PORTUGAL
2008

1. Overview of the tax-benefit system

Portugal has an insurance-based unemployment benefit system with duration related to age and contributory career. An unemployment assistance system exists and is related to the employment history and economic resources of the recipient. Childcare benefits are made to the provider of childcare and not to the parents or children that attend it. There are no provisions for lone parents, though positive discrimination exists in a comprehensive set of measures. The tax unit is the family.

1.1. Average Worker wage (AW)

The national currency is the euro (EUR). In 2008, the Secretariat has estimated the average worker earned EUR 16 690.57.

2. Unemployment insurance

Unemployment insurance (UI) is compulsory, except for the self-employed (non-applicable with the exception mentioned below). Claimants must be in a situation of involuntary unemployment, have to be capable and available for employment and have to be registered at the employment office. A special case exists for former employees that developed simultaneously self-employed activities. Once in involuntary unemployment, if the self-employment status remains active and results in monthly revenue inferior to 50% IAS, the individual is eligible for unemployment benefits.

Unemployment is regarded as involuntary whenever the end of the work contract is due to:

- Unilateral decision by the employer;
- Work contract expiration not determined by pension;
- Contract rescission by the employee with just cause (as long as the employer places no arguments against or placing them the employee proves to have set e legal action against the employer);
- Mutual agreement between employer and employee in the case of companies in situations, such as process of structural re-adaptation or recovery or any other situation that allow for collective dismissal of employees.

Invalidity pensioners who are considered as apt to work are regarded as involuntary workers as well.

2.1 Conditions for receipt

Unemployment insurance (UI) is compulsory, except for the self-employed (non-applicable with the exception mentioned below). Claimants must be in a situation of involuntary unemployment, have to be capable and available for employment and have to be registered at the employment office. A special case exists for former employees that developed simultaneously self-employed activities. Once in involuntary unemployment, if the self-employment status remains active and results in monthly revenue inferior to 50% IAS, the individual is eligible for unemployment benefits.

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2.1.1 Employment conditions

Employment condition for UI eligibility is 450 days of employment record in the last 24 months before unemployment. Eligibility is dependent on the involuntary of the unemployment status.

2.1.2 Contribution conditions

The contribution condition coincides with the employment condition.

2.2 Calculation of benefit amount

2.2.1 Calculation of gross benefit

The benefit amounts to 65 per cent of the average salary during the 12 months period ending 2 months before unemployment. This calculation takes into account the annual vacation bonus and the Christmas bonus due in the reference period. The maximum benefit amount is three times the IAS (Indexante dos Apoios Sociais – Social Support Index); the minimum amount is the amount of the IAS or of the average remuneration (also referred to as reference remuneration), whichever is lower. The IAS amount in 2008 was EUR 407.41 per month. The unemployment benefit is paid on a monthly basis. Under no circumstances can the benefit amount be higher than the net value of the reference remuneration (the net

value of the reference remuneration may be obtained taking into account social contributions and withholding tax).

2.2.2 Income and earnings disregards for benefit recipients and those starting a new job

The unemployment insurance benefit may be accumulated with part-time work in accordance with some requirements set by law: for insured persons in part-time employment whose income is lower than the value of the unemployment benefit and work between 20 per cent and 75 per cent of the normal work week, the benefit is equal to the difference between 1.35 times the unemployment benefit and the value of part-time work earnings. UI cannot be accumulated with pensions of any kind.

2.3 Tax treatment of benefit and interaction with other benefits

Not taxable.

During the period of subsidized unemployment (UI) a full-time working social contribution equivalent is registered for pension entitlement and accrual purpose. This means that during subsidized unemployment, individuals do not interrupt their contributory career and the reference earnings are registered as if actual wages were being received.

2.4 Benefit duration and waiting periods

There is no waiting period. Duration increases with age and contributory record after the last subsidized unemployment spell according to the following table:

Age	Contributory career	Duration (days)	Extended duration
<30	≤24 months	270	-
	>24 months	360	30 days for each group of 5 years of contributory record
30 – 39	≤48 months	360	-
	>48 months	540	30 days for each group of 5 years of contributory record in the last 20 years
40 – 44	≤60 months	540	-
	>60 months	720	30 days for each group of 5 years of contributory record in the last 20 years

45+	≤72 months	720	-
	>72 months	900	60 days for each group of 5 years of contributory record in the last 20 years

If the individual doesn't use the extended duration that he/she is entitled to because he resumes work previously, the contributory career that wasn't used may be taken into consideration for the extended duration in the next unemployment spell.

