

SPAIN
1997

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. 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 1997 estimated APW level is Ptas 2 277 264.

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 vary with family type. Both are expressed as a percentage of SMI, the minimum interprofessional wage (*Salario Minimo Interprofesional*). SMI is Ptas 2 268 per day, that is Ptas 68 040 per month or Ptas 952 000 yearly.

Family type	Minimum	Maximum
With no dependant	75% of SMI	170% of SMI
With dependant	100% of SMI	195%/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.

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*

SMI (*Salario Minimo Interprofesional*) for those under 18 is the same as persons over 18.

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*).

3.2.2 *Income and earnings disregards*

It is means-tested on a one-to-one basis, using 75% of the interprofessional minimum wage as the basis for receiving 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 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.).

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 27 000 per earner;
 - if the tax unit is the individual, it varies with the taxable income;

Taxable income		Allowance
Under 1 071 000		72 000
1 071 001 - 1 971 000	72 000 - 5% of (taxable income - 1 071 000)	
1 971 001 and over		27 000

- child credit: Ptas 22 100 per child for 1st and 2nd, Ptas 26 700 for 3rd, and Ptas 31 800 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—Central Government Income Tax*

Individual taxation:

Taxable income (Ptas)	Tax on lower limit (Ptas)	Marginal tax rate (%)
0 – 442 000	0	0.00
442 000 – 1 136 000	0	17.00
1 136 000 – 2 305 000	117 980	19.55
2 305 000 – 3 474 000	346 520	23.80
3 474 000 – 4 643 000	624 742	27.20
4 643 000 – 5 812 000	942 710	30.60
5 812 000 – 6 981 000	1 300 424	34.00
6 981 000 – 8 150 000	1 697 950	38.25
8 150 000 – 9 319 000	2 145 026	41.65
9 319 000 – 10 488 000	2 631 915	45.05
10 488 000 and over	3 158 549	47.60

Family unit taxation:

Taxable income (Ptas)	Tax on lower limit (Ptas)	Marginal tax rate (%)
0 – 882 000	0	0.00
882 000 - 2 198 000	0	17.00
2 198 000 – 3 100 000	223 720	20.83
3 100 000 – 4 300 000	411 607	24.65
4 300 000 – 5 550 000	707 407	28.05
5 550 000 – 6 850 000	1 058 032	31.45
6 850 000 – 8 150 000	1 466 882	34.85
8 150 000 – 9 450 000	1 919 932	38.25
9 450 000 – 10 750 000	2 417 182	42.50
10 750 000 – 12 100 000	2 969 682	45.05
12 100 000 and over	3 577 857	47.60

10.1.4 *The tax schedule—Local (decentralised) Income Tax*

Individual taxation:

Taxable income (Ptas)	Tax on lower limit (Ptas)	Marginal tax rate (%)
0 – 442 000	0	0.00
442 000 – 1 136 000	0	3.00
1 136 000 – 2 305 000	20 820	3.45
2 305 000 – 3 474 000	61 151	4.20
3 474 000 – 4 643 000	110 249	4.80
4 643 000 – 5 812 000	166 361	5.40
5 812 000 – 6 981 000	229 487	6.00
6 981 000 – 8 150 000	299 627	6.75
8 150 000 – 9 319 000	378 534	7.35
9 319 000 – 10 488 000	464 456	7.95
10 488 000 and over	557 391	8.40

Family unit taxation:

Taxable income (Ptas)	Tax on lower limit (Ptas)	Marginal tax rate (%)
0 – 882 000	0	0.00
882 000 - 2 198 000	0	3.00
2 198 000 – 3 100 000	39 480	3.67
3 100 000 – 4 300 000	72 583	4.35
4 300 000 – 5 550 000	124 783	4.95
5 550 000 – 6 850 000	186 658	5.55
6 850 000 – 8 150 000	258 808	6.15
8 150 000 – 9 450 000	338 758	6.75
9 450 000 – 10 750 000	426 508	7.50
10 750 000 – 12 100 000	524 008	7.95
12 100 000 and over	631 333	8.40

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 4 497 774:

- 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 65 per cent of 4.7 per cent of reference earnings under Ptas 4 497 774. 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 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

None.

SPAIN

**The annual tax/benefit position of an unemployed single person, 1997
(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			714 000	
Social assistance			0	460 800
Family benefits				
Non-means tested benefits				
Unemployment insurance	1 594 085	1 366 359		
Total taxable benefits	1 594 085	1 366 359	714 000	460 800
B. Income tax and social security contributions				
Income tax allowances	154 626	132 537	35 700	0
Taxable income	1 439 459	1 233 822	678 300	460 800
Income tax	177 306	137 104	40 171	3 196
Local tax	31 289	24 195	7 089	564
Tax credits	68 318	68 318	68 318	68 318
Social security contributions*	74 922	64 219	0	0
Total income tax and social security contributions	215 199	157 200	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)	1 378 886	1 209 159	714 000	460 800
E. Net income in work	1 816 938	1 816 938	1 816 938	1 816 938
F. Net replacement rate (D/E) (per cent)	76	67	39	26

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, 1997
(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			714 000	
Social assistance				783 360
Family benefits	0	72 000	72 000	72 000
Non-means tested benefits				
Unemployment insurance	1 594 085	1 366 359		
Total taxable benefits	1 594 085	1 408 359	786 000	855 360
B. Income tax and social security contributions				
Income tax allowances	154 626	132 537	35 700	0
Taxable income	1 439 459	1 275 822	750 300	855 360
Income tax	139 736	113 610	14 841	0
Local tax	24 659	20 049	2 619	
Income tax credits	112 518	112 518	112 518	112 518
Social security contributions*	74 922	64 219	0	0
Total income tax and social security contributions	126 799	85 360	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)	1 467 286	1 322 999	786 000	855 360
E. Net income in work	1 975 588	1 975 588	1 975 588	1 975 588
F. Net replacement rate (D/E) (per cent)	74	67	40	43

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, 1997
(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			714 000	
Social assistance				691 200
Family benefits	0	72 000	72 000	72 000
Non-means tested benefits				
Unemployment insurance	1 594 085	1 366 359		
Total taxable benefits	1 594 085	1 438 359	786 000	763 200
B. Income tax and social security contributions				
Income tax allowances	154 626	132 539	35 700	0
Taxable income	1 439 459	1 305 820	750 300	763 200
Income tax	139 736	113 610	14 841	17 034
Local tax	24 659	20 049	2 619	3 006
Income tax credits	112 518	112 518	112 518	112 518
Social security contributions	74 922	64 219	0	0
Total income tax and social security contributions	126 799	85 360	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)	1 467 286	1 352 999	786 000	763 200
E. Net income in work	1 861 138	1 861 138	1 861 138	1 861 138
F. Net replacement rate (D/E) (per cent)	79	73	42	41

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