

SPAIN 2008

1. Overview of the tax-benefit system

Unemployed persons are covered by two successive benefits: a contributory unemployment insurance benefit for 120-to-720 days depending on contributions, then an assistance benefit for 3-to-30 months. (The most common duration of unemployment assistance is 18 months, and for persons over 52 the duration is that necessary to arrive to the age in which he/she starts receiving the contributory retirement pension.) There is also a last resort scheme called the *Renta Mınima de Insercion* (Minimum Income for Insertion). 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. Finally, there is the programme named *Programa de Renta Activa de Insercion* (Insertion Active Income Programme), whose objective is to help long-term job seekers, older than 45, among other groups, to re-enter in the labour market. This programme lasts for 11 months.

1.1. Average Worker wage (AW)

According to the Centre for Tax and Policy and Administration, the 2008 AW level is EUR 23 252.¹

¹ AW refers to the Average Wage estimated by the Centre for Tax Policy and Administration (www.oecd.org/ctp). For more information on methodology see *Taxing Wages 2005-2006*, OECD, 2007, part 5, sections 2 and 3.

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. Additionally, unemployed persons have to subscribe to a pledge of activity by virtue of which they commit themselves to search actively for a job and to accept a suitable job.

On all the levels of protection by unemployment either the unemployment insurance one or the unemployment assistance one and in their different categories, applicant and beneficiary workers of the benefit by unemployment are obliged to sign and comply with an a "commitment of activity", understanding by such a to look for a job actively, to accept a placement suitable and to take part in actions addressed to raise their employment, in accordance with Law 45/2002, of 12 December (Article Firstly Eleven). This condition must be gathering as a requirement to have the right to any of the benefits considered within the protection system by unemployment.

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 180 days, 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 180 days.

The benefit is limited by a maximum and a minimum that depend on the number of dependent children below age 26. Both are expressed as a percentage of the IPREM (public indicator of incomes of many effects) from 01/07/2004, with an increment of 1/6 (proportional to bonus payment). For 2008, IPREM is EUR 603,05 per month, that is EUR 7236,6 yearly², including in both cases the proportional part of bonus payment.

Family type	In per cent of IPREM*	
	Minimum	Maximum
With no dependent	80	175

² -. Established by Law 1/2008, of 18th January. In case of excluding the bonus payments the amounts are as follows: EUR-516,90 per month and EUR-6202,8 yearly.

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children	(482,44 €/month)	(1.055,33 €/month)
	107	
With dependent children	645,26 €/month)	200
One child		1.206,10 €/month)
		225
Two or more children		(1.356,86 €/month)

* With an increment of 1/6 (proportional to bonus payment).

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

The maximum and minimum unemployment benefits are reduced in proportion to hours worked in relation to the company's normal full working day.

2.3 *Tax treatment of benefit and interaction with other benefits*

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 section 10.3).

2.4 *Benefit duration and waiting periods*

The total duration increases with contribution record. There is no waiting period; the benefit is paid 30 days per month.

Time worker contributed within last 6 years (in days)	Duration of unemployment benefit (in days)
360-539	120
540-719	180
720-899	240
900-1079	300
1080-1259	360
1260-1439	420
1440-1619	480
1620-1799	540
1800-1979	600
1980-2159	660

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2160+

720

When the benefit is expired, in some cases is possible to receive the unemployment assistance (see point 3.)

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

None

2.5.2 *Older workers*

None

2.5.3 *Others if applicable*

As from 1st June 2002, casual agriculture workers pay the contribution to Social Security for covering the contingency for unemployment and they have the right to receive unemployment benefit. The duration of the allowances depends on the period of contributions having been paid during last six years, and it oscillates between a minimum of 90 days, when the period of contributions has been at least from 360 to 539 days, and a maximum of 540 days, when the period of contributions has been from 2 160 days or more. From 1st June 2002 the covering of the contingency for unemployment is "compulsory".

3. Unemployment assistance

3.1 *Conditions for receipt*

For those unemployed, who are registered as job seekers, without any income of any kind which exceeds, with respect to monthly computation, 75 per cent of the minimum inter-professional wage, excluding the proportional part of the extra payments, and are in one of the situations described under. It consists of monetary unemployment assistance and the Social Security contribution corresponding to health coverage, family protection, and when appropriate, retirement.

