

Many thanks for your suggestions; they are very useful for us. Our replies are divided in three issues:

- You are right; the theoretical model is hard to follow. We will rewrite the theoretical explanation of the model in order to clarify the consequences of the presence or not of financial VAT in all the scenarios. We will also present a table summarizing it.
- We will improve the motivation of the paper taking into account your suggestion in this respect.
- A variable which reflects VAT rates will be incorporated. As you suggest, the level of taxation and not just the presence or otherwise of the financial VAT, could be a variable that affects the size of the financial sector. This hypothesis also derives from the model developed by Aigner and Bierbrauer (2015).