There is no special condition for re-applying for UI, as eligibility is regained only by fulfilling a new period of 450 days of work with registered social contributions.

2.5 Treatment of particular groups

2.5.1 Young persons

In the situation of workers in search of the first job there is a temporary exemption concerning the employers' contribution to social security. This exemption has a maximum duration of 36 months.

2.5.2 Older workers

As presented in point 2.4, the UI duration increases with age.

Older workers on long-term unemployment have special conditions to access Old Age Pension. After exhausting the UI or the IUSA (see point 3):

- a 57 year old or older unemployed can apply for early retirement if he/she was 52 years old or more when became unemployed and he/she had at least 22 years of registered earnings when entered unemployment. In these cases the statutory pension amount is reduced by a factor of 0,5% by each month of anticipation until the age of 62.

- Early retirement is also possible if the long-term unemployed is aged 62 or older, was aged 57 or older when he/she became unemployed and has at least 15 years of registered earnings.

If unemployment is due to contract rescission by mutual agreement, the anticipated old-age pension has an additional reduction [(1-(*n* * 3%), in which *n* is the number of years of anticipation between 62 and 65 years old] which is revoked when the pensioner reaches the age of 65.

2.5.3 Others if applicable

3. Unemployment assistance

The Unemployment Social Allowance (USA) is flat-amount benefit aimed at protecting the unemployed individuals in two situations. Firstly, recently unemployed persons that do not fulfil the eligibility condition necessary to access UI may be entitled to the Initial Unemployment Social Allowance

(IUSA). Secondly, unemployed individuals that exhausted the maximum duration of UI may be entitled to the Subsequent Unemployment Social Allowance (SUSA).

USA duration is related to age of the claimant (see 3.4).

3.1 Conditions for receipt

For receiving the initial Unemployment Social Allowance (USA), claimants have to be between 18 and 65 years of age and have to be registered unemployed looking for work and available for work. Additionally, the Unemployment Social Allowance may be renewed until the age of pensionable age anticipation is reached, provided that: *i)* when unemployment begins the insured person is aged 52 or over; *ii)* by the time of its renewal the insured person continues to meet the qualifying conditions for the Unemployment Social Allowance.

The USA entitlement is a means-tested benefit, as the monthly income *per capita* of the claimant's household cannot exceed 80% of IAS.

The USA entitlement is dependent on the continuous involuntary nature of unemployment status. The job-search conditions for becoming and remaining entitled to the USA are similar to the ones applied to the UI (see 2.1).

3.1.1 Employment conditions

The employment conditions for entitlement to USA are: to have had an employment with work contract, to have became unemployed unwillingly and to be registered at the Local Employment Centre. In addition, this benefit is means tested, which means that the beneficiary must prove that the household earns less than 80 percent of IAS per capita. For the fulfilment of the means-test the following sources of income are included:

- Gross earnings from work;
- Pensions and other social benefits that aim to replace the lost income from work, such as sickness subsidy, and complementary benefits to those granted by the social security regimes, *i.e.* benefits granted under private pension or insurance schemes;
- Gross income from capital or other regular profits;
- Maintenance allowance or alimony legally set by the Court in favour of the individual applying for the unemployment assistance.

Additionally, the claimant cannot have any dependent work and cannot earn monthly more than 50% IAS on independent work.

3.1.2 Contribution conditions

The claimant must have worked as an employee with registered social contributions for 180 days in the year previous to unemployment.

3.2 Calculation of benefit amount

3.2.1 Calculation of gross benefit

Benefit amounts per month are linked to the IAS and depend on family type:

Family type	In % of IAS	
	After UI benefit	Not eligible for UI
Single	80	80
With an aggregate	100	100

3.2.1.1 Irregular additional payments **[NEW ITEM]**

3.2.1.2 Obligations of family members **[NEW ITEM]**

3.2.2 Income and earnings disregards for benefit recipients and those starting a new job

The claimant cannot have earning from dependent work and/or pensions and cannot earn monthly more than 50% IAS on independent work.

3.3 Tax treatment of benefit and interaction with other benefits

Not taxable. For pension entitlements, the reference earnings are registered as if actual wages in the case of Initial USA while the previous amount of UI is registered in the case of Subsequent USA.

3.4 Benefit duration and waiting periods

Regarding the beneficiaries of the initial Unemployment Social Allowance the duration is identical to point 2.4. Concerning the sequential Unemployment Social Allowance the duration is reduced to half the duration indicated in point 2.4. As to Unemployment Social Allowance to be paid subsequently its duration may be extended until the age of anticipated pension is reached (as stated under 3.1 above).

