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**EUROMOD COUNTRY REPORT
SPAIN (ES) 2005-2008**

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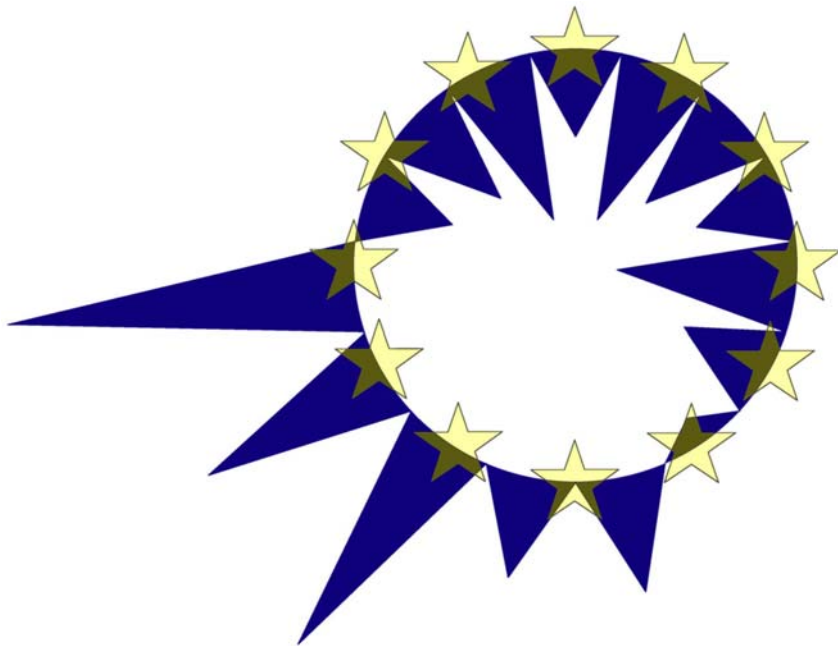


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EUROMOD

COUNTRY REPORT



SPAIN (ES)

2005-2008

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María Milagros Paniagua
(Instituto de Estudios Fiscales)**

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EUROMOD version F3.0



EUROMOD is a tax-benefit microsimulation model for the European Union (EU) that enables researchers and policy analysts to calculate, in a comparable manner, the effects of taxes and benefits on household incomes and work incentives for the population of each country and for the EU as a whole.

A major EUROMOD development project (*EUROMODUpdate*) is being supported by DG-EMPL with the key objective to improve and extend EUROMOD's usefulness.

This will involve enlarging and updating EUROMOD from 19 countries to cover all 27 Member States and recent policy systems, using EU-SILC (European Union Statistics on Income and Living Conditions) data as the input database.

EUROMODUpdate project began in February 2009 and will last 3 years.

The work is being carried out by the EUROMOD core developer team, based mainly in ISER University of Essex, in collaboration with a group of national teams.

A project Steering Group has been established, under the chairmanship of Sir Tony Atkinson.

Preparatory work in some of the New Member States is being conducted by the European Centre, Vienna, under the leadership of Orsolya Lelkes.

The Spanish team would like to thank Luis Ayala, Isabela Fernández de Beaumont, Marta Gómez, Cristina Herrera, Eva Martín, Javier Martín and África Rodríguez for their help in completing important details of the National and Regional policies description.

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The results presented in this report are derived using EUROMOD F3.0. EUROMOD is continually being improved and updated and the results presented here represent the best available at the time of writing.

For more information, see: <http://www.iser.essex.ac.uk/research/euromod>.

CONTENTS

1. BASIC INFORMATION	7
1.1. Basic figures	7
1.2. The tax-benefit system	7
1.2.1. Basic information about the tax-benefit system	8
1.3. Social Benefits	10
1.3.1. Contributory Benefits (C).....	10
1.3.2. Non-contributory Benefits (NC):	11
1.3.3. Social benefits changes 2006 - 2008	12
1.4. Social contributions	17
1.5. Taxes.....	19
1.5.1. Direct Taxes	19
1.5.2. Indirect Taxes	20
1.5.3. Changes in taxes 2006 - 2008	21
2. DETAILED DESCRIPTION OF SIMULATED TAXES AND BENEFITS	23
2.1. Order of simulation	23
2.2. Other simulation issues	24
2.2.1. Tax evasion	24
2.2.2. Benefit take up and fraud	24
2.3. Social benefits	24
2.3.1. Unemployment benefits.....	24
2.3.2. Pension benefits.....	28
2.3.3. Child and family benefits: National level	31
2.3.4. Child and family benefits: Regional level	35
2.3.5. Minimum Income Guarantee (Ingreso mínimo de inserción o Renta mínima):	45
2.4. Social contributions	59
2.4.1. General Regime	60
2.4.2. Agrarian Regime	61
2.4.3. Self-employment Regime	62
2.5. Personal income.....	62
2.5.1. Overview and reforms	62
2.5.2. Personal income tax – Tax Unit	62
2.5.3. Exemptions.....	63
2.5.4. Tax allowances.....	63
2.5.5. Tax base.....	66
2.5.6. Tax schedule	68
2.5.7. Tax credits	70

3. DATA	86
3.1. General description	86
3.2. Sample quality and weights.....	86
3.2.1. Non-response	86
3.2.2. Weights.....	87
3.2.3. Item non-response and under-reporting.....	88
3.2.4. Data adjustment	88
3.3. Imputations and assumptions	88
3.3.1. Time period	88
3.3.2. Gross incomes	89
3.3.3. Other imputed variables	89
3.4. Updating.....	89
4. VALIDATION.....	90
4.1. Aggregate Validation	90
4.1.1. Input data: income sources used by the model but not simulated	90
4.1.2. Simulated pensions and benefits	94
4.1.3. Simulated social contributions.....	97
4.1.4. Simulated taxes	99
4.2. Income Distribution	102
4.2.1. Income distribution	102
4.2.2. At risk of poverty rates.....	103
4.3. Summary of “health warnings”	105
REFERENCES	107

1. BASIC INFORMATION

1.1. Basic figures

As the figures in Table 1 show, the total population in Spain is increasing. This result is mostly pushed by the immigration phenomenon while fertility, that for a large period of time has been particularly low in Spain compared to other developed countries, is hardly increasing. In this context, there is a decline in the relative percentage of population below 18 years of age and an increase in the relative percentage of population that is over 65. In fact, this results also from the high level of life expectancy in Spain, particularly for females.

In 2005 Spain registered an increase in GDP per head compared to 2004. GDP Growth per head reached a 4.4% in purchase power parity. From then onwards, until 2008, GDP continued increasing at a good pace. However, in 2008, the economic crisis imposed a slight reduction of GDP per head in 2008 in comparison with 2007. Another indicator of the large impact of the economic crisis on the Spanish economy is the rapid increase of the unemployment rate that had been falling significantly since 2004. The unemployment rate in 2008 reached 10.4% of the active population, a 2.5 percentage points larger than that registered just a year before.

Table 1. BASIC FIGURES

	Pop. (m.)	Pop. < 18 (%)	Pop. ≥ 65 (%)	Life expect. (years) Female/Male	Fertility Rate (Total fertility rate)	Unemp Rate (2 nd quarter)	GDP per head (PPP)	Currency Name
2004	43,197,684	17.40	16.54	82.7/76.1	1.33	11.0	21611.48	Euro
2005	44,108,530	17.31	16.62	83.7/76.9	1.35	9.33	22560.71	Euro
2006	44,708,964	17.29	16.74	83.7/77.0	1.38	8.53	24240.07	Euro
2007	45,200,737	17.42	16.66	84.4/77.7	1.40	7.95	26057.56	Euro
2008	46,157,822	17.40	16.54	—	—	10.44	25768.46	Euro

Source: For population, life expectancy and unemployment rate the source is Instituto Nacional de Estadística (Resultados Desempleo EPA, Principales series de población y Indicadores Demográficos Básicos 2008). For GDP and Fertility the source is Eurostat. For fertility in particular: http://epp.eurostat.ec.europa.eu/portal/page/portal/population/data/main_tables, Statistics Database on line. http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

1.2. The tax-benefit system

The tax-benefit system in Spain during the 2004-2007 period was such that total government revenues were approximately 40% of GDP while total government expenditures were slightly below. This implied that the government budget was in good shape avoiding the accumulation of public deficit. Results in Table 2 also show that most government revenues come from tax receipts (this is including social contributions within tax receipts). In fact tax receipts have increased their importance relative to GDP since 2004, moving from 34.9 to 37.6 between 2004 and 2007. Government expenditure was 38.8% of GDP in 2007, slightly over that of the previous year. During the whole period of GDP expansion only about a half of Spanish government expenditures were dedicated to social protection, a figure that is relatively low in the European context.

Due to the strong impact of the economic crisis on the Spanish economy since 2008 total government revenue fell to 36.6 of GDP while government expenditure increased up to 40.5% of GDP. Clearly, this has meant a sharp increase in public deficit in 2008.

Table 2. TAX-BENEFIT SYSTEM AND GOVERNMENT BUDGET

	Total general government revenue % of GDP	Total tax receipts % of GDP	Total general government expenditure % of GDP	Social protection % of GDP
2004	38.53	34.92	38.88	20.68
2005	39.41	36.04	38.44	21.05
2006	40.49	37.02	38.47	20.89*
2007	41.04	37.60	38.82	21.06*
2008	36.64	--	40.47	—

Source: Eurostat, Statistics Database on line. Tax receipts include social security contributions from employers and employees (including self employed and non-employed) http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database.

* Provisional values.

In terms of social protection functions, government expenditures on social protection are mainly used to cover old-age and survivors (approximately a 40% of total expenditure all along the period), sickness and health care (30% of total expenditure) and unemployment (around a 12% of total expenditure). Only 5% of total expenditure is spent on family and children and less than 1.5% is spent on alleviating social exclusion.

Table 3. SOCIAL PROTECTION EXPENDITURE BY FUNCTION
(as % of total social protection expenditure)

	Sickness/ health care	Disability	Old age	Survivors	Family/ children	Unemployment	Housing	Social exclusion
2004	30.29	7.25	38.34	2.77	5.33	12.09	0.75	0.83
2005	29.92	7.23	37.77	2.65	5.59	12.04	0.82	1.09
2006	30.45	7.38	31.07	9.26	5.75	11.69	0.81	1.22
2007	30.48	7.40	31.13	9.15	5.86	11.39	0.88	1.27
2008	—	—	—	—	—	—	—	—

Source: Eurostat Statistics Database on line. Data for 2006 and 2007 are provisional. Between 2005 and 2006 there is a change in the classification of old-age and survivors benefits. http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database.

The Spanish tax system is divided into similar shares between direct and indirect taxes and social security contributions. Indirect taxation in 2005 is slightly higher than direct taxation (34.8% and 30.5% of total receipts respectively). One fifth of public revenue comes from income tax while the main source of government revenue comes from taxes on goods and services (mainly VAT) which are 34.8% of total tax receipts. Social contributions are approximately just above one third of total receipts (33.5%) being employers (24.3%) who contribute most importantly to this revenue.

The evolution of the different sources of tax receipts in the period show that both personal and corporate income taxes have increased their relative weight while indirect taxes and social contributions have reduced their weight within total tax receipts. In particular, indirect taxes suffered a strong decrease between 2007 and 2006, reducing their relative weight in slightly more than 2.5 percentage points.

Table 4. TAXATION (as % of total tax receipts)

	Personal income tax	Corporate income tax	Social security contributions		Taxes on goods and services	Other taxes
			Employees*	Employers		
2004	18.23	9.91	9.66	25.13	34.86	2.21
2005	18.39	10.88	9.22	24.38	34.82	2.30
2006	19.09	11.41	8.96	23.83	34.29	2.42
2007	20.58	12.67	8.78	23.64	31.99	2.34
2008	—	—	—	—	—	—

* Includes self-employed and non employed.

Note: Total tax receipts include social security contributions from employers and employees (including self employed and non-employed).

Source: Eurostat Statistics on line. http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database.

1.2.1. Basic information about the tax-benefit system

— The tax-benefit system is evolving towards a decentralized system. Most taxes are partly claimed by regions (*Comunidades Autónomas*) and partly claimed by the national government (*Estado*). The main exception is corporate tax (*Impuesto de Sociedades*) which is still a national government tax. No separate capital gains tax exists, capital gains are included in taxable income. The autonomous regions may levy a net wealth tax. Regarding the taxation of companies, companies are subject to corporate income tax and a local business tax. Spain comprises mainland Spain, the Balearic Islands and the Canary Islands, as well as the cities of Ceuta and Melilla in Northern Africa. The Basque Country and Navarra have their own tax systems. Benefits are more centralized than taxes

and are generally claimed to national authorities. The main exception to this rule is the Minimum Income Guarantee Benefit or *Rentas Mínimas de Inserción* (the last social safety net) which is handled by regional governments. Benefit eligibility conditions, benefit quantity and benefit duration differ between regions.

- The taxable period for individuals in Spain is the calendar year (1st January to the 31st December). Regarding companies, as a general rule, the tax year coincides with the calendar year (usually from 25th July to the next 25th July), but companies may file their returns with reference to their financial year. The tax year may not exceed 12 months. Corporate income tax must be computed and paid by the taxpayers under the self-assessment method. Main benefit changes may be implemented at any moment of the year.
- Spain has a minimum wage. The minimum wage fixed for 2005 was €17.10 per day or €513 per month (*Real Decreto 2388/2004* of 31st December). The minimum wage fixed for 2006 was €540.9 per month. The minimum wage fixed for 2007 was €570.6 per month. The minimum wage fixed for 2008 increased to €600 per month. From 1st July 2004 a new baseline indicator for social benefits was created, the *Indicador Público de Renta de Efectos Múltiples* (IPREM) (see *Real Decreto 3/2004*). The IPREM was fixed in 2005 to €15.66 per day, €469.8 per month or €5,637.6 per year (12 payments) or €6,577.2 (14 payments) (*Ley 2/2004 de Presupuestos Generales del Estado*). The IPREM was fixed in 2006 to €15.97 per day, €479.8 per month, €5,749.20 per year (12 payments) or €6,707.2 (14 payments). The IPREM was fixed in 2007 to €16.64 per day, €499.2 per month, €5,990.4 per year (12 payments) or €6,988.8 (14 payments). The IPREM was fixed in 2008 to €17.23 per day, €516.90 per month, €6,202.8 per year (12 payments) or €7,236.6 (14 payments).
- State pension age all along the 2005-2008 period was 65 years of age for both women and men. The minimum number of years of contributions to be eligible for a state pension is 15 of which at least two years must have been during the 15 years immediately preceding the date of retirement. The maximum pension is reached after 35 years of Social Security contributions.
- Minimum school leaving age is 16; dependent children in general are defined as aged under 18 or disabled regardless of age. In the case of legally separated spouses or *de facto* unions, dependent children belong to the family unit of the parent who they live with. Dependent children for tax purposes are defined as individuals aged under 25 years (if disabled there is no age limit), not married and with yearly income below €8,000 (*Real Decreto Legislativo 3/2004*).
- For benefit purposes “Large Families” (*Familias numerosas*) are defined as a one or two-parent cohabiting family with three or more dependent children (or two if a parent or one of the children is disabled). A further distinction is made within them, those with five or more dependent children are identified as “special large families” (*Familias numerosas de categoría especial*). Dependent children in this case are individuals who economically depend on adults’ incomes (their income is below the IPREM indicator) are under 21 years of age (or under 26 if in full-time education). There is no age limit for disabled children (*Ley 40/2003*).
- For income tax purposes “lone Parents” (*Familias monoparentales*) are families of one adult with children under the age of 18 (or over that age if disabled). Lone parents have a larger personal allowance in the income tax in 2005 and 2006. This larger allowance turned into a more advantageous tax credit in 2007 and 2008, after the personal income tax reform.
- The Spanish income tax is an individual system. However, taxpayers may choose to file a single or a joint tax return. The family unit is the nuclear family: the married couple or single person plus any dependent children. Joint tax returns do not allow for income splitting. The rules and amounts of most elements of the Spanish income tax are the same under individual and joint taxation. The only major difference between these schemes is the amount of personal and family tax allowances. In pre-reform personal income tax (before 2007) in *joint* taxation the personal tax allowance is greater. In pre-reform personal income tax in the individual scheme, each married taxpayer gets half the amount of the family tax allowance. After the 2007 personal income tax reform personal and family allowances were turned into tax credits.
- Different income sources are taxed differently. In the 2005-2008 period all non capital incomes are taxed progressively. Capital income before the 2007 personal income tax reform is taxed at a flat



rate if benefits are obtained after one year or more since investment. After the reform capital income is taxed at a flat rate independently of when the benefits were obtained.

- Income tax withholdings are collected on a cumulative basis, i.e., the system tries to ensure withholding the exact amount due in the financial year. Spanish-source income from employment, self-employment, investment and capital gains derived by resident individuals may be subject to withholding of income tax. The tax withheld is generally treated as an advance payment and credited against the taxpayer's final tax liability. As a general rule, self-assessment of the tax is mandatory by the end of the financial year. The annual tax return must be filed and any outstanding tax paid between the 1st May and 30th June of the following year. If the sum of the amounts withheld and any prepayments exceed the taxpayer's final liability for the current year, the excess is refunded. In 2008 individuals who are only taxed on income from work, who earn less than €22,000 and do not have more than one employer do not need to fill in a tax return.
- There is no statutory indexing regime for taxes. Since 2004 most benefits are indexed using the IPREM and not the *minimum salary* as it was usual in previous years.
- The means-tested benefit system assesses entitlement according to family unit income. The family unit is, in general, the nuclear family. However, note that some non-contributory benefits, such as non-contributory old-age pensions, consider other cohabiting individuals within the family unit.
- Social contributions, benefits and pensions are usually assessed and delivered on a monthly basis. Income tax liability is based on annual income and allowances and thresholds are generally referred to in annual terms.
- Different levels of disability are defined as in Law. (*Ley General de la Seguridad Social, aprobado por el Real Decreto Legislativo 1/1994, de 20 de junio, artículo 148*).

1.3. Social Benefits

Social benefits can be divided into two main groups: (1) Contributory Benefits (CB) for which eligibility depends on having met certain conditions regarding social insurance contributions and certain contingencies such as old-age, widowhood, disability or unemployment. The amounts received depend on contributions and, in some cases, on a range of personal circumstances. (2) Non-contributory benefits (NCB) for which eligibility depends on certain contingencies such as old-age, widowhood, disability or unemployment and, generally, on an income test. Eligibility in this case does not require a minimum amount of contributions and most non-contributory benefits are income-tested. The test on incomes is usually related to a range of personal and family circumstances and to total individual or family incomes.

Some contributory benefits may depend on the social security regime the individual is contributing to. However, significantly more than half of total benefits are paid within the social security General Regime.

1.3.1. Contributory Benefits (C)

— *Sickness cash benefit (Incapacidad temporal)*: Compulsory social insurance scheme payable through employers that covers workers who are temporarily unable to work due to common or professional illnesses or accidents. Incapacity for work must be certified by a doctor and the worker must have paid the required contributions.

— *Maternity/Paternity leave benefit (Prestación por maternidad)*: Compulsory social insurance scheme payable through employers that covers the following situations: maternity, adoption and permanent or simple fosterage (according to the Civil Code or to the Autonomous Communities that regulates it), provided that in this last case, the duration is not below a year. The benefits amount to 100% of the worker's contributory base for maternity leave.

— *Risk during pregnancy benefit (Prestación por riesgo durante el embarazo)*: paid to expectant working mothers who are unable to continue with their normal task during their pregnancy. The benefit is payable through employers. In order to be entitled to receive the benefit the worker must have a minimum period of paid contributions. Benefits are subject to taxation and while receiving it social security contributions must be paid.

— *Disability pension (Pensión contributiva por incapacidad permanente)*: Compulsory social insurance scheme for employees with contribution-related benefits in case of permanent incapacity (*incapacidad permanente*). The degrees of disability are the following:

- permanent and partial disability for the usual profession (*incapacidad permanente parcial para la profesión habitual*),
- permanent and complete disability for the usual profession (*incapacidad permanente total para la profesión habitual*),
- permanent and total disability for any type of working activity (*incapacidad permanente absoluta*) and
- severe disability (*gran invalidez*).

In order to be entitled to receive the benefits the worker must have paid the required contributions. The amount of the benefit depends both on the degree of disability and on the contributory base. Benefits from permanent disability (either partial or total) for the usual occupation are taxable. Absolute permanent incapacity and severe incapacity benefits are not taxable.

— *Old-age pension (Pensión contributiva por jubilación total o por jubilación parcial)*: Compulsory social insurance scheme for employees who have either completely stopped working and are entitled to receive old-age benefits or workers who have decided to reduce their working hours and to combine partial old-age benefits with salaries from work. The legal retirement age in Spain is 65 years. In order to be entitled to receive the benefits the worker must have paid the required contributions. The retirement pension benefit amount is determined by the amount and number of social contributions with a minimum of 15 years. Taxable.

— *Survivor's pension (Pensión de viudedad u orfandad a favor de familiares)*: Compulsory social insurance scheme for employees. Benefits are paid in case of death of the contributing worker to widows or widowers (*pensión de viudedad*), orphans (*pensión de orfandad*) or relatives (*pensión en favor de familiares*) depending on the total contributions of the deceased person. The deceased person should be affiliated to a social security scheme, must be an active contributor or have equivalent status or must have complied with the required period of paid contributions. Widows, widowers, orphans and relatives must fulfil some further requirements in order to receive the benefits. The amount of the benefit depends on the contributions paid by the deceased person and on personal circumstances of the beneficiaries (for example, it may depend on number of dependants in family unit and on the fact that orphanhood is complete).

— *Unemployment insurance (Prestación por desempleo contributiva)*: Compulsory social insurance scheme for employees able and available for work who have lost their job. In order to be entitled to the benefits workers must have contributed to social insurance covering unemployment. In order to be entitled to receive the benefits the worker must have paid the required period of contributions.

— *Statutory Insurance for Old age and Disability (Pensión del seguro obligatorio de vejez e Invalidez, SOVI)*: This is a particularly old social scheme that covers workers who have covered 1800 days of contributions to the SOVI between 1940 and 1966 or were registered prior to 1940. These benefits are to disappear soon.

1.3.2. Non-contributory Benefits (NC)

— *Unemployment assistance (Subsidio por desempleo)*: If the worker is not entitled to receive contributory benefits a non-contributory benefit is available. This is a means-tested benefit.

— *Income guarantee benefit (Renta activa de inserción)*: If the worker is neither entitled to contributory unemployment benefit nor to unemployment assistance the worker may claim this benefit. The benefit is income-tested, family unit income must be below 75% minimum salary (*salario mínimo interprofesional, SMI*). Other requirements are being over 45 and long term unemployed (over 12 months). The duration of the benefit is 11 months maximum and the amount of benefit is 80% of the IPREM indicator.

— *Non contributory old-age pension (Prestación no contributiva por jubilación total o por jubilación parcial)*: Social insurance scheme for people over 65 years of age, who find themselves in a state of



need and lack the necessary means for subsistence. This is a family unit income-tested benefit. The amount of the benefit depends on the number of beneficiaries within the family unit. The family unit here consists of any cohabiting individuals who can be married to the beneficiary or his/her parent, son or daughter or brother or sister (see http://www.mtas.es/es/Guia/texto/guia_13_38_1.htm). Taxable. There are some complementary benefits to these pensions for individuals living in rented housing and who do not have a house of their own elsewhere. Further, there are some regional complementary benefits to non-contributory pensions since 1998. The detailed description of these regional complementary benefits is only partially included here, we only provide information on 2009 values of these complementary benefits hoping to find the values for previous years shortly.

— *Non contributory disability pension (Prestación no contributiva por invalidez)*: Social insurance scheme for people who suffer from physical or mental deficiencies, likely to be of a permanent nature, either physical or mental, whether or not they may be congenital, which nullify or modify their physical, mental, or sensorial capacity and lack sufficient income. This is a family unit income-tested benefit. The amount of the benefit is fixed but increases by 50%, when the degree of disability is equal to or higher than 75% and the assistance of another person is required to carry out the most essential life actions. Taxable.

— *Pension complement benefit (Complemento de mínimos)*: Pensions are automatically updated every year, generally at a rate equal to the Consumer Price Index, CPI, (*IPC, Índice de Precios al Consumo*). However, pension benefits cannot exceed a maximum, neither can they be below a minimum. Subject to an income test, pensions that are below the official minimum pension are increased up to the minimum by this non-contributory benefit. Taxable.

— *Non-contributory Child benefit (Prestación por hijo a cargo no contributiva)*: Tax financed scheme for families with children under 18 years of age or any age if disabled. It is a non-contributory, income-tested benefit. The amount depends on the degree of the disability and the age of the children. Not taxable. In Cataluña there is a supplementary universal child benefit since 2003. The benefit is taxable in this case.

— *Birth and adoption benefit (Prestaciones económicas en único pago por nacimiento o adopción de hijos)*: Economic benefit as a lump-sum payment at birth or adoption of third, fourth or higher order child. Not taxable.

— *Other child benefits (Prestaciones económicas por parto múltiple)*: Multiple birth benefit (twins or three children born at once). Not taxable.

Apart from the General Regime, social security in Spain includes some special regimes for agricultural workers, self-employed, and civil servants. They all differ in some details from the general system but the general structure of benefits is the same in all of them.

Further, Spain is a decentralized country and Autonomous Communities may decide to provide their own benefits or to provide some complements to particular central government benefits.

A relevant benefit that all Autonomous Communities in Spain provide is the:

— *Guarantee of sufficient resources benefit (Ingreso mínimo de inserción o Rentas mínimas de inserción)*: this is a non-contributory benefit to combat poverty by means of cash benefits. The benefit is income-tested.

1.3.3. Social benefits changes 2006-2008

2006

No significant changes this year.

2007

— *Non contributory maternity leave benefit (Prestación por maternidad no contributiva)*: This benefit is aimed at covering the maternity of those females who do not reach minimum contributions to Social Security to receive a contributory maternity leave benefit. The benefit amount is the value of the daily IPREM for that year during 42 days. Benefit duration will be 14 days more if baby is born in a large family or lone-parent family, multiple birth or either mother or child disabled in more than a 65%.

— *Newborn lump-sum benefit (or maternity tax credit) (Prestación por nacimiento o adopción)*: Since 1st July 2007 all mothers who give birth or adopt a child receive a lump-sum benefit of €2,500. The benefit may be obtained also as a tax credit in the corresponding year Personal Income Tax. This is applicable to the whole Spanish territories, including País Vasco and Navarra.

— *Newborn lump-sum benefit in País Vasco region (Ayuda por primer hijo o primera hija)*: Since 1st January 2007 all mothers that give birth or adopt a child resident in País Vasco receive a lump-sum means-tested benefit for the birth of a first child. Total income that of both parents. For incomes below 4 times the SMI: €900. For incomes from 4 to 6 times SMI: €500. For incomes more than 6 times SMI: €400.

— *Newborn universal benefit in País Vasco region (Ayuda por segundo o sucesivo hijo y/o segunda o sucesiva hija)*: Since 1st January 2007 all mothers that give birth or adopt a second, third or more child resident in País Vasco receive an annual non-means-tested benefit. Second child: €1,100 at birth, €400 at first birthday. Third child or over: €1,100 at birth, €1,100 up to the fourth birthday, €400 at fifth and sixth birthday.

— *New contributory paternity leave benefit (Permiso por paternidad)*: Since 2007 the compulsory social insurance scheme payable through employers that covers paternity, adoption and permanent or simple fosterage, increased its duration (available for fathers and compatible with that of mothers) up to 13 days (two of the previously existing *permiso retribuido* and 13 of the new paternity leave benefit) (two more for each extra child if multiple birth). The benefits amount to 100% of the worker's contributory base for maternity leave. Minimum period of Social Security contributions: 180 days in last 7 years or 360 days in all working life (with a few exceptions).

