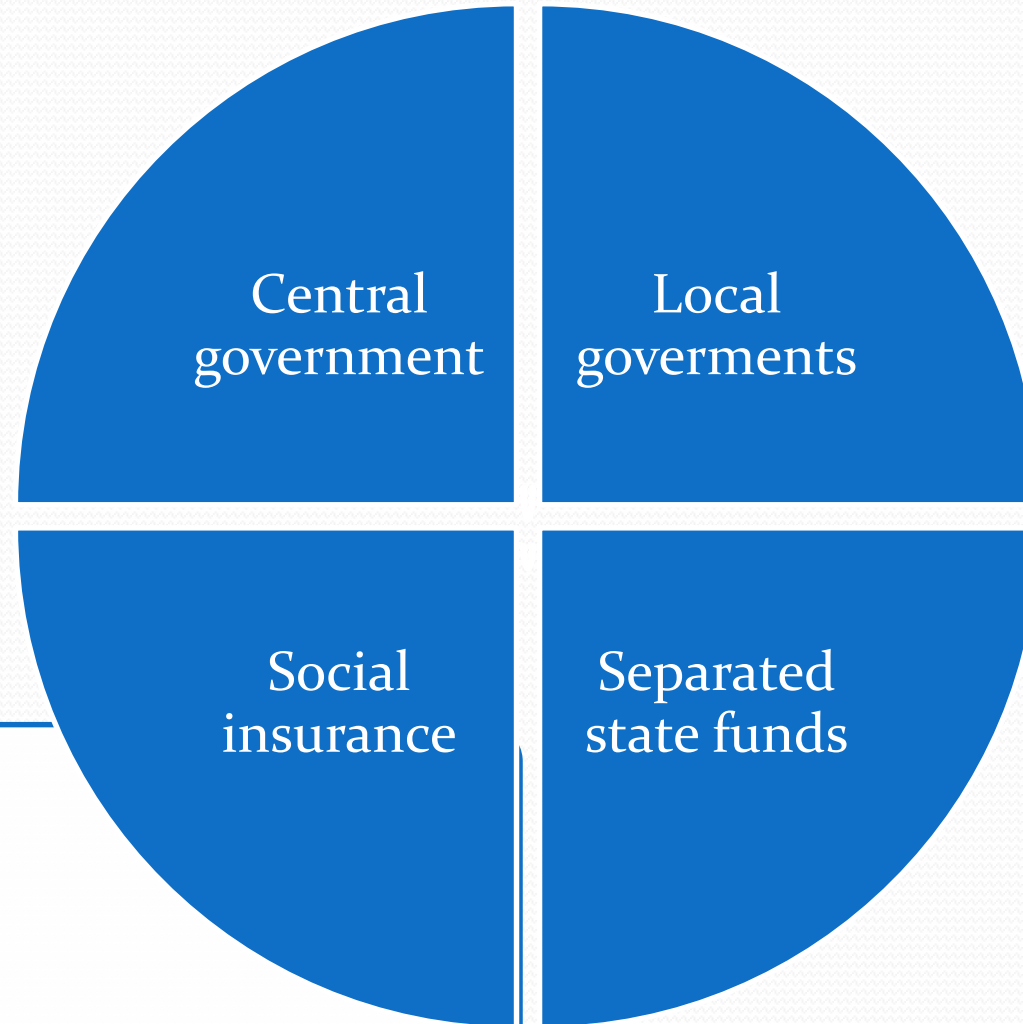
Based on the public economic

Allocation  
Redistribution  
Stabilisation

Based on the governmental activities

Regulative  
Financial

# 4 elements of state finance



- Health insurance
- Pension insurance



# Structure of the central government

Ministries (Ministry of Finance)

