

SPAIN

1. Overview of the system

Unemployed persons are covered by two successive benefits: a contributory unemployment insurance benefit for 4-to-24 months depending on contributions, then an assistance benefit for 6-to-30 months. There is also a last resort scheme called the *Ingreso Mínimo de Inserción*. Family benefits are income-related. The tax unit is the individual; nevertheless family units have the option of filling their tax returns on a joint basis. The 1995 estimated APW level is Ptas 2 052 792.

2. Unemployment insurance

2.1 *Conditions for receipt*

Unemployment benefit can be paid to a registered unemployed person aged 18-57.5, who is available and actively seeking work, and who did not leave his/her previous job voluntarily.

2.1.1 *Employment conditions*

None.

2.1.2 *Contribution conditions*

A claimant must have contributed for a minimum of 12 months in the 6 years preceding the legal status of unemployment.

2.2 *Calculation of benefit amount*

2.2.1 *Calculation of gross benefit*

It is 70 per cent of reference earnings for a maximum period of 6 months, then 60 per cent of reference earnings for the remaining period of the benefits (see Section 2.4 for the duration of the benefit); reference earnings correspond to the average gross earnings over the last 6 months.

The benefit is limited by a maximum and a minimum that vary with family type. Both are expressed as a percentage of SMI, the minimum interprofessional wage (*Salario Minimo Interprofesional*). SMI is Ptas 2 090 per day, that is Ptas 62 700 per month or Ptas 877 800 yearly.

Family type	Minimum	Maximum
With no dependant	75% of SMI	220% of SMI
With dependant	100% of SMI	220% of SMI

2.2.2 *Income and earnings disregards*

It is not means-tested. Unemployment benefits are reduced in proportion to hours worked.

2.3 *Tax treatment of benefit*

Normally taxable. Only the “pensions/sickness and invalidity” contribution is paid, at a lower rate of 65 per cent of 4.7 per cent of the reference earnings under Ptas 4 346 280.

2.4 *Benefit duration*

The total duration (including the first period where the replacement rate is 70 per cent) increases with contribution record. There is no waiting period; the benefit is paid 7 days per week.

Contribution record (in months)	Duration of benefit (in months)
12-18	4
19-24	6
25-30	8
31-36	10
37-42	12
43-48	14
49-54	16
55-60	18
61-66	20
67-72	22
72+	24

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

SMI (*Salario Minimo Interprofesional*) is less for those under 18. It is Ptas 1 381 per day, that is Ptas 41 430 per month, or Ptas 580 020 yearly.

2.5.2 *Older workers*

Workers aged 52 or over may be entitled to prolonged unemployment benefits at a flat rate of 75 per cent of the minimum wage.

3. Unemployment assistance

3.1 *Conditions for receipt*

With dependants:

- those 18-65 year olds who have exhausted their entitlement to contributory benefit;
- those with no entitlement to contributory benefit, but who paid contributions for 3 months.

Without dependants:

- those older than 45 who have exhausted their entitlement to contributory benefit for at least 12 months;
- those with no entitlement to contributory benefit, but who paid contributions for 6 months.

3.2 *Calculation of benefit amount*

3.2.1 *Calculation of gross benefit*

It is 75 per cent of the interprofessional minimum wage (*Salario Minimo Interprofesional*). The benefit is paid once per household.

3.2.2 *Income and earnings disregards*

It is means-tested on a one-to-one basis, using gross family income excluding family benefits. There are no disregards.

3.3 *Tax treatment of benefit*

Taxable, but not subject to social security contributions. Recipients for whom UA is the sole income source do not pay tax.

3.4 *Benefit duration*

6 months; 30 months for people with dependent children.

3.5 *Treatment of particular groups*

3.5.1 *Young persons*

None.

3.5.2 *Older workers*

Those older than 45 who have exhausted their entitlement to contributory benefit for at least 12 months (long-term unemployed) can receive from 75 per cent to 125 per cent of SMI.

