

SPAIN 1999

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 3-to-30 months. (The most common duration is 18 months, and for persons over 52 the duration is the necessary to arrive to the age in which he / she starts having the contributory retirement pension.) 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 filing their tax returns on a joint basis. The 1999 estimated APW level is ESP 2 416 440.

2. Unemployment insurance

2.1 *Conditions for receipt*

Unemployment benefit can be paid to a registered unemployed person aged 16-65, 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 360 days 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 depend on the number of dependent children below 25. Both are expressed as a percentage of SMI, the minimum interprofessional wage (*Salario Minimo Interprofesional*). SMI is ESP 2 309 per day, that is ESP 969 210 yearly.

Family type	Minimum	Maximum
With no dependent children	75% of SMI	170% of SMI
With dependent children	100% of SMI	195% (one child) /220% (two or more children) 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. For a person on unemployment insurance, the total social security contributions amount to 65 per cent of 4.7 per cent of reference earnings, subject to lower and upper ceilings (see 10.3).

2.4 *Benefit duration*

The total duration 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*

No one.

2.5.2 *Older workers*

Workers aged 52 or over, having exhausted their UI benefits, may be entitled to prolonged unemployment benefits at a flat rate of 75 per cent of the minimum wage. This benefit lasts until they reach retirement age.

3. Unemployment assistance

3.1 *Conditions for receipt*

With dependants:

- those 16-65 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 6 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 - SMI*). The SMI in 1999 was ESP 969 210 per year (2 309 ESP per day).

3.2.2 *Income and earnings disregards*

It is means-tested. The condition to receive the benefit is that there are no individual earnings in the family over 75% of the interprofessional minimum wage. 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*

3 to 30 months(the most common duration is 18 months). For persons over 52 , this benefit continues as long as is necessary, until the claimant either re-enters the workforce or reaches statutory retirement age, at which point he / she is eligible for the contributory retirement pension.

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 24 months (long-term unemployed) can receive from 75 per cent to 125 per cent of SMI, depending upon their family circumstances (i.e. children, etc.). For persons over 52, the duration goes to the age of the contributory retirement pension.

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 ESP 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*

ESP 3 000 per month (ESP 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 ESP 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. *Central government income tax*

10.1.1. *Tax unit*

As a general rule, the tax unit is the individual. Nevertheless, families have the options of being taxed:

- As married couples filing jointly on the combined income of both spouses and dependants.
- As heads of households (only unmarried or separated individuals with dependants).

10.1.2. Tax allowances and tax credits

10.1.2.1. Standard reliefs

Basic reliefs: A personal allowance of ESP 550 000 is granted for each individual. For married couples filing jointly the allowance amounts to ESP 1 110 000. This figure is ESP 900 000 for heads of households.

Dependent children: ESP 200 000 per child for the first two dependent children under 25 years. For subsequent children (3rd and 4th) the allowance is ESP 300 000. Above figures are topped up with ESP 25 000 for every dependent child, to cover part of the costs of education, for those between 3 and 16 years of age.

Relief for social security contributions: All these payments are fully deductible.

Work related expenses: Net work income (gross income less employee social security contributions) may be reduced according to the following rules:

- Taxpayers with net income equal or less than ESP 1 350 000: ESP 500 000
- For those with a net income between ESP 1 350 001 and 2 000 000: ESP 500 000 less the result of multiplying by 0.1923 the difference between net income and ESP 1 350 001.
- Taxpayers with net income over ESP 2 000 000 or other than employment income over ESP 1 000 000: ESP 375 000.

As a result of the application of the above rules, net income can not become negative.

Other: No standard relief available.

10.1.2.2. Main non-standard reliefs applicable to an APW

Contributions to approved Mutual or Superannuation Funds: Contributions made by each member of the household, may reduce its taxable income up to a maximum limit of:

- a) 20 per cent of total yearly net employment income,
- b) ESP 1 110 000 yearly.

Relief for subscriptions paid in respect of membership of a trade union and business or professional associations (last item is limited to mandatory membership) up to ESP 50 000.

Relief for expenses made for the legal defence of the taxpayer, directly related to a conflict with his employer up to a maximum limit of ESP 50 000 per year.

Other non-standard reliefs provided as deductions are:

Investment in the acquisition and rehabilitation of own-housing:

- As a general rule, 15 per cent of the year investment made during the year with a maximum limit of ESP 1 500 000.
- By using external funds (e.g. loans, mortgage): The first two years after the acquisition or rehabilitation: 25 per cent of the first ESP 750 000 and 15 per cent of the rest, with a maximum of ESP 1 500 000. In subsequent years: 20 per cent and 15 per cent, respectively.