3.5 Treatment of particular groups

3.5.1 Young persons

Similar to point 2.5.1..

3.5.2 Older workers

Similar to point 2.5.2 – The Unemployment Social Allowance duration can be extended until the retirement age if the beneficiaries are at least 52 years old at the moment of unemployment and fulfill, at the time of the extension, all the conditions necessary to receive this benefit.

3.5.3 Others if applicable

4. Social assistance

The Social Insertion Income (formerly Minimum Guaranteed Income) is focused to support individuals or families in situations of great economic need. The Social Insertion Income (SII) is both a benefit, part of the Social Welfare sub-system of the Public Social Security System, and an insertion programme, with an aim to provide individuals and their households with the means tailored to satisfy their basic needs and allow for a progressive insertion in the labour market, the community and society.

4.1 Conditions for receipt

For entitlement it is required legal residency in Portugal, the subscription and fulfilment of the Insertion Programme established, to provide evidence for the situation of great economic need and to have at least 18 years of age. There are exceptions to the age condition: if there are dependant minors or in case the entitled individual is pregnant.

Great economic need is recognized in the following situations:

- Individuals whose income is inferior to 100% of the welfare pension, which was EUR 181.91 per month in 2008 (a).

- Households whose income is inferior to the sum of the following amounts:
  a) 100% of the welfare pension for each of the first two adults;
  b) 70% of the welfare pension for each adult starting from the 3rd;
  c) 50% of the welfare pension for each of the first two minors;
  d) 60% of the welfare pension for each minor starting from the 3rd;
  e) In case the entitled individual (if it is a woman), his spouse or person living in *de facto* union with him is pregnant, the amount stated in a) is increased by 30% during pregnancy and by 50% during the child's first year of life.

For SII purposes the calculation of the household income results from the sum of all the income sources (gross income) in the month previous to the requirement (or the average of the 3 months previous to the requirement in case of independent workers or workers with variable wages), excluding the housing subsidy, family benefits and scholarships. In addition only 80% of labour income after deduction of the contributions to social security is considered to that purpose. Finally, if the entitled individual or a member of his/her family starts a new job during the receipt of the SII, only 50% of that job income obtained in the first 12 months of work is considered for the calculation of the SII benefit amount after deduction of contributions to social security (the renewal of the SII benefit doesn't change this percentage).

(a) Note: since 2007 most social benefit amounts is indexed to the IAS (*Indexante de Apoios Sociais*), namely social pension amounts, according to the following table:

Benefits	Amount = % IAS
Minimum pension (earnings related):	
15 years of contributions	58,04
15 to 20 years of contributions	64,74
21 to 30 years of contributions	71,44
More than 30 years of contributions	89,30

Social pension:	44,65

The value of the IAS will change each year (its value for 2008 is EUR 407,41) according to a set of pre-established rules (for example: the IAS will increase in line with the consumer price index if real GDP growth is less than 2%, or higher than consumer price index if GDP growth is equal or higher than 2%).

4.2 Calculation of benefit amount

4.2.1 Calculation of gross benefit

The amount of the benefit equals the difference between the individuals/household income and the amount of the SII, calculated according the rules above described. The amount of the benefit must never be inferior to 5% of the welfare pension.

4.2.1.1 Irregular additional payments

4.2.1.2 Obligations of family members

If an adult household member other than the entitled person does not comply with the labour insertion program, that person will be excluded from the household composition for the purpose of determining the "household adult equivalent dimension", but all income or earnings received by that family member will still be considered for the means test.
When addressing family situation for eligibility for Social Insertion Income there are some situations where an inactive situation of an adult member may not be considered as non-compliance with job-search obligations, namely due to health issues or family responsibilities (assistance to a third family member with special needs), both certified by a medical authority. So, on the one hand, if in an initial situation the inactive status of a second adult member is accepted as necessary that person is considered as a beneficiary with no changes in the calculations. On the other hand, if there is a job-search program signed by that second adult and there is a non-compliance behaviour, then changes in the benefit amount do occur. This case is used in the model.

4.2.2 Income and earnings disregards for benefit recipients and those starting a new job

4.3 Tax treatment of benefit and interaction with other benefits

Not taxable.

4.4 Benefit duration and waiting periods

The SII is automatically renewed after the 12 months of duration of the benefit.