The time and contribution to Social Security depends on the type of subsidy the worker is entitled to. There are the following types:

- Workers who have exhausted their unemployment benefits and have family responsibilities.
- Workers over 45 who have exhausted their unemployment benefits of at least 12 months and who do not have family responsibilities.
- Spanish emigrant workers who, having returned from countries not pertaining to the European Economic Area or with which no agreement exists regarding unemployment insurance, can prove having worked a minimum of 12 months in the last six years in said countries since their last departure from Spain, and are not entitled to unemployment benefits.
- Workers who, having the legal unemployment situation, did not meet the minimum contribution period to be eligible for contributory unemployment benefits. In this case the job loss is not voluntary.
- Those released from prison.
- Workers who, after a medical revision, are declared fully capable or partially disabled due to recuperation from a situation of great disability, or absolute or complete permanent disability for usual work.
- Special subsidy for workers over 45 who have exhausted their 24-month unemployment benefits.
- Unemployment subsidy for workers over 52.

Family responsibilities will be understood to mean having to support a spouse and/or children under twenty-six years of age or those who are older and disabled, when the income of household, including that of the applicant, divided by the number of members which make up the household in question, does not exceed 75 per cent of the Minimum Inter-Professional Wage, excluding the proportional part of the extra payments. Apart from the applicant, there should be another member whose earnings were below 75 per cent of the Inter-Professional Wage, excluding the proportional part of the extra payments.

3.1.1 *Employment conditions*

3.1.2 *Contribution conditions*

3.2 *Calculation of benefit amount*

3.2.1 *Calculation of gross benefit*

It is 80 per cent of the IPREM (public indicator of incomes of many effects) from 01/07/2004, excluding the proportional part of bonus payments. The IPREM in 2008 was EUR 516.90 € per month.

3.2.1.1 *Irregular additional payments* [NEW ITEM]

None

3.2.1.2 *Obligations of family members* [NEW ITEM]

In case that the family responsibilities are required, they should be in place at the moment of the cause giving rise to the situation of the worker and during the period of time of receiving the allowance.

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

It is means-tested. The condition to receive the benefit is that there are no individual earnings in the family over 75 per cent of the interprofessional minimum wage that was monthly EUR 600 in 2008. There are no disregards. The unemployment assistance is compatible with part-time work as an employee, if the worker chooses to keep receiving the allowance in a amount reduced in the same proportion as the number of daily working hours done (but always if the earnings do not overcome the 75 per cent of the interprofessional minimum wage).

3.3 *Tax treatment of benefit and interaction with other benefits*

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

3.4 *Benefit duration and waiting periods*

There is a waiting period that consists in be registered as a job seeker during one month before the causing fact, except in the case of the workers who did not meet the minimum contribution period to be eligible for contributory unemployment benefits.

In general, the duration is six months, which may be extended for a further two periods of the same duration, up to a maximum of 18 months. In some cases, unemployment assistance duration can be extended to 24 or 30 months for claimants whose contributory unemployment benefit has run out and have family responsibilities.

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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 24 months can receive from 80 to 133 per cent of IPREM, depending upon their family circumstances (*i.e.* children, etc.).

- With one relative to support or none at all: 80 per cent of IPREM
- With two relatives to support: 107 per cent of IPREM
- With three or more relatives to support : 133 per cent of IPREM.

The duration of this benefit is 6 months. Once the special assistance has run out, the claimant may obtain the corresponding unemployment assistance.

Workers aged 52 or over, having exhausted their UI benefits, may be entitled to prolonged unemployment benefits at a flat rate of 80 per cent of the IPREM. This benefit lasts until they reach retirement age.

3.5.3 *Others if applicable*

In the Autonomous Communities of Andalucía and Extremadura, due to high level of unemployment in the agriculture sector, casual agriculture workers who have worked 35 days, at least, in agriculture jobs during the 12 months previous to the unemployment situation can have the right to receive unemployment subsidies in some circumstances.