Chapters

Tax authority

other

Titles

Functional  
budget

Cumulation  
budget

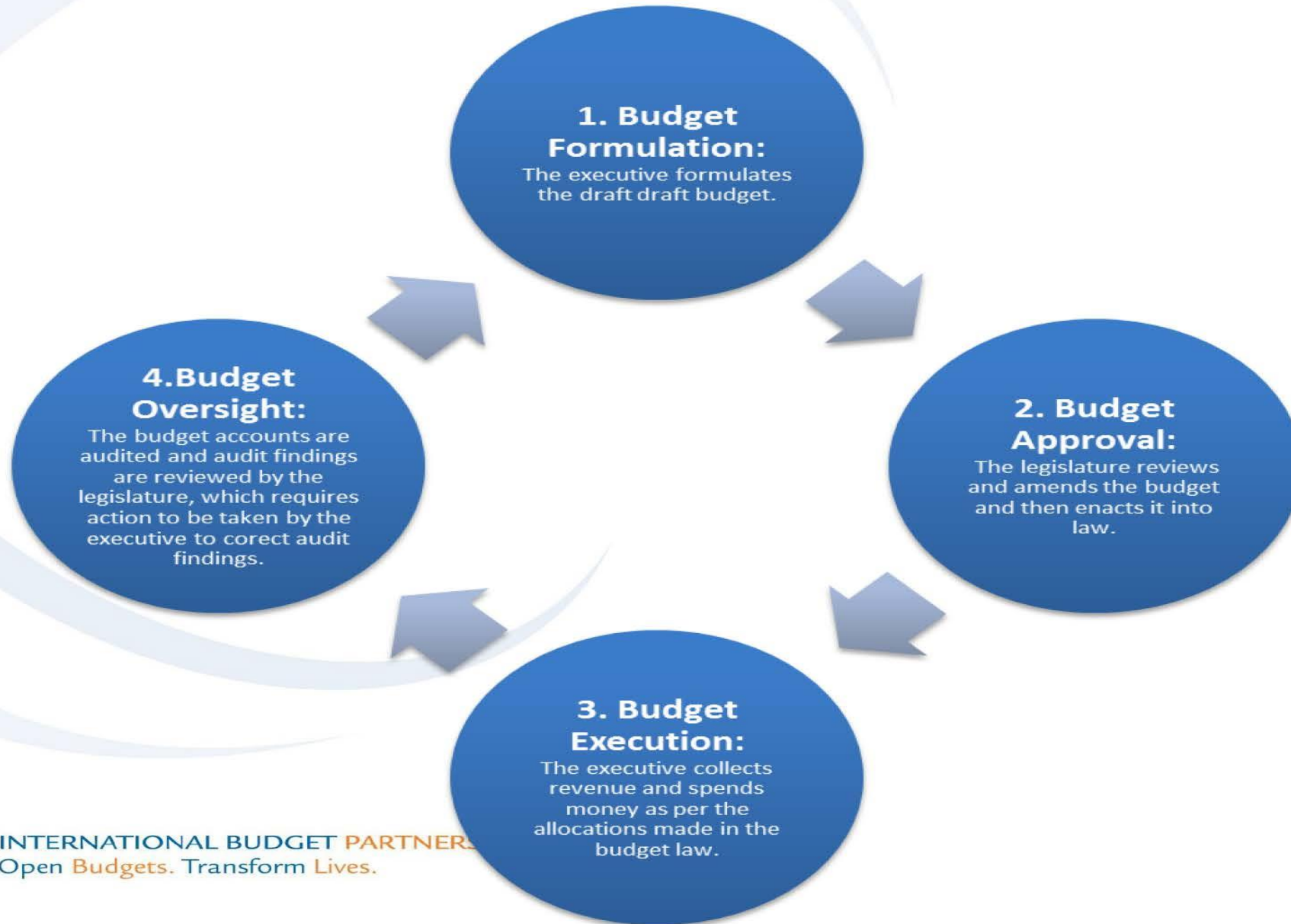
Special  
appropriations

Appropriations  
groups

Personal  
allowance

Emphasized  
appropriations

# The Budget Process



# Principles of budget planning

## Legal

- Obligation
- Enforcement
- Controllability
- Publicity
- Speciality
- Scope
- Limited application