4.5 Treatment of particular group

4.5.1 Young persons

4.5.2 Older workers

4.5.3 Others if applicable

There are special supports granted to all those in the household that being handicapped, old or chronically ill are also dependent from others to fulfil their basic needs. This support equals:

- 30% of the welfare pension to all handicapped (mentally or physically) or chronically ill members of household that cannot fulfil their basic needs (such as feeding, moving or personal hygiene) independently;

- 50% of the welfare pension to all handicapped (mentally or physically), old or chronically ill members of household that besides not being able to fulfil their basic needs (such as feeding, moving or personal hygiene) independently are also confined to bed or suffering from severe dementia.

This special support adds to the amount of the SII benefit

5. Housing benefits for rented accommodation

Regarding housing benefits, the State supports directly families through three ways: i) the rent subsidy – aimed at the most economical needed households whose housing has been submitted to an extraordinary actualization; ii) the young adults rent incentive; iii) the supported rent regime – social renting of houses built/owned by the State.

In 1985, the DL 46/85 established the possibility of unfreezing the rent actualization, by prescribing a principle of annual actualization of all rents, according to the values determined in an annual legal diploma and allowing the extraordinary correction of the rents frozen before 1980.

The rent subsidy can be divided in three categories: the General Regime, the Special Subsidy for Handicapped Renters (for renters with incapability equal or superior to 60%) and the Special Needs Subsidy (renters receiving one of the fore mentioned subsidies whose economic situation has experienced severe and sudden deterioration in terms of household income, namely due to unemployment or death of family earner).

5.1 Conditions for receipt

The eligibility is granted to renters who suffered an extraordinary correction of the rent value, as long as the household income and rents respect the limits set in an annually published table.

5.2 Calculation of benefit amount

The calculation framework in the general regime is based on the rent value, the monthly gross income and the household dimension. The model establishes an equivalence between the income of households with different dimensions, calculating a standard reference income according to the average dimension of the families.

The process to compute the subsidy amount is based in the methodology used to determine annually the maximum limit for rent – which corresponds to the maximum of rent that can be subsided, according to each household dimension – and also in a function that establishes the effort rate for each level of income.

Standard Income

The household standard income is calculated as follows:

Standard income = [2,40 / f(n)] x monthly gross income

f (n) is the equivalence factor regarding the income of household with different dimensions, according to the table below. The figure 2.4 is the f(n) value which corresponds to the average Portuguese household.

Household dimension (number of individuals)	f(n)
1	1
2	1.75
3	2.4
4	3
5	3.575
6	4.11
7	4.62
8	5.12
9	5.625
10	6.1

Maximum rent limit

The maximum rent limit is determined according to the suitability of the house regarding the household dimension, the rent rate and the housing prices by square meter of useful area. These parameters are legally defined.

The limits for 2008 are as follows:

Household dimension (number of individuals)	Rent Limit (Euro)
1	103,86
2	144,26
3	167,34
4	187,53
5	210,62
6	225,04
7	236,58

8	259,66
9	285,63
10	302,94

Base Rent

The base rent is computed by applying a percentage to the gross monthly income of the household, as described by the following formula:

$p = 10 \times R_p / NMW$

R_p represents the standard income; p represents the percentage.

5.2.1 Calculation of gross benefit

The benefit is calculated as follows:

a) if the rent is superior to the rent limit:

$S = 0{,}5 \times (R_l - R_b)$

b) if the rent is equal or inferior to the rent limit:

$S = 0.5|1 + [(R_l - R) / (R_l - R_b)] \times (R - R_b)$

R stands for rent; R_l stands for rent limit; R_b stands for base rent and S stands for subsidy.

5.2.2 Income and earnings disregards

The beneficiary loses entitlement whether:

a) The standard income is superior to three times the NMW;

b) The base rent is superior to the rent limit;

c) The rent is inferior to the base rent.

5.2.3 Costs eligible for housing benefits

5.3 Tax treatment of benefit and interaction with other benefits

5.4 Treatment of particular groups

5.4.1 Young persons

5.4.2 Older workers

5.4.3 Others if applicable

6. Family benefits

6.1 Conditions for receipt

Requirements for entitlement: national or foreign, refugees or stateless children resident in Portugal; with no professional occupation; whose household has reference earnings below the maximum income level; and until the following ages:

- 16 years old;
- Or to the maximum of 24 years of age if enrolled in the school, university, professional training or other training periods, or in case of handicapped children receiving social benefits (this limit may be extended for 3 years in case of accident or disease hampering the school performance of the beneficiary);

6.2 Calculation of benefit amount

6.2.1 Calculation of gross benefit

Benefits are paid based on age and income. The rules since October, 2003 are as follows: there are two age groups for dependent children: children aged 12 months or less, and children older than 12 months. There are also 6 levels of income (related to the IAS). The benefit is paid on a monthly basis.