Gifts: 10 per cent of the amounts donated to foundations and associations declared of public benefit. 20 per cent if these amounts are donated to some special legally approved foundations and associations.

Investments and expenses in goods of cultural interest: 15 per cent of the amounts granted to the acquisition, restoration, exhibition, etc. of certain goods listed in the General Registrar of Goods of Cultural Interest.

The last two amounts shall not exceed 10 per cent of taxable income.

10.1.3. Tax schedule

General rates of tax - resident individuals

Taxable income (ESP)	Tax at the lower limit (ESP)	Tax rate on taxable income in excess of the lower limit (%)
0 – 600 000	0	15.00
600 000 – 2 100 000	90 000	20.17
2 100 000 – 4 100 000	392 550	23.57
4 100 000 – 6 600 000	863 950	31.48
6 600 000 – 11 000 000	1 650 950	38.07
Over 11 000 000	3 326 030	39.60

10.2 State and local income taxes

Regional rates of tax - resident individuals

Taxable income (ESP)	Tax at the lower limit (ESP)	Tax rate on taxable income in excess of the lower limit (%)
0 – 600 000	0	3.00
600 000 – 2 100 000	18 000	3.83
2 100 000 – 4 100 000	75 450	4.73
4 100 000 – 6 600 000	170 050	5.72
6 600 000 – 11 000 000	313 050	6.93
Over 11 000 000	617 970	8.40

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 grossemployment income, limited by a lower ceiling of ESP 969 840 and an upper ceiling of ESP 4 142 160:

- 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 reference earnings, with the same lower and upper ceilings. The rest of SS contributions for pensions and sickness (up to 28.3% of reference earnings) are paid by *L'Institut National pour l'Emploi* (INEM). For a person on unemployment assistance, contributions are paid by (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 contribute and are therefore covered for unemployment insurance.

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

Tax reform in 1999.

SPAIN

The annual tax/benefit position of an unemployed single person

1999

(in 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			726 907	
Social assistance			0	460 800
Family benefits				
Non-means tested benefits				
Unemployment insurance	1 647 657	1 449 864		
Total taxable benefits	1 647 657	1 449 864	726 907	460 800
B. Income tax and social security contributions				
Income tax allowances	1 080 577	1 118 791	1 050 000	0
Taxable income	567 080	331 073	0	460 800
Income tax	85 062	49 661	0	0
Local tax	17 012	9 932	0	0
Tax credits	0	0	0	0
Social security contributions*	73 822	73 822	0	0
Total income tax and social security contributions	175 897	133 415	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)	1 471 760	1 316 449	726 907	460 800
E. Net income in work	1 976 959	1 976 959	1 976 959	1 976 959
F. Net replacement rate (D/E) (per cent)	74	67	37	23

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

SPAIN

**The annual tax/benefit position of an unemployed married couple
with two children (6 and 4 years old)**

1999

(in 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			726 907	
Social assistance				783 360
Family benefits	0	0	72 000	72 000
Non-means tested benefits				
Unemployment insurance	1 691 508	1 449 864		
Total taxable benefits	1 691 508	1 449 864	798 907	855 360
B. Income tax and social security contributions				
Income tax allowances	2 072 105	2 118 791	2 050 000	2 050 000
Taxable income	0	0	0	0
Income tax	0	0	0	0
Local tax	0	0	0	
Income tax credits	0	0	0	0
Social security contributions*	73 822	73 822	0	0
Total income tax and social security contributions	73 822	73 822	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)	1 617 686	1 376 042	798 907	855 360
E. Net income in work	2 201 166	2 201 166	2 201 166	2 201 166
F. Net replacement rate (D/E) (per cent)	73	63	36	39

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

SPAIN

**The annual tax/benefit position of a lone parent
with two children (6 and 4 years old)**

1999

(in 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			726 907	
Social assistance				691 200
Family benefits	0	0	72 000	72 000
Non-means tested benefits				
Unemployment insurance	1 691 508	1 449 864		
Total taxable benefits	1 691 508	1 449 864	798 907	763 200
B. Income tax and social security contributions				
Income tax allowances	1 522 105	1 568 791	1 500 000	1 500 000
Taxable income	169 403	0	0	0
Income tax	25 410	0	0	0
Local tax	5 082	0	0	0
Income tax credits	0	0	0	0
Social security contributions	73 822	73 822	0	0
Total income tax and social security contributions	104 314	73 822	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)	1 587 193	1 376 042	798 907	763 200
E. Net income in work	2 084 959	2 084 959	2 084 959	2 084 959
F. Net replacement rate (D/E) (per cent)	76	66	38	37

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