4. **Social assistance**

There is a minimum income scheme called the *Ingreso Mínimo de Inserción* (or *Renta Mínima*) implemented in 16 of the 17 Autonomous Communities/regions (except Balears). There is no specific national legislation defining it, but the general principle is to alleviate poverty by means of cash benefits for basic living needs. The region of Aragón is considered below as being representative.

4.1 *Conditions for receipt*

The claimant must be available and actively seeking work. The minimum age is 18 or less if the claimant has dependants (although it can be 25 in certain regions), and the maximum age is 64 (old-age pension from 65). Qualifying households must pass an income test.

4.2 *Calculation of benefit amount*

4.2.1 *Calculation of gross benefit*

Number of members in the family	Rate	= Amount + maximum rent expenses (in Ptas per month)
1	38 400	32 000 + 6 400
2	49 920	41 600 + 8 320
3	57 600	48 000 + 9 600
4	65 280	54 400 + 10 880

4.2.2 *Income and earnings disregards*

It is means-tested on a one-to-one basis, using gross family income excluding family benefits. There are no disregards.

4.3 *Tax treatment of benefit*

Taxable, but the tax system is structured such that a year-long recipient will pay no tax.

4.4 *Benefit duration*

It lasts as long as the conditions are fulfilled.

4.5 *Treatment of particular groups*

4.5.1 *Young persons*

None.

4.5.2 *Older workers*

None.

5. Housing benefits

Some regions (including Aragón) apply housing benefit schemes. A tax credit for housing expenses does exist (see Section 10.1.1) at a national level.

6. Family benefits

6.1 *Conditions for receipt*

They are paid for each dependent child under 18. They are income related.

6.2 *Calculation of benefit amount*

6.2.1 *Calculation of gross benefit*

Ptas 3 000 per month (Ptas 36 000 per year) per dependent child.

6.2.2 *Income and earnings disregards*

It is means-tested on a one-to-one basis on gross family income exceeding Ptas 1 080 540 per year (increasing with 15 per cent for every dependent child from the second).

6.3 *Tax treatment of benefit*

Taxable, but social security are not paid on the family benefits.

6.4 *Treatment of particular groups*

None.

7. Child-care benefits

None.

8. Employment-conditional benefits

None.

9. Lone-parent benefits

None.

10. Tax system

10.1 *Income tax rate schedule*

10.1.1 *Tax allowances and credits*

Tax allowances:

- social security contributions (see Section 10.3);
- work related expenses: 5 per cent of gross earnings, unemployment insurance or unemployment assistance benefits with a maximum of Ptas 250 000 per annum.

Tax credits (all credits are wastable):

- employment tax credit:
 - if the tax unit is the couple, it is Ptas 26 000 per earner;
 - if the tax unit is the individual, it varies with the taxable income;

Taxable income		Allowance
Under 1 035 000		70 000
1 035 000 - 1 915 000	70 000 - 5% of (taxable income - 1 035 000)	
1 915 000 and over		26 000

- child credit: Ptas 20 700 per child for 1st and 2nd, Ptas 25 000 for 3rd, and Ptas 30 000 for 4th and additional;
- housing aid: if taxable income is less than Ptas 3 500 000 (Ptas 5 000 000 for joint filers), or if rent is higher than 10 per cent of taxable income, the credit amounts to 15 per cent of the rent with a maximum of Ptas 100 000;
- child-care costs: 15 per cent (up to Ptas 25 000) of child-care costs for children up to 3 years of age if the taxable income is less than or equal to Ptas 2 000 000 (Ptas 3 000 000 for joint filers).

10.1.2 *The definition of taxable income*

The sum of gross earnings and all taxable benefits minus tax allowances.