— *New complementary benefit to non-contributory pensions (Complemento por alquiler)* for pensioners living in rented housing who do not own other housing elsewhere and are not family related to the house owner.

— *New Disability Protection System (Sistema para la Autonomía y Atención a la Dependencia, SAAD)*: Since 2007 a new system for the protection of disabilities was created in Spain. The system will provide in-kind and monetary benefits for individuals that are not autonomous in their ordinary life. Benefits are paid in order to cover the cost of services, for providing care within the family and towards the cost of external personal assistance help. The implementation of the benefits will take seven years (until 2014). In 2007 benefits will be paid to individuals with largest disabilities (three degrees: grade I, II and III and with two levels each). The evaluation of the person in need is undertaken by regional governments using the limits imposed by the central government.

In 2007 maximum benefits were:

Grade 3, level 2 of disability (highest level): to cover the cost of services and personal assistance are €780, to cover care within the family €487.

Grade 3, level 1 of disability: to cover the cost of services and personal assistance are €585, to cover care within the family €390.

2008

— *Means-tested lump-sum Child benefits for large families, lone parents and disabled mothers (Prestaciones por nacimiento o adopción de hijos en los supuestos de familia numerosa, monoparentales o madres discapacitadas)*. New benefit in 2008. In general it substitutes the disappeared benefit.

— *Means-tested lump-sum Child benefits payable at birth of third or further children (Prestaciones económicas en un único pago por nacimiento o adopción de hijos y parto o adopción múltiple)*. This benefit disappears in 2008.

— *Disability Protection System (Sistema para la Autonomía y Atención a la Dependencia, SAAD)*: In 2008 maximum benefits were:

Grade 3, level 2 of disability (highest level): to cover the cost of services are €811.9.

Grade 3, level 1 of disability: to cover the cost of services are €608.98, to cover care within the family €405.99 plus €153.93 (social security contributions of carer), to cover personal services €608.98.

Grade 2, level 2 of disability: to cover the cost of services are €450, to cover care within the family €328.36 plus €153.93 (social security contributions of carer), to cover personal services €608.98.

Scope and scale

Table 5. SOCIAL BENEFITS: NUMBER OF RECIPIENTS

	2004	2005	2006	2007	2008
CONTRIBUTORY BENEFITS					
Sickness benefits ^[a]	5,061,395	5,683,893	5,657,333	8,040,800	7,694,819
Maternity benefit ^[b]	284,110	301,384	317,318	326,438	353,585
Paternity benefit	—	—	—	173,161	279,756
Risk during pregnancy benefits ^[c]					
Disability pension ^[b]	815,100	832,800	859,800	888,800	906,800
Old-age pension ^[b]	4,619,600	4,678,300	4,809,300	4,863,300	4,936,800
Survivor's pension ^[b]					
Widow's pension	2,136,300	2,165,900	2,196,900	2,225,500	2,249,900
Orphan's pension	266,600	262,700	260,200	258,100	259,400
Other relative's pension	41,000	40,100	39,100	38,300	37,800
Unemployment insurance ^[d]	663,154	687,063	720,384	780,205	1,100,879
Total SOVI (Statutory insurance for old age and invalidity) ^[e]	370,340	456,489	457,928	455,698	454,148
NON CONTRIBUTORY BENEFITS					
Unemployment assistance ^[f]	559,984	558,501	558,702	575,675	646,186
Income guarantee benefit ^[g]	39,253	49,666	51,346	65,600	67,567
NC disability benefit ^[h]	207,025	205,319	204,844	203,401	199,410
NC old age pension ^[i]	281,447	279,189	276,920	270,980	265,314
Pension complements to: ^[j]					
Disability pension	20,559	43,428	48,423	54,222	57,575
Old age pension	1,350,844	1,357,472	1,360,974	1,369,040	1,332,032
Widow's pension	821,616	774,236	770,997	781,773	745,957
Orphan's pension	119,357	122,032	124,775	126,430	140,584
Other relative's pension	19,328	19,579	19,850	19,889	—
Child benefit ^[k]	1,070,071	1,054,114	1,007,160	957,677	1,015,073
Without disability	854,368	835,872	784,290	728,751	778,964
With disability	215,703	218,242	222,871	228,926	236,109
Birth/adopt. benefits (2500 euro)	—	—	—	—	—
Birth and adoption benefits	—	—	—	—	—
Other child benefits	—	—	—	—	—
Regional Child Benefits ^[m]	—	314,267	325,756	411,227	477,896
NC maternity	—	—	—	—	—
Minimum Income Guarantee ^[l]	96,899	100,835	102,662	103,071	114,257
Phasing out benefits ^[k]	38,628	33,101	27,857	24,282	19,735
Other NC disability benefits	29,068	25,676	22,285	19,852	17,032
Other NC old-age benefits	9,560	7,425	5,572	4,430	2,703
LISMI (11)	71,117	63,369	54,989	48,877	43,891
Civil servants benefits	605,239	599,656	596,736	593,700	592,625

Notes:

[a] Estimated number of procedures (prevalence + incidence). Prevalence: the number of live procedures at the end of the year t. Incidence: number of new procedures in the year t+1 (monthly mean multiplied by 12) Source: Social Security Statistics. http://www.seg-social.es/Internet_1/Estadistica/Est/Otras_Prestaciones_de_la_Seguridad_Social/Incapacidad_Temporal/Ejercicio_2005/index.htm.

[b] Source: Anuario Ministry of Labour and immigration (MTIN). <http://www.mtas.es/es/estadisticas/anuario.htm>.

[c] Risk during pregnancy benefits: the information comes from the "Informe Económico y Financiero de la Seguridad Social".

[d], [f], [g] Source: Anuario MTIN.

[e] SOVI. Source: "Memorias de la Seguridad Social. Informe Estadístico". Pensions paid at 31 of december + exhausted benefits within the year. http://www.seg-social.es/Internet_1/Estadistica/Documentacion/Memorias/index.htm.

[h], [i] Source: Anuario MTIN.

[j] Source: "Memorias de la Seguridad Social. Informe Estadístico". Currently paid pensions at 31 of december + exhausted benefits within the year.

For 2008 data different source: Anuario MTIN. Average monthly number of pensions.

[k] Source: Anuario MTIN.

[l] Source: MTIN.

[m] The information here comes from a variety of sources and from different Regions, readers should take into account that numbers are only an approximation to real figures.

Table 6. SOCIAL BENEFIT: EXPENDITURE (in millions of euro)

Annual Expenditure (Mill. Euro)	2004	2005	2006	2007	2008
CONTRIBUTORY BENEFITS					
Sickness benefits ^[a]	5,830.00	6,407.00	6,850.00	7,254.00	7,693.00
Maternity benefit ^[b]	1,171.00	1,291.00	1,438.00	1,589.00	1,857.00
Paternity benefit				123.22	212.22
Risk during pregnancy benefits ^[a]	17.00	28.00	43.00	71.77	129.00
Disability pension ^[c]	7,590.00	8,162.00	8,426.00	9,466.00	10,175.00
Old-age pension ^[c]	41,968.00	44,970.00	46,229.00	51,746.00	56,295.00
Survivor's pension ^[c]					
Widow's pensions	12,923.00	13,805.00	14,002.00	15,526.00	16,663.00
Orphan's pensions	927.00	986.00	976.00	1,087.00	1,180.00
Other relative's pensions	188.00	196.00	192.00	214.00	227.00
Unemployment insurance ^[c]	6,195.00	6,542.00	6,810.00	—	—
Total SOVI (Statutory insurance for old age and invalidity) ^[d]	—	133.14	140.21	144.92	152.27
NON CONTRIBUTORY BENEFITS					
Unemployment assistance ^[c]	2,861.00	2,980.00	2,978.00	—	—
Income guarantee benefit ^[c]	196.00	259.00	267.00	—	—
NC disability benefit ^[c]	1,003.00	1,038.00	865.00	890.00	917.00
NC old age pension ^[c]	1,189.00	1,233.00	1,169.00	1,185.00	1,220.00
Pension complements to: ^[e]					
Disability pension	25.00	52.00	67.00	83.00	102.00
Old age pension	2,174.00	2,466.00	2,781.00	3,021.00	3,440.00
Widow's pension	1,558.00	1,615.00	1,767.00	1,924.00	2,142.00
Orphan's pension	97.00	110.00	125.00	140.00	175.00
Other relative's pension	17.00	19.00	21.00	24.00	27.00
Child benefit ^[c]	827.00	866.00	900.00	928.00	928.00
Without disability	239.00	234.00	220.00	204.00	204.00
With disability	588.00	631.00	680.00	724.00	724.00
Birth/adopt.benefits (2500 euro)					
Birth and adoption benefits	4.56	4.92	5.06	38.94	166.00
Other child benefits	13.30	14.96	17.01	18.60	19.00
Regional Child Benefits ^[g]	—	202.79	207.88	255.91	325.92
NC Maternity ^[a]	—	—	—	0.36	2.38
Minimum Income Guarantee ^[f]	328.49	364.40	368.52	417.54	441.00
Phasing out benefits ^[f]	81.04	69.45	58.45	50.94	41.00
Other NC disability benefits	60.99	53.87	46.75	41.65	36.00
Other NC old-age benefits	20.06	15.58	11.69	9.29	6.00
LISMI (6)	8.09	7.06	6.20	5.37	4.66
Civil servants benefits	7.48	7.97	8.55	9.06	9.57

Notes:

[a] Source: Informe Económico y Financiero de la Seguridad Social. http://www.seg-social.es/Internet_1/Estadistica/PresupuestosyEstudi47977/Presupuestos/PresupuestosdelaSeguridadSocial2009/Informacioncomplementaria/Informeconomicofinanciero/index.htm.

[b] Source: Anuario Ministry of Labour and immigration (MTIN). <http://www.mtas.es/es/estadisticas/anuario.htm>.

[c] Source: Anuario MTIN.

[d] SOVI. Source: "Memorias de la Seguridad Social. Informe Estadístico". Currently pensions at 31st December + exhausted benefits within the year (assuming 14 payments a year) http://www.seg-social.es/Internet_1/Estadistica/Documentacion/Memorias/index.htm.

[e] Source: "Informe económico y financiero de la Seguridad Social". Total expenditure in December multiplied by 14.

Birth and adoption. Source: "Informe económico y Financiero de la Seguridad Social".

[f] Source: MTIN.

[g] The information here comes from a variety of sources and from different Regions, readers should take into account that numbers are only an approximation to real figures.

Simulation

Table 7. SIMULATION OF BENEFITS

	Treatment	Why not fully simulated (EU-SILC variable)?
Sickness benefits	I	Due to lack of data on contribution history and sickness. EU-SILC variable PY120.
Maternity benefit	I	Due to lack of data on contribution history and maternity. EU-SILC variable HY050.
Risk during pregnancy benefits	I	Due to lack of data on contribution history and maternity. EU-SILC variable HY050.
Disability pension	I	Due to lack of data on contribution history. EU-SILC variable PY130.
Old-age pension	I	Due to lack of data on contribution history. EU-SILC variable PY100.
Survivor's pensions:		
Widow's pension	I	Due to lack of data on contribution history. EU-SILC variable PY110.
Orphan's pension	I	Due to lack of data on contribution history. EU-SILC variable PY110.
Relative's pension	I	Due to lack of data on contribution history. EU-SILC variable PY110.
Unemployment insurance	PS	Eligibility taken from data due to lack of data on contribution history and unemployment spell.
Statutory Insurance for Old age and Disability	I	Due to lack of data on contribution history. EU-SILC variable included in old age and disability benefits.
Unemployment assistance	PS	Eligibility taken from data due to lack of data on contribution history and unemployment spell.
Income guarantee benefit	PS	Due to lack of data on contribution history and unemployment spell. EU-SILC data doesn't distinguish this benefit from other unemployment benefits. Since the benefit amount is the same, the simulation assumes that recipients receive unemployment assistance instead.
NC Old-age pension	S	
NC Disability benefit	I	EU-SILC data doesn't allow us to distinguish between contributory and non contributory disability benefits. EU-SILC variable PY130.
Non-contributory complement to pensions:		
Disability pension	I	EU-SILC data doesn't allow us to distinguish between contributory and non contributory disability benefits. EU-SILC variable PY130.
Old-age pension	S	
Widow's pension	S	
Orphan's pension	I	EU-SILC variable PY110.
Relative's pension	I	EU-SILC variable PY110.
Child benefit :		
Without disability	S	
With disability	PS	There is no information on disability for individuals below 16 years of age in the data.
Birth and adoption benefits	I	
Other child benefits	I	
Minimum Income Guarantee	PS	Policies are implemented but "switched off" as the simulated number of recipients is much higher (almost 7 times as high as) than the number effectively reported in official statistics.
Phasing out benefits:		
Pensiones asistenciales	I	Included as part of old-age or disability pensions.
LISMI	I	Included as part of old-age or disability pensions.

Notes:

"-": policy did not exist in that year

"E": *excluded* from the model as it is neither included in the micro-data nor simulated

"I": *included* in the micro-data but not simulated

"PS" *partially simulated* as some of its relevant rules are not simulated

"S" *simulated* although some minor or very specific rules may not be simulated.

1.4. Social contributions

Social insurance contributions (*cotizaciones a la Seguridad Social*) finance pensions and other contributory benefits in Spain. Conditions regarding contributions made in the past determine eligibility and amount of contributory benefits. There are different types of contributions for employees in the private sector, self-employed and civil servants.

The main social insurance contributions system in Spain is the so-called General Regime. In 2005, more than 75% of total contributions in Spain were made by workers under this regime. Another 16% of contributions were made under the self-employed regime and a further 5% of contributions were made by workers, both employees and self-employed, who work in the agrarian sector and must contribute to a special regime. There are another four special regimes of contribution with a very limited quantitative importance. These special regimes are related to particular activities and each of them has different contribution rules. Unemployed workers also contribute to social insurance.

— *Civil servants* have a particular contributory regime divided into three, a main civil servants regime (MUFACE) and some special regimes for military forces and judges. However, we should note that public sector employees holding private contracts and many regional civil servants contribute to the General Regime.

— *General Regime (Régimen General)*: most Spanish employees make their social insurance contributions under this regime. There are special rules for particular groups such as part-time workers, trainees, artists, football players, etc.

— *Self-employed Regime (Régimen Especial de los Trabajadores Autónomos)*: The social insurance contribution for self-employed workers has some degree of flexibility. The worker can choose between two different contributory rates (either including or not including temporary sickness or invalidity benefits). contributory base is also flexible. The worker can choose his/her particular amount of contribution within a limited range, never below a certain minimum and never over a certain maximum.

— *Agrarian Regime (Régimen Especial Agrario)*: for employees and self-employed who work in the agricultural sector. This Regime is divided into different groups of contribution, according to the workers' occupation. Each occupation has a fixed contributory base. The contribution rate for employers and for employees is the same for all groups. The agricultural self-employed social insurance contribution, in practice, works as a lump-sum contribution, since the rate is flat and the base is fixed.

— *Unemployed workers (Desempleados)*: Those unemployed receiving unemployment insurance must pay a social security contribution. The contributory base is the individual's previous earnings just before the unemployment spell. The rate of contribution is flat. The social security system complements the individual's contribution to the social insurance system during the period of unemployment insurance payments.

Other regimes.

— *Coal-mining Regime (Régimen Especial para la Minería del Carbón)*: All employees working in coal mining activities must contribute to this regime.

— *Sea workers Regime (Régimen Especial de los Trabajadores del Mar)*: All employees and self-employed working in sea activities must contribute to this regime.

— *Housemaids Regime (Régimen Especial de los Empleados de Hogar)*: All domestic employees and self-employed must contribute to this regime. There are two different ways of contributing to this regime depending on the number of hours of work for the same employer:

- Permanent Domestic Employees, working more than 20 hours a week for the same employer: the contribution is divided in two, a contribution made by the employer (responsibility of the head of the household) and a contribution made by the employee.
- Intermittent Domestic Employees, working less than 20 hours a week for the same employer: the contribution is only made by the employee.

Scope and scale

Table 8. SOCIAL CONTRIBUTIONS: NUMBER OF CONTRIBUTORS

	2004	2005	2006	2007	2008
Number of Social Contributions					
General regime	12,949,491	13,564,802	14,191,899	14,904,832	14,689,241
Self-employed regime	2,851,667	2,946,008	3,028,456	3,135,288	3,405,406
Agrarian regime	1,085,582	1,060,000	994,282	961,275	729,667
Coal-mining regime	11,814	10,546	9,532	8,694	8,007
Sea workers regime	76,405	74,611	73,295	73,226	70,024
Housemaid regime	181,713	286,428	345,394	275,457	282,497
Unemployed workers ^[a]	663,154	687,033	720,384	780,205	1,100,879
Civil Servant contributions	—	—	—	893,838	925,366
Work accidents and prof. illnesses	—	—	—	—	—
Student's regime (<i>seguro escolar</i>)	—	—	—	—	—
Civil servants' regime	—	—	—	—	—
Military forces' regime	—	—	—	—	—
Judges' regime	—	—	—	—	—

Notes: Number of contributors to each regime is measured at the 30th of June each year.

[a] Number of workers receiving contributory unemployment benefits that year (a mean value of monthly receivers within the year).

Source: Ministerio de Trabajo e Inmigración, Principales series estadísticas. <http://www.mtin.es/es/estadisticas/simbad.htm>.

For unemployed workers: Instituto Nacional de Empleo, INEM, Estadísticas de Prestaciones.

http://www.inem.es/inem/cifras/datos_estadisticos/index.html; MUFACE, Memoria 2007 y Memoria 2008 (Tabla 3.1.1),

<http://www.mpr.es/muface/muface/memorias/common/memoria2007.pdf>.

Table 9. SOCIAL CONTRIBUTIONS: REVENUE (in millions of euro)

	2004	2005	2006	2007	2008
Social contributions (Mill. of euro)	81,871.03	88,235.72	95,791.22	103,725.11	108,102.95
General regime	59,270.17	63,958.13	69,900.82	75,925.72	78,919.43
Self-employed regime ^[a]	8,583.55	8,949.10	9,417.81	9,896.03	10,624.39
Agrarian regime ^[a]	1,310.49	1,260.31	1,393.30	1,404.85	975.15
Coal-mining regime	206.62	205.58	194.72	195.50	195.76
Sea workers regime	269.36	277.93	291.50	304.73	302.67
Housemaid regime	273.00	411.15	550.81	490.05	500.09
Unemployed workers	5,736.45	6,352.30	6,461.43	7,257.31	8,466.31
Total Civil Servants' contributions	—	—	—	1,435.4	1,442.34
Civil servant contributions	—	—	—	320.40	313.49
State contributions for Civil servants	—	—	—	1,115.00	1,129.32
Total	75,649.64	81,414.50	88,210.39	95,474.19	99,983.80
Work accidents and prof. illnesses	6,221.37	6,821.19	7,580.80	8,250.89	8,119.15
Student's regime (<i>seguro escolar</i>)	—	—	—	—	—
Civil servants' regime	—	—	—	—	—
Military forces' regime	—	—	—	—	—
Judges' regime	—	—	—	—	—
Total	6,221.37	6,821.19	7,580.80	8,250.89	8,119.15

Notes: [a] Since 2008 (Ley 18/2007), contributions of self employed workers within the agrarian regime are included within the self-employed contributions and not within the agrarian regime contributions. Source: Seguridad Social. Presupuesto de ingresos, Serie histórica por rúbricas económicas homologadas a la estructura presupuestaria de 2009, http://www.seg-social.es/Internet_1/Estadistica/Est/Presupuesto_aprobado/Ingresos/index.htm; MUFACE, Memoria 2007 y Memoria 2008 (Tabla 6.1), <http://www.mpr.es/muface/muface/memorias/common/memoria2008.pdf>.

Simulation

Table 10. SIMULATION OF SOCIAL CONTRIBUTIONS

	Treatment in EUROMOD 2005	Why not fully simulated?
General Regime	S	Part-time specific contributions are taken into account.
Coal-miner regime	PS	Due to lack of data this regime is taken as part of the general regime.
Agrarian Regime	S	
Sea worker regime	PS	Due to lack of data this regime is taken as part of the general regime.
Housemaid regime	PS	Due to lack of data this regime is taken as part of the general regime.
Self-employees	S	
Unemployed workers	S	
Student's regime (<i>seguro escolar</i>)	E	No information available.
Civil servants' regime	PS	Civil servants may have a contract contributing to the General Regime. Due to lack of data this regime is taken as part of the general regime.
Military forces' regime	PS	Civil servants may have a contract contributing to the General Regime. Due to lack of data this regime is taken as part of the general regime.
Judges' regime	PS	Civil servants may have a contract contributing to the General Regime. Due to lack of data this regime is taken as part of the general regime.

Notes:

"-": policy did not exist in that year

"E": *excluded* from the model as it is neither included in the micro-data nor simulated

"I": *included* in the micro-data but not simulated

"PS" *partially simulated* as some of its relevant rules are not simulated

"S" *simulated* although some minor or very specific rules may not be simulated.

1.5. Taxes

According to Table 4, the Spanish tax system is divided into similar shares between direct and indirect taxes. However, in previous years the weight of indirect taxation has increased and, in 2005, its weight in percentage of GDP is five points higher than that of direct taxation.

1.5.1. Direct Taxes

— *Personal Income Tax (Impuesto sobre la renta de las personas físicas, IRPF)*: progressive tax levied on the worldwide income of resident individuals. The base of the income tax is relatively broad. The main exceptions are social security pensions for disabled individuals (*gran incapacidad, incapacidad permanente and incapacidad absoluta*), child benefit and child support (the parent who pays the support must pay income tax for it). It is levied on behalf of the State and the autonomous regions. It is generally charged at the individual level, but *family units* (single-parent or couples and children under 18) can choose to be taxed jointly. Personal Income Tax was largely reformed in 1998. The new system was implemented in 1999 and was basically maintained until 2005. Until 1998, joint taxation had a different tax schedule. Since 1999, joint taxation has larger personal and family allowances (*mínimo personal and familiar*). Since 1999, imputed rent from main residence ownership is no longer taxed; imputed income from other residences is still taxed.

— *Personal Income Tax for Non-Residents (Impuesto sobre la renta de las personas físicas de no residentes, IRPNR)*: progressive tax levied on the income gained in Spanish territories by non-resident individuals.

— *Corporate Income Tax (Impuesto de Sociedades, IS)*: fixed rate tax levied on the worldwide benefits of corporations whose main business is obtained in Spanish territories or whose headquarters are located in Spain.



— *Net Wealth Tax (Impuesto sobre el patrimonio, IP)*: this tax is levied on the worldwide assets of resident individuals and charged through a progressive tax schedule. The taxable base (net wealth) is calculated by aggregating all his/her assets and deducting the appropriate liabilities. The aggregate burden of income tax and net wealth tax due by a resident taxpayer cannot exceed 60% of his/her total taxable income for income tax purposes. Net wealth below a certain limit is exempt; this limit is larger if asset is main residence.

— *Inheritance tax (Impuesto sobre sucesiones y donaciones, ISD)*: this tax is levied on behalf of the 17 autonomous regions on property passing to individuals by way of gift or on death. It is charged using a progressive tax schedule. There are many exemptions and tax-credits related to the type of relationship the individual has/had with the previous owner and the nature of the donation or bequest.

— *Value Added Tax (Impuesto sobre el valor añadido, IVA)*: Spanish value added tax (IVA) taxes supplies of goods and services in mainland Spain and the Balearic Islands, thus excluding the Canary Islands and the Spanish cities in Northern Africa: Ceuta and Melilla, as well as the importation of goods into that any of these territories. There are basically, three different rates: 4% for basic necessities; 7% for food, dwellings, transport, tourism, etc; and the 16% standard rate for other goods and services. The Canary Islands levy a type of value added tax (IGIC) on taxable supplies of goods and services within the Canary Islands.

— *Excise duties (Impuestos especiales, IE)*: These are charged on alcohol and alcoholic beverages, beer, tobacco, fuel, some transports and electrical energy. Excise duties are detailed in Law 38/1992 of 28 December 1992 and comprise: (common) excises on manufacture (*Impuestos Especiales de Fabricación, IEF*) and an excise on certain means of transport (*Impuesto Especial sobre determinados Medios de Transporte, IEMT*).

- *IEFs* are levied at lump-sum rates. In general on a single stage with respect to the manufacture in, and importation to, Spain of alcoholic drinks and products; hydrocarbons and manufactured tobacco products (combined for cigarettes with ad valorem rates).
- *IEMT* is levied at ad valorem rates (in addition to 16% VAT in mainland Spain and 13% IGIC in the Canary Islands) on a single stage with respect to the first final registration in Spain of (new or used) means of transport, domestically manufactured or imported. The rates are: 7% or 12% in mainland Spain and the Balearic Islands; and 6% or 11% in the Canary Islands. The first rate applies to means of transport of less than 1,600 cc (2,000 cc for diesel engines) and the second rate otherwise.

Other Direct Taxes.

— *Real Estate Tax (Impuesto sobre bienes inmuebles, IBI)*: this tax is levied on an annual basis by local authorities on the possession of property in the local territory. The taxable base is the cadastral value, which is usually well below properties' market price even if its value is usually adjusted every eight years. The general tax rates are 0.4% for urban property and 0.3% for rural property.

— *Urban Real Estate Value Tax (Impuesto sobre el incremento del valor de los terrenos de naturaleza urbana, IVTNU)*: this tax is levied by local authorities on the increase in the value of urban properties in the local territory when the property is transacted between individuals or firms.

— *Local Business Tax (Impuesto sobre actividades económicas, IAE)*: this tax is levied on a quarterly basis by local authorities on all individuals that have a business activity in the local territory.

— *Vehicles Tax (Impuesto sobre vehículos de tracción mecánica, IVTM)*: this tax is levied on an annual basis by local authorities on the possession of vehicles.

1.5.2. Indirect Taxes

— *Property Transaction Tax (Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados, ITPAJD)*: this tax is levied by regional authorities (Comunidades Autónomas) on the transaction of properties between individuals or firms and also on any juridical act.

— *Constructions, Instalments and Reforms Tax (Impuesto sobre Construcciones, Instalaciones y Obras, ICIO)*: this tax is levied by local authorities on any construction, reform or work undertaken within the local territory.

— *Custom duties (Rentas de Aduanas)*: this tax is levied upon goods and merchandise imported or exported to and from the Spanish territories.

1.5.3. Changes in taxes 2006-2008

2006

According to Table 4, between 2005 and 2006 personal income tax and corporate income tax weight increased in relation with other receipts. Taxes on goods and services maintained their weight and social security contributions decreased in their relative importance within total receipts.

— *Personal Income Tax (Impuesto sobre la renta de las personas físicas, IRPF)*: no major changes took place. Tax schedules' income brackets are increased in order to account for inflation.

2007

According to Table 4, between 2006 and 2007 personal income tax and corporate income tax weight increased in relation with other receipts. In contrast with previous years taxes on goods and services significantly reduced their weight. Social security contributions decreased once more their relative importance within total receipts.

— *Personal Income Tax (Impuesto sobre la renta de las personas físicas, IRPF)*: a significant reform of the personal income tax was undertaken for incomes gained in 2007. (Ley 35/2006 de reforma del Impuesto sobre la Renta de las Personas Físicas, 28 de noviembre de 2006). The main changes introduced were:

- 1) *Changes in the tax schedule*: reduction from five to four income brackets. Reduction in the rate for the last income bracket from 45 to 43%. Increase in bracket's limits.
- 2) *Changes in family allowances*: the existing dependent children allowance is changed to a dependent children tax credit.
- 3) *Changes in special tax rate*: All incomes from capital gains are now taxed at a rate of 18% instead of distinguishing between those rights that are owned from less than a year and more than a year and taxing them at the marginal rate or at a 15% respectively.

For the first time an autonomous community (*Comunidad de Madrid*) decided to fix a different tax schedule to the rest.