Income for casual agriculture workers. (*Renta Agraria*):

Casual agriculture workers living in the Autonomous Communities of Andalucía y Extremadura who are registered as unemployed, have worked 35 days, at least, in agriculture jobs during the 12 months previous to the unemployment situation, meet other requirements and have not the right to receive the *Subsidy of casual agriculture workers*, can have the right to receive the unemployed subsidy called *Renta Agraria*. The incorporations that happen for the first time are registered in the new system named "*Renta Agraria*".

Programme of active income for job insertion(Renta Activa de Inserción):

The objective of this programme is to help long-term unemployed claimants over 45 who are in situations of need, to get back to work. In order to claim this benefit, unemployed claimants must have reached the age of 45, not to have the right to Unemployment Benefit or to Unemployment Assistance, have been registered at the Employment Office for at least 12 months and not to have any income exceeding 80 per cent of IPREM, excluding the proportional part of bonus payments. Also those who met the following requirements may be eligible: disabled workers affected to a degree of 33 per cent or more and met all the requirements as set up above with the exception of being over 45 years of age; emigrants who have returned to Spain in the 12 months prior to receipt of the application and have worked at least

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6 months abroad and met all the requirements with the exception of having been registered during the last 12 or more months; workers who have been victims of domestic violence and met all the requirements with the exception of age and having been registered during the last 12 months. The allowance is the equivalent of 80 per cent of IPREM and the duration is for a maximum of 11 months

4. Social assistance

There is a minimum income scheme called the *Ingreso Mínimo/Renta Mínima de Inserción* (Minimum Income for Insertion - MII) implemented in the 17 Autonomous Communities (regions). 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. Each Autonomous Community has its specific law regulating the MII. The basic amount for the holder of the MII is 375.68 €/per month in 2007, the number of claimants: 299,756 people and the budget spent: 417,543,607.37 €

The number of holders in 2007 was: 103,071; the number of dependent members:196,685; and the total number of beneficiaries:299,756

The MII consists of periodical subsidies, but with a specific duration (periodical renewal is required), provided that the requisites are maintained and fulfilled the compromise acquired in the corresponding agreement signed for his/her social and labour integration and following the measures of social on-going support established with every claimant.

The monetary amount is annually updated; as well as every year the funds are allocated in the budget through general laws of each Autonomous Community for financing the MII.

The region of Madrid is considered below as being representative:

The basic amount for the holder is 340.00 € per month, the number of claimant: 20.570 people and the budget spent: 46,493,000 € in 2007.

4.1 Conditions for receipt

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

The claimants, who participate in social and labour measures for integration and in the social on-going support measures which are established with each claimant, receive a monthly income supplement.

In the region of Madrid the claimant is older than 25 and younger than 65. He or she has to be registered in the municipality of the region during the previous year of the application, set up an independent nuclear family 6 months previously, and lack of sufficient economic resources to face the basic needs for living.

Qualifying households must pass an income test, and they cannot have incomes in 2008 over the following amounts:

Number of members and limit amount of income in €	
1 person	354

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2 people:	460
3 people	530
4 people	600
5 people	670
6 people	740
7 people	810
8 people	880
9 people	950
10 people	1020

4.2 *Calculation of benefit amount*

4.2.1 *Calculation of gross benefit*

In 2008 the scale of the MII, depending on the number of dependent members in the family, is the following

Number of people	Monthly amount in €	Supplement in €
1st person	354	
2nd person		106
3rd person and following		70

In any case, the amount per month will be over 516.90€ (amount equivalent to the IPREM for 2008) for families with more than one dependent member.

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

None

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

None

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

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 and interaction with other benefits*

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

4.4 *Benefit duration and waiting periods*

It lasts as long as the conditions are fulfilled

4.5 *Treatment of particular group*

4.5.1 *Young persons*

None.

4.5.2 *Older workers*

None.

4.5.3 *Others if applicable*

None.

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5. Housing benefits for rented accommodation

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

5.1 *Conditions for receipt*

5.2 *Calculation of benefit amount*

5.2.1 *Calculation of gross benefit*

5.2.2 *Income and earnings disregards*

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

A. Economic allowance for each child dependent from the beneficiary, aged under 18, or over that age if suffering an impairment of a degree equal to or higher than 65 percent, whatever the legal nature of the child's filiations, as well as fostered minors under family fosterage, be it permanent or pre-adoptive.