The 'income level' is calculated by adding gross earned income, self-employment income, capital and real estate income, pensions, and any other benefit aiming to replace lost income from work granted by the Solidarity or Insurance Subsystem (including UI, USA, and SII). Any social benefit granted by the Family Protection Subsystem is not considered. This sum is then divided by the number of children in the family, plus one.

Income Level	Reference remunerations related to the IAS
First	≤ 0,5 IAS
Second	> 0,5 IAS to ≤ 1 IAS
Third	> 1 IAS to ≤ 1,5 IAS

Fourth	> 1,5 IAS to ≤ 2,5 IAS
Fifth	> 2,5 IAS to ≤ 5 IAS
Sixth	> 5 IAS

- Level 1: Families whose reference income is under 50 per cent of 14 times the reference value (i.e. under EUR 2 851.87);
- Level 2: Families whose reference income is over 50 per cent and under 100 per cent of 14 times the reference value(i.e. over EUR 2 851.87 and under EUR 5 703.74);
- Level 3: Families whose reference income is over 100 per cent and under 150 per cent of 14 times the reference value (i.e. over EUR 5 703.74 and under EUR 8 555.61);
- Level 4: Families whose reference income is over 150 per cent and under 250 per cent of 14 times the reference value (i.e. over EUR 8 555.61 and under EUR 14 259.35);
- Level 5: Families whose reference income is over 250 per cent and under 500 per cent of 14 times the reference value (i.e. over EUR 14 259.35 and under EUR 28 518.70);
- Level 6: Families whose reference income is over 500 per cent of 14 times the reference value (i.e. over EUR 28 518.70).

When working or unemployed and receiving UI, the household falls within the 1st income level with child of 6 years old up and therefore is entitled to receive the 13th month of benefit.

The family allowance is paid on a monthly basis. An amount equal to the amount of the family benefit is payable in September to compensate for the costs of education with the children and young people provided that they are aged between 6 and 16 years and are enrolled in school.

The reference remunerations comprise the sum of all income from each member of the household divided by the number of children of that household that benefit from the family allowance plus 1. The following sources of income are considered:

- Income from work (employee);
- Professional and business income;
- Capital income;
- Land income;
- Patrimony increase;
- Pensions;
- Any other social benefits that aim to replace the lost income from work granted by the Solidarity or Insurance Subsystem.

The monthly amounts (Euros) per child in 2008 were:

Income level	Age ≤ 12 months	Age > 12 months
First	169,80	42,45
Second	140,83	35,31
Third	89,69	25,79

Fourth	55,13	22,06
Fifth	33,09	11,03

Note: The amounts of the first and second income levels include the additional adjustment with effect from 01/07/2008

Those that are included in the 6th income level are not entitled to the benefit.

6.2.1.1 Irregular additional payments **[NEW ITEM]**

6.2.2 Income and earnings disregards

The beneficiaries (children) of the family allowance can't accumulate these allowances with earned income.

6.3 Tax treatment of benefit and interaction with other benefits

Not taxable.

6.4 Treatment of particular groups

6.4.1 Young persons

An increase on the family benefit amount is granted to those children aged between 12 and 36 months from birth day or integration of a second child into the same household. Its amount is doubled from the 2nd child on and trebled from the 3rd child and following.

6.4.2 Older workers

6.4.3 Others if applicable

An increase on the family benefit amount by 20% is attributed to Monoparental families with:

- children and young persons living with only one relative or in-laws in a direct line or collateral line until the second degree or equivalent and
- pregnant women (from the 13th week of pregnancy onwards) entitled to pre-natal family benefit and living alone or living only with children and young persons entitled to family benefit.

The family allowance may be increased in case the child is handicapped.

- Elegibility conditions the children: to be handicapped and less than 24 years old and:
  - Be enrolled or qualify for enrolment in a specialized rehabilitation equipment, or;
  - In need of personalized medical or educational support.

The amount added to the family allowance varies according to the age of the child. These are paid on a monthly basis.

Monthly amounts (in Euros)

	2008
Until 14 years of age	57,80
From 14 until 18 years of age	84,18
From 18 to 24 years of age	112,65

7. Childcare for pre-school children

The global coverage rate of childcare for 2008 will be available soon.

The fraction of children attending crèches is higher in children with 2 and 1 year old whilst children aged 1 year and less have the higher fraction of children attending childminders.

The coverage rate in childcare (below 3 years old) is 25,4 per cent (2005).