2008

— *Personal Income Tax (Impuesto sobre la renta de las personas físicas, IRPF)*: major changes are the following:

- 1) *New €400 annual tax credit (Deducción de €400 anuales)*: In order to foster economic activity the Spanish government created a new tax credit in the Personal Income Tax taxing incomes gained during 2008. (Real Decreto-ley 2/2008, de 21 de abril, de medidas de impulso a la actividad económica). All taxpayers with income from work, unemployment, pensions or self-employment may benefit from a €400 tax credit.
- 2) *New main residence rent tax credit (Deducción por alquiler de vivienda habitual)*: In order to foster home rent in 2008 there is a new tax credit for taxpayers with tax base below €24,020 who live in rented housing. Tax credit base is expenditures on rent. If taxpayer's tax base is €12,000 or less the tax credit base limit is €9,015. If tax base between €12,000.01 and €24,020 the limit is (€9,015 – 0.75 (tax base – €12,000)). After calculating the tax base using expenditures on rent and taking limits into account, the tax credit is a 10.05% of the tax credit base.
- 3) *Tax schedules*: Tax schedules' income brackets are increased by a 2% in order to account for inflation (avoiding at least part of the fiscal drag). Comunidad de Madrid and La Rioja have changed the autonomous (*escala complementaria*) tax Schedule. Cataluña and Illes Balears have changed the main residence mortgage tax credit (*Deducción por inversin en vivienda habitual*).

Scope and scale

Table 11. TAXES: TAXPAYERS

	2004	2005	2006	2007	2008
Direct taxes: Personal Income Taxpayers					
Total Personal Income Tax payers (All regions, including P.Vasco and Navarra)	—	—	—	—	—
All regions but P. Vasco and Navarra	16,474,150	17,105,088	17,840,783	—	—
P. Vasco	1,030,619	1,054,520	1,081,347	—	—
Navarra	285,024	311,350	322,768	—	—
Total Personal Income Tax payers (All regions but P. Vasco and Navarra)	16,474,150	17,105,088	17,840,783	—	—
Individual taxpayers	11,500,355	12,216,400	13,036,296	—	—
Joint taxpayers	4,973,795	4,888,688	4,804,487	—	—
Navarra					
Individual taxpayers	151,055	176,326	187,081	—	—
Joint taxpayers	133,969	135,024	135,687	—	—

Notes: Taxpayers are number of individuals or couples who report on personal income tax. A significantly larger amount of individuals pay income tax through withholdings of incomes along the year even if they do not report to the Tax Agency.

Source: BADESPE, Base de datos del Sector Público Español, Instituto de Estudios Fiscales. Ministerio de Economía y Hacienda. Dirección General de Tributos. Recaudación y Estadística del Sistema Fiscal Español. Informe Anual Integrado de la Hacienda Vasca, Anexo I de la Actividad normativa de las haciendas forales 2005-2009. Departamento de Economía y Hacienda. Gobierno Vasco. Departamento de Economía y Hacienda del Gobierno de Navarra.

Table 12. TAXES: REVENUE

Annual revenue (Millions of Euro) (All regions including P. Vasco and Navarra)	2004	2005	2006	2007	2008
Direct taxes					
Personal Income Tax	51,521.30	58,992.13	67,576.94	77,963.80	—
Corporate Income Tax	27,501.40	34,326.58	39,418.48	47,450.59	—
Personal Income Tax (Non-residents)	1,430.39	1,402.18	1,574.81	2,613.66	—
Net Wealth Tax	1,223.20	1,391.32	1,661.33	2,056.73	—
Inheritance tax	1,973.13	2,392.62	2,708.11	2,931.35	—
Other direct Taxes	4.97	0.91	1.28	1.01	—
Total Direct Taxes	83,654.40	98,505.74	112,940.97	133,017.17	—
Indirect taxes					
Value Added tax	49,058.72	55,040.64	60,420.12	61,858.34	—
Excise Duties	19,195.55	19,780.35	20,422.38	21,677.26	—
Other indirect taxes	16,513.99	19,687.96	23,204.28	21,754.62	—
Total Indirect Taxes	84,768.26	94,508.95	104,046.781	105,290.22	—

Source: BADESPE, Base de datos del Sector Público Español, Instituto de Estudios Fiscales. Ministerio de Economía y Hacienda. Dirección General de Tributos. Recaudación y Estadística del Sistema Fiscal Español.

Simulation

Table 13. SIMULATION OF TAXES

	Treatment	Why not fully simulated?
Direct taxes		
Personal Income Tax	S	Some exemptions, small allowances and special treatment of some capital and self-employment incomes are ignored. Income tax rules of Basque country and Navarra are assumed to be the same as the other regions.
Corporate Income Tax	E	No information available.
Net Wealth Tax	E	No information available
Inheritance Tax	E	No information available
Other direct taxes	E	No information available
Indirect taxes		
Value Added Tax	E	No information available
Excise Duties	E	No information available
Other Indirect Taxes	E	No information available

Notes:

"-": policy did not exist in that year

"E": *excluded* from the model as it is neither included in the micro-data nor simulated

"I": *included* in the micro-data but not simulated

"PS" *partially simulated* as some of its relevant rules are not simulated

"S" *simulated* although some minor or very specific rules may not be simulated.

2. DETAILED DESCRIPTION OF SIMULATED TAXES AND BENEFITS

2.1. Order of simulation

The following table shows the order in which the main elements of the Spanish system are simulated.

Table 14. ORDER OF SIMULATION

Policy:
Employee Social Insurance Contribution.
Employer Social Insurance Contribution.
Unemployment Insurance Benefit (<i>Prestación por desempleo</i>).
Income Tax.
Unemployment Assistance Benefit (<i>Subsidio por desempleo</i>).
Income Guarantee Benefit (<i>Renta Activa de Inserción</i>).
Non-contributory Old-age Pensions (<i>Pensiones no contributivas por jubilación</i>).
Old-age Pension Complement (<i>Complemento de mínimos por jubilación</i>).
Widowhood Pension complement (<i>Complemento de mínimos por viudedad</i>).
Child Benefit (<i>Prestación no contributiva por hijo a cargo</i>).
Minimum Income Guarantee (<i>Rentas mínimas</i>).

We first simulate employees and employers social contributions. Then we simulate the contributory unemployment insurance benefit. Given that unemployment insurance benefits are also taxable we then simulate the income tax. The five means-tested benefits, Unemployment Assistance Benefit, Income Guarantee Benefit, NC Old-age pensions, Pension Complements and Child Benefits. We finally simulate the last social safety net, the Autonomous Communities Minimum Income Guarantee.

2.2. Other simulation issues

2.2.1. Tax evasion

Under-reporting of income for tax evasion in Spain is believed by the Tax Agency (Agencia Tributaria, www.aeat.es) to be important for some income sources mainly related to self-employment income, earnings from professional activities and capital income. These income sources appear to be also under-reported in surveys and, in general, given that some empirical work for the nineties (see Sanz, B., 1996) checked that survey incomes did not sum up to National Accounts numbers. In contrast under-reporting of labour income is regarded to be low mainly related to compulsory withholdings of salaries.

The Spanish Tax Agency has established a Tax Evasion Observatory and designed a particular plan (*Plan de Prevención del Fraude Fiscal*) in 2005 and continued in a revision in 2008. However, there are no official estimates even if some studies have been done. Most recent information on the matter is available from the yearly survey undertaken by the Instituto de Estudios Fiscales called *Barómetro Fiscal* where the attitudes and opinions of Spaniards on tax evasion and its importance are analysed.

It is difficult to discuss the need to correct data or the way policies are simulated due to evasion given that under-reporting may be found both in tax revenues and in survey individual income information.

2.2.2. Benefit take up and fraud

A question arising in the case of benefit simulation is whether individuals do take-up the benefits which they are entitled to. In Spain this appears as a relevant issue even if unfortunately few studies have been done on the matter.

On benefit fraud it appears that some unemployment benefit recipients are found to be working in the informal economy while receiving the benefit. This may be the case also in other benefit recipients.

2.3. Social benefits

2.3.1. Unemployment benefits

2.3.1.1. Unemployment Insurance Benefit (*Prestación por desempleo*)

Unemployment insurance scheme is available to all employees who have lost their job and reach a minimum time of contribution to the Social Security system.

Definitions.

— *Dependent children:* cohabiting children below 26 years of age (or older if disabled) whose incomes are below the minimum wage (*Salario Mínimo Interprofesional, SMI*) considering 12 monthly payments. In 2005: (12 x €513 per month) = €6,156 per year. See table below for all years:

Year	2005	2006	2007	2008
Income limit (Euro per year)	6,156.0	6,490.8	6,847.2	7,200.0

Eligibility conditions.

In order to be entitled to receive the benefits the individuals must be over 16 years of age and registered at the employment office as actively seeking employment. The minimum period of contributions to be eligible for the benefit is 360 days during the six years immediately before unemployment.

Income assessment.

There is no income assessment.

Benefit amount.

The benefit amount will depend on the average daily contributory base (*base reguladora, contingencias comunes*), strongly related to the individual wage level. The average is calculated on contributions made during the 180 days that precede the legal situation of unemployment. All payments for overtime work are excluded. The amount to be received will be:

- During the first 180 days, 70% of the average daily contributory base.
- As from the 181st day onwards, 60% of the average daily contributory base.

The benefit cannot be below a minimum:

- If the worker has no dependent children, the minimum benefit is 80% of the monthly IPREM, increased by 1/6. In 2005: $(1+1/6) \times (0.8 \times \text{€}469.8) = \text{€}438.48$ per month See table below for all years:

Year	2005	2006	2007	2008
Benefit amount (Euro per month):	438.48	447.16	465.92	482.44

- If the worker has at least one dependent child, the minimum benefit is 107% of monthly IPREM, increased by 1/6. In 2005: $(1+1/6) \times (1.07 \times \text{€}469.8) = \text{€}586.46$ per month See table below for all years:

Year	2005	2006	2007	2008
Benefit amount (Euro per month):	586.46	598.76	623.16	645.26

The benefit cannot be over a maximum:

- If the worker has no dependent children, the maximum benefit is 175% of the monthly IPREM, increased by 1/6. In 2005: $(1+1/6) \times (1.75 \times \text{€}469.8) = \text{€}959.17$ per month See table below for all years:

Year	2005	2006	2007	2008
Benefit amount (Euro per month):	959.17	978.15	1,019.20	1,055.33

If the worker has dependent children:

- One child, the maximum benefit is 200% of monthly IPREM, increased by 1/6. In 2005: $(1+1/6) \times (2 \times \text{€}469.8) = \text{€}1,096.2$ per month. See table below for all years:

Year	2005	2006	2007	2008
Benefit amount (Euro per month):	1,096.2	1,117.9	1,164.8	1,206.1

- Two or more children, the maximum benefit is 225% of the monthly IPREM, increased by 1/6. In 2005: $(1+1/6) \times (2.25 \times \text{€}469.8) = \text{€}1,233.22$ per month. See table below for all years:

Year	2005	2006	2007	2008
Benefit amount (Euro per month):	1,233.22	1,257.63	1,310.4	1,356.86

In the case of becoming unemployed while at a part time job, the maximum and minimum limits of the benefit will be calculated as a proportion of the full-time working day.

Benefit duration depends on the total contribution period over the preceding six years:

Period of work for which contributions have been made during the last six years	Duration of the benefit being paid
Between 360 days and 539 days	120 days
Between 540 days and 719 days	180 days
Between 720 days and 899 days	240 days
Between 900 days and 1,079 days	300 days
Between 1,080 days and 1,259 days	360 days
Between 1,260 days and 1,439 days	420 days
Between 1,440 days and 1,619 days	480 days
Between 1,620 days and 1,799 days	540 days
Between 1,800 days and 1,979 days	600 days
Between 1,980 days and 2,159 days	660 days
2,160 days or more	720 days

Compatibilities.

Benefits are not compatible with any full-time employment except some particular cases. However, they are compatible with carrying out a part-time activity as employee.

Accumulation with social security pensions or cash benefits is not possible unless these had been compatible with the professional activity from which the unemployment benefit derived. Accumulation is possible with pensions which are compatible with work.

Taxation and income testing.

Taxable. Benefits are included in the income test of other social benefits.

2.3.1.2. Unemployment assistance benefit (*Subsidio por desempleo*)

This is a means-tested benefit which is generally available to workers whose unemployment insurance has expired.

Definitions.

— *Dependent individual*: spouse any age or child under twenty-six years of age (older if disabled) whose personal income does not exceed 75 per cent of the minimum wage considering 12 monthly payments. In 2005: $0.75 \times (12 \times \text{€}513 \text{ per month}) = \text{€}4,617$ per year (see table below for following years):

Year	2005	2006	2007	2008
(Euro per year):	4,617	4,868.1	5,135.4	5,400

Eligibility conditions.

Unemployed individuals are eligible if having exhausted their contributory unemployment benefit, family unit income is below the income test and they are over 45 years of age or have dependants. Workers with dependants who were not entitled to contributory unemployment benefit due to shortage of contributions but have, at least, three months of contributions to the Social Security system are also eligible. Further, workers without dependants who were not entitled to contributory unemployment benefit due to shortage of contributions but have, at least, six months of contributions are also eligible.

Income assessment.

Individual level: individual income must be below 75% of the minimum wage (*Salario Mínimo Interprofesional, SMI*) considering 12 monthly payments. In 2005: $0.75 \times (12 \times \text{€}513 \text{ per month}) = \text{€}4,617$ per capita a year (see table below for following years):

Year	2005	2006	2007	2008
(Euro per year):	4,617	4,868.1	5,135.4	5,400

Family level: Per capita household income from all sources¹ must be below 75% of the minimum wage (*Salario Mínimo Interprofesional, SMI*) considering 12 monthly payments. In 2005: $0.75 \times (12 \times \text{€}513 \text{ per month}) = \text{€}4,617$ per capita a year (see table below for following years):

Year	2005	2006	2007	2008
(Euro per year):	4,617	4,868.1	5,135.4	5,400

Benefit amount.

Benefits amount to 80% of the IPREM. In 2005: $(0.8 \times \text{€}469.8 = \text{€}375.8 \text{ per month})$, (see table below for following years):

Year	2005	2006	2007	2008
Benefit amount (euro per year):	375.8	383.28	399.36	413.52

¹ There are a few exemptions, including child benefit and refundable working mother tax credit (*deducción por maternidad*).

Long-term unemployed over 45 years of age, who have exhausted a contributory benefit received for 720 days, have a special six-month allowance according to the number of dependant family members.

— With no dependants or just one: 80% IPREM, in 2005: €375.84 (see table below for following years):

Year	2005	2006	2007	2008
Benefit amount (euro per year):	375.8	383.28	399.36	413.52

— With two dependants: 107% IPREM, €502.69 (see table below for following years):

Year	2005	2006	2007	2008
Benefit amount (euro per year):	502.69	512.63	534.14	553.08

— With three or more dependants: 133% IPREM, €624.83 (see table below for following years):

Year	2005	2006	2007	2008
Benefit amount (euro per year):	624.83	637.2	663.94	687.47

The duration of the benefit is normally six months with the possibility of extension up to a maximum of 18 months. The benefit may be extended until retirement age for workers over 52 years of age under certain conditions.

Compatibilities.

Benefits are not compatible with any full-time employment except some particular cases.

Taxation and income testing.

Taxable. Benefits included in the income test of other social benefits.

2.3.1.3. Income Guarantee benefit (*Renta Activa de Inserción*)

This means-tested benefit aims to cover unemployed individuals with dependants and particularly large difficulties to find a job. The worker must follow a “back to work” scheme aimed at improving his/her possibilities of finding a job.

Definitions.

— *Dependent individual:* spouse any age or child under twenty-six years of age (older if disabled) whose personal income does not exceed 75% of the minimum wage considering 12 monthly payments. In 2005: $0.75 \times (12 \times \text{€}513 \text{ per month}) = \text{€}4,617 \text{ per year}$ (see table below for following years):

Year	2005	2006	2007	2008
(Euro per year):	4,617	4,868.1	5,135.4	5,400

Eligibility conditions.

Unemployed individuals over 45 years of age with dependants who are not eligible or have exhausted contributory and non contributory unemployment benefit while family unit income is below the income test.

Income assessment.

Per capita household income from all sources² must be below 75% of the minimum wage (*Salario Mínimo Interprofesional, SMI*) considering 12 monthly payments. SMI was €513 per month in 2005, so the actual limit is €384.7 per capita a month (€4,617 per year) in 2005 (see table below for following years):

Year	2005	2006	2007	2008
(Euro per year):	4,617	4,868.1	5,135.4	5,400

² There are a few exemptions, including child benefit and refundable working mother tax credit (*deducción por maternidad*).



Benefit amount.

Benefits amount to 80% of the IPREM ($0.8 \times \text{€}469.8 = \text{€}375.8$ per month). The INEM pays the individual's contributions to the Social Security system for medical assistance and family protection. The duration of the benefit is 11 months.

Compatibilities.

Benefits are compatible with full-time employment if individuals qualify for the program. In this case the benefit will only be 1/4 of that which would be obtained if not in full-time work. Duration in this case will drop to six months.

Taxation and income testing.

Taxable. Benefits included in the income test of other social benefits.

2.3.2. Pension benefits

2.3.2.1. Non Contributory old-age pension benefits (*Prestaciones no contributivas por jubilación total o por jubilación parcial*)

This means-tested old-age benefit is aimed at all Spanish citizens and nationals from other countries, with legal residence in Spain, over 65 years of age, who find themselves in a state of need and lack the necessary means for subsistence, even when they have never contributed to the Social Security scheme.

Definitions.

— *Family unit:* spouse and up to second-degree relatives (i.e., grandparents, siblings, grandchildren).

Eligibility conditions.

All individuals over 65 years of age legally resident in Spain are eligible.

Income assessment.

Family unit total yearly income, except child benefits, must be below:

- One member family unit: the annual amount of the benefit in 2005: €4,043.06.
- More than one member family unit:
 - No children or parents of the recipient: the annual amount of the benefit plus 70 percent more for each additional member. Thus the limit is $(1 + (0.7 \times (\text{number of members}-1))) \times \text{€}4,043.06$ in 2005.
 - Some are children or parents of the recipient: the previous limit is multiplied by 2.5: $2.5 \times ((1 + (0.7 \times (\text{number of members}-1))) \times \text{€}4,043.06)$ in 2005.

Year	2005	2006	2007	2008
(Euro per year):	4,043.06	4,221.70	4,374.02	4,598.16

Benefit amount.

The annual amount for the year 2005 is €4,043.06. The total amount will be divided into 14 payments corresponding to each month of the year and two extra payments in the months of June and November.

In the case more than one person in the economic unit is entitled to the benefit, the amount increases by 70% for each additional beneficiary and the resulting amount is equally shared across claimants.

In the case the pensioner earns other incomes that are over 25% of the total annual pension (in 2005 this amounts to $0.25 \times \text{€}4,043.06 = \text{€}1,010.76$), the non-contributory pension will be reduced in the amount over which other incomes exceed this limit (see table below for following years):

Year	2005	2006	2007	2008
Benefit amount (euro per year):	4,043.06	4,221.70	4,374.02	4,598.16

National complementary benefit.

There is a complementary benefit for pensioners living in rented housing who do not own other housing elsewhere and are not family related to the house owner. This is a national complementary benefit.

See for detailed reference: *REAL DECRETO 1400/2007, de 29 de octubre, por el que se establecen normas para el reconocimiento del complemento a los titulares de pensión de jubilación e invalidez de la Seguridad Social, en su modalidad no contributiva, que residan en una vivienda alquilada.*

Year	2007	2008
Benefit amount (euro per year):	350	357

Taxation and income testing.

Taxable. Benefits included in the income test of other social benefits.

Regional complementary benefits.

Most regions increase non-contributory old-age pension benefits with a further complementary benefit. Not all regions began to complement non-contributory pensions in the same year. Andalucía was the first region to do it in 2000 (the complement was of 9,395 pesetas per pensioner in 2000).

Details by Autonomous Communities:

Region	Amount			
	2005	2006	2007	2008
<i>Andalucía</i>	€79.78 per year	€84.86 per year	€89.95 per year	€95.34 per year
<i>Aragón</i>	€77.36 per year	€80,88 per year	€88.16 per year	€92 per year
<i>Asturias</i> Difference between Non contributory old-age pension and Basic Social Income in Asturias (SSBA).	SSBA= €365 per month	SSBA= €377.78 per month	SSBA= €396.67 per month	SSBA= €413.33 per month
<i>Illes Balears</i>				€210 per year
<i>Canarias</i> Difference between Non contributory old-age pension and Basic Social Income (SSB).			SSB = €442.62 per month (1 person)	SSB = €451.67 per month (1 person)
<i>Cantabria</i>		€301.55 per year	€311 per year	€319 per year
<i>Castilla-La Mancha</i>				15% annual non-contributory pension amount
<i>Cataluña</i>		25% annual non-contributory pension amount	25% annual non-contributory pension amount €91.13 per month 12 payments a year	25% annual non-contributory pension amount €95.79 per month 12 payments a year
<i>Galicia</i>				€200 per year
<i>Navarra</i> Increasing non-contributory pensions' income up to a percentage of the Minimum Wage (SMI).			1 person: 80% 2 persons: 95% 3 persons: 105%	1 person: 85% 2 persons: 105% 3 persons: 105%
<i>País Vasco</i> Álava			€96.18 per month in 14 payments a year (if two persons in family eligible)	€96.18 per month in 14 payments a year (if two persons in family eligible)
<i>País Vasco</i> Guipúzcoa and Vizcaya	€51.33 per month 14 payments a year	€51.33 per month 14 payments a year	€51.33 per month 14 payments a year	€51.33 per month 14 payments a year



2.3.2.2. Old-age pension complement (*Complemento de mínimos por jubilación*)

This means-tested benefit is a complementary benefit paid to all contributory pensions that are below the official minimum pension (*pension mínima*) yearly fixed by the government.

Definitions.

— *Dependent spouse (cónyuge a cargo)*: the pensioner has a dependent spouse if cohabiting with an adult individual who does not receive any pension and total net earnings of both the previous year is below €7,142 in 2005 (see table below for following years);

Year	2005	2006	2007	2008
(Euro per year):	7,142.00	7,384.83	7,576.84	7,887.49

Eligibility conditions.

All contributory pension benefits receivers must pass the income test.

Income assessment.

Total individual net earnings the previous year must be below the amount of the contributory pension benefit plus €6,122.53 (see table below for following years):

Year	2005	2006	2007	2008
(Euro per year):	6,122.53	6,330.69	6,495.29	6,761.61

Benefit amount.

If the beneficiary only receives one pension, the amount of the non-contributory complement will be the difference between the amount of the pension officially acknowledged and the minimum pension that year. In 2005 the minimum pension was:

— Without a dependant spouse:

– If 65 years of age or over: In 2005: €6,141.94 per year (see table below for following years):

Year	2005	2006	2007	2008
(Euro per year):	6,141.94	6,537.72	6,905.08	7,399.7

– If below 65 years of age: In 2005: €5,722.92 per year (see table below for following years):

Year	2005	2006	2007	2008
(Euro per year):	5,722.92	6,091.68	6,433.98	6,895.98

— With a dependant spouse:

– If 65 years of age or over: In 2005: €7,336.14 per year (see table below for following years):

Year	2005	2006	2007	2008
(Euro per year):	7,336.14	7,920.36	8,484.84	9,222.5

– If below 65 years of age: In 2005: €6,856.08 per year (see table below for following years):

Year	2005	2006	2007	2008
(Euro per year):	6,856.08	7,402.08	7,929.74	8,619.24

If the beneficiary has more than one pension, the amount of the non-contributory complement to make up the minimum will only be acknowledged if the sum of all pensions is below the highest minimum pension, according to the annual computation.

Taxation and income testing.

Taxable. Benefits included in the income test of other social benefits.

2.3.2.3. Complementary benefit to non-contributory pensions due to housing rent (*Complemento por alquiler*)

All pensioners living in rented housing who do not own other housing elsewhere and are not family related to the house owner will receive a complementary benefit if they pay housing rent.

2.3.2.4. Widow-widower's pension complement (*Complemento de mínimos por viudedad*)

This means-tested benefit is paid to widows or widowers receiving a contributory pension from deceased partner that are below the official minimum pension (*pension de viudedad mínima*) yearly fixed by the government.

Definitions.

— *Dependant relatives (cargas familiares)*: individuals under 26 years of age (or older if disabled) are considered dependant relatives if per capita household income does not exceed 75 per cent of the minimum wage considering 12 monthly payments. In 2005: $0.75 \times (12 \times \text{€}513 \text{ per month}) = \text{€}4,617$ per year (see table below for following years):

Year	2005	2006	2007	2008
(Euro per year):	4,617.0	4,868.1	5,135.4	5,400.0

Eligibility conditions.

All contributory pension benefits receivers that comply the income test.

Income assessment.

Total individual yearly earnings the previous year must be below the amount of the contributory pension benefit plus €6,122.53 in 2005 (see table below for following years):

Year	2005	2006	2007	2008
(Euro per year):	6,122.53	6,330.69	6,495.29	6,761.61

Benefit amount.

If the beneficiary only receives one pension, the amount of the non-contributory complement will be the difference between the amount of the pension officially acknowledged and the minimum pension that year. Minimum pensions were:

In 2005 and 2006:

Year	2005	2006
65 or over	6,141.94	6,537.72
Between 60-64	5,722.92	6,091.68
Below 60	4,566.00	4,861.08
Below 60 with dependant relatives	5,722.92	6,091.68

In 2007:

Year	2007
With dependant relatives	6,905.08
With disability (65% or more)	6,905.08
65 or over	6,905.08
Between 60-64	6,433.98
Below 60	5,134.36

In 2008:

Year	2008
With dependant relatives	8,619.24
With disability (65% or more)	7,399.70
65 or over	7,399.70
Between 60-64	6,895.00
Below 60	5,134.36

Taxation and income testing.

Taxable. Benefits included in the income test of other social benefits.

2.3.3. *Child and family benefits: National level*

These benefits aim either for the general maintenance of families welfare or, in particular in some cases, for the alleviation of the poverty situation of households with children.



2.3.3.1. Child benefit (*Prestación no contributiva por hijo a cargo*)

Definitions.

— *Dependent child:* individual under 18 (or older if affected by a disability of a degree equal to or higher than 65 percent). In Spain individuals may work if between 16 and 18 years of age, they continue to qualify as dependent children if their annual earnings are below the minimum wage (*salario mínimo*) in 2005 and after that moment, below 75% of the minimum wage. Thus the child's annual earnings must be below:

Year	2005	2006	2007	2008
(Euro per year):	6,156.0	4,868.1	5,135.4	5,400.0

Eligibility conditions.

The benefit is received by an adult individual cohabiting with the dependent child. In case of nullity, legal separation or divorce of the parents the beneficiary should be the parent that is in charge of the child. All benefit receivers must pass the income test.

Income assessment.

Family unit yearly income must be below €8,793.03 in 2005, see table below for following years:

Year	2005	2006	2007	2008
(Euro per year):	8,793.03	9,091.99	9,328.39	11,000.00

This amount is increased by 15% for each extra dependent child.

In the case of belonging to a large family (recall definition in section 0) with three dependent children the income test is 14,990.94 euro in 2005, see table below for following years:

Year	2005	2006	2007	2008
(Euro per year):	14,990.94	15,500.00	15,903.65	16,555.70

This amount will increase for other large families in 2,428.11 euro in 2005 (for each dependent child from the fourth onwards).

Year	2005	2006	2007	2008
(Euro per year):	2,428.11	2,510.67	2,575.95	2,681.56

The benefit is not income tested when children are disabled.

Benefit amount.

— For children under 18 without disabilities: €291 per year in 2005, 2006 and 2007 (€500 in 2008).