B. One-off lump-sum economic benefit for birth or adoption in the following cases: large families, lone-parent families (see point 9 "Lone-parent benefits") or disabled mothers.

C. One-off lump sum economic benefit for multiple birth or adoption.

D. One off lump sum economic benefit for birth or adoption.

6.1 Conditions for receipt

A.-To have dependent children of less than 18 years of age or older disabled children affected to a degree equal to 65 per cent or more.

-For not disabled children: Not to receive yearly income over EUR 11000.

-For disabled children: No limit of economic resources

B.-For children who has been born or adopted from November 16th 2007

-In case of disabled mothers, they have to be affected by a disability of 65 per cent or more.

-The same limits for the incomes than in benefit A, with the difference between large families and the rest of the families.

C-Children born in multiple births, if their number is equal to or higher than two, as well as adopted children if their number is equal to or higher than two, originate the entitlement to this benefit. The birth or legalization of the adoption have to take place in Spain, or, if abroad, it should be accredited that the born or adopted child is immediately going to be integrated in the family nucleus residing in Spain.

· -In cases of multiple birth or adoption, if one of the children has a disability equal to or higher than 33 percent, it will be taken into account as two.

-There is no limit of incomes.

D.- Birth allowance or birth benefit, for each born or adopted child in Spanish territory since July, 1st 2007.

-There is no limit of incomes.

6.2 Calculation of benefit amount

6.2.1 Calculation of gross benefit

A.-In 2008, the amount is the following, per dependent child, depending on the situation:

- Children under 18:
 - a) No disabled children under 3: EUR 41,66 per month (EUR 500 per year) (from November 16th 2007).
 - b) No disabled children between 3 and 18: EUR 24.25 per month (EUR 291 per year).

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- c) Disabled to a degree of 33 per cent or more: EUR 83,33 per month (EUR 1000 per year).
- Children over 18:
 - a) Disabled to a degree of 65 per cent or more: EUR 328,44 per month (EUR 3941,28 per year).
 - b) Disabled to a degree of 75 per cent or more and needing the help of another person: EUR 492,66 per month (EUR 5911,92 per year).

The right to entitlement will be the total benefit in the case of disabled children, without having into account the level of family income.

In the case of children no disabled, the right to entitlement will be:

- The receipt of the total benefit, provided it does not exceed the upper limit laid down of - 11000 euros/year, increased by 15 per cent, namely 12650 euros/year, for each child after the second one. For large families, the limit will be 16555,70 euros when there are 3 dependent children, increasing by 2681,56 euros for each dependent child after and including the fourth child.

The benefit will be reduced if the income is above that specified in the previous item but at the same time below the amount found adding to this figure the amount of the subsidy for the number of children who are not disabled(maximum limit).

The following table allows us to establish the limits for maximum integrated benefit and for maximum income depending on the number of dependent children.

Number of dependent children	Limit for maximum integrated benefit (EUR)	Maximum limit of income (EUR)
1	11000	11291
2	12650	13232
3	16555,70	17428,7
4	19237,26	20401,26

In any case, in order to have the right, the difference between two items must be equal or superior to EUR 24.25 per child/year.

B. One off payment of EUR 1000.

C. An amount paid in one-off payment according to the number of children born:

-2 children, 4 times the monthly amount of the Minimum Inter-professional Wage, EUR 2400 for the year 2008.

-3 children, 8 times the Minimum Inter-professional Wage, EUR 4800 for the year 2008.

-4 children and more, 12 times the Minimum Inter-professional Wage, EUR 7200 for the year 2008.

D. One off payment of EUR 2500 for each child born or adopted.

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6.2.1.1 *Irregular additional payments* [NEW ITEM]

None

6.2.2 *Income and earnings disregards*

A. The right to entitlement will be the total benefit in the case of disabled children, without having into account the level of family income.

C and D. These benefits doesn't take into account the incomes of the recipient.

6.3 *Tax treatment of benefit and interaction with other benefits*

Not taxable

6.4 *Treatment of particular groups*

None.