10.1.3 *The tax schedule*

Individual taxation:

Taxable income (Ptas)	Tax on lower limit (Ptas)	Marginal tax rate (%)
0 - 415 000	0	0.0
415 000 - 1 035 000	0	20.0
1 035 000 - 1 625 000	124 000	22.0
1 625 000 - 2 215 000	253 800	24.5
2 215 000 - 2 805 000	398 350	27.0
2 805 000 - 3 395 000	557 650	30.0
3 395 000 - 3 985 000	734 650	32.0
3 985 000 - 4 575 000	923 450	34.0
4 575 000 - 5 165 000	1 124 050	36.0
5 165 000 - 5 755 000	1 336 450	38.0
5 755 000 - 6 345 000	1 560 650	40.0
6 345 000 - 6 935 000	1 796 650	42.5
6 935 000 - 7 525 000	2 047 400	45.0
7 525 000 - 8 115 000	2 312 900	47.0
8 115 000 - 8 705 000	2 590 200	49.0
8 705 000 - 9 295 000	2 879 300	51.0
9 295 000 - 9 885 000	3 180 200	53.5
9 885 000 and over	3 495 850	56.0

Family unit taxation:

Taxable income (Ptas)	Tax on lower limit (Ptas)	Marginal tax rate (%)
0 - 828 000	0	0.0
828 000 - 2 070 000	0	20.0
2 070 000 - 2 717 000	248 400	24.5
2 717 000 - 3 364 000	406 915	27.0
3 364 000 - 4 011 000	581 605	30.0
4 011 000 - 4 658 000	775 705	32.0
4 658 000 - 5 305 000	982 745	34.0
5 305 000 - 5 952 000	1 202 725	36.0
5 952 000 - 6 599 000	1 435 645	38.0
6 599 000 - 7 246 000	1 681 505	40.0
7 246 000 - 7 893 000	1 940 305	42.5
7 893 000 - 8 540 000	2 215 280	45.0
8 540 000 - 9 187 000	2 506 430	47.0
9 187 000 - 9 834 000	2 810 520	49.0
9 834 000 - 10 481 000	3 127 550	51.0
10 481 000 - 11 387 000	3 457 520	53.5
11 387 000 and over	3 942 230	56.0

10.2 Treatment of family income

The tax unit is the individual. Joint taxation is optional. Generally, a one-earner couple would make use of joint taxation, whereas a two-earner couple would make use of individual taxation.

10.3 Social security contribution schedule

Contributions differ according to the labour market situation. For a worker, there are three main contributions, amounting to 6.4 per cent of gross earnings up to Ptas 4 346 280:

- 4.7 per cent for pensions/sickness and invalidity;
- 1.6 per cent for unemployment;
- 0.1 per cent for training.

For a person on unemployment insurance, the total social security contributions amount to 6.5 per cent of 4.7 per cent of reference earnings under Ptas 4 346 280. For a person on unemployment assistance, contributions are paid by *L'Institut National pour l'Emploi* (INEM). Contributions are neither payable over family benefits, nor over social assistance.

For the purpose of calculations social security contributions are calculated as 4.7 per cent of 70 per cent of reference earnings during the first six months, and as 4.7 per cent of 60 per cent of reference earnings during the next 12 months.

11. Part-time work

11.1 Special benefit rules for part-time work

Persons working less than 12 hours/week or 48 hours/month, are neither covered for unemployment insurance, nor do they build up pension rights.

11.2 Special tax and social security contribution rules for part-time work

Any person working less than 12 hours/week or 48 hours/month, does neither contribute to the UI, nor to the pension scheme.

12. Policy developments

12.1 Policy changes introduced in the last year

From 1 January 1995, unemployment insurance and assistance benefits are taxable. In 1995 there has been a relative shift in social security contributions from employers to employees.

12.2 Policy changes announced

None.