Year	2005	2006	2007	2008
(Euro per year):	291	500	500	500

— For children under 18 with a degree of disability of 33% or more: €581.66 per year in 2005 (see below table for following years):

Year	2005	2006	2007	2008
(Euro per year):	581.66	1000	1000	1000

— For children over 18 with a degree of disability of 65% or more: €3,474.84 per year in 2005 (see below table for following years):

Year	2005	2006	2007	2008
(Euro per year):	3,474.84	3,618.60	3,749.16	3,941.28

— For children over 18 with a degree of disability of 75% or more: €5,212.32 in 2005 (see below table for following years):

Year	2005	2006	2007	2008
(Euro per year):	5,212.32	5,427.96	5,623.80	5,911.92

Compatibilities.

This benefit is compatible with national or regional lump-sum child benefits.

Taxation and income testing.

Not taxable and not included in the income test of other benefits.

2.3.3.2. National lump-sum Child benefits

2.3.3.2.1. Means-tested lump-sum Child benefits payable at birth of third or further children (*Prestaciones económicas en un único pago por nacimiento o adopción de hijos y parto o adopción múltiple*)

These benefits are payable once at child's birth if net household income below the income test. This benefit disappears in 2008 and is converted in another benefit for particular households (large households, lone-parents and disabled mothers).

Eligibility conditions.

The benefit is received by a cohabiting parent at child's birth of third or more children or multiple birth. In case of nullity, legal separation or divorce of the parents the beneficiary should be the parent that is in charge of the child.

Income assessment.

Family unit yearly income must be below €8,793.03 in 2005 (see table below for following years):

Year	2005	2006	2007
(Euro per year):	8,793.03	9,091.99	9,328.39

This amount is increased by 15% for each extra dependent child (from second onwards).

In the case of belonging to a large family (recall definition in section 0) with three dependent children the income test is €14,990.94 in 2005 (see table below for following years):

Year	2005	2006	2007
(Euro per year):	14,990.94	15,500	15,903.65

This amount will increase for other large families in €2,428.11 in 2005 (for each dependent child from the fourth onwards).

Year	2005	2006	2007
(Euro per year):	2,428.11	2,510.67	2,575.95

If household income is over the corresponding limit but within the following limits, the benefit will be the difference between the maximum value that year and yearly household income.

Year	2005 (Min-Max)	2006 (Min-Max)	2007 (Min-Max)
Three children	11,430.93-11,881.69	11,819.59-12,619.84	12,126.91-12,504.92
Four children	12,749.88-13,200.64	13,183.39-14,250.39	13,526.17-13,879.93
Five children	14,068.83-14,519.59	14,547.19-15,880.94	14,925.43-15,254.94
Six children	15,387.78-15,838.54	15,910.99-17,511.49	16,324.69-16,629.95
Seven children	16,706.73-17,157.49	17,274.79-19,142.04	17,723.95-18,004.96
Eight children	18,025.68-18,476.44	18,638.59-20,272.59	19,123.21-19,379.97
Nine children	19,344.63-19,795.39	20,002.39-22,403.14	20,522.47-20,754.98
Ten children	20,663.58-21,114.34	21,366.19-24,033.69	21,921.73-22,129.99



Benefit amount.

Year	2005	2006	2007
(Lump-sum payment in Euro):	450.76	450.76	450.76

Compatibilities.

This benefit is not compatible with any other regional or local benefit of the same type.

Taxation and income testing.

Not taxable and not included in the income test of other benefits.

2.3.3.2.2. Universal lump-sum Child benefits or maternity tax credit (*Prestación por nacimiento o adopción de hijos o parto o adopción múltiple*)

Since 1st July 2007 all mothers that give birth or adopt a child receive a lump-sum benefit of €2,500 (the mother must have been resident in Spain for at least two years at child's birth). The benefit may be obtained also as a tax credit in the corresponding year Personal Income Tax. This is applicable to the whole Spanish territories, including País Vasco and Navarra.

Compatibilities.

This benefit is compatible with any other child benefits.

Taxation and income testing.

Not taxable and not included in the income test of other benefits.

2.3.3.2.3. Means-tested lump-sum Child benefits for large families, lone parents and disabled mothers (*Prestaciones por nacimiento o adopción de hijos en los supuestos de familia numerosa, monoparentales o madres discapacitadas*)

This is a new benefit in 2008. The benefit is payable to some household types (large households, lone-parents and disabled mothers) at a child's birth if net household income is below the income test.

Eligibility conditions.

The benefit is received by a cohabiting parent of these household types at child's birth.

Income assessment.

Family unit yearly income must be below €11,000 in 2008 in the case of one child, see table below for minimums for other number of children which is a result of $(€11,000 + (\text{number of children}) \times €1,650)$ and maximums which is the result of summing €1,000 to the minimum and deducting €24.25 per child. If household income is over the corresponding limit but within the maximum limit, the benefit will be the difference between the maximum value that year and yearly household income.

Year	2008 (Minimum)	2008 (Maximum)
One child	11,000	11,975.75
Two children	12,650	13,601.50
Three children	14,300	15,227.25
Four children	15,950	16,853.00
Five children	17,600	18,478.75
Six children	19,250	20,104.50
Seven children	20,900	21,730.25
Eight children	22,550	23,356.00
Nine children	24,200	24,981.75
Ten children	25,850	26,607.50

In the case of belonging to a large family (recall definition in section 1.2.1) with three dependent children the income test is €16,555.70 in 2008:

Year	2008
(Euro per year):	16,555.70

This amount will increase for other large families in €2,681.56 in 2008 (for each dependent child from the fourth onwards).

Large families:

Year	2008 (Minimum)	2008 (Maximum)
Three children	16,555.70	17,482.95
Four children	19,237.26	20,140.26
Five children	21,918.82	22,797.57
Six children	24,600.38	25,454.88
Seven children	27,281.94	28,112.19
Eight children	29,963.50	30,769.50
Nine children	32,645.06	33,426.81
Ten children	35,326.62	36,084.12

Benefit amount

Year	2008
(Lump-sum payment in Euro):	1000

Compatibilities

This benefit is not compatible with any other regional or local benefits of the same type.

Taxation and income testing

Not taxable and not included in the income test of other benefits.

2.3.4. Child and family benefits: Regional level

These benefits aim either for the general maintenance of families welfare or, in particular in some cases, for the alleviation of the poverty situation of households with children. In general regions aim to cover that missing at a national level or complement national level policies.

2.3.4.1. Andalucía

Means-tested child benefit for families when a third child is born they accumulate two children under 3 (Ayuda económica por tercer hijo y parto múltiple).

This benefit is available since 2002. Payable until third birthday per child under 3 (given that two children are under three and household has three or more children). The income assessment is that net yearly family income is below the following:

	Number of minimum wages
1 member	3
2 members	4.8
3 members	6
4 members	7
5 members	8
Add member	+1

Annual amount:

Year	2005	2006	2007	2008
Child under 3	600	600	600	600



Lump-sum payment at birth in case of multiple birth:

Number newborn	Amount
2 children	1,200
3 children	2,400
4 children	3,600
5 children	4,800

Legal reference: *BOJA 11 de mayo de 2002, ORDEN de 6 de mayo de 2002, por la que se regulan ayudas económicas por menores y partos múltiples.*

2.3.4.2. Aragon

No benefit.

2.3.4.3. Asturias

Universal lump-sum benefit at birth (Cheque bebé asturiano). Since 2008 all mothers resident in Asturias that give birth or adopt a child receive a further lump-sum benefit (summed to the national one) of 500 euro.

Legal references: *BOPA 6 de marzo de 2008, Resolución de 4 de marzo de 2008, de la consejería de bienestar social, por la que se aprueban las bases reguladoras de la concesión de ayudas por nacimiento o adopción de hijos.*

BOPA 6 de marzo de 2008, Resolución de 4 de marzo de 2008, de la consejería de bienestar social, por la que se aprueba la convocatoria de ayudas por nacimiento o adopción de hijos.

2.3.4.4. Illes Balears

No benefit.

2.3.4.5. Canarias

No benefit.

2.3.4.6. Cantabria

Means-tested child benefit for children under 3 years of age or 6 years of age if in large families (Subvención para las madres con hijos/as menores de 3 años o menores de 6 si en familia numerosa).

Available since 2002. There is a required minimum period of residence in Cantabria of three months until 2007 and twelve months since 2008. The benefit amount is €100 per month. The income assessment is that the mother's net yearly family income (tax base minus personal and family allowance) is below €42,000 (individual scheme) or €72,000 (joint scheme).

Legal references: *BOC de 28 de agosto de 2002, DECRETO 92/2002, de 22 de agosto de 2002, por el que se regula el régimen de concesión de ayudas para las madres con hijos menores de tres años.*

Orden de 25 de noviembre de 2004, por la que se regula la concesión de ayudas para las madres con hijos menores de tres años y, en determinados casos, a madres con hijos menores de seis años, durante el año 2005.

Orden HAC/15/2005, de 7 de noviembre, por la que se regula la concesión de ayudas para las madres con hijos menores de tres años y, en determinados casos, a madres con hijos menores de seis años, durante el año 2006.

Orden HAC/20/2006, de 20 de noviembre, por la que se regula la concesión de ayudas para las madres con hijos menores de tres años y, en determinados casos, a madres con hijos menores de seis años, durante el año 2007.

BOC de 28 de noviembre de 2007, DECRETO 153/2007 de 22 de noviembre, por el que se establece y regula la concesión de subvenciones para el fomento de la natalidad.

BOC de 4 de noviembre 2008, DECRETO 106/2008 de 23 de octubre de 2008 por el que se modifica el Decreto 153/2007 de 22 de noviembre de 2007, por el que se establece y regula la concesión de subvenciones para el fomento de la natalidad.

2.3.4.7. Castilla-La Mancha

Means-tested child benefit for children under 18 in large-families (Ayuda económica a familias numerosas con hijos menores de edad). Available since 2007.

The income assessment is that both gross yearly family income (tax base minus personal and family allowance) and wealth are below the following limits:³

	Net income Times the IPREM	Wealth Times the IPREM
1 or 2 children	5	20
3 children (or 2 if 1 disabled) ⁴	6	25
4 children (or 3 if 1 disabled)	7	30
5 children (or 4 if 1 disabled)	8	35
6 children (or 5 if 1 disabled)	9	40
7 children (or 6 if 1 disabled)	10	45
8 children (or 7 if 1 disabled)	11	50

Benefit amount per month:

Year	2005	2006	2007	2008
Child under 18	—	—	32	32

Legal references: *DOCM de 29 de diciembre de 2006, Decreto 126/06, de 26/12/2006, por el que se regulan las ayudas a familias numerosas.*

DOCM de 9 de enero de 2008, Orden de 28 de diciembre de 2007 de la Consejería de Bienestar Social, de actualización de cuantías de las ayudas económicas a familias numerosas reguladas por el Decreto 126/06, de 26 de diciembre y a personas en estado de viudedad, reguladas por el Decreto 128/2006, de 26 de diciembre.

Universal child benefit in case of multiple birth (Ayuda económica en el caso de parto múltiple).

This benefit is received quarterly for the same number of years as the number of children that entitles for receiving the benefit. Available since 2007

No. of children	Amount (per quarter)	Number of years
2 children	285	2
3 children	570	3
4 children ⁵	960	4
5 or more children	960+190*extra child	5+number of extra children

Legal reference: *DOCM de 29 de diciembre de 2006, Decreto 132/06, de 26/12/2006, por el que se regulan las ayudas económicas a las familias por el nacimiento de dos o más hijos o adopción múltiple.*

³ Wealth test is not applied in simulation due to lack of data on assets.

⁴ Disabled children cannot be identified in the data.

⁵ Due to the fact that this policy is targeted to cases that are unlikely to be accurately represented in the data, only cases of multiple birth up to 3 children were implemented in the model.

2.3.4.8. Castilla y León

Means-tested lump-sum benefit at birth (Subvención para padres y/o madres por nacimiento o adopción).

The benefit amount depends on the family income assessment. Available since 2002. If net yearly family income two years before⁶ child's birth is below €21,035 the benefit is of a higher quantity. Net family income is the sum of the general and special tax bases after personal and family tax allowances.

Year	2005	2006	2007	2008
Net income limit	21,035	21,035	21,035	21,035
Net income < limit				
First child	601	601	601	601
Second child	1,202	1,202	1,202	1,202
Third child or more	1,803	1,803	1,803	1,803
Net income > limit				
First child	300	300	300	300
Second child	601	601	601	601
Third child or more	901	901	901	901

If there is multiple-birth (*Subvención por parto múltiple*) the quantities are increased in a 50% in the case of two new-born children and in 100% if three or more. Since 2008 special benefits in this case are paid for two years more. If net yearly family income is below €21,035 the quantity is €901 per child and if income is above €21,035 the quantity is €450.

Legal references: *ORDEN FAM/76/2008, de 18 de enero, por la que se aprueban las bases reguladoras para la concesión de subvenciones por nacimiento o adopción en la Comunidad de Castilla y León, y se efectúa su convocatoria para el año 2008.*

Ley 1/2007, de 7 de marzo, de Medidas de Apoyo a las Familias de la Comunidad de Castilla y León.

ORDEN FAM/1974/2004, de 23 de diciembre, por la que se regulan las prestaciones económicas de pago único a los padres y/o madres por nacimiento o adopción de hijo, en desarrollo del Decreto 292/2001, de 20 de diciembre, por el que se establecen Líneas de apoyo a la Familia y a la Conciliación de la Vida Laboral en Castilla y León.

2.3.4.9. Cataluña

Universal child benefit for children under 3 (under 6 if large-families or lone-parents) (Prestació econòmica de caràcter universal per a les famílies amb fills i filles menors de 3 anys i per a les famílies nombroses i/o monoparentals amb fills i filles menors de 6 anys).

In 2005: €575 per year for each child under 3 years of age and €650 per year for each child under 6 years of age within a large or lone-parent family. If child has his third birthday during 2005 then the final quantity received will be the proportional part of the monthly assignment (number of months below 3 times the benefit/12)⁷.

Year	2005	2006	2007	2008
Child under 3	575	600	625	638
Child under 6 if in large or lone-parent family	650	700	730	745

Legal references: *DOGC de 11 de marzo de 2008, ASC/101/2008, de 4 de marzo, por la que se aprueban las bases para la concesión de las prestaciones económicas y las ayudas para las familias con hijas e hijos a cargo y se abre la convocatoria para el año 2008.*

⁶ As income from two years before the child's birth is not observable in the data, the income test is applied on "current" (observed) income.

⁷ The simulation doesn't take into account the month of birthday. Full amounts are paid for children aged 0 and no benefit is paid for children aged 3 or 6.

DOGC de 22 de marzo de 2007, ASC/54/2007, de 6 de marzo, por la que se aprueban las bases para la concesión de las prestaciones económicas y las ayudas para las familias con hijas e hijos a cargo y se abre la convocatoria para el año 2007.

DOGC de 7 de marzo de 2006, BEF/74/2006, de 1 de marzo, por la que se aprueban las bases para la concesión de las prestaciones económicas y las ayudas para las familias con hijas e hijos a cargo y se abre la convocatoria para el año 2006.

DOGC de 4 de febrero de 2005, ORDEN BEF/12/2005, de 31 de enero, por la que se aprueban las bases para la concesión de prestaciones económicas para las familias con hijas e hijos a cargo y se abre la convocatoria para el año 2005.

Universal lump-sum child benefit in case of multiple birth (*Prestació econòmica de caràcter universal per part, adopció o acolliment múltiple*). This benefit is received at child's birth.

Year/Quantities per family	2005	2006	2007	2008
Double birth	650	650	650	663
Three births	1000	1000	1000	1020
Four or more births	1200	1200	1200	1224

Means-tested lump-sum child benefit in case of multiple birth (*Ajut econòmic a famílies en situació d'especial vulnerabilitat amb part, adopció o acolliment múltiple de tres o més infants sotmès al nivell d'ingressos de la unitat familiar*). This is a means-tested benefit for vulnerable households who experience a multiple birth or adoption.

Annual income limits are:

Year	2005	2006	2007	2008
Group 1 (equivalent Euro per year)	37,509.38	46,951.80	48,921.60	53,151.00
Group 2 (equivalent Euro per year)	23,000.00	33,537.00	34,944.00	37,965.00

The annual income limit should be weighted by this scale:

	Coefficient
3 members	1
4 members	1.166
5 members	1.333
6 members	1.5
7 members	1.666
8 members	1.833
9 members	2
10 members	2.166

Each additional member will increase the coefficient by 0.07

Benefit amounts per year are:

Year	2005	2006	2007	2008
Group 1	2,400	2,400	2,400	2,448
Group 2	3,200	3,200	3,200	3,264

2.3.4.10. Extremadura

Universal child benefit for children under 3 (*Ayudas económicas a las familias residentes en Extremadura como medida de conciliación de la vida familiar y laboral*). Since 1st January 2008⁸ all mothers that give birth and are resident at least for a year in Extremadura receive a monthly non-means-tested benefit. The benefit quantity decreases with child's age.

⁸ As the benefit started in January 2008, in the simulation of 2008 only children in their first year (i.e., aged 0) are eligible.



2.5.4.1.1. Personal and family allowances

The ordinary tax base is first reduced by these allowances. All taxpayers are eligible to these allowances.

a) *Personal allowance (Mínimo personal):*

- For individual taxation: €3,400 and €5,550 for individuals with dependent children that are not married or are legally separated.
- For joint taxation: €6,800 for married couples.
- For taxpayers older than 65, the allowance is increased by €800.

b) *Dependent children allowance (Mínimo familiar):* €1,400 for the first child, €1,500 for the second child, €2,200 for the third child and €2,300 for any additional child. Dependent children are defined as less than 25 years, not married, cohabiting with the taxpayer, and whose annual income (excluding those that are not taxable) does not exceed €8,000.

This allowance is only applicable for cohabiting dependent children. Under the individual scheme married taxpayers are obliged to divide the amount of the dependent children allowance by two.

c) *Family related allowances (Reducciones por circunstancias familiares y personales):* There are two types of family allowances depending on the age of dependants, their income and the fact that they are disabled. These allowances are only applicable when dependent individuals cohabit with the taxpayer:

- *Child care allowance (Reducción por cuidado de hijos):* an additional allowance to the former, €1,200 for each child below 3 years of age. Under the individual scheme both parents must divide this allowance by two.
- *Dependent elderly allowance (Reducción por edad):* €800 if the taxpayer is over 65 years of age and €800 for each dependent ascendant older than 65 years (or any age if disabled) whose annual income does not exceed €8,000. Under the joint scheme this allowance is multiplied by two if both partners are over 65 years of age.
- *Assistance allowance (Reducción por asistencia):* €1,000 if the taxpayer is over 75 years of age and 1,000 euro for each dependent ascendant older than 75 years whose annual income does not exceed €8,000. Under the joint scheme this allowance is multiplied by two if both partners are over 75 years of age.
- *Disability allowance (Reducción por discapacidad):* €2,000 if the taxpayer, dependent child or parent is disabled (more than 33% and less than 65% disability). €5,000 if taxpayer, dependent child or parent is disabled (more than 65% disability). €2,800 if taxpayer is disabled and is at work (more than 33% and less than 65% disability). €6,200 if taxpayer is disabled and has reduced mobility or more than 65% disability and is at work. €2,000 more if the taxpayer, child or parent is disabled and justifies expenditures on assistance when reduced mobility or disability over 65%. Under the joint scheme both partners may qualify for an allowance of this type, the total joint allowance will be the sum of both quantities.

Tax allowances are non-refundable. Thus, any unused amount in the ordinary tax base is transferred to the special taxable base, if any; any remainder is lost.

d) *Work-related allowance (Reducción por rendimientos del trabajo, prolongación de la actividad laboral y movilidad geográfica).*

The ordinary tax base is further reduced by an employment net income allowance, an income related non-refundable tax allowance for taxpayers who receive “employment income” which are employment earnings or social benefits while “other income” is below a limit. The amount of the allowance diminishes as the level of net employment income increases, varying between €2,400 and €3,500.

Tax payers with net employment income equal or below €8,200 may reduce the tax base in €3,500. Taxpayers with net income over €13,000 or non-employment income over €6,500 may only reduce the tax base in €2,400. Tax payers in between will reduce their tax base in €3,500 minus the result of multiplying by 0.2291 by the difference between net income and €8,200.

This allowance cannot exceed total net employment income. The allowance is increased by 100% for employees who accept an employment in a different city or who are older than 65.

In the case of joint taxation, and even if both partners have incomes from work, this allowance is only applicable once.

c) *Contributions to mutual insurance societies and to private pension schemes.*

The ordinary taxable base, as reduced by the personal and family allowances, is further reduced by the following:

- Contributions to a variety of insurances and approved Mutual, Superannuation Funds and Mutual Insured Plans:

Contributions to insurances covering death, widowhood, orphanhood, retirement, accidents, work related illnesses or disability, or granting benefits for marriage, maternity, birth or death if such contributions are made by:

- a. Professionals (i.e. lawyers, doctors, engineers, etc.) who did not choose to be covered by the social security regime for the self-employed;
- b. Employees, including their contributions for unemployment benefits; and
- c. Self-employed individuals, as long as their contributions relate to the above-mentioned contingencies or benefits.

This tax relief includes taxpayer's contributions to private pension schemes. Contributions made by an employer (which are attributed to the taxpayer as employment income) are also to be included. Total allowance due to contributions can only annually reach up to €8,000 per taxpayer (not per family unit) up to the age of 52. Older individuals or disabled taxpayers may deduct higher amounts, an increase of €1,250 for each additional year up to a maximum limit of €24,250.

Family units whose second earner has net work income below €8,000 may reduce taxable income up to a maximum of €2,000 on a yearly basis, if the main earner contributes to a Pension Fund for her/him.

As a result of the application of reductions of tax base due to social security contributions and tax allowances, the tax base (*base liquidable*) may not become negative.

2.5.4.2. Tax allowances 2006

As in 2005.

2.5.4.3. Tax allowances 2007 and 2008

Important changes were introduced in tax allowances in this reform. Almost all personal and family allowances in previous years are now turned into tax credits. In 2007 and 2008 the Spanish Personal Income Tax includes only three main groups of tax allowances: a) Joint scheme allowance. b) Work related allowances. c) Contributions to pension schemes tax allowances.

a) *Joint scheme allowance (Reducción por tributación conjunta).*

The ordinary tax base and the savings tax base may be reduced if taxpayer chooses a joint scheme:

- For two member family units: €3,400.
- For lone-parent households when not cohabiting with dependants' other parent: €2,150.

b) *Work related allowances (Reducción por rendimientos del trabajo, prolongación de la actividad laboral y movilidad geográfica y personas con discapacidad que obtengan rendimientos del trabajo como trabajadores activos).*

The ordinary tax base is further reduced by an employment net income allowance, an income related non-refundable tax allowance for taxpayers who receive "employment income" which are employment



earnings or social benefits while “other income” is below a limit. The amount of the allowance diminishes as the level of net employment income increases, varying between €2,600 and €4,000.

Tax payers with net employment income equal or below €9,000 (In 2008: €9,180) may reduce the tax base in €4,000 (In 2008: €4,080). Taxpayers with net income over €13,000 (In 2008: €13,260) or non-employment income over €6,500 (equal in 2007 and 2008) may only reduce the tax base in €2,600 (In 2008: €2,652). Tax payers in between will reduce their tax base in €4,000 (In 2008: €4,080) minus the result of multiplying by 0.35 by the difference between net income and €9,000 (In 2008: €9,180).

This allowance cannot exceed total net employment income. The allowance is increased by 100% for employees who accept an employment in a different city or who are older than 65.

Further all disabled taxpayers may apply a reduction of €3,200 if at work when disabled (more than 33% and less than 65% disability). This reduction will increase to €7,100 if taxpayer is at work and is disabled with reduced mobility or more than 65% disability.

In the case of joint taxation, and even if both partners have incomes from work, this allowance is only applicable once.

c) Contributions to mutual insurance societies and to private pension schemes allowances.

The ordinary taxable base, as reduced by the personal and family allowances, is further reduced by the following:

- Contributions to a variety of insurances and approved Mutual, Superannuation Funds and Mutual Insured Plans:

Contributions to insurances covering death, widowhood, orphanhood, retirement, accidents, work related illnesses or disability, or granting benefits for marriage, maternity, birth or death if such contributions are made by:

- Professionals (i.e. lawyers, doctors, engineers, etc.) who did not choose to be covered by the social security regime for the self-employed;
- Employees, including their contributions for unemployment benefits; and
- Self-employed individuals, as long as their contributions relate to the above-mentioned contingencies or benefits.

This tax relief includes taxpayer’s contributions to private pension schemes. Contributions made by an employer (which are attributed to the taxpayer as employment income) are also to be included. Total allowance due to contributions can only annually reach up to 10,000 euro per taxpayer (not per family unit) up to the age of 52. Older individuals or disabled taxpayers may deduct higher amounts, an increase up to €12,500 if over 50 years of age.

Family units whose second earner has net work income below €8,000 may reduce taxable income up to a maximum of €2,000 on a yearly basis, if the main earner contributes to a Pension Fund for her/him.

As a result of the application of reductions of tax base due to social security contributions and due to tax allowances, the tax base (*base liquidable*) may not become negative.

2.5.5. Tax base

2.5.5.1. Tax base 2005

The tax base is defined as taxable income minus social insurance contributions and tax allowances.

$$TB = Y - C - A$$

Where, Y is taxable income, C are social insurance contributions and A are tax allowances.

Taxable income includes employment, self-employment, property, capital, and an imputed income from real-estate properties different from owner-occupied first residence. More specifically, the definition of taxable income is as follows:

$$Y = E + P + SE + K + B$$

Where, E is income from dependent employment or pensions, P is property income, K is capital gains income, SE is self-employment income and B is benefit income.

Amounts subtracted from the tax base as allowances include the following variables:

$$A = APer + ADep + AFam + AEmp + APen$$

Where, APer is personal tax allowance, ADep is dependent children allowance, AFam is family tax allowances, AEmp is work-related tax allowance and APen is private pensions tax allowance (listed previously).

Taxable income in the Spanish Personal Income Tax is classified into five categories according to the income source, namely: (a) employment income, which includes income from earnings, employment-related benefits in kind, unemployment and pensions income; (b) property income, which includes income gained from real-estate properties or from any movable assets (such as dividends, interest payments and royalties); (c) self-employment income, which includes income from business and professional activities; (d) capital gains, which are classified as short-term capital gains or long-term capital gains; and (e) imputed income.

As a general rule, income is taxable and related expenses are deductible in the year of accrual of the income and the year in which expenses are incurred, regardless of the time of cash receipt and payment. Income spreading is, in general, not allowed.

If spouses file separate returns, the determination of income and deductible expenses attributable to each taxpayer takes into account the category or source of that income. Accordingly:

- employment income (other than pensions) and related reductions are attributed exclusively to the earner; pensions are generally attributed to the individual beneficiary;
- investment income and capital gains are attributed to the individual owners of the underlying items, according to the type of marital property regime as follows.
 - if the spouses are married under a community property regime, to both spouses on a 50/50 basis unless another method of apportionment can be substantiated; and
 - if they are married under a separate property regime, entirely to the owner (or registered holder) of the underlying property; and
- self-employment income is attributed to the individual who regularly and directly conducts the business or exercises the independent professional or artistic activities in question.

For tax calculation purposes, the taxpayer's income from the various sources is divided into (i) the special tax base and (ii) the ordinary tax base.

- i. The *special tax base* comprises capital gains and losses from assets owned for more than 1 year and of pre-emptive rights to a share subscription owned for more than 1 year. This special taxable base is taxed, in 2005, at a flat rate of 15% (9.06% for the State) and 5.94% for the Autonomous Region of taxpayers residence).
- ii. The *ordinary tax base* comprises the net amount of ordinary income, i.e. the balance resulting from the computation of the positive minus negative amounts of income under the various categories (employment income, investment income, business income, capital gains and imputed income), plus the positive balance of capital gains minus losses on assets held for less than 1 year. The ordinary tax base is reduced by applicable social security contributions and allowances.