6.4.1 *Young persons*

6.4.2 *Older workers*

6.4.3 *Others if applicable*

7. Childcare for pre-school children

Pre-primary education is conceived as a single education-oriented level with structural and curricular development similar to the rest of educational levels in Spain. It caters for children from 0 to 6 years and it is divided into two three-year stages. The second stage (children aged 3 to 6) is free of charge both in public and government dependent private schools.

In 2007/2008, the net enrolment rate in pre-primary education is 19,9 % (284.664 children) for the under 3 years and concerns 98,3 % (1,355.077 children) of children from 3 to 5 years (Source: Non-university education Statistics - Provisional data 2007-08. Ministry of Education, Social Policy and Sport)

There is also care provision for children outside de education system. In 2007 the 49,2 % of under 3 years children received care provision in an institution outside of their household (Source: Community Statistics on Income and Living Conditions – National Institute of Statistics/Eurostat)

A progressive increase of the places offered for integrated education and care for children aged 0 to 3 and their inclusion in the education system is a measure of the National Reform Program. In this way, the Ministry of Education, Social Policy and Sport is developing the Plan Educa3, in order to increase the places offered and their inclusion in the education system. This program will invest 1.087 million Euros between 2008 and 2012. The Ministry and the Autonomous Communities contribute 50% each one to this program. In 2008 130 million euros were allocated by the Ministry of Education for Pre-Primary Education, of which 100 million were addressed for building new pre-primary school and adapting existing schools.

Compulsory schooling starts at age 6 in the first grade of primary education.

7.1 *Out-of-pocket childcare fees paid by parents*

[What are typical or average fees paid by parents for full-time formal centre-based care and, if available, other types of care? Could a parent working 40 hours per week expect to pay this fee? If not, what additions/reductions would be appropriate for someone requiring 40 hours of care per week (8 hours per day)?]

[what do rates depend on, e.g. parents' status or income, number and ages of children in care or type of care institution? If fees are dependent on any of these, please include a detailed description of how fees might be calculated.]

[are amounts averages or set by law? If averages, which circumstances do they cover (region, age, full/part-time)?]

[are childcare fees tax deductible?]

[are fees taken into account (i.e., deducted from income) when determining entitlement to means-tested benefits such as social assistance?]

Pre-primary education in public and government dependent private schools for children from 3 to 5 years is free of charge.

There are a wide variety of situations throughout the different autonomous or local administrations regarding the expenditure, in centers that attend to children under 3 years of age, during the working day of their parents. Therefore it is difficult to estimate an average fee. Despite this, a relationship exists between

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the amount of fees paid by the families according to the level of income and/or the number and ages of children in care.

Almost all the Autonomous Communities have a specific allocation of public places that are subsidized and are, consequently, of lower cost for the families. The level of income of the family group is subject to the establishment of an appropriate fee. Furthermore, to determine the fees payable, a scale in function of various criterion is also established including if; a “family group” is based upon there being a lone-parent, there are siblings in the center, both parents work, etc.

It is difficult to generalize, but it could be considered that on average the parents paying for places in public centers pay 1/3 of the value for the place, and the remaining 2/3 is covered by civil services (local corporations, autonomous and/or central government).

In the private centers the family must paid the total cost.

7.2 *Child-care benefits*

[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*

7.2.3 *Tax treatment of benefit and interaction with other benefits*

For the mothers workers (and lone- parents) with children under 3 years, there are a **general deduction in the tax on the income of individuals for a amount of EUR 1,200 per year**. Some Autonomous Communities establish additional deductions for childcare fees of children under 3 years in centers.

