

# SOUTHMOD

Exercises

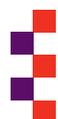
# Mozambique

MOZMOD v2.1

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República de Moçambique  
Ministério da Economia e Finanças



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*Note: The exercises presented below are applicable to MOZMOD model v2.1.*

## **Part A: Preparing to run MOZMOD, use Summary Statistics Tool and implement a policy reform**

**Difficulty level: Beginner**

Exercise 1: Run MOZMOD and produce summary statistics of poverty and inequality

### **Activity:**

Run EUROMOD and produce summary statistics of poverty (as measured by the headcount index based on consumption) and inequality (as measured by the Gini index based on consumption) for systems 2016 and 2017.

Exercise 2: Add a new system based on system 2017.

### **Activity:**

Note: call a new system MZ\_2017\_reform.

## **Part B: Ajustando políticas existentes**

**Difficulty level: Intermediate**

Exercise 3: Change the Simplified Tax policy by increasing the tax rate

### **Activity:**

Change the Simplified Tax [IMPOSTO: Simplificado (sobre vlume de negocios)] by raising the tax rate from 3% to 4%

### **Questions:**

By how much does revenue from direct taxes increase?

## Exercise 4: Change the Value Added Tax policy by raising the tax rate for electricity

### **Activity:**

Change the VAT policy [IMPOSTO: Imposto sobre o Valor Acrescentado] by raising the tax rate for electricity from 10.54% to 12.00%

### **Question:**

By how much does this reform increase revenue from indirect taxes?

## Exercise 5: Change the Social Insurance policy by amending the contribution rates

### **Activity:**

Change the Social Insurance rules so that the employer and employee each contribute 4% for the Private Sector and Self Employed [Seguranca Social: Sector Privado e Auto-Emprego], and so that employees contribute 8% in the Public Sector [Previdencia Social].

### **Questions:**

What is the new Social Insurance revenue?

## Exercise 6: Change the Direct Social Support Programme by increasing the value of support by 50%

### **Activity:**

Change the Direct Social Support Programme (DSSP) [Programa Apoio Social Directo] by increasing the value of the food boxes by 50%.

### **Question:**

What is the impact of this reform on consumption poverty in Mozambique?

## Exercise 7: Change the Simplified Tax policy by changing the tax rate and threshold

### Activity:

Change the Simplified Tax [IMPOSTO: Simplificado (sobre vlume de negocios)] by raising the tax rate from 3% to 4% and increasing the threshold from Mt 2.5 Million to Mt 3.0 Million. Introduce the new threshold amount as a constant within the constdef\_mz policy.

### Question:

What is the impact on revenue from direct taxes? And can you explain why there is also an impact on social security contributions?

## Part C: Introducing New Policies in MOZMOD

Difficulty level: Advanced

## Exercise 8: Introduce a universal old age benefit

### Activity:

Introduce a universal old age benefit for adults aged 65 and over, payable at 500 Mt per month. Leave all other benefits in place.

### Question:

How much would this new benefit cost? What impact would it have on poverty?

## Exercise 9: Introduce a universal child benefit (Mt 250)

### **Activity:**

Introduce a universal child benefit for children aged under 18, payable at 250 Mt per month, and produce two reform scenarios: the first scenario should leave all other benefits in place; and the second scenario should leave all other benefits in place apart from DSSP which is removed.

### **Question:**

How much would the universal child benefit cost? After the universal child benefit has been introduced, how much would be saved by removing the other benefits? In terms of poverty reduction, would it be better to retain the current benefits, or to replace them with a child benefit?

## Exercise 10: Introduce a universal child benefit (Mt 500)

### **Activity:**

Introduce a universal child benefit for children aged under 18, payable at 500 Mt per month, and produce two reform scenarios: the first scenario should leave all other benefits in place; and the second scenario should leave all other benefits in place apart from DSSP which is removed.

### **Questions:**

How much would the universal child benefit cost? After the universal child benefit has been introduced, how much would be saved by removing the other benefits? In terms of poverty reduction, would it be better to retain the current benefits, or to replace them with a child benefit?