2.5.5.2. Tax base 2006

As in 2005.

2.5.5.3. Tax base 2007 and 2008

The tax base is defined as in 2006.



For tax calculation purposes, the taxpayer's income from the various sources is divided into (i) the special tax base and (ii) the ordinary tax base.

- i. The *savings tax base (base imponible del ahorro)* comprises capital gains and losses from assets. This special taxable base is taxed, in 2007, at a flat rate of 18 % (11.1% for the State and 6.9% for the Autonomous Region of taxpayer's residence).
- ii. The *ordinary tax base (base imponible general)* comprises the net amount of ordinary income, i.e. the balance resulting from the computation of the positive minus negative amounts of income under the various categories (employment income, investment income, business income, capital gains and imputed income), plus the positive balance of capital gains minus losses on assets. The ordinary tax base is reduced by applicable social security contributions and allowances.

2.5.6. Tax schedule

2.5.6.1. Tax schedule 2005

Income taxation in Spain is progressive and includes five income brackets. The resulting *tax schedule* for incomes included in the *ordinary tax base* in year 2005 (assessment year 2006) is resumed in the following table:

Income Tax Schedule 2005.

Upper Limit (euro per year)	Total Rate	State	Autonomous Com.
4,080	15%	9.06%	5.94%
14,076	24%	15.84%	8.16%
26,316	28%	18.68%	9.32%
45,900	37%	24.71%	12.29%
over	45%	29.16%	15.84%

Tax payers paying child support in an amount not exceeding the ordinary assessable base may split the base into two different parts and apply the above tables to each part: one up to the amount of the child support actually paid and the other to the remainder of the assessable base.

The *special tax base* which includes income from capital gains is subject to tax at a flat rate of 15% (9.06% for the State and 5.94% for the autonomous regions).

2.5.6.2. Tax schedule 2006

Tax schedules in 2006 are changed to account for inflation by increasing the income brackets.

Upper Limit (euro per year)	Total Rate	State	Autonomous Com.
4,161.60	15%	9.06%	5.94%
14,357.52	24%	15.84%	8.16%
26,842.32	28%	18.68%	9.32%
46,818.00	37%	24.71%	12.29%
over	45%	29.16%	15.84%

2.5.6.3. Tax schedule 2007

The reform of the Income tax in Spain reduced from five to four the tax schedule income brackets. Further the top income bracket marginal tax rate fell from 45% to 43%. The resulting *tax schedule* for incomes included in the *ordinary tax base* in year 2007 (assessment year 2008) is resumed in the following table:

Table 15. INCOME TAX SCHEDULE 2007 (all CCAA but Comunidad de Madrid)

Upper Limit (euro per year)	Total Rate	State	Autonomous Com.
17,360	24%	15.66%	8.34%
32,360	28%	18.27%	9.73%
52,360	37%	24.14%	12.86%
Over	43%	27.13%	15.87%

Table 16. INCOME TAX SCHEDULE 2007 (Comunidad de Madrid)

Upper Limit (euro per year)	Total Rate	State	Autonomous Com.
17,360	23.6%	15.66%	7.94%
32,360	27.7%	18.27%	9.43%
52,360	36.8%	24.14%	12.66%
Over	42.9%	27.13%	15.77%

Tax payers paying child support in an amount not exceeding the ordinary assessable base may split the base into two different parts and apply the above tables to each part: one up to the amount of the child support actually paid and the other to the remainder of the assessable base.

The *savings tax base* which includes income from capital gains is subject to tax at a flat rate of 18% (11.1% for the State and 6.9% for the Autonomous Region of taxpayer residence).

2.5.6.4. Tax schedule 2008

Tax schedules in 2008 are changed to account for inflation by increasing the income brackets by a 2%. Thus they are new for the whole Spanish territories. Further La Rioja and Comunidad Valenciana chose to change their tax rates.

Table 17. INCOME TAX SCHEDULE 2008 (all CCAA but Madrid, La Rioja and Comunidad Valenciana)

Upper Limit (euro per year)	Total Rate	State	Autonomous Com.
17,707.2	24%	15.66%	8.34%
33,007.2	28%	18.27%	9.73%
53,407.2	37%	24.14%	12.86%
Over	43%	27.13%	15.87%

Table 18. INCOME TAX SCHEDULE 2008 FOR RESIDENTS IN COMUNIDAD DE MADRID AND LA RIOJA

Upper Limit (euro per year)	Total Rate	State	Autonomous Com.
17,707.2	23.60%	15.66%	7.94%
33,007.2	27.70%	18.27%	9.43%
53,407.2	36.80%	24.14%	12.66%
Over	42.90%	27.13%	15.77%

Table 19. INCOME TAX SCHEDULE 2008 FOR RESIDENTS IN COMUNIDAD VALENCIANA

Upper Limit (euro per year)	Total Rate	State	Autonomous Com.
17,707.2	23.90%	15.66%	8.24%
33,007.2	27.92%	18.27%	9.65%
53,407.2	36.95%	24.14%	12.81%
Over	42.98%	27.13%	15.85%



The *savings tax base* which includes income from capital gains is subject to tax at a flat rate of 18% (11.1% for the State and 6.9% for the Autonomous Region of taxpayer residence).

2.5.7. Tax credits

2.5.7.1. Tax credits 2005

Main Residence Mortgage Tax Credit.

As a general rule, the taxpayer is allowed to set off against his income tax liability 15% of the costs up to €9,015.08 (i.e. a maximum credit of €1,352.26) incurred for the acquisition or renovation of the taxpayer's main residence (which must be continuously used as his main residence for a minimum period of three years). If the acquisition or renovation was financed using external funds (e.g. loans, mortgage) the credit is 25% of the amounts paid in the year (as principal and interest) up to €4,507.54 and 20% of the rest with the same maximum. After the first two years from the acquisition tax credit drops from 25% to 20% up to €4,507.54 and 15% for the rest maintaining the maximum at €9,015.08.

Alternatively, individuals can profit from a tax credit of 15% of all amounts deposited on special bank accounts (up to €9,015.08) with the purpose of acquiring the first residence. For taking advantage of this credit, taxpayers must acquire first main residence within four years since the special bank account was opened.

Maternity tax credit.

This is a refundable tax credit for working mothers with one or several children below three years of age, €1,200 per year and child conditional on having total contributions to the social security system over the total tax credit. Proportional tax credits are possible as long as conditions apply to the particular time period. This credit may be replaced by a tax-free subsidy of €100 per month, at the mother's request.

Other Tax Credits.

There is also a tax credit for donations made to a group of foundations or associations declared of public benefit (quantities range from 10% to 25% of total donations). Further, there is a very significant income tax credit for incomes (including capital gains) obtained in the Spanish cities of Ceuta and Melilla in Northern Africa (50% tax credit).

Entrepreneurs are entitled to similar tax credits that are available for companies within the Corporate Income Tax (export-related investment tax credit; R&D and technological innovation tax credits; personnel costs tax credits; investment in cultural assets tax credit; environmental tax credit; internet and e-commerce related activities tax credit; reinvestment of capital gains tax credit; promotion of venture capital investments tax credits; foreign investments tax credits and income obtained in Ceuta and Melilla tax credits).

2.5.7.2. Tax credits 2006

Same as in 2005.

2.5.7.3. Tax credits 2007

Personal and family tax credits.

Once the ordinary and the savings tax base are calculated, these tax credits are calculated at the corresponding individual tax rate. All taxpayers are eligible to these tax credits. These tax credits are only applicable for cohabiting dependent children. Under the individual scheme married taxpayers are obliged to divide the amount of the dependent children allowance by two.

The final personal and family related tax credit is calculated as if following quantities were taxed at a zero rate. Thus, one must sum up all the quantities corresponding to each of the applicable amounts and apply

the tax rate as in the schedule. The result obtained will be detracted from the result of applying the tax rate to the total ordinary tax base and savings tax base in order to obtain the total tax charge (*cuota íntegra*).

Personal tax credit (Mínimo del contribuyente): €5,050 for all adult individuals, plus €900 if over older than 65 but younger than 75 (€5,950) or plus €1,100 if 75 or more years of age (€6,150).

Dependent children tax credit (Mínimo por descendientes): €1,800 for the first child, €2,000 for the second child, €3,600 for the third child and €4,100 for any additional child. Additionally if the child is below 3 years of age one will increase the amount in €2,200. Dependent children are defined as less than 25 years, not married, cohabiting with the taxpayer, and whose annual income (excluding those that are not taxable) does not exceed €8,000.

Dependent elderly tax credit (Mínimo por ascendientes): €900 if cohabiting ascendants (blood link to the taxpayer) over 65 or any age if disabled in the household (cohabitation is for more than half a year) if the taxpayer is over 65 years of age and €1,100 more if the taxpayer is older than 75 years (or any age if disabled). Annual income of the ascendant must not exceed €8,000.

Disability tax credit (Mínimo por discapacidad): €2,270 if the taxpayer, dependent child or parent is disabled (more than 33% and less than 65% disability). €6,900 if taxpayer, dependent child or parent is disabled (more 65% disability). €2,270 more if the taxpayer, child or parent is disabled and justifies expenditures on assistance due to reduced mobility or disability over 65%.

Under the individual scheme married taxpayers are obliged to divide the amount of the family related credits by two and then apply the tax rate.

Main Residence Mortgage Tax Credit.

As a general rule, the taxpayer is allowed to set off against his income tax liability 15% of the costs up to €9,015.08 (i.e. a maximum credit of €1,352.26) incurred for the acquisition or renovation of the taxpayer's main residence (which must be continuously used as his main residence for a minimum period of three years).

Alternatively, individuals can profit from a tax credit of 15% of all amounts deposited on special bank accounts (up to €9,015.08) with the purpose of acquiring the first residence. For taking advantage of this credit, taxpayers must acquire first main residence within four years since the special bank account was opened.

Maternity Tax Credit.

Same as in 2005.

Other Tax Credits.

Same as in 2005.

2.5.7.4. Tax credits 2008

Personal and family tax credits.

Once the ordinary and the savings tax base are calculated, these tax credits are calculated at the corresponding individual tax rate. All taxpayers are eligible to these tax credits. These tax credits are only applicable for cohabiting dependent children. Under the individual scheme married taxpayers are obliged to divide the amount of the dependent children allowance by two.

The final personal and family related tax credit is calculated as if following quantities were taxed at a zero rate. Thus, one must sum up all the quantities corresponding to each of the applicable amounts and apply the tax rate as in the schedule. The result obtained will be detracted from the result of applying the tax rate to the total ordinary tax base and savings tax base in order to obtain the total tax charge (*cuota íntegra*).

Personal tax credit (Mínimo del contribuyente): €5,151 for all adult individuals, plus €918 if over 65 but younger than 75 (€6,069) or plus €1,122 if 75 or more years of age (€6,273).



Dependent children tax credit (Mínimo por descendientes): €1,836 for the first child, €2,040 for the second child, €3,672 for the third child and €4,182 for any additional child. Additionally if the child is below 3 years of age one will increase the amount in €2,244. Dependent children are defined as less than 25 years, not married, cohabiting with the taxpayer, and whose annual income (excluding those that are not taxable) does not exceed €8,000.

Dependent elderly tax credit (Mínimo por ascendientes): €918 if cohabiting ascendants (blood link to the taxpayer) over 65 or any age if disabled in the household (cohabitation is for more than half a year) if the taxpayer is over 65 years of age and €1,122 more if the taxpayer is older than 75 years (or any age if disabled). Annual income of the ascendant must not exceed €8,000.

Disability tax credit (Mínimo por discapacidad): €2,316 if the taxpayer, dependent child or parent is disabled (more than 33% and less than 65% disability). €7,038 if taxpayer, dependent child or parent is disabled (more 65% disability). €2,316 more if the taxpayer, child or parent is disabled and justifies expenditures on assistance due to reduced mobility or disability over 65%.

Under the individual scheme married taxpayers are obliged to divide the amount of the family related credits by two and then apply the tax rate.

Main Residence Mortgage Tax Credit.

As a general rule, the taxpayer is allowed to set off against his income tax liability 15% of the costs up to €9,015.08 (i.e. a maximum credit of €1,352.26) incurred for the acquisition or renovation of the taxpayer's main residence (which must be continuously used as his main residence for a minimum period of three years).

Alternatively, individuals can profit from a tax credit of 15% of all amounts deposited on special bank accounts (up to €9,015.08) with the purpose of acquiring the first residence. For taking advantage of this credit, taxpayers must acquire first main residence within four years since the special bank account was opened.

Maternity Tax Credit.

Same as in 2005.

Other Tax Credits.

Those in 2005 plus two new ones:

€400 annual tax credit (Deducción de €400 anuales): In order to foster economic activity the Spanish government created a new tax credit in the Personal Income Tax taxing incomes gained during 2008. (Real Decreto-ley 2/2008, de 21 de abril, de medidas de impulso a la actividad económica). All taxpayers with income from work, unemployment, pensions or self-employment may benefit from a €400 tax credit.

Main residence rent tax credit (Deducción por alquiler de vivienda habitual): In order to foster home rent in 2008 there is a new tax credit for taxpayers with tax base below €24,020 who live in rented housing. Tax credit base is expenditures on rent. If taxpayer's tax base is €12,000 or less the tax credit base limit is €9,015. If tax base between €12,000.01 and €24,020 the limit is (€9,015 – 0.75 (tax base - €12,000)). After calculating the tax base using expenditures on rent and taking limits into account, the tax credit is a 10.05% of the tax credit base.

2.5.7.5. Autonomous Communities Tax credits

There is a wide variety of tax credits which are related to the Autonomous Community of residence. We here provide a detailed list of tax credits applicable in different years, in the different autonomous communities of residence.

Andalucía.

- a) *Family-related benefits tax credit (Deducción para los beneficiarios de ayudas familiares):* €50 per child at birth if taxpayer eligible for any regional child benefits either for children below 3 years of

age or for multiple births. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006, 2007 and 2008: same as in 2005.

- b) *2007 Lone- parents and dependent parents over 75 years of age tax credit (Deducción para el padre o madre de familia monoparental, y, en su caso, con ascendientes mayores de 75 años):* €100 for lone –parents cohabiting with children below 18 years of age (or over 18 years of age if disabled) and 100 euro per parent over 75 cohabiting with the family. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2008: same as in 2007.

- c) *2007 Care or assistance to dependent individual tax credit (Deducción por asistencia a personas con discapacidad):* €100 per disabled or dependent individual. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them. If disabled or dependent individual has caring needs, then taxpayer tax credit will be increased in 15% of carer's Social Security Contributions with a limit of €500 per year.¹⁹

In 2008: same as in 2007.

- d) *Taxpayer's disability tax credit (Deducción para contribuyentes con discapacidad igual o superior al 33%):* €50 for disabled taxpayers (disability over 33%) provided tax base below €18,000 (individual scheme) and €22,000 joint scheme.

In 2006: same as in 2005.

In 2007: €100 for disabled taxpayers (disability over 33%) provided tax base below €19,000 (individual scheme) and €24,000 joint scheme.

In 2008: same as in 2007.

- e) *2008 Domestic help tax credit (Deducción por ayuda doméstica):* 15% of domestic worker's annual contributions to Social Security (employer's part). Couples must both work and lone parents must have income from work. Only head of household is eligible for the credit.²⁰

- f) *Young taxpayers renting main residence tax credit (Deducción por cantidades satisfechas por el alquiler de la vivienda habitual):* 10% of annual rent for taxpayers below 35 years of age (if joint scheme at least one of them below 35 years of age). Maximum €150 per year. Ordinary and special tax bases must not exceed €18,000 (individual scheme) or €22,000 (joint scheme). In the case of married couples where both are eligible for this tax credit, the total amount will be equally shared by them, even if the contract is signed only by one of them.

In 2006: same as in 2005.

In 2007: 15% of annual rent for taxpayers below 35 years of age (if joint scheme at least one of them below 35 years of age). Maximum €500 per year. The sum of the ordinary (base imponible general) and the savings tax base (base imponible del ahorro) must not exceed 19,000 euro (individual scheme) or €24,000 (joint scheme). In the case of married couples where both are eligible for this tax credit, the total amount will be equally shared by them, even if the contract is signed only by one of them.

In 2008: same as in 2007.

¹⁹ Issue This element of the tax credit cannot be simulated due to lack of data on caring needs and on social insurance contributions paid for carer.

Assumption Element is disregarded.

Impact Unknown, there aren't statistics on the size of this element of the tax credit.

²⁰ Issue This tax credit cannot be simulated due to lack of data on family expenses on social insurance contributions paid for domestic servants.

Assumption Tax credit is disregarded.

Impact Unknown, there aren't statistics on the size of this tax credit.

Aragón.

- a) *Birth of third child or more tax credit (or of the second if disabled) (Deducción por nacimiento o adopción del tercer hijo o sucesivos o del segundo hijo discapacitado)*: 500 euro at birth of third child or more (second if disabled) if cohabiting. €600 when the sum of the general and special tax base is below €32,500. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006 to 2008: same as in 2005.

- b) *2006 Disabled or dependent people care tax credit (Deducción por el cuidado de personas dependientes)*: €150 per disabled child or parent with (disability of at least 65%²¹) or parent aged more than 75 who lives with the taxpayer at least six months/year and whose non-exempt incomes do not exceed €8,000. Tax base (both ordinary and special tax base) after personal and family allowances must not exceed €35,000 (summing quantities of all individuals cohabiting in household). In the case that two or more taxpayers are eligible for this tax credit the total amount will be equally shared by them.

In 2007: The sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*) minus personal and family allowances (*mínimo por contribuyente y mínimo por descendientes*) must not exceed €35,000 (sum of all members living in household). In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2008: as in 2007.

Principado de Asturias.

- a) *Cohabiting dependent elderly over 65 tax credit (Deducción por acogimiento no remunerado de mayores de 65 años)*²²: €309 per non-family-related elderly (up to third degree relationship) over 65 years of age who lives with the taxpayer more than 183 days per year provided no regional benefits received for the same reason. The sum of the general and special (or savings after 2007) tax base must not exceed €22,600 (individual scheme) or €31,939 (joint scheme). In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them (see table below for following years).²³

Year	2005	2006	2007	2008
Amount (euro per year):	309	318	328	328
Tax base limit (individual scheme):	22,600	23,340	24,040	24,040
Tax base limit (joint scheme):	31,939	32,888	33,875	33,875

- b) *Renting main residence tax credit (Deducción por alquiler de vivienda habitual)*: 5% of annual rent. Maximum €257 per year (individual and joint scheme). 10% if in rural areas (councils with less than 3,000 residents²⁴). Maximum €515. Tax base before personal and family allowances must be below €22,660 (individual scheme) or €31,930 (joint scheme).

²¹ Issue: There is no information in the data about the disability level.
Assumption: All disabled with 33% of disability, hence this element of tax credit is not simulated.
Impact: Unknown.

²² Issue: There is no complete information in the data about the second and third degree of family relationship.
Assumption: Tax credit is disregarded.
Impact: Unknown, there aren't statistics on the size of this tax credit.

²³ Issue: There is no complete information in the data about the second and third degree of family relationship.
Assumption: Tax credit is disregarded.
Impact: Unknown, there aren't statistics on the size of this tax credit.

²⁴ Issue: There is no information in the data about council size.
Assumption: Rural areas are assumed to be "thinly populated area" (see DRD for details). Densely and intermediate populated areas are assumed to be urban areas.
Impact: Unknown, there isn't information about the correlation between "thinly populated" and rural areas.

Year	2005	2006	2007	2008
Urban area				
Deduction (% of rent)	5%	5%	5%	5%
Maximum (per year):	257	265	273	273
Rural area				
Deduction (% of rent)	10%	10%	10%	10%
Maximum (per year):	515	530	546	546
Tax base limit				
Individual taxation	22660	23340	24040	24040
Joint taxation	31930	32888	33875	33875

Illes Balears.

- a) *Taxpayers of 65 or more years of age tax credit (Deducción por contribuyentes de edad igual o superior a 65 años):* €36 for taxpayers over 65 at 31st December 2005. Tax base after personal and family allowances must not exceed €12,000 (individual scheme) or €24,000 (joint scheme).

In 2006, 2007 and 2008: same as in 2005 adjusting date limit for age.

- b) *Disabled tax credit (Deducción por contribuyentes con minusvalía física o psíquica o con descendientes con esta condición):* €60 for each disabled person in the household (including the taxpayer). Tax base after personal and family allowances must not exceed €12,000 (individual scheme) or €24,000 (joint scheme). In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006: same as in 2005 but €60 for each disabled person in the household (including the taxpayer) (disability below 33%) and €120 each disabled person in the household (including the taxpayer) (disability over 33%).

In 2007: same as in 2006.

In 2008: €80 for each disabled person in the household (including the taxpayer) (disability below 33%) and €150 each disabled person in the household (including the taxpayer) (disability over 33%).²⁵

- c) *Expenditures on books for children's compulsory education (Deducción por gastos de adquisición de libros de texto):* 100% of the expenditures on books for children's compulsory education²⁶ if taxpayer eligible child tax allowance. Limits are related to taxpayer's general tax base. Individual scheme limits: €50 per child if tax base below €4,500. €25 per child if tax base between €4,500 and €9,000. €18 per child if between €9,000 and €12,000. Joint scheme limits: €100 per child if tax base below €9,000. €50 if tax base between €9,000 and €18,000. €25 if between €18,000 and €24,000.

In 2006, 2007 and 2008: same as in 2005.

- d) *Young taxpayers renting main residence tax credit (Deducción por arrendamiento de vivienda habitual por jóvenes):* 10% of annual rent for taxpayers below 36 years of age. Maximum 200 euro per year (individual and joint scheme). Tax base after personal and family allowances must not exceed €18,000 (individual scheme) or €30,000 (joint scheme).

In 2006, 2007 (tax base limit is only of ordinary tax base): same as in 2005.

In 2008: If large family then ordinary tax base must not exceed €24,000 (individual scheme) or €36,000 (joint scheme).

²⁵ Issue There is no information in the data about the disability level.
 Assumption All disabled with 33% of disability.
 Impact Unknown.

²⁶ Issue There is no information in the data about expenditure on books.
 Assumption Given that the amount is relatively small, it is assumed that all households with children are entitled to the maximum amount.
 Impact Unknown.



- e) *2007 Child adoption tax credit (Deducción por adopción):* €400 per child adopted that year if qualifying for child allowance²⁷. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2008: same as in 2007.

Canarias.

- a) *Child's Birth or Adoption tax credit (Deducción por nacimiento o adopción de hijos):* €150 for first or second child. €300 for third child. €500 for fourth child. €600 for fifth child. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006: same as in 2005.

In 2007: €200 for first or second child. €400 for third child. €600 for fourth child. €700 for fifth child. €400 for first or second child with disability. €800 for third of more children with disability.

In 2008: the same as in 2007.

- b) *Expenditures on child care tax credit (Deducción por gastos de guardería):* 15 % of the expenditures on child care for children <3 years of age (in a nursery or day care centre)²⁸ with a maximum of €180 per child a year. Eligible taxpayers cannot earn incomes over €50,000 (€60,000 if in joint scheme). In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006: same as in 2005.

In 2007: maximum of €400 per child a year. Eligible taxpayers must not have ordinary tax base (*base imponible general*) over €60,000 (€72,000 if in joint scheme).

In 2008: the same as in 2007.

- c) *Expenditures on child's studies out of the residence island tax credit (Deducción por gastos de estudios de descendientes):*²⁹ €600 per dependent child below 24 years of age (at 31 December 2005) studying a degree at University not offered by Canarian Universities in their residence island, with incomes below €6,000. Household income after subtracting exempt incomes cannot exceed €60,000 if individual scheme and €80,000 in the joint scheme. Limit: tax credit will not exceed 40% of the autonomous community tax bill before deducting tax credits. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006: same as in 2005.

In 2007: €1,500 per dependent child below 25 years of age (at 31 December 2005).

In 2008: same as in 2007

- d) *Disabled taxpayers and taxpayers over 65 tax credit (Deducción por contribuyentes minusválidos y mayores de 65 años):* €300 per tax payer with a disability of 33% or more³⁰. €120 if over 65 years of age.

In 2006, 2007 and 2008: same as in 2005.

²⁷ Issue There is no information in the data about adoption.
Assumption Tax credit is not simulated.
Impact Unknown.

²⁸ Issue There is no information in the data on child care expenditure.
Assumption Child care amount is imputed in sheet s_es.
Impact Unknown.

²⁹ Issue There is no information in the data about whether children study out of the residence island.
Assumption Tax credit is not simulated.
Impact Unknown.

³⁰ Issue There is no information in the data about the disability level.
Assumption All disabled with 33% of disability.
Impact Unknown.

- e) *2007 Large Families tax credit (Deducción por familia numerosa)*: €200 if cohabiting individuals classify as a large family. €400 if five or more dependent children (special large families). If any member of married couple or cohabiting child is disabled (more than 65%)³¹ the quantity is €500 or €1000 (five or more dependent children (special large families)).

In 2008: same as in 2007

- f) *2007 Renting main residence tax credit (Deducción por alquiler de vivienda)*: 15% of annual rent. Maximum €500 per year (individual and joint scheme). The ordinary tax base (*base imponible general*) must not exceed €20,000 (individual scheme) or €30,000 (joint scheme).

In 2008: same as in 2007.

Cantabria.

- a) *Child, elderly and disability care tax credit (Deducción por cuidado de familiares)*: €100 per child below 3 years of age of parent over 70 years of age or any household member with a disability. Only for taxpayers obliged to present a tax return. All members generating the tax credit must cohabit more than 183 days with taxpayer and their incomes cannot exceed €6,000. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006, 2007 and 2008: same as in 2005.

- b) *Renting main residence tax credit (Deducción por arrendamiento de vivienda habitual)*: 10% of annual rent for taxpayers below 35 years of age or over 65 years of age or disabled. Maximum €300 per year (individual scheme) or €600 (joint scheme). Tax base before personal and family allowances must be below €22,000 (individual scheme) and €31,000 (joint scheme).

In 2006: same as in 2005.

In 2007 and 2008: limit is sum of ordinary and savings tax base.

Castilla-La Mancha.

- a) *Child's birth or adoption tax credit (Deducción por nacimiento o adopción de hijos)*: €100 per child born or adopted that year if qualifying for child allowance. Tax base limit is €30,000 (ordinary tax base) and €1,000 (special tax base³²). In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006: same as in 2005.

In 2007: The limit is that net income and capital gains (*Rendimientos netos y ganancias patrimoniales*) must be below €36,000.

In 2008: The limit is that the sum of the ordinary and the savings tax base must not exceed €36,000.

- b) *Disability tax credit (Deducción por discapacidad del contribuyente)*³³: €300 if disabled taxpayer (more than 65% disability). €200 per disabled child or parent (more than 65% disability). Tax base limit is €30,000 (ordinary tax base) and €1,000 (special tax base). In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

³¹ Issue There is no information in the data about the disability level.
Assumption All disabled with 33% of disability, hence this complement is not simulated.
Impact Unknown.

³² Issue There is no information in the data to compute the special tax base (e.g., capital gains).
Assumption Special tax base is ignored and therefore not considered as a condition for this tax credit.
Impact Unknown.

³³ Issue There is no information in the data about the disability level.
Assumption All disabled with 33% of disability, hence this tax credit is not simulated.
Impact Unknown.



In 2006: same as in 2005.

In 2007: The limit is that net income and capital gains (*Rendimientos netos y ganancias patrimoniales*) must be below €36,000.

In 2008: The limit is that the sum of the ordinary and the savings tax base must not exceed €36,000.

- c) *2006 Parents over 75 years of age care tax credit (Deducción por cuidado de ascendientes mayores de 75 años)*: €100 per parent who lives with the taxpayer at least six months/year and does not live the rest of the year in any regional retirement home. Tax base limit is €30,000 (general tax base) and €1,000 (special tax base³⁴). Incompatible with the taxpayer's or parent's disability tax credit. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2007: The limit is that net income and capital gains (*Rendimientos netos y ganancias patrimoniales*) must be below €36,000.