7.2.4 *Treatment of particular groups*

[e.g. lone parents, immigrants, part-time employees, self-employed, sick or disabled]

8. Employment-conditional benefits**8.1 Conditions for receipt****PROGRAMME FOR THE PROMOTION OF THE EMPLOYMENT. 2007****Law 43/2006, of 29 December****(Bonuses awarded to the employer for recruitments)**

<i>GROUPS</i>	<i>DESCRIPTION</i>	<i>ANNUAL AMOUNT (EUR)</i>			<i>LENGTH</i>
<i>BONUSES AWARDED TO RECRUITMENTS FOR AN INDEFINITE PERIOD OF TIME</i>					
Women	Unemployed, as well as victims of gender violence (art. 2.1.a) y 2.4).	850			4 years
	Hired within 24 months after giving birth (art. 2.1.b).	1.200			4 years
	Hired after 5 years of inactivity, if, they have worked at least 3 years before this period.,(art. 2.1.c).	1.200			4 years
Older than 45 (art. 2.1.d).		1.200			During the entire contract life
Young workers	Between 16 and 30(art. 2.1.c).	800			4 years
Other groups and special situations.	Unemployed for at least 6 months and workers in social exclusion. (art. 2.1.f) y 2.5).	600			4 years
	Disabled persons (art.2.2).	Disabled women (art. 2.2.3).	Older than 45 with a disability (art. 2.2.3).		During the entire contract life
	- In general (art. 2.2.1).	4.500	5.350	5.700	
	- In case of a severe disability (art.2.2.2.)	5.100	5.950	6.300	
	Contracts for training,, relay or replacement of retired workers, which were converted into permanent contracts. (art. 2.6).	500			4 years
<i>EXTRAORDINARY SCHEME TO TURN OUT TEMPORARY EMPLOYMENT INTO PERMANENT EMPLOYMENT</i>					
Temporary contracts, including contracts for training, relay or replacement of retired workers drawn up before 1 st June 2006 which were converted into permanent contracts, provided the change took place before 1 st January 2007 (art. 3).		800			3 years

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BONUSES AWARDED IN EXCEPTIONAL CASES OF TEMPORARY RECRUITMENT					
Disabled persons hired with a temporary employment promotion contract. (art. 2.2.4)	Men younger than 45	Men older than 45	Women younger than 45	Women older than 45	Length
- In general	3.500	4.100	4.100	4.700	During the entire contract life
- In case of a severe disability	4.100	4.700	4.700	5.300	During the entire contract life
Gender violence victims and domestic violence victims. (art. 2.4).	600				During the entire contract life
People in situation of social exclusion (art. 2.5).	500				During the entire contract life
BONUSES AWARDED FOR THE MAINTENANCE OF THE PERMANENT EMPLOYMENT.					
Contracts for an indefinite period of time for workers older than 60 who have been working for the employer for 5 or more years.(art. 4.1).	50 per cent of the employer contribution to Social Security for common contingencies, except in case of temporary incapacity which would be increased 10% annually until 100%				During the entire contract life
Women with a suspended contract (permanent or temporary which is turned into permanent contract) when they return after maternity. (art. 4.2).	1.200				4 years
BONUSES AWARDED TO RECRUITMENTS OF PERSONS WITH A DISABILITY FOR THE SPECIAL CENTERS OF EMPLOYMENT.					
Permanent or temporary contracts (art. 2.3).	100 per cent of the employer contributions to Social Security, including those for work accidents and occupational illnesses and joint collection quotas.				During the entire contract life

Other Aids to promote employment.

- Young self-employed workers <30 at the beginning of the activity: A 30% reduction in the minimum contribution base for 30 months (Law 20/2007, 11th of July).
- Assistance for disabled workers to settle as self-employer workers: Bonuses awarded of 50% in the minimum contribution base for at the most 5 years (Law 43/2006, DF 6^a).

- Support in the recruitment of labour trainers: A fixed subsidy which depends on the number of workers in the company, type and degree of the disability: 6.600, 4.000 y 2.500 euros/year(Real Decreto 870/2007, de 2 de julio).
- Permanent/Temporary hiring of people in social exclusion in insertion companies: Bonuses awarded of the contribution to Social Security with an amount of 850 € per year, maximum 3 years. (Ley 44/2007, de 13 de diciembre, para la regulación del régimen de las empresas de inserción).
- Hiring in permanent contracts for workers over 59 or those who have been working 4 or more years in the same company: 40% reduction in the contribution to Social Security, maximum 1 year (Ley 42/2006, de 28 de diciembre, de Presupuestos Generales del Estado).
- Permanent hiring of unemployed workers with family responsibilities: bonuses awarded of 1.500 €/year.
- Capitalization of the unemployment benefit to promote self-employment: Increase up to 60% of the total benefit (it was the 40% before).