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**The annual tax/benefit position of an unemployed single person, 1995
(Pesetas)**

	Unemployment insurance at 70%, for 6 months	Unemployment insurance at 60%, for 18 months	Unemployment assistance, for 6 or 30 months	Social assistance, unlimited
A. Taxable benefits				
Means-tested benefits				
Unemployment assistance			658 350	
Social assistance			0	460 800
Family benefits				
Non-means tested benefits				
Unemployment insurance	1 436 954	1 231 675		
Total taxable benefits	1 436 954	1 231 675	658 350	460 800
B. Income tax and social security contributions				
Income tax allowances	139 385	119 473	32 918	0
Taxable income	1 297 569	1 112 202	625 432	460 800
Income tax	181 765	140 985	42 087	9 160
Income tax credits	61 584	61 584	61 584	61 584
Social security contributions*	67 537	57 889	0	0
Total income tax and social security contributions	187 718	137 290	0	0
C. Non-taxable benefits				
Means-tested benefits				
Non-means tested benefits				
Total non-taxable benefits	0	0	0	0
D. Net Income out of work (A-B+C)	1 249 236	1 094 386	658 350	460 800
E. Net income in work	1 712 534	1 712 534	1 712 534	1 712 534
F. Net replacement rate (D/E) (per cent)	73	64	38	27

Note: The numbers in this table are annualised although the initial benefit is paid out for 6 months; monthly payments are multiplied by 12.

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The annual tax/benefit position of an unemployed married couple with two children, 1995 (Pesetas)

	Unemployment insurance at 70%, for 6 months	Unemployment insurance at 60%, for 18 months	Unemployment assistance, for 6 or 30 months	Social assistance, unlimited
A. Taxable benefits				
Means-tested benefits				
Unemployment assistance			658 350	
Social assistance				783 360
Family benefits	39 748	72 000	72 000	72 000
Non-means tested benefits				
Unemployment insurance	1 436 954	1 231 675		
Total taxable benefits	1 476 702	1 303 675	730 350	855 360
B. Income tax and social security contributions				
Income tax allowances	139 385	119 473	32 917	0
Taxable income	1 337 317	1 184 203	697 433	855 360
Income tax	101 863	71 241	0	0
Income tax credits	102 984	102 984	102 984	102 984
Social security contributions*	67 537	57 889	0	0
Total income tax and social security contributions	67 537	57 889	0	0
C. Non-taxable benefits				
Means-tested benefits				
Non-means tested benefits				
Total non-taxable benefits	0	0	0	0
D. Net income out of work (A-B+C)	1 409 165	1 245 787	730 350	855 360
E. Net income in work	1 852 242	1 852 242	1 852 242	1 852 242
F. Net replacement rate (D/E) (per cent)	76	67	39	46

Note: The numbers in this table are annualised although the initial benefit is paid out for 6 months; monthly payments are multiplied by 12.

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**The annual tax/benefit position of a lone parent with two children, 1995
(Pesetas)**

	Unemployment insurance at 70%, for 6 months	Unemployment insurance at 60%, for 18 months	Unemployment assistance, for 6 or 30 months	Social assistance, unlimited
A. Taxable benefits				
Means-tested benefits				
Unemployment assistance			658 350	
Social assistance				691 200
Family benefits	39 748	72 000	72 000	72 000
Non-means tested benefits				
Unemployment insurance	1 436 954	1 231 675		
Total taxable benefits	1 476 702	1 303 675	730 350	763 200
B. Income tax and social security contributions				
Income tax allowances	139 385	119 473	32 918	0
Taxable income	1 337 317	1 184 202	697 432	763 200
Income tax	190 510	156 825	54 487	69 640
Income tax credits	102 984	102 984	102 984	102 984
Social security contributions	67 537	57 889	0	0
Total income tax and social security contributions	155 063	111 730	0	0
C. Non-taxable benefits				
Means-tested benefits				
Non-means tested benefits				
Total non-taxable benefits	0	0	0	0
D. Net income out of work (A-B+C)	13 210 639	1 191 946	730 350	763 200
E. Net income in work	1 753 934	1 753 934	1 753 934	1 753 934
F. Net replacement rate (D/E) (per cent)	75	68	42	44

Note: The numbers in this table are annualised although the initial benefit is paid out for 6 months; monthly payments are multiplied by 12.