## Economic

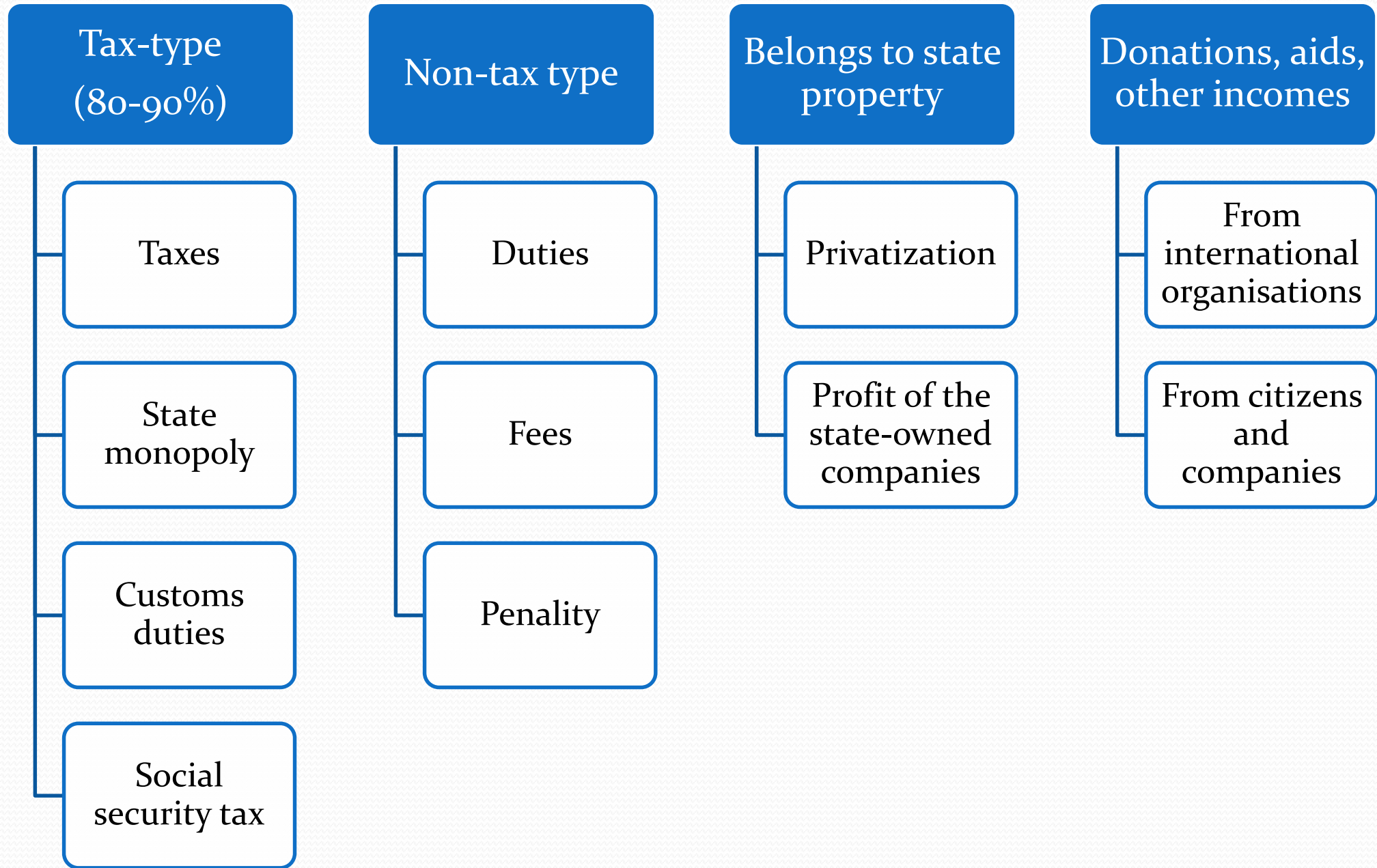
- Prevision
- Ballance
- Stability
- Commonality
- Global coverage
- Motivation

## Account

- Fullness
- Detail
- Transparency
- Continuity
- Gross accounting
- Isolating the credit and incomes

# Incomes

# Types of incomes



# Types of taxes

Direct

Indirect

Property

Income

Consumption

Progressive

Regressive

Flat

Central  
(State)