Fraction of children in childcare

Type of Childcare	< 1 year	1 year	2 years	3 years
Creche	12,9	21,0	27,5	2,7
Childminder	0,9	1,7	1,9	0,9

Compulsory schooling begins at the age of 6.

7.1 Out-of-pocket childcare fees paid by parents

The rules for fees to be paid for using childcare services provided by public or non-profit organizations (the latter also called IPSS) are the following:

The family fee is determined through a percentage over the *per capita* income of the household as shown in the table below:

Services and equipments	**Income tiers**					
	1st	2nd	3rd	4th	5th	6th
Crèche,childminder and family crèches	15%	22.5%	27.5%	30%	32,5%	35%
ATL (Free-Time Activity Centres – without meals	5%	7%	10%	12.5%	15%	15%
ATL (Free-Time Activity Centres) – with meals	12.5%	15%	17.5%	20%	22.5%	22.5%
Children's Home	40%	45%	50%	50%	55%	75%

The maximum family fee calculated according to these rules cannot be higher than the real average cost (including administration expenses) per user of the service in question. The estimate of the real average cost amounted to around EUR 300 per month in 2004.

Family fees

Reduction of the family fee:

- 20% reduction in case more than one individual from the same household uses the same establishment;
- 25% reduction in the following cases:
    - When meals are not provided by the establishment or if the user doesn't benefit from it;
    - When justified absent periods exceed 15 days non interpolated.

The institutions may reduce, suspend or excuse the payment of the family fee in special cases in which a careful socio-economic analysis of the household condition concludes that the household cannot afford those fees.

The calculation of the per capita income is made according to the following formula:

R = (RF-D)/N, being

R = per capita income

RF = gross monthly household income (sum of all household income/12). The Holidays and Christmas subsidies (i.e. the 2 extra monthly wages – each Portuguese worker usually receives 14 wages during a year of work) are not considered as part of the "gross monthly household income" for this purpose.

D = fixed expenses (these include tax, social contributions, house rent or mortgage payment, average monthly cost related to public transportation, medicine expenses when related to chronic illnesses1)

N = number of individuals of the household

Per capita income tiers as a percentage of the National Minimum Wage (NMW), used for calculation of the family/user fee:

1st tier	Until 30% of NMW
2nd tier	Between 30% and 50% of NMW
3rd tier	Between 50% and 70% of NMW
4th tier	Between 70% and 100% of NMW
5th tier	Between 100% and 150% of NMW
6th tier	Over 150% of NMW

The family fees are generally annually revised and the amounts are legislated.

Childcare fees for crèches and kindergartens are considered as educational/training expenses for tax purposes. As so, 30% of household educational expenses are tax deductible to the limit of 160% of the NMW. In case the household has 3 or more dependents, this limit is increased by an amount correspondent to 30% of the NMW for each dependent, in case all of them have educational/training expenses.

Childcare fees are not taken into account for social assistance.

7.2 Child-care benefits

There are no cash benefits received by parents for children in childcare.

7.2.1 Conditions for receipt

7.2.2 Calculation of benefit amount

7.2.2.1 Calculation of gross benefit

7.2.2.2 Income and earnings disregards

[1] These two last expenses (public transport and health) may be subject to a maximum limit, which cannot be less than the NMW.

7.2.3 Tax treatment of benefit and interaction with other benefits

7.2.4 Treatment of particular groups

8. Employment-conditional benefits

8.1 Conditions for receipt

8.2 Calculation of benefit amount

8.2.1 Calculation of gross benefit

8.3 Tax treatment of benefit and interaction with other benefits

8.4 Benefit duration

8.5 Treatment of particular group

8.5.1 Young persons

8.5.2 Older workers

8.5.3 Others if applicable

9. Lone-parent benefits

9.1 Conditions for receipt

9.2 Calculation of benefit amount

9.2.1 Calculation of gross benefit

9.2.1.1 Irregular additional payments **[NEW ITEM]**

9.2.2 Income and earnings disregards

9.3 Tax treatment of benefit and interaction with other benefits

9.4 Benefit duration

9.5 Treatment of particular group

9.5.1 Young persons

9.5.2 Older workers

9.5.3 Others if applicable

10. Tax system

The tax unit is the family. Family income includes the income of any dependent children. Tax is computed on aggregate net income in the various categories of income, *i.e.* after the deductions specific to each category and standard and non-standard reliefs.