In 2008: The limit is that the sum of the ordinary and the savings tax base must not exceed €36,000.

- d) *2006 Taxpayers 75 or more years of age tax credit (Deducción por contribuyentes mayores de 75 años)*: €100 for taxpayers over 75 not living more than six months per year in any regional retirement home.

In 2007 and 2008: same as in 2006.

- e) *2007 Children or parents' disability tax credit (Deducción por discapacidad de ascendientes o descendientes)*: €200 per taxpayer child or parent with a disability degree equal or higher than 65%³⁵.

In 2008: same as in 2007.

Castilla y León.

- a) *Child's birth or adoption tax credit (Deducción por nacimiento o adopción)*: €105 for first child born or adopted that year³⁶ if qualifying for child allowance. €262.5 for second child. €525 from third child onwards. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

Year	2005	2006	2007	2008
Amount (euro per year):				
First child	105.0	107.10	107.10	110
Second child	262.5	267.75	267.75	274
Third or more	525.0	535.50	535.50	548

- b) *Large families tax credit (Deducción por familia numerosa)*: €236.25 if cohabiting individuals classify as a large family. €472.5 if some disabled parent or child (more than 65% disability³⁷).

³⁴ See footnote 32.

³⁵ Issue There is no information in the data about the disability level.
Assumption All disabled with 33% of disability, hence this tax credit is not simulated.
Impact Unknown.

³⁶ Issue There is no information in the data about adoption.
Assumption This element of the tax credit is not simulated.
Impact Unknown.

³⁷ Issue There is no information in the data about the disability level.
Assumption All disabled with 33% of disability, hence this element of the tax credit is not simulated.
Impact Unknown.

€105 more per additional child from fourth onwards. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

Year	2005	2006	2007	2008
Amount (euro per year):				
Large family	236.25	240.98	246	246
Disabled	472.50	481.95	492	492
Per additional child	105.00	107.10	110	110

- c) *Child care tax credit (Deducción por cuidado de hijos menores)*³⁸: 30% of the expenditures on child care for children below 4 years of age if both parents at work, (homecare, nursery or similar). Limit: €315 (both joint and individual scheme). The limit to the tax base is: €18,900 (individual scheme) and €31,500 (joint scheme). In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006: same as in 2005.

In 2007 and 2008: Limit: €322 (both joint and individual scheme). The sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*) minus personal and family allowances (*mínimo por contribuyente y mínimo por descendientes*) must not exceed €18,900 (individual scheme) or €31,500 (joint scheme).

- d) *Elderly and disabled taxpayers with caring needs tax credit (Deducción por contribuyentes de 65 años o más, afectados por minusvalía y que necesiten ayuda de terceras personas)*: €630 if taxpayer over 65 with caring needs (65% or more of disability³⁹). The limit to the tax base is: €18,900 (individual scheme) and €31,500 (joint scheme).

Year	2005	2006	2007	2008
Amount (euro per year):				
Over 65 with caring needs	630	642.6	656	656

In 2007 and 2008: limit is defined as sum of ordinary and savings tax base (same limit)

- e) *2006 Youth's renting their main residence tax credit (Deducción por alquiler de vivienda habitual por jóvenes)*: 15% of annual rent. Maximum €450 per year (individual and joint scheme). 20% if in rural areas, maximum €600 (councils with less than 10,000 residents⁴⁰). Maximum €530. Taxpayer must not be aged 36 or more. Ordinary and special tax base before personal and family allowances must not exceed €18,900 (individual scheme) or €31,500 (joint scheme).

In 2007: Maximum €459 per year (individual and joint scheme). 20% if in rural areas, maximum €612 (councils with less than 10,000 residents).

In 2008: same as in 2007.

Cataluña.

- a) *Child's birth or adoption tax credit (Deducción por el nacimiento o adopción de hijos)*: €150 for a child born or adopted that year if qualifying for child allowance (double tax credit for joint scheme).

³⁸ Issue There is no information in the data on child care expenditure.
Assumption Child care amount is imputed in sheet s_es.
Impact Unknown.

³⁹ Issue There is no information in the data about the disability level.
Assumption All disabled with 33% of disability, hence this tax credit is not simulated.
Impact Unknown.

⁴⁰ Issue There is no information in the data about council size.
Assumption Rural areas are assumed to be "thinly populated area" (see DRD for details). Densely and intermediate populated areas are assumed to be urban areas.
Impact Unknown, there isn't information about the correlation between "thinly populated" and rural areas.



In 2006, 2007 and 2008: same as in 2005.

- b) *Death of partner tax credit (Deducción para contribuyentes que hayan quedado viudos en los ejercicios 2003, 2004 ó 2005):* €150 in general and €300 if dependent child generating child allowance. This tax credit applies during two more fiscal years since partner's death⁴¹.

In 2006, 2007 and 2008: same as in 2005.

- c) *Rent main residence tax credit (in some particular circumstances of economic difficulty) tax credit (Deducción por alquiler de vivienda habitual):* 10% of annual rent for taxpayers below 32 years of age or being unemployed more than 183 days during the tax period or being 65 years old or more and widow. Maximum €300 per year or €600 if joint scheme or Large Family. Tax base before personal and family allowances must not exceed €20,000 (individual scheme) or €30,000 (joint scheme).

In 2006: same as in 2005.

In 2007 and 2008: same as in 2006. The sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*) must not exceed the limit in 2006.

Extremadura.

- a) *Disabled family members care tax credit (Deducción por cuidado de familiares discapacitados):* €150 per taxpayer child or parent cohabiting at least 183 days with a disability degree equal or higher than 65%⁴². Tax base before personal and family allowances must be below €18,000 (individual scheme) or €22,000 (joint scheme). The yearly income of a disabled taxpayer's child or parent cannot exceed twice the minimum wage that year. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006: same as in 2005.

In 2007 and 2008: The sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*) must not exceed €19,000 (individual scheme) or €24,000 (joint scheme).

- b) *Youth, disabled or in a large family renting their main residence family tax credit (Deducción por alquiler de vivienda habitual para menores de 35 años, familias numerosas y minusválidos):* 10% of annual rent for taxpayers below 35 years of age (if joint scheme at least one of them below 35 years of age), belonging to a large family or being disabled (with a disability degree equal or higher than 65%⁴³). Maximum €300 per year. Tax base (both ordinary and special tax base) before personal and family allowances must not exceed €18,000 (individual scheme) or €22,000 (joint scheme). In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006: same as in 2005.

In 2007 and 2008: The sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*) must not exceed €19,000 (individual scheme) or €24,000 (joint scheme).

- c) *Employment tax credit (Deducción por trabajo dependiente):* €120 for each taxpayer in the household whose labour income is below €15,000 per year (if all other income sources are below €600 per year).

⁴¹ Issue There is no information in the data about the year of partner's death.
Assumption Tax credit is not simulated.
Impact Unknown.

⁴² Issue There is no information in the data about the disability level.
Assumption All disabled with 33% of disability, hence this tax credit is not simulated.
Impact Unknown.

⁴³ Issue There is no information in the data about the disability level.
Assumption All disabled with 33% of disability, hence this element of the tax credit is not simulated.
Impact Unknown.

Galicia.

- a) *Child's birth or adoption tax credit (Deducción por el nacimiento o adopción de hijos):* €360 per child born or adopted that year if ordinary tax base before family allowances below €22,000. €300 per child born or adopted that year if ordinary tax base before family allowances between €22,001 and €31,000. €360 per child in multiple births. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006 to 2008: same as in 2005.

- b) *Large families tax credit (Deducción por familia numerosa):* €250 if cohabiting individuals classify as a large family. €400 if five or more dependent children (special large families). If any member of married couple or cohabiting child is disabled (more than 65%⁴⁴): €500 if cohabiting individuals classify as a large family. €300 if five or more dependent children (special large families). In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006, 2007: same as in 2005.

- c) *Child care of children aged 3 or less tax credit (Deducción por cuidado de hijos menores):*⁴⁵ 30% of expenditures in the tax period to take care of children below 4 years of age (maximum is €200). Parents must both work and tax base before personal and family allowances must be below €22,000 (individual scheme) and €31,000 (joint scheme). In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006: same as in 2005.

In 2007 and 2008: same as in 2006. The sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*) before personal and family allowances (*mínimo por contribuyente y mínimo por descendientes*) must not exceed is €22,000 (individual scheme) or €31,000 (joint scheme).

- d) *Disabled taxpayers 65 or more with care needs tax credit (Deducción por contribuyente minusválidos, de edad igual o superior a 65 años, que precisen ayuda de terceras personas)*⁴⁶: 10% of expenditures in the tax period to take care of taxpayers over 65 with a disability of 65% or more (maximum is €600). Tax base before personal and family allowances must be below €22,000 (individual scheme) and €31,000 (joint scheme). Under the individual scheme married cohabiting taxpayers equally share the credit. The taxpayer cannot be using public or state assisted residences in the region.

In 2006: same as in 2005.

In 2007 and 2008: same as in 2006. The sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*) minus personal and family allowances (*mínimo por contribuyente y mínimo por descendientes*) must not exceed is €22,000 (individual scheme) or €31,000 (joint scheme).

- e) *Young taxpayers renting main residence tax credit (Deducción por alquiler de la vivienda habitual):* 10% of annual rent for taxpayers below 36 years of age. In joint scheme, at least one of them). Maximum: €300 per lease (individual and joint scheme). Tax base (both ordinary and special tax base) before personal and family allowances must not exceed €22,000 (individual and joint scheme). The date of the lease is subsequent to 1st January 2003.

⁴⁴ Issue There is no information in the data about the disability level.
Assumption All disabled with 33% of disability, hence this element of the tax credit is not simulated.
Impact Unknown.

⁴⁵ Issue There is no information in the data on child care expenditure.
Assumption Child care amount is imputed in sheet s_es.
Impact Unknown.

⁴⁶ Issue There is no information in the data about whether individual receives care from a third person.
Assumption This tax credit is not simulated.
Impact Unknown.



In 2006: same as in 2005.

In 2007 and 2008: same as in 2006. The sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*) must not exceed 2006 limits.

Comunidad Autónoma de Madrid.

- a) *Child's birth or adoption tax credit (Deducción por el nacimiento o adopción de hijos):* €600 for first child born or adopted. €750 for the second. €900 for the third or more. €600 more per child in multiple births. Tax base before personal and family allowances must be below is €23,800 (individual scheme) and €33,600 (joint scheme). In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006: Tax base (both ordinary and special tax base) before personal and family allowances must not exceed €24,700 (individual scheme) and €34,900 (joint scheme).

In 2007 and 2008: The sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*) must not exceed €25,620 (individual scheme) or €36,200 (joint scheme).

- b) *Acquittance of non-family elderly or disabled individuals tax credit (Deducción por acogimiento no remunerado de personas mayores de 65 años o discapacitados):*⁴⁷ €900 per elderly over 65 or disabled more than 33% cohabiting with taxpayer more than 183 days. Person cannot be family-related to the tax payer (up to fourth degree). Tax base before personal and family allowances must be below €23,800 (individual scheme) and €33,600 (joint scheme). No other monetary aid from the regional government is compatible with this tax credit. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006: Tax base (both ordinary and special tax base) before personal and family allowances must not exceed €24,700 (individual scheme) and €34,900 (joint scheme).

In 2007 and 2008: The sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*) must not exceed €25,620 (individual scheme) or €36,200 (joint scheme).

- c) *Young taxpayers renting main residence tax credit (Deducción por arrendamiento de la vivienda habitual por menores de 35 años):* 20% of annual rent for taxpayers below 35 years of age. Maximum: €840 per year (individual and joint scheme). Taxpayer below 35 years of age. Tax base (both ordinary and special tax base) before personal and family allowances must not exceed €23,800 (individual scheme) or €33,600 (joint scheme).

In 2006: Tax base (both ordinary and special tax base) before personal and family allowances must not exceed €24,700 (individual scheme) and €34,900 (joint scheme).

In 2007 and 2008: The sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*) must not exceed €25,620 (individual scheme) or €36,200 (joint scheme).

Región de Murcia.

- a) *Child care of children aged 3 or less tax credit (Deducción por cuidado de hijos menores)*⁴⁸: 15% of expenditures in the tax period to take care of children below 3 years of age (maximum is €150 for individual scheme and €300 for joint scheme). Parents must both work and the general tax base reduced by allowances cannot exceed €13,222.27 (individual scheme) or €23,138.97 (joint scheme). Also the special tax base must be below €1,202.02 both for the individual and joint scheme.

⁴⁷ Issue There is no complete information in the data about the second and third degree of family relationship.
Assumption Tax credit is disregarded.
Impact Unknown, there aren't statistics on the size of this tax credit.

⁴⁸ Issue There is no information in the data on child care expenditure.
Assumption Child care amount is imputed in sheet s_es.
Impact Unknown.

Year	2005	2006	2007	2008
Amount (euro per year):				
Max. individual scheme	150.00	200.00	220.00	300.00
Max. Joint scheme	300.00	400.00	440.00	600.00
Limit individual scheme	13,222.27	14,544.00	16,000.00	17,600.00
Limit joint scheme	23,138.97	25,452.90	28,000.00	30,800.00
Limit for special tax base	1202.02	1202.02	1202.02	1202.02

In 2007 and 2008: ordinary tax base minus personal and family allowances is the variable to use for limit.

La Rioja.

- a) *Second or further child's birth or adoption tax credit (Deducción por nacimiento y adopción del segundo o ulterior hijo).* €150 for the second. €180 for the third or more. €60 more per child in multiple births. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

In 2006, 2007 and 2008: same as in 2005.

Comunidad Valenciana.

- a) *Child's birth or adoption tax credit (Deducción por el nacimiento o adopción de hijos):* €250 per child born or adopted. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them. Tax credit is compatible with other tax credits such as *Multiple children's birth or adoption tax credit, Disabled child's birth or adoption tax credit and Large families tax credit.*

Year	2005	2006	2007	2008
Amount (euro per year):	250	255	260	265

In 2007 introduction of tax base limit: The sum of the ordinary tax base minus reductions (*base liquidable general*) and the savings tax base minus reductions (*base liquidable del ahorro*) must not exceed €26,711 (individual scheme) or €43,210 (joint scheme).

In 2008: The sum of the ordinary tax base minus reductions (*base liquidable general*) and the savings tax base minus reductions (*base liquidable del ahorro*) must not exceed €27,245 (individual scheme) or €44,074 (joint scheme).

- b) *Multiple children's birth or adoption tax credit (Deducción por nacimiento o adopción múltiples):* €205 per child born in multiple births. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

Year	2005	2006	2007	2008
Amount (euro per year):	205	210	214	220

- c) *Disabled child's birth or adoption tax credit (Deducción por nacimiento o adopción de hijos discapacitados)⁴⁹:* €205 if first child born or adopted is disabled. €255 if a second or further child born or adopted is also disabled. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

Year	2005	2006	2007	2008
Amount (euro per year):				
First child	205	210	214	220
Second or further	255	260	265	270

⁴⁹ Issue: There is no information in the data about disability of household members aged under 16.
 Assumption: Tax credit is disregarded.
 Impact: Unknown, there aren't statistics on the size of this tax credit.



- d) *Large families tax credit (Deducción por familia numerosa)*: €185 if cohabiting individuals classify as a large family. €430 if five or more dependent children (special large families). In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

Year	2005	2006	2007	2008
Amount (euro per year):				
Large family	185	190	190	200
Special large family	430	435	435	455

- e) *Disabled taxpayers 65 or more tax credit (Deducción por contribuyentes discapacitados de edad igual o superior a 65 años)*. €165 if disabled (33% or more⁵⁰) taxpayer 65 or more years of age.

Year	2005	2006	2007	2008
Amount (euro per year):				
	165	168	171	220

- f) *Housework tax credit (Deducción por la realización por uno de los cónyuges de la unidad familiar de labores no remuneradas en el hogar)*: €125 if only one family member receives income from work and there are, at least, two cohabiting children Taxpayer must be eligible for child tax allowance for each child generating the tax credit (see general conditions for child tax allowance eligibility). The couple cannot be divorced and children cannot work. The general tax base reduced by allowances must be below €12,260. No family member can obtain more than €305 in capital gains⁵¹.

Year	2005	2006	2007	2008
Amount (euro per year):				
Limit tax base	12,260	12,696	22,650	27,245
Limit capital gains	305	316	322	350

In 2007 and 2008: limit tax base is the sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*).

- g) *Child care for children below 3 years of age tax credit (Deducción or cantidades destinadas a la custodia en guarderías y centros de primer ciclo de educación infantil de hijos menores de tres años)*: 15% of expenditures in the tax period to take care of children below 3 years of age (maximum is €250 per child for whatever scheme). Parents must both work and the general tax base reduced by allowances must be below €21,455 (individual scheme) and €31,110 (joint scheme). Also the special tax base must not exceed⁵² €615. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

Year	2005	2006	2007	2008
Maximum (per child)	250	255	260	265
Limit tax base (individual)	21,455	22,219	26,711	27,245
Limit tax base (joint)	31,110	32,218	43,210	44,074
Limit special tax base	615	615	—	—

⁵⁰ Issue There is no information in the data about the disability level.
Assumption All disabled with 33% of disability, hence this tax credit is simulated.
Impact Unknown.

⁵¹ Issue There is no information in the data about capital gains.
Assumption No one receives capital gains.
Impact Unknown.

⁵² Issue There is no information in the data on child care expenditure.
Assumption Child care amount is imputed in sheet s_es.
Impact Unknown.

In 2007 and 2008: limit tax base is the sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*).

- h) *2006 Parents over 75 years of age or over 65 and disabled tax credit (Deducción por ascendientes mayores de 75 años o mayores de 65 discapacitados)*: 168 euro per elderly over 75 (or over 65 if disabled more than 33% (if psychic disability) or more than 66% if physic disability)⁵³ non cohabiting with taxpayer and whose non-exempt incomes are below €8,000. Ordinary tax base before personal and family allowances must not exceed €22,219 (individual scheme) or €32,218 (joint scheme).

Year	2005	2006	2007	2008
Amount (euro per year):		168	171	175
Limit tax base (individual)		22,219	26,711	27,245
Limit tax base (joint)		32,218	43,210	44,074

In 2007 and 2008: limit tax base is the sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*) after allowances.

- i) *2007 Work-life balance tax credit (Deducción por conciliación del trabajo con la vida familiar)*: Working mothers may benefit from a €400 tax credit per child of 4 years of age (over 3 and below 5 years of age). Taxpayer must be eligible for child tax allowance for each child generating the tax credit. In the case that two or more taxpayers are eligible for this tax credit, the total amount will be equally shared by them.

Year	2005	2006	2007	2008
Amount (euro per year):			400	410

- j) *Renting main residence tax credit (Por arrendamiento de vivienda habitual)*: 10% of annual rent. Maximum: €185 per year. If in joint scheme tax credit will be multiplied by two if both taxpayers are eligible for the credit. Tax base (both ordinary and special tax base) before personal and family allowances must not exceed €21,455 (individual scheme) or €31,110 (joint scheme). The date of the contract must be after 23rd April 1998 and its duration is cannot be less than one year.

Year	2005	2006	2007	2008
Amount (euro per year):	185	190	194	450
Limit tax base (individual)	21455	22219	26711	27245
Limit tax base (joint)	31110	32218	43210	44074

In 2008: the percentage increases to 15% of annual rent. Maximum: €450 per year. 20% of annual rent for taxpayers below 35 years of age or disabled (maximum €600). 25% of annual rent for taxpayers below 35 years of age and disabled, maximum €750. If in joint scheme tax credit will be multiplied by two. The sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*) minus allowances must not exceed €27,245 (individual scheme) or €44,074 (joint scheme).

- k) *2008 Renting housing for activities in different municipalities' tax credit (Deducción por arrendamiento de una vivienda, como consecuencia de la realización de una actividad, por cuenta propia o ajena, en distinto municipio)*⁵⁴: 10% of annual rent for taxpayers renting housing for activities in different municipalities (more than 100 km of distance between municipalities). Maximum: €200 per lease (individual and joint scheme). The sum of the ordinary (*base imponible general*) and the savings tax base (*base imponible del ahorro*) must not exceed €27,245

⁵³ Issue There is no information in the data about the level or type (psychic or c) disability.
 Assumption All disabled with 33% of "physic" disability, hence this element of the tax credit is not simulated.
 Impact Unknown.

⁵⁴ Issue There is no information in the data about whether municipality of residence and work are different.
 Assumption All individuals are assumed to work in the same municipality as of residence. Hence, this tax credit is not simulated.
 Impact Unknown.

(individual scheme) or €44,074 (joint scheme). In the joint scheme the limit of this tax credit will be €200 times the number of eligible individuals in the household.

3. DATA

3.1. General description

The EUROMOD database is drawn from the Spanish version of The European Statistics on Income and Living Conditions survey (EU-SILC). This is the main European Union reference source for comparative statistics on income distribution and social exclusion at European level. EU-SILC data refer to both cross-sectional and longitudinal dimensions. The cross-sectional is set up over a certain period of time (annually) with information on household socioeconomic and demographic characteristics, individual income and other interesting information on living conditions. The longitudinal nature of the survey allows following the same person over a period of time in order to study how their life changes when socioeconomic or demographic conditions change or policies are modified.

The EU-SILC provides information on the individuals' level of income and its components, the evolution of income over time and household financial situation. It also contains information on short-term movements linked to employment such as several types of unemployment (short duration, long duration and part time employment), return to work from occasional unemployment, causes and characteristics of part time employment. Concerning retirement, pensions and socio-economic situation of elderly, there are differences according to retirement regimes for people over 50, the factors determining early retirement, distribution of the main sources of income of elderly, composition of retirement pensions according to socio-economic and sociodemographic, evolution of retirement pensions over time, by age groups, distribution and evolution of income from pension plans or private insurance, etc. The survey also covers some aspects related to migration, health, intergenerational transmission of poverty and social participation.

Table 20. EUROMOD DATABASE DESCRIPTION

Year 2006	
EUROMOD database	ES_2005
Original name	EU-SILC
Provider	Eurostat
Year of collection	2006
Period of collection	2006
Income reference period	2005
Coverage	Private households
Sample size	households 12,205 individuals 34,694
Response rate	Household non-response rate: 43.13 (All households) 38.72 (original households). Overall individual non-response rate: 44.84 (All households) 40.50 (original households).

Notes: Information on response rates come from the Intermediate Quality Report, Survey of Income and Living Conditions (Spanish ECV 2006), INE, Madrid, December 2007.

3.2. Sample quality and weights

3.2.1. Non-response

Three types of non-response are observed in the EU-SILC in households that have been selected for the survey and given a number of questionnaires. One for the household information (H file) and one for every single member considered as an adult i.e. aged 16+ (P file). If the household gives information on

its household questionnaire and at least one of the individual ones then the household is said to be a collaborating household. However, we may find individuals providing partial information (partial non-response) and those who have some individual questionnaire with no answers at all (individual non-response). When the household does not give any answer to the questionnaires (non collaborating household), we have a unit non-response.

To correct these three types of non-response the following methods are implemented by the Spanish Statistical Office:

For partial non-response, IVE imputation is used. For individual non response, an inflation factor is defined in order to increase the total household income at micro level. Finally when unit non-response occurs a reweighting method is used.

- a) IVE imputation Solution for partial non-response: this method uses information on the same individual on the previous wave. If this information is not available or is available but imputed, IVEware is used. IVEware is a SAS callable software application that can perform multiple imputations of missing values using the Sequential Regression Imputation Method described in the article “A multivariate technique for multiply imputing missing values using a sequence of regression models” by Raghunathan, Lepkowski, Van Hoewyk and Solenberger (Survey Methodology, June 2001). This multivariate method can handle relatively complex data structures. It uses random perturbations to create imputations through a sequence of univariate regressions. The type of regression model used depends on the variable being imputed. The imputations are defined as draws from the predictive distribution specified by the regression model. The sequence of imputing missing values could be continued in a cyclic manner, each time overwriting the previously drawn values to build more independence and exploit the correlational structure.
- b) In the case of individual non-response, individuals are imputed their group mean. Groups are defined using certain variables from R-file, such as sex, age, activity, number of children, household type, etc., and assigning the personal income mean value of the group where the individual belongs to.
- c) Unit non-response: using reweighting methods.

3.2.2. Weights

The original sample consists of 12,205 households (34,694 individuals). Of these, 56 households (179 individuals) reported missing adjustment income factor and missing household income. These households were excluded from EUROMOD input data.

The weights provided by the EU-SILC are household weights aiming to correct for selective non-response and panel attrition. In EUROMOD these weights have been scaled up to offset the exclusion of households from the original sample. No re-weighting was performed.

Children born in 2006 (113 observations) were also excluded from the sample. However the weights were not scaled up to reflect this exclusion. As a result, the sample used in the model is of 12,149 households (34,402 individuals) projecting a population of 43,426,778 individuals instead of 43,586,854, which would include children born in 2006. Table 21 presents some basic descriptive statistics for the grossing-up weight.

Table 21. DESCRIPTIVE STATISTICS OF THE GROSSING-UP WEIGHT

ES_2005	
Number	34,402
Mean	1,262.333
Median	1,018.833
Maximum	23,240.93
Minimum	3.22
Max/Min	7,217.75
Decile 1	258.08
Decile 9	2,475.02
Dec 9 / Dec1	9.59

3.2.3. *Item non-response and under-reporting*

Comparison of the Spanish version of EU-SILC with external sources is rather difficult because most often income definitions do not match. The difficulty generally stems from the definition of the income component itself and from the way an amount is expressed (external sources usually provide gross figures). Further, an increasingly large proportion of social transfers are managed by Autonomous Communities which makes it particularly hard to bring all the available information together. Nevertheless, we would like to provide some hints on the validity of the income data from EU-SILC using other information sources.

If we compare the constructed gross income data from EU-SILC (see Paniagua, M. and Méndez, J. (2008)) with those provided by National Accounts data available at the INE (Instituto Nacional de Estadística) we find that total national cash employee income amounts are pretty similar: €294,321 million (year 2005) in EU-SILC and €288,640 million (year 2003) for National Accounts.

The general conclusions on income non-response in the EU-SILC 2005 from the yearly Quality Report of the Spanish version indicate that almost every household in the sample declared to have received some income (99.6%) during the year. If we take into account the income components at household level, we can say that the sources with more recipients are net interest, dividends, and profits from capital investment in unincorporated business (31.1%) and repayments/receipts for tax adjustments (68.9%). The percentage of households with partial information (43.2%) is due to total disposable household income being a sum of several components, where some of them can be imputed, as it also happens for repayments/receipts for tax adjustments (6.1%). For capital income (36%) it is mainly due to collecting the information with intervals. This is the explanation for net income from rental of a property or land (15.2%) and regular taxes on wealth (16.8%) as well. Now, if we consider the income components at personal level as our main target, we can see that almost half of the individuals providing with individual questionnaires in the sample receive net cash or near cash employee income (43.6%). Apart from employee income, net old-age (19.5%) and gross monthly earnings for employees (36.9%) are significantly important as income sources for these individuals. And also the percentage of persons with total information is quite high.

However, the weak point is the self-employment income component, where the percentage of missing values is 38.1% (which implies more imputation), and the partial information is large as well due to intervals and the component being split into benefits, losses and reductions.

3.2.4. *Data adjustment*

In order to make compatible 2005 income with 2006 demographic information, EUROMOD variable reporting individual age (dag) is taken from EU-SILC variable "age at the end of the income period" (RX020). Children born in 2006 (by definition would be aged -1) were dropped from the sample (c.f. section 3.2.2 for information about its impact on the sample size).