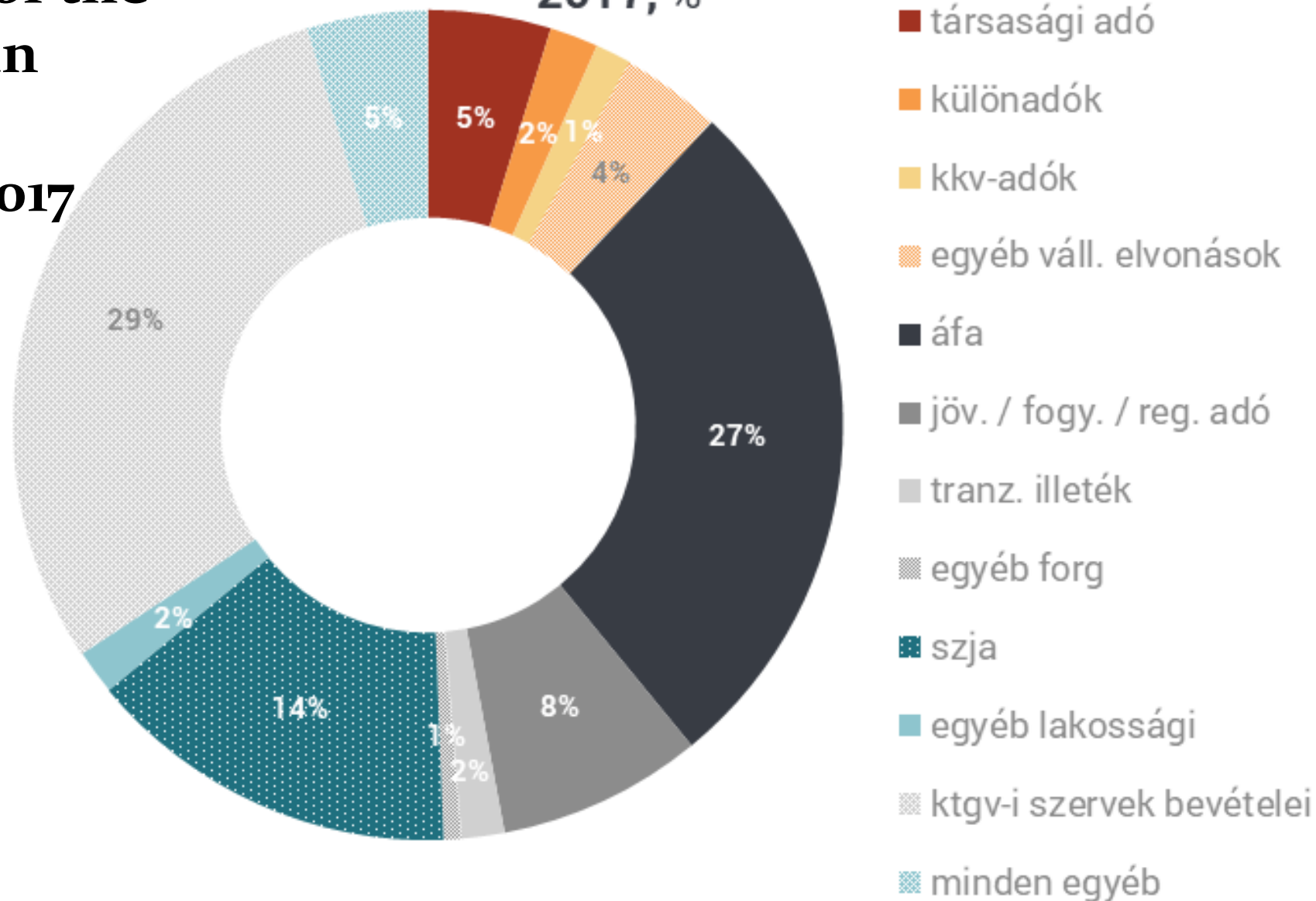
Local