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

One-off lump-sum economic benefit for birth or adoption in lone-parent families (see point 6. Benefit B).

9.1 Conditions for receipt

-For children who has been born or adopted from November 16th 2007

-Not to receive yearly income over EUR 11000.

9.2 Calculation of benefit amount

9.2.1 Calculation of gross benefit

-One off payment of EUR 1000.

-The receipt of the total benefit, provided it does not exceed the upper limit laid down of - 11000 euros/year, increased by 15 per cent, namely 1650 euros/year, for each child after the second one. For large families, the limit will be 1655,70 euros when there are 3 dependent children, increasing by 2681,56 euros for each dependent child after and including the fourth child.

The benefit will be reduced if the income is above that specified in the previous item but at the same time below the amount found adding to this figure the amount of the subsidy for the number of children who are not disabled(maximum limit).

In any case, in order to have the right, the difference between two items must be equal or superior to EUR 24.25 per child/year.

9.2.1.1 Irregular additional payments [NEW ITEM]

None

In cases where the absent parent does not pay any child support/alimoniesThe amount of the child support/alimony is established by judicial procedure, in case of not receive this payment, the lone parent has to initiate judicial proceedings. This situation is taken into account to these benefits.

9.2.2 Income and earnings disregards

None

9.3 Tax treatment of benefit and interaction with other benefits

Not taxable

9.4 Benefit duration

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

9.5 *Treatment of particular group*

None

9.5.1 *Young persons*

9.5.2 *Older workers*

9.5.3 *Others if applicable*

[e.g. immigrants, part-time employees, self-employed, sick or disabled]

10. Tax system

10.1 Income tax

[Please **only** provide information about any special tax rules, such as deductions or tax credits, that are relevant for **benefit recipients** or **part-time workers** (if different from full-time employees).]

[It is **not** necessary to provide standard tax schedules and other tax rules that are applicable to full-time employees as this information will be made available to the Secretariat by country delegates to the OECD Working Party on Tax Policy and Statistics. Section 10.1 can therefore be left **blank** if tax rules for benefit recipients and part-time employees are the same as for full-time employees.]

10.1.1 Tax allowances and credits

10.1.1.1 Standard allowances

Basic reliefs: Married couples filing jointly may claim an allowance of EUR 3 400. This figure amounts to EUR 2 150 for heads of households.

Maternity tax credit: a non-wastable tax credit addressed to working females with children under 3 years of age up to EUR 1 200

Birth allowance or birth benefit: EUR 2.500 for each born or adopted child in Spanish territory since July, 1st 2007.

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 employment income equal or less than EUR 9 180: EUR 4 080
- For those with a net employment income between EUR 9 180.01 and EUR 13 260: EUR 4080 less the result of multiplying by 0.35 the difference between net income and EUR 9180.
- Taxpayers with net income over EUR 13 260 or non employment income over EUR 6 500: EUR 2 652.

Work related tax deduction: working taxpayers may deduct € 400. Prior amount will not exceed the result of applying the average tax rate to net work income less work related expenses allowance

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

10.1.1.2 Exempt Income

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

- The base amount is EUR 5 151 per taxpayer. The same amount is granted for family units filing jointly. Taxpayers aged over 65 years may add EUR 918 to the former amount. Those aged over 75 years may claim additionally EUR 1 122.
- Dependent children (under 25 years): EUR 1 836 for the first dependent child; EUR 2 040 for the second one; EUR 3 672 for the third, and EUR 4 182 for the fourth child.
- Child care allowance: an additional allowance of EUR 2 244 for each of the above dependent children under 3 years of age.

Child allowances have to be shared equally between spouses when they file separately.

