

# THE OECD TAX-BENEFIT MODEL FOR Spain

Description of policy rules for 2019



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## Preface

The [OECD Tax-Benefit model \(TaxBEN\)](#) incorporates detailed policy rules for tax liabilities and benefit entitlements as they apply to individual families across OECD member countries. Its main use is to calculate the amount of taxes that people are liable to pay, and the government transfers they are likely to receive, in different family and labour-market situations. The model includes legal policy rules that are relevant for people of **working age** (from 18 years old until the statutory retirement age) and their dependent children. Income tax liabilities and benefit entitlements are calculated for a broad set of *stylised* families (“vignettes”, e.g. a married couple of 40 years old adults with two children aged 4 and 6 respectively). Model users are free to change many of these characteristics, including the age and number of children, activity status of adult members, hours of work, current and past earnings levels, unemployment duration, social contribution records, and housing-related costs. The model has been updated annually since the early 2000s for most OECD countries.

TaxBEN’s policy scope includes the main taxes on employment income (earnings), social contributions paid by individuals and by employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits and support for non-parental childcare are included for a sub-set of countries and years. The most important policy areas that are outside the scope of the model include taxes on wealth (e.g. taxes on immovable and unmovable properties, including local taxes), indirect taxes (e.g. VAT), early-retirement benefits, sickness benefits and in-kind transfers (e.g. free school meals, subsidised transport and free health care).

This report describes the taxes and benefits that are included in the model and focuses on the rules that are relevant for family, individual and labour-market circumstances that are within its scope. The **Annex** provides information on other cash benefits and taxes on employment incomes that can be relevant for some members of the working-age population, but which are not included in the TaxBEN model.

### Reading notes and further details on the scope and content of this report

- The **reference date** for policy rules described in this report is **January 1, 2019**.
- **Guidelines for completing and updating this report** are provided [here](#).
- Further information on the model, model results, and references to reports and analytical uses is available on the [project website](#). A [methodology](#) document provides a full description of the assumptions underlying the model as well as the model choices that users can make. The symbol  in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the variable names are indicated in the text in square brackets using the following format: **[variable name]**, for instance: **[AW]** for the average wage.

## The OECD tax-benefit model for Spain: Policy rules in 2019

### 1. Reference wages and other reference amounts

Average wage [**AW**]: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available [here](#))<sup>1</sup>. If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth<sup>2</sup> to the latest available wage estimate.

The minimum wage [**MIN**] in 2019 is EUR 900 per month. The annual minimum wage is computed by multiplying the minimum monthly wage (as of January 1, 2019) by 14 (including 13<sup>th</sup> and 14<sup>th</sup> payments), i.e. EUR 900 \* 14 = EUR 12 600.

Another useful reference amount in Spain is an index used for the calculation of social benefits: Public Income Rate of Multiple Effects, IPREM (*Indicador Público de Renta de Efectos Múltiples*). In 2019 IPREM is EUR 537.84 per month, that is EUR 7 529.76 yearly (including 13<sup>th</sup> and 14<sup>th</sup> bonus payments).

### 2. Unemployment benefits

#### 2.1. Unemployment insurance benefit (*Prestación por desempleo*)

Variable names: [**UI\_p**; **UI\_s**]<sup>3</sup>

This is an unemployment insurance benefit. It is contributory, not means-tested and taxable.



##### 2.1.1. Eligibility conditions

**Age:** The same age limits as those which give right to work: from 16 years old and up to the retirement age (if the employee is entitled to retirement pension).

**Contribution/employment history:** A claimant must have contributed for a minimum of 360 days in the 6 years preceding the legal status of unemployment.

**Behavioural requirements and related eligibility conditions:** Unemployment benefit can be paid to a registered unemployed person, who is available and actively seeking work, ready to accept a suitable placement and to take part in activities addressed to raise their

<sup>1</sup> Average Wages are estimated by the [Centre for Tax Policy and Administration](#) at the OECD. For more information on methodology see the latest [Taxing Wages publication](#).

<sup>2</sup> Wage growth projections are based on [OECD Economic Outlook](#) and [EU economic forecasts](#) (for non-OECD countries).

<sup>3</sup> Each section lists the variable names (in TaxBEN outputs) which correspond to the benefits/taxes described in the section. Variable names ending with “\_p” refer to the first adult (so-called “principal” adult) whereas those ending with “\_s” refer to the spouse.

employability, and who did not leave his/her previous job voluntarily. TaxBEN assumes that these compulsory conditions are satisfied when simulating unemployment benefits.<sup>4</sup>

### 2.1.2. Benefit amount

The benefit is 70% of the reference earnings for a maximum period of 180 days, then 50% of the reference earnings for the remaining period of the benefits. The reference earnings correspond to the average contribution base over the last 180 days. Maximum contribution base is EUR 4 070.10 per month.

The benefit is limited by a maximum and a minimum that depend on the number of dependent children (below 26). Both are expressed as a percentage of IPREM.