10.1 Income tax

10.1.1 Tax allowances and credits

10.1.1.1 Standard allowances

Standard deduction of 72 per cent of 12 times the highest monthly minimum wage.[2] If compulsory contributions to social protection schemes and statutory sub-schemes for health care exceed that limit, the deduction will equal the amount of those contributions.

A deduction is provided for the portion of trade union dues not constituting consideration for benefits in the realm of health care, education, assistance for the elderly, housing, insurance or social security, up to 1 per cent of the taxpayer's gross income, increased by 50 per cent. These dues are not taken into account in the calculations underlying this Report.

10.1.1.2 Standard tax credits

Basic credits:

- EUR 234.30 for each unmarried taxpayer or for each spouse;
- EUR 340.80 for a taxpayer in a single-parent family;
- EUR 170.40 for each dependent child; This tax credit is doubled for dependent children whose age does not exceed 3 years old.
- EUR 234.30 for each ascendant whose income does not exceed the minimum pension benefit. When there is only one ascendant, the tax credit is EUR 362.10.

Other tax credits

- Non-reimbursed health care costs, not covered by Social Security: 30 per cent of health care costs plus interest on loans contracted to meet them, without limit if the expenses are exempt from VAT or subject to the reduced rate of VAT; otherwise, up to EUR 62 or 2.5 % of expenses that are exempt from VAT or subject to the reduced rate of VAT plus interest on loans contracted to meet them.

2. The corresponding amount equals EUR 3 680.64 (72 per cent x 12 x EUR 426.00).

- Expenditures for educating the taxpayer or the taxpayer's dependants: 30 per cent of outlays, up to 160 per cent of the highest minimum wage (EUR 681.60). For households having three or more dependants, the limit is raised by 30% of the highest minimum wage (EUR 127.80) for each dependant, if each of them incurs education costs.
- Costs for sanatoria or retirement homes for taxpayers, their ascendants and collaterals up to the third degree whose income does not exceed the national minimum wage: 25 per cent of expenses up to EUR 362.10.
- Costs for the acquisition, construction or improvement of the taxpayers' primary, permanent residence, or for renting out property for a permanent residence: 30 per cent of interest and principal repayments up to EUR 586.00. Rent paid by a tenant, for his permanent residence under an agreement typified by the law, up to EUR 586.00. These limits are increased by 10 per cent if the building is duly certified as 'most efficient' in what concerns energy use (categories A or A+).
- Acquisition of new infrastructure for the use of renewable energies: 30 per cent of amounts spent, up to EUR 777. This tax credit cannot be combined with tax credits for the costs of acquiring, constructing or improving the taxpayer's primary, permanent residence, or of renting out property to be used as a permanent residence.
- Life and personal accident insurance premiums exclusively covering the risks of death, disability or retirement pensions: 25 per cent of premiums paid in the year in which the corresponding income was received, up to EUR 62 for unmarried taxpayers and EUR 124 for a married couple.
- Health insurance premiums: 25 per cent of premiums paid in the year in which the corresponding income was received, up to EUR 82 for unmarried taxpayers and EUR 164 for a married couple, plus EUR 41 for each dependent child.
- Individual Retirement Savings Plans (PPRs): 20 per cent of amounts invested, for unmarried taxpayers or for each spouse, up to:
  - EUR 400 for taxpayers under 35;
  - EUR 350 for taxpayers over 35 and under 50;
  - EUR 300 for taxpayers over 50.
- Social Security Individual Accounts: 20 per cent of amounts invested, for unmarried taxpayers or for each spouse, up to a limit of EUR 350.
- Acquisition of personal computers and software: 50 per cent of amounts spent, up to EUR 250.
- Donations granted on the conditions stated in the statutes governing charities (grants to central, regional or local government, special "social solidarity institutions", museums, libraries, schools, institutes, educational or research associations, public administrative bodies, etc.): 25 per cent of donations, limited in certain cases to 15 per cent of the donor's tax liability.

10.1.2 Income tax schedule (central government income tax)

To determine taxable income, to which the rates listed in the tax schedule are applied, income is divided by 2.

Taxable income (EUR) (R)	Marginal tax rate (%) (T)	Amount to deduct (EUR) (K)

Up to 4 639	10.5	---
Over 4 639 up to 7 017	13	115.97
Over 7 017 up to 17 401	23.5	852.76
Over 17 401 up to 40 020	34	2 679.86
Over 40 020 up to 58 000	36.5	3 680.36
Over 58 000 up to 62 546	40	5 710.39
Over 62 546	42	6 961.31

In the case of taxpayers whose income stems primarily from dependent employment (earned income), disposable income after application of the tax rates to taxable income may not be less than 120 per cent of the national minimum wage, (EUR 7 156.80 in 2008), nor may it result in income tax of which the taxable base after application of the conjugal quotient is EUR 1 850 or less.