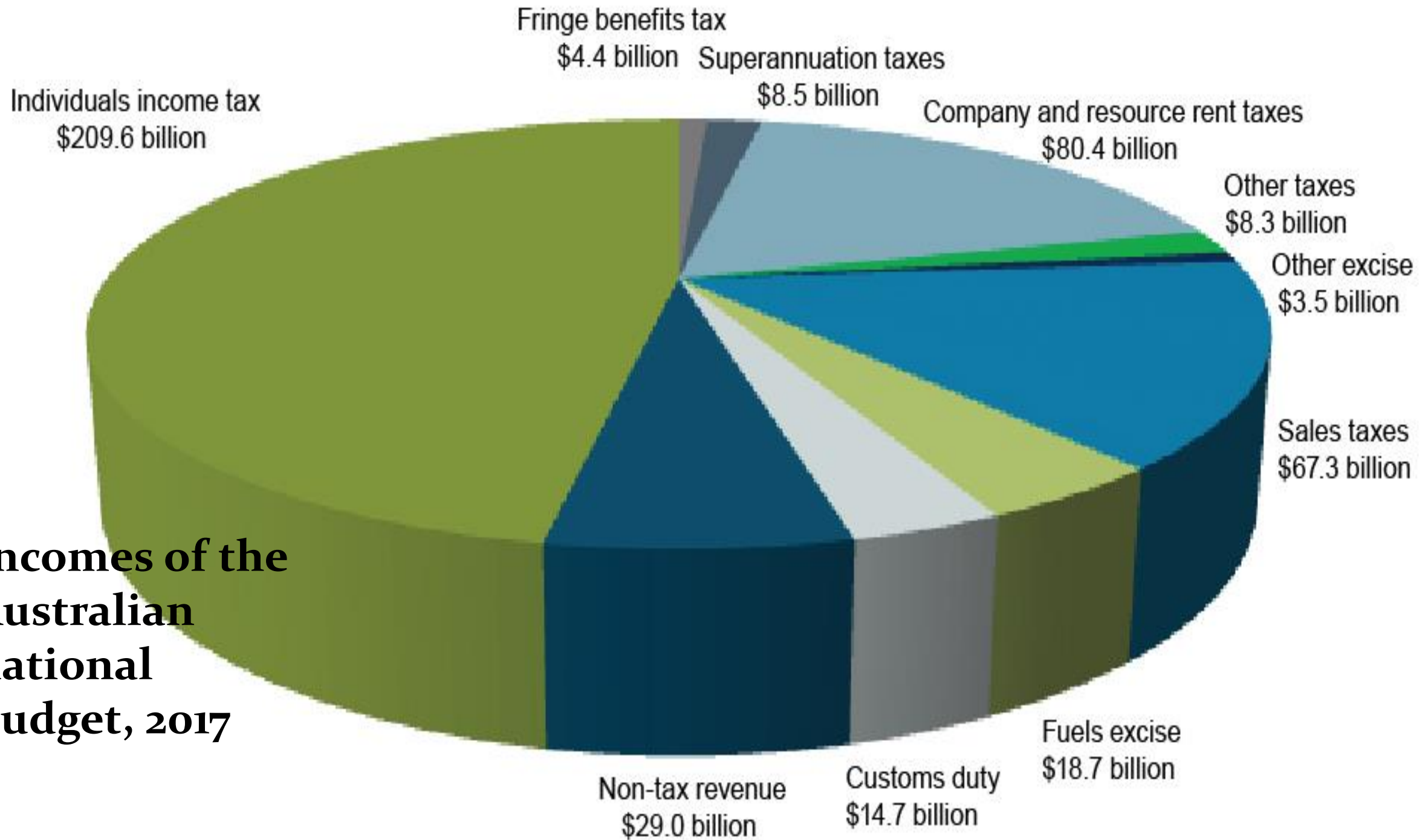
## A központi költségvetés bevételi szerkezete