3.3. **Imputations and assumptions**

3.3.1. *Time period*

Reference period of income variables (previous year) is different from the socio-demographic, labour and economic characteristics (at time of the interview). The reconciliation of these variables was limited to cases where this inconsistency would undermine the reliability of simulated policies (e.g., the simulation of social contributions may be affected if an individual reporting earnings do not report labour market information due to changes in employment status between income reference period and the time of interview). For details on the number of observations affected and on how these incomes were reconciled see the DRD.

All monetary amounts in the EU-SILC are expressed in annual terms. These are converted into (average) monthly terms dividing them by 12. In the EUROMOD calculations it is implicitly assumed that income is received at the same rate throughout the year. In order to improve the quality of simulation of policies based on monthly income and with duration that may be lower than 12 months in

a year (e.g., social contributions and unemployment benefit) variables reporting the number of payments are constructed for key income sources (in particular employment and self-employment income, unemployment benefits and pensions).

3.3.2. Gross incomes

In the EU-SILC 2006, income variables for Spain are available gross of taxes. Such variables were imputed by the Spanish Statistical Institute based on reported net income. For more information on the net to gross imputation see Paniagua and Méndez (2008).

3.3.3. Other imputed variables

- Education status and years of education: in the case where information is missing (e.g., children aged under 16) it is imputed according to age and the Spanish education system (for more details see the DRD).
- Incomes reported at the household level: are assigned either to the most appropriate household member or to first member closer to age 45 (for more details see the DRD).
- Benefits aggregated in a single variable: are split combining EU-SILC and external information (for more details see the DRD).

3.4. Updating

The factors that are used to update monetary variables from the data year (2005) to 2006-2008 are shown in Table 22.

No other updating adjustments are employed. Thus the distribution of characteristics (such as employment status and demographic variables) as well as the distribution of each income source that is not simulated remain as they were in 2005.

Table 22. UPDATING FACTORS

Variable	Income Source/index type	2006	2007	2008
bch	Eurostat / Harmonized Indices of Consumer Prices (HICP) ⁵⁵	103.6	106.5	110.9
bch00	Nominal increase child benefit	100.0	100.0	171.8
bchot	Nominal increase child benefit	100.0	100.0	171.8
bed	Nominal increase other child benefits (lump-sum payments at birth)	105.4	111.2	117.0
bho	Consumer Price Index	103.5	106.4	110.8
bsa	Consumer Price Index	103.5	106.4	110.8
bunct	Consumer Price Index	103.5	106.4	110.8
bunnc	Minimum wage increase	105.4	111.2	117.0
kfb	Increase in IPREM	102.0	106.3	110.0
kivho	Consumer Price Index	103.5	106.4	110.8
pdi	Consumer Price Index	103.5	106.4	110.8
pnl	November Consumer Price Index	102.6	106.8	109.3
poact00	Consumer Price Index	103.5	106.4	110.8
poactcm	November Consumer Price Index	102.6	106.8	109.3
poanc	Nominal increase Old-age Minimum Pension	108.0	115.7	125.7
psuot	Nominal increase NC Old-age Minimum Pension	104.4	108.1	113.7

(Keep.)

⁵⁵ <http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/data/database>.



(Continuation.)

Variable	Income Source/index type	2006	2007	2008
psuwd00	November Consumer Price Index	102.6	106.8	109.3
psuwdcn	November Consumer Price Index	102.6	106.8	109.3
tad	Nominal increase Widow's Minimum Pension	106.4	112.4	120.5
tin	Consumer Price Index	103.5	106.4	110.8
tis	Consumer Price Index	103.5	106.4	110.8
tpr	Consumer Price Index	103.5	106.4	110.8
tscee	Consumer Price Index	103.5	106.4	110.8
tscer	Consumer Price Index	103.5	106.4	110.8
tscse	Consumer Price Index	103.5	106.4	110.8
twl	Consumer Price Index	103.5	106.4	110.8
yds	Consumer Price Index	103.5	106.4	110.8
yem	Consumer Price Index	103.5	106.4	110.8
Yivwg	Eurostat / Labour market / Labour costs - Labour cost index - Annual data ⁵⁶	103.8	107.7	112.9
Yiy	Eurostat / Labour market / Labour costs - Labour cost index - Annual data ⁵⁷	103.8	107.7	112.9
yot	Consumer Price Index	103.5	106.4	110.8
ypp	Consumer Price Index	103.5	106.4	110.8
ypr	Consumer Price Index	103.5	106.4	110.8
yprrt	Consumer Price Index	103.5	106.4	110.8
ypt	Consumer Price Index	103.5	106.4	110.8
yse	Consumer Price Index	103.5	106.4	110.8
yunsv	Consumer Price Index	103.5	106.4	110.8
afc	Consumer Price Index	103.5	106.4	110.8
xhc	Consumer Price Index	103.5	106.4	110.8
xhcmomi	Consumer Price Index	103.5	106.4	110.8
xhcrt	Consumer Price Index	103.5	106.4	110.8
xmp	Consumer Price Index	103.5	106.4	110.8
xpp	Consumer Price Index	103.5	106.4	110.8

Notes: for further details see the DRD.

4. VALIDATION

4.1. Aggregate Validation

4.1.1. Input data: income sources used by the model but not simulated

Table 23 shows the number of recipients and the average amount per recipient of different income sources available in EUROMOD's input data. These incomes are used by the model but are not simulated.

⁵⁶ http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/labour_costs/database

⁵⁷ http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/labour_costs/database

Due to dropping a few observations and re-weighting the sample, the number and average amount of the different income sources in the input database of EUROMOD are slightly different from those in the original EU-SILC. This is the case, for example, for employment and self-employment income. The number of recipients and average amount are further different in the case of income sources that are reported in the EU-SILC at the household level and which were assigned to particular individuals in the EUROMOD input data. Some examples of this are investment, property and other incomes.

Finally, some income sources in the EUROMOD input database were derived from EU-SILC aggregate variables that include more than one type of income. For example, severance payments, included in the EU-SILC together with unemployment benefits (variable py090g) were split for EUROMOD.

Table 24 shows the number of recipients and average amount of pensions and benefits from EUROMOD's input database. Some of these benefits are simulated and the results from their simulation will be presented in Table 28 below. In aggregate terms, pensions seem to be well represented in the EU-SILC and EUROMOD input data. However, by type of pension there is a considerable mismatch between the data and the official external sources. The main reason for this is that, contrary to official statistics, disability and survivor pensions of people aged 65 or more are classified as old-age pensions in the EU-SILC. As a result, its number is overestimated and average slightly underestimated (old-age pensions are in average considerably higher than survivor pensions).

Pension complements were derived from the original EU-SILC data using a splitting procedure (see the DRD for more on this). The results suggest that overall the number and average amount of pension complements is slightly overestimated in the input data. Results are considerably worse when broken down by type of pension (do notice that disability pension complements were not derived).

Old-age non-contributory (assistance) benefit was also derived from the EU-SILC aggregate variable py100g. Figures suggest that the number and average amount are slightly underestimated.

The number of health benefits in the input data in Table 24 are significantly underestimated compared to external sources. This comes about because external data are constructed using sickness episodes along the year and there are no available external data that allow for the identification of the number of individuals experiencing various episodes along the year. Further, many individuals in the input data may declare income from sickness benefits as employment income.

Child benefits are clearly underreported in the EU-SILC data. The number of recipients in the data is about half of those according to official statistics. On the other hand, the average amount is substantially higher, suggesting that low-amount benefits are particularly underreported.

Unemployment benefit data results are not strictly comparable to official statistics. While the former computes the annual number of recipients and average benefit amount, the later shows the average number of recipients and amount at any given month during the year. As a result, it is not surprising that data results show a larger number of recipients and a lower average amount.

The number of housing benefits after data is overestimated in the input data while their average amount is, in contrast, underestimated. Take into account that very few people in Spain receive housing benefit receivers and their quantities tend to be small. Social assistance benefits are significantly underestimated in the input database compared to external sources; this is most likely to be due to a generalized low benefit take-up rate in Spain.

Table 25 shows the number and average amount of social contributions and income tax in EUROMOD's input database, EU-SILC and official statistics. EU-SILC reports income tax and employee social contributions in a single variable (hy140g) and final income tax adjustment in another variable (hy145n). Both variables are reported at the household level, and in order to compute results were assigned to one individual in each household. As in many cases more than one household member actually pays income tax or contributions it is not surprising that the number of taxpayers is underestimated and the average overestimated.

Table 23. INPUT DATA VALIDATION: INCOME SOURCES USED BY THE MODEL BUT NOT SIMULATED: ORIGINAL AND IN-KIND INCOME

Description	Number (thousands)					Average amount (euro)				
	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio
Original income										
Employment income	17,962	17,100	105%	—	—	16,383	16,645	98%	—	—
Self-employment income	2,685	2,680	100%	—	—	14,209	14,118	101%	—	—
Investment income	5,084	3,983	128%	—	—	590	751	79%	—	—
Property Income	1,342	782	172%	—	—	3,322	5,663	59%	—	—
Private pension income	212	212	100%	—	—	5,977	5,960	100%	—	—
Private transfers	377	375	101%	—	—	3,810	3,810	100%	—	—
Other income	810	498	163%	—	—	483	782	62%	—	—
Severance payments	134	—	—	—	—	5,647	—	—	—	—
In-kind income										
Fringe benefits	296	298	100%	—	—	3,493	3,494	100%	—	—
Imputed housing income	0	0	—	—	—	—	—	—	—	—

Sources: EUROMOD results based on input data, own calculations using EU-SILC 2006.

Table 24. INPUT DATA VALIDATION: INCOME SOURCES USED BY THE MODEL BUT NOT SIMULATED: PENSIONS AND BENEFITS

Description	Number (thousands)					Average amount (euro)				
	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio
Pensions	7,626			7,980	96%	8,656			8,845	98%
Disability	683	678	101%	833	82%	7,462	7,462	100%	9,801	76%
Old-age	6,752	6,641	102%	4,678	144%	9,572	9,591	100%	10,140	94%
Old-age pension	6,493			4,678	139%	8,940			9,612	93%
Survivors	491	488	101%	2,469	20%	6,151	6,150	100%	6,071	101%
Survivors-widow	400			2,166	18%	6,412			6,374	101%
Survivors-other	91			263	35%	3,330			3,753	89%
Pension complements	2,417			2,132	113%	2,364			1,914	123%
Old-age complement	2,338			1,357	172%	2,378			1,817	131%
Survivors-widow complement	79			774	10%	1,944			2,086	93%
Benefits										
Old-age assistance	259			279	93%	3,944			4,416	89%
Sickness/health	617	614	101%	5,684	11%	4,284	4,284	100%	1,127	380%
Family/Child	516	513	101%	1,054	49%	2,359	2,360	100%	822	287%
Child benefit-not disabled	23			836	3%	588			280	210%
Child benefit-disabled	3			218	2%	3,600			2,891	125%
Child benefit-other	382			-	-	2,761			-	-
Unemployment benefits	1,647	1,772	93%	1,246	132%	3,447	3,612	95%	7,645	45%
Unemployment insurance	1,161			687	169%	3,584			9,522	38%
Unemployment assistance	487			559	87%	3,119			5,336	58%
Housing benefits	222	151	147%	—	—	3,486	5,097	68%	—	—
Social assistance	112	112	101%	101	111%	1,838	1,838	100%	3,614	51%

Sources: EUROMOD results based on input data, own calculations using EU-SILC 2006 and official statistics from Table 5 and Table 6.

Table 25. INPUT DATA VALIDATION: INCOME SOURCES USED BY THE MODEL BUT NOT SIMULATED: SOCIAL CONTRIBUTIONS AND DIRECT PERSONAL TAXES

Description	Number (thousands)					Average amount (euro)				
	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio
Social contributions										
Employee contributions	0	—	—	14,980	0%	—	—	—	858	—
Self-employed contributions	0	—	—	2,946	0%	—	—	—	3,038	—
Employer contributions	0	—	—	—	—	—	—	—	3,555	—
Direct personal taxes										
Income tax	0	—	—	18,160	0%	—	—	—	3,249	—
Income tax adjustment	10,627	10,672	100%	17,010	62%	-384	-378	101%	-118	325%
Property tax	550	—	—	—	—	755	—	—	—	—
Income tax + contributions	12,207	13,476	91%	18,160	67%	5,018	4,220	119%	4,449	113%

Sources: EUROMOD results based on input data, own calculations using EU-SILC 2006 and official statistics from Table 8, Table 9, Table 11, and Table 12.

Validation of 2005-2008 simulations: income sources used by the model but not simulated.

Table 26 and Table 27 compare the number of recipients/taxpayers and the average amount of different income sources, benefits and taxes not simulated but used by EUROMOD and external sources for 2005 to 2008, respectively. Although there are some changes in the number of recipients and average amount of these incomes, none of those for whom there is external data available are dramatic. Therefore, the EU-SILC 2005 seems to do a rather acceptable job representing these income sources for later years.

Table 26. 2005-2008 INPUT DATA VALIDATION: INCOME SOURCES USED BY THE MODEL BUT NOT SIMULATED, NUMBER OF INCOME RECIPIENTS (thousands)

Description	EUROMOD				External				Ratio			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Original income												
Employment income	17.962	17.962	17.962	17.962	—	—	—	—	—	—	—	—
Self-employment income	2.685	2.685	2.685	2.685	—	—	—	—	—	—	—	—
Investment income	5.084	5.084	5.084	5.084	—	—	—	—	—	—	—	—
Property Income	1.342	1.342	1.342	1.342	—	—	—	—	—	—	—	—
Private pension income	212	212	212	212	—	—	—	—	—	—	—	—
Private transfers	377	377	377	377	—	—	—	—	—	—	—	—
Other income	810	810	810	810	—	—	—	—	—	—	—	—
Severance payments	134	134	134	134	—	—	—	—	—	—	—	—
In-kind income												
Fringe benefits	296	296	296	296	—	—	—	—	—	—	—	—
Imputed housing income	0	0	0	0	—	—	—	—	—	—	—	—
Pensions	7.626	7.626	7.626	7.626	7.980	8.165	8.274	8.391	96%	93%	92%	91%
Disability	683	683	683	683	833	860	889	907	82%	79%	77%	75%
Old-age	6.752	6.752	6.752	6.752	4.678	4.809	4.863	4.937	144%	140%	139%	137%
Old-age pension	6.493	6.493	6.493	6.493	4.678	4.809	4.863	4.937	139%	135%	134%	132%
Survivors	491	491	491	491	2.469	2.496	2.522	2.547	20%	20%	19%	19%
Survivors - widow	400	400	400	400	2.166	2.197	2.226	2.250	18%	18%	18%	18%
Survivors - other	91	91	91	91	263	260	258	259	35%	35%	35%	35%
Benefits												
Sickness/health	617	617	617	617	5.684	5.657	8.041	7.695	11%	11%	8%	8%
Child benefit - other	382	382	382	382	—	—	—	—	—	—	—	—
Housing	222	222	222	222	—	—	—	—	—	—	—	—
Social Exclusion	112	112	112	112	101	103	103	114	111%	109%	109%	98%
Direct personal taxes												
Property tax	550	550	550	550	—	—	—	—	—	—	—	—

Sources: EUROMOD simulation results and official statistics from Table 5, and Table 11.

Table 27. 2005-2008 INPUT DATA VALIDATION: INCOME SOURCES USED BY THE MODEL BUT NOT SIMULATED, AVERAGE AMOUNT (euro per year)

Description	EUROMOD				External				Ratio			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Original income												
Employment income	16.383	17.006	17.645	18.498								
Self-employment income	14.209	14.708	15.120	15.738								
Investment income	590	611	628	653								
Property Income	3.322	3.438	3.535	3.679								
Private pension income	5.977	6.187	6.360	6.620								
Private transfers	3.810	3.944	4.054	4.220								
Other income	483	500	514	535								
Severance payments	5.647	5.845	6.009	6.255								
In-kind income												
Fringe benefits	3.493	3.616	3.717	3.869								
Imputed housing income												
Pensions	8.656	8.881	9.242	9.462								
Disability	7.462	7.656	7.968	8.157	9.801	9.800	10.650	11.221	76%	78%	75%	73%
Old-age	9.572	9.867	10.296	10.605								
Old-age pension	8.940	9.172	9.546	9.773	9.612	9.612	10.640	11.403	93%	95%	90%	86%
Survivors	6.151	6.322	6.585	6.758	6.071	6.077	6.672	7.094	101%	104%	99%	95%
Survivors - widow	6.412	6.579	6.847	7.010	6.374	6.374	6.976	7.406	101%	103%	98%	95%
Survivors - other	3.330	3.417	3.556	3.640	3.753	3.751	4.212	4.549	89%	91%	84%	80%
Benefits												
Sickness/health	4.284	4.435	4.559	4.745	1.127	1.211	902	1.000				
Child benefit - other	2.761	2.910	3.070	3.228								
Housing	3.486	3.609	3.710	3.862								
Social Exclusion	1.838	1.903	1.956	2.036	3.614	3.590	4.051	3.860				
Direct personal taxes												
Property tax	755	782	803	836								

Sources: EUROMOD simulation results and official statistics from Table 6 and Table 12.

4.1.2. Simulated pensions and benefits

Table 28 shows the number of recipients and average amount of social benefits simulated by EUROMOD.

Pension complements are simulated in the model computing the eligibility as a combination of being reported in the input data (i.e., only those who report pension complement are considered) and the income test (which is fully simulated). The amount of the complement is also simulated by the model. The number of recipients in the EUROMOD simulation is very similar to those in the input data. As mentioned in the previous section, overall the number and average amount are similar to those in the official statistics. However, since the EU-SILC considers survivor pensions of those aged 65 or more are considered as old-age benefits the distribution between old-age and survivor complement in EUROMOD is clearly incorrect.

Old-age assistance is simulated following the same approach as pension complements: eligibility is taken from data but combined with an income test that is simulated by the model. The amount of the benefit is also simulated. According to results, the number of recipients and average benefit computed by the model is consistent with official statistics.

Child benefits are fully simulated in EUROMOD. Overall the number of recipients and average amount simulated are similar to official statistics and substantially higher than in the input data. By benefits, the national and disability child benefit results are not strictly comparable with official statistics: simulated results are computed per recipient (usually household) while official statistics are per child. As for regional child benefits, although the sample size is not large enough to be representative at the regional level, overall the number and average amounts are comparable to the official statistics. Table 29 shows results at the regional level.

Unemployment benefits are simulated following the same approach as pension complements and old-age assistance - eligibility is taken from data but combined with an income test that is simulated by the model, and the amount of the benefit is fully simulated. As suggested in the previous section, EUROMOD results and official statistics are measured differently and therefore are not strictly comparable.

Regional social assistance benefits are fully simulated in EUROMOD (i.e., eligibility is not conditional on being reported in the data or other ad hoc condition). As a result, the number of recipients computed by the simulation reflects the theoretical entitlement (i.e., it doesn't account for non take up and administrative procedures that limit the number of actual recipients). Table 30 shows results at the regional level.

Table 28. BASELINE VALIDATION: SIMULATED PENSIONS AND BENEFITS

Description	Number (thousands)					Average amount (euro)				
	EUROMOD	Input data	Ratio	Ext. Source	Ratio	EUROMOD	Input data	Ratio	Ext. Source	Ratio
Pension Complements	2.397	2.417	99%	2.132	112%	2.250	2.364	95%	1.914	118%
Old-age complement	2.318	2.338	99%	1.357	171%	2.265	2.378	95%	1.817	125%
Survivor Complement	79	79	100%	774	10%	1.813	1.944	93%	2.086	87%
Benefits										
Old-age assistance	247	259	95%	279	88%	4.164	3.944	106%	4.416	94%
Child benefits	1.094	516	212%	1.054	104%	912	2.359	39%	822	111%
National Child benefit	652	23	2794%	836	78%	425	588	72%	280	152%
Disability child benefit	149	3	4349%	218	68%	3.407	3.600	95%	2.891	118%
National means-tested birth benefit	15	—	—	—	—	451	—	—	—	—
Regional child benefits	278	—	—	314	89%	746	—	—	645	116%
Regional means-tested birth benefit	13	—	—	—	—	820	—	—	—	—
Regional universal birth benefit	0	—	—	—	—	1.983	—	—	—	—
Regional means-tested large family benefit	0	—	—	—	—	360	—	—	—	—
Regional means-tested child benefit	28	—	—	—	—	1.326	—	—	—	—
Regional universal child benefits	237	—	—	—	—	672	—	—	—	—
Unemployment benefits	1.705	1.647	103%	1.246	137%	3.255	3.447	94%	7.645	43%
Unemployment insurance	1.161	1.161	100%	687	169%	3.496	3.584	98%	9.522	37%
Unemployment assistance	544	487	112%	559	97%	2.742	3.119	88%	5.336	51%
Regional social assistance benefits	563	112	502%	101	559%	3.024	1.838	164%	3.614	84%

Sources: EUROMOD results based on simulations, EUROMOD's input data and official statistics from Table 5 and Table 6.

Table 29. BASELINE VALIDATION: SIMULATED REGIONAL CHILD BENEFITS, BY REGION

Description	Number (thousands)					Average amount (euro)				
	EUROMOD	Input data	Ratio	Ext. Source	Ratio	EUROMOD	Input data	Ratio	Ext. Source	Ratio
Regional child benefits	278	—	—	314	89%	746	—	—	645	116%
61 Andalusia	0	—	—	2	0%	—	—	—	—	—
24 Aragon	0	—	—	0	0%	—	—	—	3.281	—
12 Asturias	0	—	—	0	—	—	—	—	—	—
53 Illes Balears	0	—	—	0	—	—	—	—	—	—
70 Canarias	0	—	—	0	—	—	—	—	—	—
13 Cantabria	17	—	—	18	94%	1.405	—	—	1.041	135%
42 Castilla-La Mancha	0	—	—	0	—	—	—	—	—	—
41 Castilla y León	13	—	—	20	66%	820	—	—	721	—
51 Catalunya	226	—	—	243	93%	628	—	—	569	—
43 Extremadura	0	—	—	0	—	—	—	—	—	—
11 Galicia	0	—	—	0	—	—	—	—	—	—
23 La Rioja	0	—	—	0	—	—	—	—	—	—
30 Madrid	0	—	—	0	—	—	—	—	—	—
62 Murcia	0	—	—	0	—	—	—	—	—	—
22 Navarra	11	—	—	13	80%	1.216	—	—	877	—
21 Basque Country	11	—	—	18	62%	1.594	—	—	1.100	—
52 Valencia	0	—	—	0	—	—	—	—	—	—

Sources: EUROMOD results based on simulations, and official statistics from Table 5 and Table 6.



Table 30. BASELINE VALIDATION: SIMULATED REGIONAL SOCIAL ASSISTANCE BENEFITS, BY REGION

Description	Number (thousands)					Average amount (euro)				
	EUROMOD	Input data	Ratio	Ext. Source	Ratio	EUROMOD	Input data	Ratio	Ext. Source	Ratio
Regional social assistance benefits	563	112	502%	101	559%	3,024	1,838	164%	3,614	84%
61 Andalusia	115	—	—	—	—	3,140	—	—	—	—
24 Aragon	12	—	—	—	—	3,203	—	—	—	—
12 Asturias	18	—	—	—	—	3,019	—	—	—	—
53 Illes Balears	8	—	—	—	—	2,899	—	—	—	—
70 Canarias	42	—	—	—	—	2,884	—	—	—	—
13 Cantabria	6	—	—	—	—	3,507	—	—	—	—
42 Castilla-La Mancha	27	—	—	—	—	2,969	—	—	—	—
41 Castilla y León	20	—	—	—	—	2,644	—	—	—	—
51 Catalunya	73	—	—	—	—	2,816	—	—	—	—
43 Extremadura	27	—	—	—	—	2,823	—	—	—	—
11 Galicia	31	—	—	—	—	2,557	—	—	—	—
23 La Rioja	2	—	—	—	—	2,881	—	—	—	—
30 Madrid	59	—	—	—	—	3,205	—	—	—	—
62 Murcia	10	—	—	—	—	3,127	—	—	—	—
22 Navarra	5	—	—	—	—	4,493	—	—	—	—
21 Basque Country	62	—	—	—	—	3,533	—	—	—	—
52 Valencia	47	—	—	—	—	2,671	—	—	—	—

Sources: EUROMOD results based on simulations, and official statistics from Table 5 and Table 6.

Validation of 2005-2008 simulations: simulated pensions and benefits.

Table 31 and Table 32 present the number of recipients and the average amount of 2005-2008 social benefits. The most significant changes are the increase in the number and average amount of overall simulated child benefits and the increase in the number of unemployment benefits in external statistics. The main drivers of the increase in child benefits are changes in regional child benefits and the implementation of the universal birth benefit in 2008. The increase in the number of unemployment benefits reflect the dramatic increase in unemployment that happen in Spain due to the global financial crisis.

Table 31. 2005-2008 SIMULATION VALIDATION: SIMULATED PENSIONS AND BENEFITS, NUMBER OF RECIPIENTS (thousands)

Description	EUROMOD				External				Ratio			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Pension Complements	2.397	2.401	2.401	2.402	2.132	2.132	2.151	2.078	112%	113%	112%	116%
Old-age complement	2.318	2.322	2.322	2.323	1.357	1.361	1.369	1.332	171%	171%	170%	174%
Survivor Complement	79	79	79	79	774	771	782	746	10%	10%	10%	11%
Benefits												
Old-age assistance	247	247	247	247	279	277	271	265	88%	89%	91%	93%
Child benefits	1.107	1.144	1.186	1.780	1.054	1.007	958	1.015	105%	114%	124%	175%
National Child benefit	652	650	638	759	836	784	729	779	78%	83%	88%	97%
Disability child benefit	149	159	162	162	218	223	229	236	68%	71%	71%	68%
National means-tested birth benefit	15	15	15	12								
National universal birth benefit	0	0	0	416								
Regional child benefits	278	292	342	403	314	326	411	478	89%	90%	83%	84%
Regional means-tested birth benefit	13	29	29	29								
Regional universal birth benefit	0	0	0	58								
Regional means-tested large family benefit	0	0	0	0								
Regional means-tested child benefit	28	25	67	62								
Regional universal child benefits	237	237	246	253								
Unemployment benefits	1.705	1.706	1.715	1.715	1.246	1.279	1.356	1.747	137%	133%	126%	98%
Unemployment insurance	1.161	1.161	1.161	1.161	687	720	780	1.101	169%	161%	149%	105%
Unemployment assistance	544	545	554	554	559	559	576	646	97%	98%	96%	86%
Regional social assistance benefits	563	593	601	619	101	103	103	114	559%	578%	583%	542%

Sources: EUROMOD simulation results and official statistics from Table 5.

Table 32. 2005-2008 SIMULATION VALIDATION: SIMULATED PENSIONS AND BENEFITS, AVERAGE AMOUNT (euro per year)

Description	EUROMOD				External				Ratio			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Pension Complements	2.250	2.572	2.820	3.258	1.914	2.133	2.299	2.686	118%	121%	123%	121%
Old-age complement	2.265	2.589	2.825	3.263	1.817	2.043	2.207	2.583	125%	127%	128%	126%
Survivor Complement	1.813	2.067	2.672	3.089	2.086	2.292	2.461	2.871	87%	90%	109%	108%
Benefits												
Old-age assistance	4.164	4.355	4.660	4.940	4.416	4.221	4.373	4.598	94%	103%	107%	107%
Child benefits					822	894	969	914				
National Child benefit	425	424	426	466	280	281	280	262	152%	151%	152%	178%
Disability child benefit	3.407	3.552	3.681	3.878	2.891	3.051	3.163	3.066	118%	116%	116%	126%
National means-tested birth benefit	451	451	451	1.000								
National universal birth benefit				2.516								
Regional child benefits	746	785	740	717	645	638	622	682	116%	123%	119%	105%
Regional means-tested birth benefit	820	829	829	829								
Regional universal birth benefit	1.983	2.403	2.460	137								
Regional means-tested large family benefit	360	360	360	360								
Regional means-tested child benefit	1.326	1.520	807	833								
Regional universal child benefits	672	701	711	809								
Unemployment benefits	3.255	3.353	3.494	3.631	7.645	7.652			43%	44%		
Unemployment insurance	3.496	3.618	3.787	3.941	9.522	9.453			37%	38%		
Unemployment assistance	2.742	2.790	2.880	2.982	5.336	5.330			51%	52%		
Regional social assistance benefits	3.024	3.045	3.176	3.321	3.614	3.590	4.051	3.860	84%	85%	78%	86%

Sources: EUROMOD simulation results and official statistics from Table 6.