10.1.2 *Income tax schedule (central government income tax)*

General rates of tax – resident individuals:

Taxable income (EUR)	Tax at the lower limit (EUR)	Tax rate on taxable income in excess of the lower limit (%)
0 – 17 707.20	0	15.66
17 707.20 – 33 007.20	2 772.95	18.27
33 007.20 – 53 407.20	5 568.26	24.14
Over 53 407.20	10 492.82	27.13

10.1.3 *State and local income taxes*

Regional rates of tax – resident individuals:

Taxable income (EUR)	Tax at the lower limit (EUR)	Tax rate on taxable income in excess of the lower limit (%)
0 – 17 707.20	0	8.34
17 707.20 – 33 007.20	1 476.78	9.73
33 007.20 – 53 407.20	2 965.47	12.86
Over 53 407.20	5 588.91	15.87

10.2 *Treatment of family income*

[i.e. how does income of other family members affect tax liabilities. Are taxes paid jointly or on an individual basis? Are there tax deductions or allowances for partners/spouses? Are unused portions of tax deductions or allowances transferable between partners/spouses?]

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.

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

- As heads of households (only unmarried or separated individuals with dependents).

10.3 *Social security contributions and payroll taxes*

[In the sub-sections below, please provide information about any special contribution rules that are relevant for **benefit recipients** or **part-time workers**.]

[It is **not** necessary to provide standard contribution schedules that are applicable to full-time employees as this information will be made available to the Secretariat by country delegates to the OECD Working Party on Tax Policy and Statistics.]

[If applicable, please indicate contributions that are compulsory but **not regarded as a tax** (e.g. compulsory private health insurance). See Annex for details on this distinction.]

10.3.1 *Contributions payable by employees and benefit recipients*

Social Security contributions are assessed on the basis of employees' gross earnings taking into account certain ceilings of gross employment income. In 2008 these ceilings are:

Lower ceiling: EUR 8 398.8

Upper Ceiling: EUR 36 889.2

These ceilings are based on a full-time job. For part-time workers, ceilings are proportional to the real hours worked (the tax equations used for this Report do not take into account the lower ceiling).

- 4.7 per cent for pensions/sickness and invalidity.
- 1.55 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, with the same lower and upper ceilings. The rest of social security contributions for pensions and sickness (up to 28.3 per cent of reference earnings) are paid by the Public Service of Public Employment (Servicio Publico de Empleo Estatal). This public body also pays contributions for individuals on unemployment assistance. Contributions are neither payable over family benefits, nor over social assistance.

10.3.2 *Contributions payable by employers*

- Old age pension/sickness and disability 23.6 per cent
- Unemployment/Work injuries 5.75 per cent
- Wages fund 0.2 per cent
- Professional Training 0.6 per cent

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

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]

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

11. Part-time work

11.1 *Special benefit rules for part-time work*

[Summary of relevant provisions detailed in earlier sections.]

Workers which provide services during a number of hours per day, per month or per year less than the working day of a full-time worker or, in absence of this, less than the maximum legal working day in permanent and temporary contracts.

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

In general, the monthly contribution base to Social Security is the effective payment received in accordance with the hours worked.

Specifically, the bonuses awarded of the Programme for the Promotion of employment (see 8.1) can be applied with the following rate:

- 100% If the working day is $\geq \frac{3}{4}$ of the full-time working day
- 75% If the working day is $\geq \frac{1}{2}$ of the full-time working day
- 50% If the working day is $\geq \frac{1}{4}$ of the full-time working day
- 25% If the working day is $< \frac{1}{4}$ of the full-time working day.

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

12. Policy developments

[PLEASE INSERT]

12.1 Policy changes introduced during 2008

Starting January 1st 2008 all main Personal Income Tax parameters have been indexed at 2% in order to avoid problems related to inflation (bracket creep)

A new tax rebate of € 400 addressed to working and self-employed taxpayers has been introduced during 2008. The tax rebate form part of a package of measures addressed to foster the economic activity. This tax measure operates as a lower PIT withholding tax rate for the above taxpayers

In late 2007, the government introduced a new tax deduction of € 2 500 for females giving birth (or adopting) a new child.

Taxpayers renting out a house to be used as own-residence are granted with a tax deduction of 10.05% of the expenses according to 1.122

12.2 Future policy changes announced in 2008

New Public Investment Fund for the local administration, for the creation of 200.000 employs with € 8000 millions. This fund is earmarked to finance the city council building works of immediate execution.

Measures to support strategic sectors: car industry, business innovation and environmental actions. It has € 3000 million for the maintenance and creation of 100000 employs.

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.

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

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.