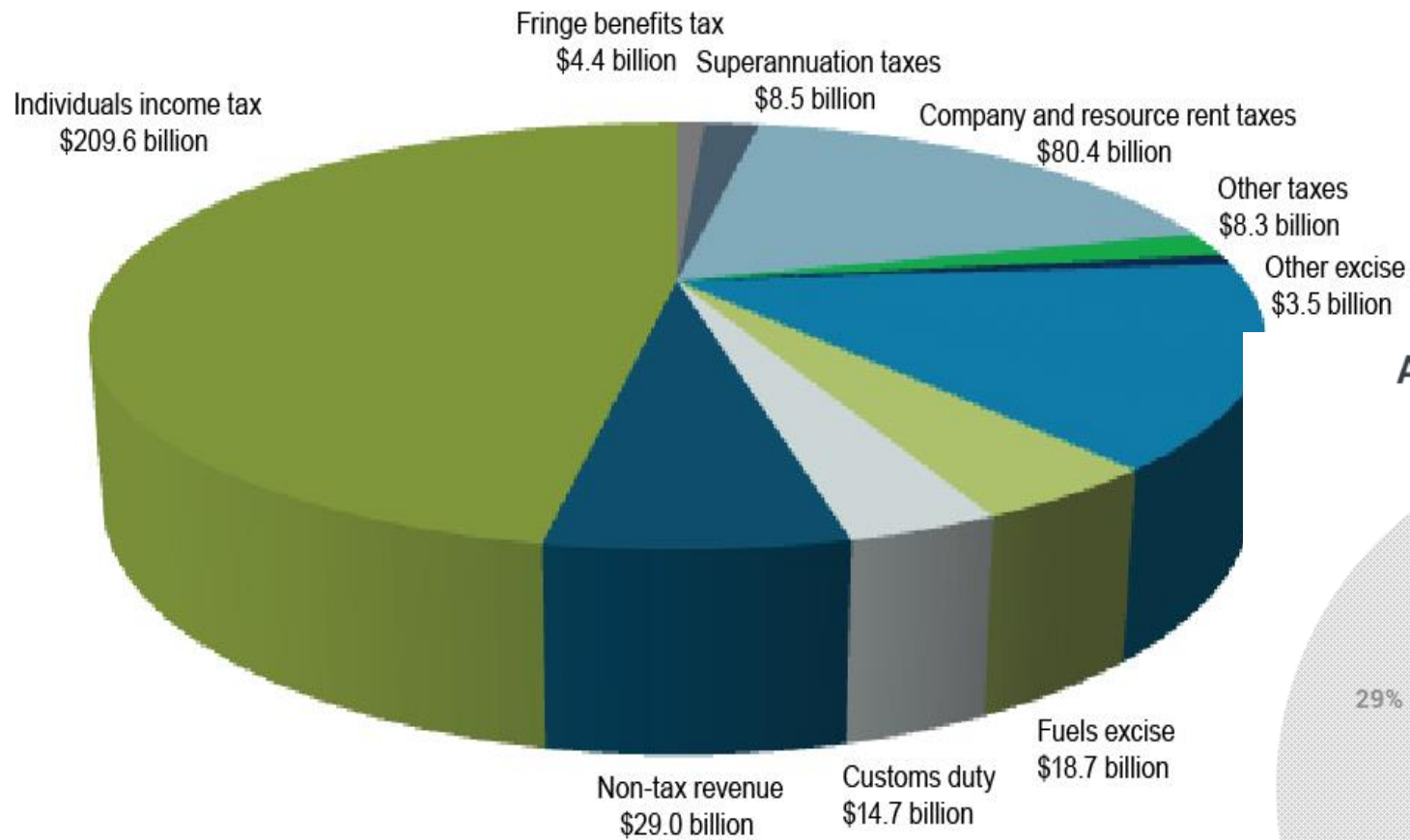
2017, %

## Incomes of the Hungarian national budget, 2017



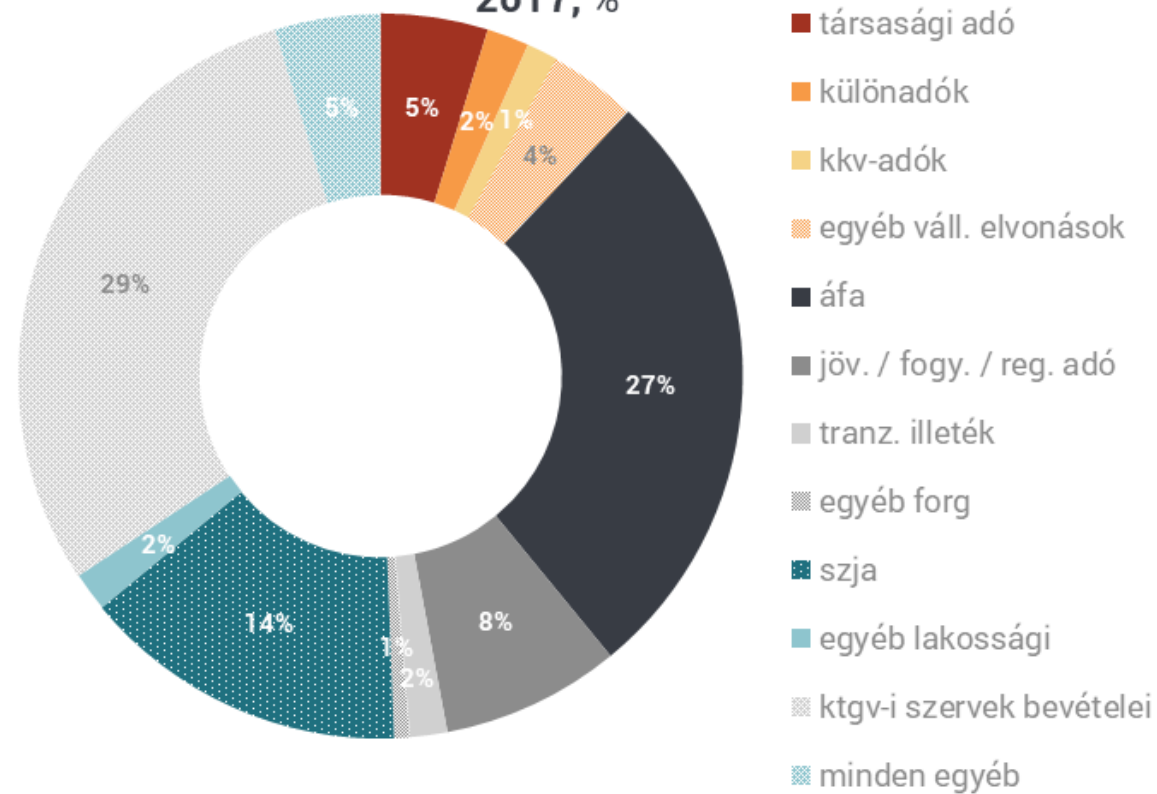
# Incomes of the Australian national budget, 2017