4.1.3. Simulated social contributions

Table 33 shows the number of contributors and average amount of social insurance contributions simulated by EUROMOD.

According to results, the number and average amount of *employee and employer contributions* simulated by EUROMOD are slightly overestimated but this is due to the nature of external data. External data count the number of contributing individuals at the last date of a given month along the year. We chose June as a reference. Given that EUROMOD simulates all contributors to the Social Security System along the year, the number simulated by EUROMOD must clearly be significantly larger than that obtained from a cross-section of contributors at any particular month. A further source of disagreement in these numbers is the fact that we do not include civil servants contributions. In EUROMOD, civil servants are indistinguishable from private sector workers, adding these to the number and average amount of contributions will reduce the overestimation of these numbers in EUROMOD.

The number and average amount of *self-employed contributions* simulated by EUROMOD are slightly lower than official statistics. As for the number of contributions this may be due to some self employee failing or refusing to report their earnings. The fact that the average contribution is lower in EUROMOD is consistent with the fact that in the simulation it is assumed that all self-employed opt for paying the minimum contribution.

Table 33. BASELINE VALIDATION: SIMULATED SOCIAL CONTRIBUTIONS

Description	Number (thousands)					Average amount (euro)				
	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio
Employee contributions										
Employee contributions	17,962			14,980	120%	997			858	116%
Pension insurance	17,962			—	—	738			—	—
Unemployment insurance	17,962			—	—	243			—	—
Other insurances	17,413			—	—	16			—	—

(Keep.)

(Continuation.)

Description	Number (thousands)					Average amount (euro)				
	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio
Self-employee contributions	2,576			2,946	87%	2,596			3,038	85%
Pension insurance	2,576			—	—	2,277			—	—
Disability insurance	2,576			—	—	307			—	—
Health insurance	325			—	—	91			—	—
Employer contributions										
Employee contributions	17,962			14,980	120%	4,787			3,555	135%
Pension insurance	17,962			—	—	3,689			—	—
Unemployment insurance	17,962			—	—	942			—	—
Other insurances	17,962			—	—	156			—	—

Sources: EUROMOD results based on input data, own calculations using EU-SILC 2006 and official statistics from Table 8 and Table 9.

Validation of 2005-2008 simulations: simulated social contributions.

Table 34 and Table 35 show the number of payers and the average amount of 2005-2008 social contributions. Results suggest that, as expected, EUROMOD fails to capture the increase in the number of contributions (particularly among self-employed). On the other hand, the increases in the average contribution amounts simulated by the model are in line with external statistics.

Table 34. 2005-2008 SIMULATION VALIDATION: SIMULATED SOCIAL CONTRIBUTIONS, NUMBER OF PAYERS (thousands)

Description	EUROMOD				External				Ratio			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Employee contributions												
Employee contributions	17.962	17.962	17.962	17.962	14.980	15.619	16.231	15.794	120%	115%	111%	114%
Pension insurance	17.962	17.962	17.962	17.962								
Unemployment insurance	17.962	17.962	17.962	17.962								
Other insurances	17.413	17.413	17.413	17.413								
Self-employed contributions												
Self-employee contributions	2.576	2.576	2.576	2.576	2.946	3.028	3.135	3.405	87%	85%	82%	76%
Pension insurance	2.576	2.576	2.576	2.576								
Disability insurance	2.576	2.576	2.576	2.576								
Health insurance	325	325	325	325								
Employer contributions												
Employer contributions	17.962	17.962	17.962	17.962								
Pension insurance	17.962	17.962	17.962	17.962								
Unemployment insurance	17.962	17.962	17.962	17.962								
Other insurances	17.962	17.962	17.962	17.962								

Sources: EUROMOD simulation results and official statistics from Table 8.

Table 35. 2005-2008 SIMULATION VALIDATION: SIMULATED SOCIAL CONTRIBUTIONS, AVERAGE CONTRIBUTION (euro per year)

Description	EUROMOD				External				Ratio			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Employee contributions												
Employee contributions	997	1.035	1.075	1.123	858	905	934	0	116%	114%	115%	
Pension insurance	738	767	796	831								
Unemployment insurance	243	253	262	274								
Other insurances	16	17	17	18								

(Keep.)

(Continuation.)

Description	EUROMOD				External				Ratio			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Self-employed contributions												
Self-employee contributions	2.596	2.647	2.703	2.727	3.038	3.110	3.156	3.120	85%	85%	86%	87%
Pension insurance	2.277	2.322	2.371	2.401								
Disability insurance	307	313	320	317								
Health insurance	91	93	96	72								
Employer contributions												
Employer contributions	4.787	4.970	5.082	5.297	3.555	3.726	3.892	0	135%	133%	131%	
Pension insurance	3.689	3.830	3.975	4.153								
Unemployment insurance	942	979	973	973								
Other insurances	156	162	134	171								

Sources: EUROMOD simulation results and official statistics from Table 9.

4.1.4. Simulated taxes

Table 36 shows the number of taxpayers and average amount of income tax and some of its key component simulated by EUROMOD.

As explained in section 2.5.1, the income tax rules are different for the Basque country and Navarra. Nevertheless, for simplicity, we currently do not account for this. As a result, we apply the income tax rules of the common fiscal territory (i.e., all other Spanish regions) on the whole Spanish sample. Since the simulation results for the Basque country and Navarra income tax are not comparable with the official statistics, most figures presented correspond only to the common fiscal territory.

Results suggest that overall EUROMOD captures correctly the number of taxpayers. However, the average amount of simulated taxes is lower than reported in official statistics. Comparing the number and average amounts of the components of taxable income, it becomes clear that a key reason for the underestimation of the amount of income tax is the underreporting of capital income and the absence of property gains information in the data.

The number and average amount of the main tax allowances (personal, family and employment) in EUROMOD is quite close to the official statistics. However, results underestimate the average tax base and the “gross” income tax (income tax before tax credits). Again this is likely to be due to data limitations with capital income and property gains.

Due to lack of data in the EU-SILC 2006, mortgage tax credit is not simulated⁵⁸. Finally, the refundable child tax credit (paid to working mothers with children under 3 years of age) is overestimated both in number and amount. Further analysis will be carried out to find the cause of such difference.

Table 36. BASELINE VALIDATION: SIMULATED TAXES

Description	Number (thousands)					Average amount (euro)				
	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio
Income tax										
Income tax	18.122			18.160	100%	2.573			3.249	79%
Common fiscal territory	16.802			17.105	98%	2.546			3.040	84%
Basque country	1.022			1.055	97%	2.770			—	—
Navarra	298			—	—	3.364			—	—

(Keep.)

⁵⁸ According to EU-SILC documentation mortgage interests will be available in the EU-SILC 2007 data. See (EUROSTAT (2010) Description of target variables: Cross-sectional and Longitudinal 2008 operation (Version January 2010).

http://circa.europa.eu/Public/irc/dsis/eusilc/library?l=/guidelines_questionnaire/operation_guidelines/silc065_version/EN_1.0_&a=d.



(Continuation.)

Description	Number (thousands)					Average amount (euro)				
	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio
Common fiscal territory										
Taxable income	16.744			17.095	98%	18.465			20.325	91%
Work	15.239			15.380	99%	18.089			18.921	96%
Self-employment	1.715			3.068	56%	18.264			9.324	196%
Capital	2.781			14.920	19%	1.174			863	136%
Property income	834			1.336	62%	4.091			5.250	78%
Property gain	—		—	1.845	—	—		—	13.281	—
Personal-family tax allowance	16.802			16.985	99%	4.865			4.850	—
Personal tax allowance	16.802			—	—	4.157			—	—
Child tax allowance	6.453			—	—	1.707			—	—
Dependent parent tax allowance	648			—	—	1.374			—	—
Employee tax allowance	16.663			15.350	109%	2.752			2.629	105%
Tax base	16.802			13.919	121%	11.020			15.283	72%
Income tax before tax credits	16.802			17.105	98%	2.559			3.281	78%
Mortgage tax credit	0			5.681	0%	—		—	1.003	—
Refundable child tax credit	829			611	136%	1.223			914	—
Income tax	16.802			17.105	98%	2.546			3.040	84%

Sources: EUROMOD results based on input data, own calculations using EU-SILC 2006 and official statistics from Table 11, and Table 12.

Validation of 2005-2008 simulations: simulated taxes.

Table 37 and Table 38 show the number of payers and the average amount of 2005-2008 income tax and its components. At the moment of writing this report the most recent detailed external information about the Spanish income tax referred to the year 2006. Results suggest that the model's accuracy predicting the average amount of income tax falls from 84% in 2005 to 77% in 2006. The main cause of this fall is the significant increase in the number and average amount of income from property gain (the overall amount increased by 71% between 2005 and 2006).

Although no external information is available to validate, the reduction in the number of taxpayers in 2007, simulated by the model, is consistent with the nature of an important tax reform implemented in that year. Such reform was then extended in 2008 with the introduction of the 400 euro tax credit (simulated in EUROMOD as "other tax credits").

Table 37. 2005-2008 SIMULATION VALIDATION: SIMULATED TAXES, NUMBER OF PAYERS (thousands)

Description	EUROMOD				External				Ratio			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Property tax	550	550	550	550								
Income tax	18,122	18,529	16,184	15,430	18,160	18,922	0	0	100%	98%		
Common fiscal territory	16,802	17,185	14,960	14,230	17,105	17,841	0	0	98%	96%		
Basque country	1,022	1,041	952	937	1,055	1,081	0	0	97%	96%		
Navarra	298	303	271	263	0	0	0	0				
Common fiscal territory												
Taxable income	16,744	17,123	14,901	14,166	17,095	17,841	0	0	98%	96%		
Work	15,239	15,596	13,742	13,097	15,380	16,097	0	0	99%	97%		
Self-employment	1,715	1,744	1,414	1,318	3,068	3,099	0	0	56%	56%		
Capital	2,781	2,829	2,474	2,454	14,920	15,563	0	0	19%	18%		
Property income	834	841	716	721	1,336	1,394	0	0	62%	60%		
Property gain					1,845	2,348	0	0				

(Keep.)

(Continuation.)

Description	EUROMOD				External				Ratio			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Personal-family tax allowance	16,802	17,185	14,960	14,230	16,985	17,723	0	0	99%	97%		
Personal tax allowance	16,802	17,185	14,960	14,230								
Child tax allowance	6,453	6,551	5,756	5,479								
Dependent parent tax allowance	648	656	534	488								
Employee tax allowance	16,663	17,057	14,951	14,230	15,350	16,066	0	0	109%	106%		
Tax base	16,802	17,185	14,960	14,230	13,919	14,875	0	0	121%	116%		
Income tax before tax credits	16,802	17,185	14,960	14,230	17,105	17,841	0	0	98%	96%		
Tax credits												
Mortgage tax credit	0	0	0	0	5,681	6,104	0	0	0%	0%		
Refundable child tax credit	829	829	829	829	611	679	0	0	136%	122%		
Main tax credit	0	0	14,960	14,230								
Other tax credits	0	0	0	12,451								
Income tax	16,802	17,185	14,960	14,230	17,105	17,841	0	0	98%	96%		

Notes: * from 2007 personal and family tax allowances are applied as tax credits (see Main tax credit), nevertheless one is still able to calculate the amount as a tax allowance as well and this is the figure presented in here.

Sources: EUROMOD simulation results and official statistics from Table 11.

Table 38. 2005-2008 SIMULATION VALIDATION: SIMULATED TAXES, AVERAGE CONTRIBUTION (euro per year)

Description	EUROMOD				External				Ratio			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Property tax	755	782	803	836								
Income tax	2,573	2,689	3,092	3,142	3,249	3,571			79%	75%		
Common fiscal territory	2,546	2,661	3,069	3,126	3,040	3,451	0	0	84%	77%		
Basque country	2,770	2,902	3,194	3,150								
Navarra	3,364	3,517	3,992	4,032								
Common fiscal territory												
Taxable income	18,465	18,918	20,959	22,489	20,325	21,391	0	0	91%	88%		
Work	18,089	18,526	20,500	21,947	18,921	19,773	0	0	96%	94%		
Self-employment	18,264	18,758	21,307	22,978	9,324	9,856	0	0	196%	190%		
Capital	1,174	1,208	1,150	1,213	863	1,040	0	0	136%	116%		
Property income	4,091	4,226	4,461	4,622	5,250	5,412	0	0	78%	78%		
Property gain					13,281	17,876	0	0				
Personal-family tax allowance	4,865	4,866	6,054	6,152	4,850	4,789	0	0	100%	102%		
Personal tax allowance	4,157	4,162	5,139	5,250								
Child tax allowance	1,707	1,711	2,237	2,207								
Dependent parent tax allowance	1,374	1,369	1,510	1,530								
Employee tax allowance	2,752	2,750	2,893	2,849	2,629	2,608	0	0	105%	105%		
Tax base	11,020	11,471	17,664	19,292	15,283	16,206	0	0	72%	71%		
Income tax before tax credits	2,559	2,674	4,533	4,974	3,281	3,588	0	0	78%	75%		
Tax credits												
Mortgage tax credit			1,449	1,834	1,003	1,034	0	0				
Refundable child tax credit	1,223	1,225	1,227	1,230	914	901	0	0	134%	136%		
Main tax credit			1,449	1,471								
Other tax credits				400								
Income tax	2,546	2,661	3,069	3,126	3,040	3,451	0	0	84%	77%		

Notes: * from 2007 personal and family tax allowances are applied as tax credits (see Main tax credit), nevertheless one is still able to calculate the amount as a tax allowance as well and this is the figure presented in here.

Sources: EUROMOD simulation results and official statistics from Table 12.

4.2. Income Distribution

4.2.1. Income distribution

Table 40 provides the following indicators of income distribution: mean and median equivalised income⁵⁹ by gender, income quintile ratio and Gini coefficient. Results are presented for three different “sources”: own calculations using EUROMOD baseline output, own calculations based on the original EU-SILC microdata, and statistics published by Eurostat based on the EU-SILC data.

According to results, the equivalised disposable income in EUROMOD is slightly larger than in the original EU-SILC data. Three reasons may be lie beneath this difference: a) inclusion of different sources in the definition of household disposable income (see Table 39 below), b) changes in the sample and in the weighting of observations, and c) changes in the amounts of some income sources (particularly taxes and benefits) due to its simulation in EUROMOD.

Table 39. COMPONENTS OF DISPOSABLE INCOME IN EUROMOD AND EU-SILC

	EUROMOD ils_dispy	EU-SILC HY020
Employee cash or near cash income	+	+
Employer's social insurance contribution	.	.
Contributions to individual private pension plans	-	.
Cash benefits or losses from self-employment	+	+
Pension from individual private plans	+	.
<i>Unemployment benefits</i>	+	+
<i>Old-age benefits</i>	+	+
<i>Survivor' benefits</i>	+	+
Sickness benefits	+	+
Disability benefits	+	+
Education-related allowances	+	+
Income from rental of a property or land	+	+
<i>Family/children related allowances</i>	+	+
Social exclusion not elsewhere classified	+	+
Housing allowances	+	+
Regular inter-household cash transfer received	+	+
Interests, dividends, etc.	+	+
Income received by people aged under 16	+	+
Regular taxes on wealth	-	-
<i>Regular inter-household cash transfer paid</i>	-	-
<i>Tax on income and social contributions **</i>	-	-
<i>Repayments/receipts for tax adjustment **</i>	+	.

Notes:

“+” indicates that component is added to disposable income.

“-” indicates that component is subtracted from disposable income.

“.” indicates that component is not included. Text in red highlights conceptual differences between EUROMOD and EU-SILC's disposable income definitions. Text in italics denotes components that are partially or fully simulated in EUROMOD.

** EUROMOD's simulated tax on income component includes tax adjustment, EU-SILC's doesn't.

Sources: Eurostat (2009) Description of SILC User Database Variables: Cross-sectional and Longitudinal.

⁵⁹ Using the OECD modified equivalence scale.

Table 40. BASELINE VALIDATION: INCOME DISTRIBUTION

Description	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio
Mean income (equivalised)					
Total population	12,476	12,609	99%	12,176	102%
Males	12,733	12,864	99%	12,415	103%
Females	12,227	12,361	99%	11,943	102%
Mean income (equivalised)					
Total population	11,168	11,086	101%	10,600	105%
Males	11,481	11,400	101%	10,910	105%
Females	10,866	10,769	101%	10,322	105%
Income quintile ratio (S80/S20)	4.996	5.581	90%	5.500	91%
Gini Coefficient	0.300	0.320	94%	0.318	94%

Sources: EUROMOD results based on input data, own calculations using EU-SILC 2006 and official statistics from Eurostat's website.

http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database.

Validation of 2005-2008 simulations: income distribution

Table 41 shows that EUROMOD slightly underestimates the increase in disposable income. As a result, while for 2005 the EUROMOD mean and median disposable incomes are a little higher than in the external statistics, for 2008 these are somewhat smaller.

As for income inequality, similarly to the external statistics, EUROMOD results suggest a small reduction in the amount of the Gini coefficient and the income quintile ratio.

Table 41. 2005-2008 SIMULATION VALIDATION: INCOME DISTRIBUTION

Description	EUROMOD				Extermañ				Ratio			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Mean income (equivalised)												
Total population	12,474	12,888	13,419	14,217	12,176	12,926	13,655	14,583	102%	100%	98%	97%
Males	12,731	13,152	13,688	14,507	12,415	13,184	13,930	14,849	103%	100%	98%	98%
Females	12,224	12,631	13,156	13,934	11,943	12,676	13,385	14,323	102%	100%	98%	97%
Median income (equivalised)												
Total population	11,167	11,530	12,013	12,754	10,600	11,480	12,038	12,950	105%	100%	100%	98%
Males	11,481	11,848	12,316	13,075	10,910	11,767	12,377	13,259	105%	101%	100%	99%
Females	10,864	11,237	11,713	12,405	10,322	11,180	11,733	12,644	105%	101%	100%	98%
Income quintile ratio (S80/S20)	4.996	4.957	4.936	4.923	5.500	5.300	5.300	5.400	91%	94%	93%	91%
Gini Coefficient	0.300	0.299	0.299	0.298	0.318	0.312	0.313	0.313	94%	96%	95%	95%

Sources: EUROMOD simulation results and official statistics from Eurostat's website

http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database.

4.2.2. At risk of poverty rates

Table 42 provides at risk of poverty rates using poverty lines based on 40, 50, 60 and 70% of the median equivalised disposable income⁶⁰. As with income inequality indicators, results are presented for three different "sources": own calculations using EUROMOD baseline output, own calculations based on the original EU-SILC microdata, and statistics published by Eurostat based on the EU-SILC data.

According to results, at risk poverty rates are lower in EUROMOD, particularly when using lower poverty lines (40 and 50% of the median) and among males.

Table 43 shows the risk of poverty rates (using 60% of the median equivalised disposable income as poverty line) by age groups. In line with previous results, at risk of poverty rates calculated using EUROMOD's disposable income are lower than using the original data from the EU-SILC. Rates are particularly lower for working age adults (i.e., 18 to 64 years old).

⁶⁰ Using the OECD modified equivalence scale.

Table 42. BASELINE VALIDATION: AT RISK OF POVERTY RATES AT DIFFERENT POVERTY LINES

Description	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio
40% of median equivalised income					
Total population	7.2	8.4	86%	7.8	93%
Males	6.9	8.1	86%	7.8	89%
Females	7.5	8.7	86%	7.8	96%
Poverty line	4,467	4,435	101%	4,240	105%
50% of median equivalised income					
Total population	12.0	13.7	88%	12.9	93%
Males	11.5	13.1	88%	12.5	92%
Females	12.6	14.2	88%	13.3	94%
Poverty line	5,584	5,543	101%	5,300	105%
60% of median equivalised income					
Total population	19.4	20.4	95%	19.7	98%
Males	18.0	19.2	94%	18.5	97%
Females	20.8	21.6	96%	20.8	100%
Poverty line	6,700	6,652	101%	6,360	105%
70% of median equivalised income					
Total population	26.2	27.7	95%	27.3	96%
Males	24.5	26.1	94%	25.7	95%
Females	27.8	29.2	95%	28.9	96%
Poverty line	7,817	7,760	101%	7,420	105%

Sources: EUROMOD results based on input data, own calculations using EU-SILC 2006 and official statistics from Eurostat's website.

http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database.

Table 43. BASELINE VALIDATION: AT RISK OF POVERTY RATES AT DIFFERENT AGE GROUPS

Description	EUROMOD	EU-SILC	Ratio	Ext. Source	Ratio
Population					
0-17	23.4	24.0	98%	24.2	97%
18-24	17.2	18.7	92%	16.6	103%
25-49	14.9	16.4	91%	15.7	95%
50-64	16.4	17.9	92%	16.5	100%
65-	30.4	29.5	103%	29.3	104%
Total	19.4	20.4	95%	19.7	98%

Sources: EUROMOD results based on input data, own calculations using EU-SILC 2006 and official statistics from Eurostat's website

http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database.

Validation of 2005-2008 simulations: at risk of poverty rates.

External statistics in Table 44 suggest that at risk of poverty rates have fallen between 2005 and 2008, particularly when measured using 40% of the median equivalised income as poverty line. This trend is not captured by EUROMOD results as at risk of poverty rates remain constant in the simulation of these years.

Using 60% of the median equivalised income as poverty line, external statistics in Table 45 indicate a considerable increase in the at risk of poverty rate of those aged 18 to 24 and a reduction in those aged 65 or more. Again, such trend is not captured by EUROMOD, as the rates of both groups are kept relatively constant.

Table 44. 2005-2008 SIMULATION VALIDATION: AT RISK OF POVERTY RATES AT DIFFERENT POVERTY LINES

Description	EUROMOD				External				Ratio			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
40% of median equivalised income												
Total population	7.2	7.2	7.2	7.2	7.8	7.6	7.3	6.8	93%	95%	99%	105%
Males	6.9	7.0	7.0	6.9	7.8	7.3	7.0	6.7	89%	95%	100%	103%
Females	7.5	7.4	7.5	7.4	7.8	8.0	7.6	6.9	96%	93%	99%	107%
Poverty line	4,467	4,612	4,805	5,102	4,240	4,592	4,815	5,180	105%	100%	100%	98%
50% of median equivalised income												
Total population	12.0	11.9	11.9	12.1	12.9	13.1	12.9	12.7	93%	91%	93%	95%
Males	11.5	11.5	11.4	11.6	12.5	12.4	12.1	12.1	92%	92%	94%	95%
Females	12.6	12.4	12.4	12.6	13.3	13.8	13.6	13.2	94%	90%	91%	95%
Poverty line	5,584	5,765	6,007	6,377	5,300	5,740	6,019	6,475	105%	100%	100%	98%
60% of median equivalised income												
Total population	19.4	19.3	19.2	19.3	19.7	19.9	19.7	19.6	98%	97%	97%	99%
Males	18.0	18.0	17.8	17.9	18.5	18.5	18.5	18.3	97%	97%	96%	98%
Females	20.8	20.7	20.5	20.7	20.8	21.3	20.9	21.0	100%	97%	98%	99%
Poverty line	6,700	6,918	7,208	7,653	6,360	6,888	7,223	7,770	105%	100%	100%	98%
70% of median equivalised income												
Total population	26.2	26.3	26.1	26.3	27.3	27.7	27.6	26.8	96%	95%	94%	98%
Males	24.5	24.6	24.4	24.7	25.7	26.0	26.1	25.1	95%	95%	94%	98%
Females	27.8	27.9	27.7	27.9	28.9	29.3	29.1	28.5	96%	95%	95%	98%
Poverty line	7,817	8,071	8,409	8,928	7,420	8,036	8,427	9,065	105%	100%	100%	98%

Sources: EUROMOD simulation results and and official statistics from Eurostat's website http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database.

Table 45. 2005-2008 SIMULATION VALIDATION: AT RISK OF POVERTY RATES AT DIFFERENT AGE GROUPS

Description	EUROMOD				External				Ratio			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Population												
0-17	23.4	23.3	23.2	23.2	24.2	24.5	24.3	24.4	97%	95%	96%	95%
18-24	17.2	17.2	17.0	17.2	16.6	17.3	17.1	20.3	103%	99%	99%	85%
25-49	14.9	14.9	14.7	14.8	15.7	15.6	16.2	15.5	95%	95%	91%	95%
50-64	16.4	16.4	16.3	16.4	16.5	16.4	16.7	16.8	100%	100%	98%	98%
65-	30.4	30.2	29.9	30.6	29.3	30.7	28.2	27.4	104%	98%	106%	112%
Total	19.4	19.3	19.2	19.3	19.7	19.9	19.7	19.6	98%	97%	97%	99%

Sources: EUROMOD simulation results and and official statistics from Eurostat's website http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database.

4.3. Summary of “health warnings”

This final section summarises the main findings in terms of particular aspects of the Spanish part of EUROMOD or its database that should be borne in mind when planning appropriate uses of the model and in interpreting results.

- The sample becomes relatively small when regions are considered. Since most regional policies are targeted at very specific (and in many cases rather small) population subgroups, EUROMOD results are not statistically significant for such policies. Furthermore, validating regional policies is difficult given that information from regions is scarce. Care should be taken when aiming to interpret results for regional benefits of this kind.



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- There is a shortfall in people with higher incomes and self-employment income and investment or capital income. It is likely that one problem is a shortfall of high income people with these sources of income or an under-recording of these sources for high income people. Further, underreporting of self-employment and investment income is generally thought of being a source of differences between survey data and tax agency data in Spain.
 - By default, the eligibility of the following policies is partially simulated (i.e., conditional on being reported in the data):
 - Unemployment insurance (bunct).
 - Unemployment assistance (bunnc).
 - Non contributory old-age pension benefit (poanc).
 - Old-age pension complement (poacm).
 - Widow/er pension complement (psuwcm).
 - The number of effective recipients of Regional Minimum Income Benefits is much lower than the number of potential recipients. As a result, EUROMOD simulations predict a much larger number of recipients than reported in official statistics. For this reason, by default, EUROMOD standard income definitions (including disposable income) ignore the simulated amount of Regional Minimum Income Benefits (variable bsarg_s) and use the data amount (variable bsa) instead.

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Sources for tax-benefit descriptions/rules

The sources for tax descriptions have been the different laws that were applicable on 30th June each calendar year. In particular for the Personal Income tax the applicable laws are:

- 2005 and 2006: Real Decreto Legislativo 3/2004, de 5 de marzo, por el que se aprueba el texto refundido de la Ley del Impuesto sobre la Renta de las Personas Físicas.
- 2007 and 2008: Ley 35/2006 de reforma del Impuesto sobre la Renta de las Personas Físicas, 28 de noviembre de 2006.
- Further, some of the tax information was obtained from the personal income tax guides of the Spanish Agencia Tributaria available at www.aeat.es.
- The sources of benefit descriptions come mainly from the information available at the Ministerio de Trabajo e Inmigración (www.mtin.es). In particular it was useful to use the Annual Labour guide (www.mtas.es/en/Guia/entrada.htm) that is partially available on line. Also the information in the *Guías de ayudas sociales para las familias* (2005-2009) was very useful for detailed information on family benefits edited by the Ministerio de Sanidad y Política Social (www.msps.es).
- The source for the description of social security contributions comes from the information in the publication edited in 2009: *Normas de cotización a la Seguridad Social*, Ministerio de Trabajo e Inmigración, Secretaría de Estado de la Seguridad Social (www.seg-social.es).