10.1.3 State and local income taxes

10.2 Treatment of family income

The tax unit is the family and taxes are paid jointly.

10.3 Social security contributions and payroll taxes

10.3.1 Contributions payable by employees and benefit recipients

As a rule, the rate of employee contributions is 11 per cent of gross pay, with no ceiling.

10.3.2 Contributions payable by employers

The employer's rate of social security contributions is 23.75 per cent of gross pay, with no ceiling.

10.3.3 Payroll taxes

[This heading covers taxes paid by employers or employees either as a proportion of payroll or as a fixed amount per person, and which do not confer entitlement to social benefits. See Annex for details].

10.4 Treatment of particular group

[for income taxes, social contributions and payroll taxes]

10.4.1 Young persons

10.4.2 Older workers

10.4.3 Others if applicable

[e.g. immigrants, self-employed, sick or disabled, pensioners]

11. Part-time work

11.1 Special benefit rules for part-time work

The worker may change from full-time to part-time work for a pre-determined period up to a maximum of 3 years also due to the need to accompany the sons, adopted children or stepson that live with her, during the first 12 years of their lives. In this case only, the period of time spent in part-time work will be taken into consideration as if it was full-time work for the calculation of any benefit under the general regime of the public social security system for private workers.

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

When changing from full-time to part-time the worker is entitled to a temporary reduction in the workers social contribution rate: from the standard 11% to 6%. This temporary reduction will be effective throughout the period of the part-time work until a maximum of 36 months.

12. Policy developments

[PLEASE INSERT]

12.1 Policy changes introduced during 2008

The key policy options to help families to cope with the adverse economical situation were the extension of the coverage of family benefits and the reinforcement of the positive discrimination on the social transfer amounts.

A special accrual of the Family Allowance amounts for the families with more economical difficulties was introduced and a both the monoparental families as the families with 2 or more children had an increase on the amounts paid.

12.2 Future policy changes announced in 2008

Important changes announced were the School Social Scholarship for including students on the first two tiers of Family Allowance throughout the upper secondary level of education and the extension on deductions with interest paid on loads for housing ownership.

Other changes announced concern parental leave, a means-tested benefit for maternity and paternity of unemployed/inactive parents and a pre-natal family allowance.

ANNEX
DEFINITION OF SOCIAL SECURITY CONTRIBUTIONS AND PAYROLL TAXES.

The following text has been adapted from Annex A of the OECD *Revenue Statistics*.

Social security contributions to general government

Classified here are all compulsory payments that confer an entitlement to receive a (contingent) future social benefit. Such payments are usually earmarked to finance social benefits and are often paid to institutions of general government that provide such benefits. However, such earmarking is not part of the definition of social security contributions and is not required for a tax to be classified here. However, conferment of an entitlement is required for a tax to be classified under this heading. So, levies on income or payroll that are earmarked for social security funds but do not confer an entitlement to benefit are excluded from this heading and shown under personal income taxes or taxes on payroll and workforce. Taxes on other bases, such as goods and services, which are earmarked for social security benefits are not shown here […] because they generally confer no entitlement to social security benefits.

Contributions for the following types of social security benefits would, *inter alia*, be included: unemployment insurance benefits and supplements, accident, injury and sickness benefits, old-age, disability and survivors' pensions, family allowances, reimbursements for medical and hospital expenses or provision of hospital or medical services. Contributions may be levied on both employees and employers.

Social security contributions paid to institutions outside general government

Contributions to social insurance schemes which are not institutions of general government and to other types of insurance schemes, provident funds, pension funds, friendly societies or other saving schemes [are included here if they are compulsory or quasicompulsory (e.g., by virtue of agreement with professional and union organisations)]. Provident funds are arrangements under which the contributions of each employee and of the corresponding employer on his/her behalf are kept in a separate account earning interest and withdrawable under specific circumstances. Pension funds are separately organised schemes negotiated between employees and employers and carry provisions for different contributions and benefits, sometimes more directly tied to salary levels and length of service than under social security schemes.

Payroll taxes

This heading covers taxes paid by employers or employees either as a proportion of payroll or as a fixed amount per person, and which do not confer entitlement to social benefits. Examples of taxes classified here are the United Kingdom national insurance surcharge (introduced in 1977), the Swedish payroll tax (1969-1979), and the Austrian Contribution to the Family Burden Equalisation Fund and Community Tax.