### A központi költségvetés bevételi szerkezete

2017, %



Forrás: Magyar Államkincstár, Portfolio

# Income taxation

<https://www.youtube.com/watch?v=ZDAbsgrDVlM>

| Salary/year (EUR) | Progressive | Regressive | Flat |
|-------------------|-------------|------------|------|
| -5000             | 5%          | 20%        | 10%  |
| 5001-20000        | 10%         | 15%        | 10%  |
| 20001-100000      | 15%         | 10%        | 10%  |
| 100001            | 20%         | 5%         | 10%  |

# Consumption taxes – Group work 2

- VAT – Value added tax
- Excise duty
- Green tax
- Health tax







# VAT – Value added tax

- known in some countries as a **goods and services tax (GST)**
- is a consumption tax placed on a product whenever value is added at each stage of the supply chain, from production to the point of sale.



# Excise duty

- An excise duty or excise tax is an indirect tax on the sale of a particular goods such as fuel, tobacco, alcohol
- The tax rate is high
- During the history type of the excise products changed



# Green tax

- Tax paid by consumers for products or services that are environmentally friendly. Intended purpose of green tax is to offset the negative impact resulting from the use of non-green products and services.





# Health tax

- A public health tax, often referred to as a "sin tax", is placed on goods that adversely affect health. Three principal arguments are used to justify this type of taxation. It can reduce consumption through increased prices; compensate society for things like increased health system costs; and increase resources for the health sector.



# Customs duty

- A tax or fee imposed on import or export goods to or from a country. These taxes may be put in place to generate additional tax revenue for the nation, or to protect domestic industries or businesses from external competition, or to limit the use of certain products by citizens of the nation.
- Based on tariff.
- <https://www.youtube.com/watch?v=aZ768wyxcZY>

# For e-learning

EU TAXEDU portal

- [https://europa.eu/taxedu/teachers-corner\\_en?title=&field\\_taxedu\\_core\\_target\\_group\\_value\\_i18n=2&field\\_taxedu\\_core\\_type\\_value\\_i18n=All](https://europa.eu/taxedu/teachers-corner_en?title=&field_taxedu_core_target_group_value_i18n=2&field_taxedu_core_type_value_i18n=All)

EU Customs e-learning

- [https://vpi.nav.gov.hu/ilias4/goto\\_vpi\\_client\\_cat\\_29802.html?lang=en](https://vpi.nav.gov.hu/ilias4/goto_vpi_client_cat_29802.html?lang=en)

# Content of the presentation

- Prepare a maximum 15 minutes presentation about your own country's state finance structure based on the followings:
  - Elements of the state finance
  - Structure of the central government (state finance)
  - Main taxes, statistics
  - Main expenses
  - Institution structure of the state finance
  - The main roles of the institutions



**Thank you for your attention**

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