Family type	% of IPREM*	
	Minimum	Maximum
With no dependent children	80	175
With dependent children	107	-
One child	-	200
Two or more children	-	225

\* (including 13th and 14th bonus payments)

The maximum and minimum are reduced in proportion to hours worked in the previous job in relation to the company's normal full working day (*not modelled*).

### 2.1.3. Benefit duration

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

Time worker contributed within the 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
2160+	720

### 2.1.4. Means test

The benefit is not means-tested.

<sup>4</sup> Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see [Immervoll and Knotz \(2018\)](#), [Langenbucher \(2015\)](#) and [Venn \(2011\)](#).

### 2.1.5. Tax treatment

The benefit is taxable and subject to social security contributions. For a person on unemployment insurance, the total social security contributions amount to 4.7% of the reference earnings, subject to lower and upper ceilings.

### 2.1.6. Interactions with other components of the tax-benefit system

Accumulation with social security pensions or cash benefits is not possible unless these had been compatible with the work that gave rise to the unemployment benefit.

### 2.1.7. Combining benefit receipt and employment/starting a new job

The benefit is not compatible with full-time employment. However, it is compatible with part-time activity as an employee. In this case, the benefit is reduced in the same proportion as the number of daily working hours.

A job creation programme allows people to receive unemployment benefits while starting self-employment, for a maximum of 270 days (*not covered by the model*).

## 2.2. Unemployment assistance benefit (*Prestaciones por desempleo de nivel asistencial*)

Variable names: **[UA]**

This is an unemployment assistance benefit. It is non-contributory, means-tested and taxable. 

### 2.2.1. Eligibility conditions

**Age:** This is a working-age benefit (16 years to the retirement age).

**Other conditions:** Unemployed individuals are eligible in the following cases:

- Workers who have exhausted their unemployment insurance benefits and have family responsibilities<sup>5</sup>;
- Workers older than 45 years who have exhausted their unemployment insurance benefits and do not have family responsibilities
- Workers who did not meet the minimum contribution period to be eligible for contributory unemployment benefits and contributed at least 6 months, or 3 months if have family responsibilities;
- Workers over 52;
- Spanish emigrant workers in certain cases (*not covered by the model*);
- People released from prison (*not covered by the model*);
- Workers (partially) recovered from disability (*not covered by the model*).

### 2.2.2. Benefit amount

It is 80% of the IPREM, excluding the bonus payments.

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<sup>5</sup> Family responsibilities mean having to support a spouse and/or children under 26 years of age or those who are older and disabled.

### 2.2.3. Benefit duration

There is a waiting period of one month, except if the unemployed did not meet the minimum contribution requirement to be eligible for contributory unemployment benefits (*not modelled*).

The duration of the benefit depends on the relevant condition for entitlement:

- Workers who have exhausted their unemployment benefit entitlements and have family responsibilities: 18 months, except
  - Unemployed over the age of 45 who were entitled to at least 4 months of Unemployment benefits: 24 months
  - Unemployed over the age of 45 who were entitled to at least 6 months of Unemployment Benefits: 30 months
- Workers aged 45 years or older who have exhausted their benefit entitlements but do not have family responsibilities: 6 months.
- Workers who are not entitled to Unemployment Benefits:
  - If they have family responsibilities
    - one month of benefit entitlement for each month of contributions for contribution periods between three and six months
    - 21 months for contribution periods of six months or longer.
  - For those without family responsibilities: six months for contribution periods of at least six months.
- Workers aged 52 and over: until they reach the statutory retirement age.

### 2.2.4. Means test

Per capita household income (including all income sources except family benefits) should not exceed 75% the minimum wage on a monthly basis, excluding 13<sup>th</sup> and 14<sup>th</sup> bonus payments. The same condition applies to individual earnings of any adult in the family.

### 2.2.5. Tax treatment

The benefit is taxable. However, the recipients for whom unemployment assistance is the sole income source do not pay taxes. The benefit is not subject to social security contributions.

### 2.2.6. Interactions with other components of the tax-benefit system

Accumulation with social security pensions or cash benefits is not possible unless these had been compatible with the work that gave rise to the unemployment benefit.

### 2.2.7. Combining benefit receipt and employment/starting a new job

The unemployment assistance is compatible with part-time work as an employee. The allowance is reduced in the same proportion as the number of daily working hours. Earnings cannot exceed 75% of the minimum wage on a monthly basis, excluding 13<sup>th</sup> and 14<sup>th</sup> bonus payments.

### 2.3. *Active Integration Income (Renta Activa de Inserción)*

Variable names: [UA]

This programme aims to help long-term unemployed to get back to work. It is non-contributory, means-tested and taxable. 

#### 2.3.1. *Eligibility conditions*

**Age:** 45-65 years old.

**Other conditions:** Unemployed who have exhausted or are not eligible to unemployment insurance and/or assistance benefits and have been registered at the Employment Office for at least 12 months.

There are some special categories of unemployed who are not obliged to meet all the above requirements (*not modelled*).

#### 2.3.2. *Benefit amount*

It is 80% of the IPREM, excluding the bonus payments.

#### 2.3.3. *Benefit duration*

Maximum duration is 11 months.

#### 2.3.4. *Means test*

Per capita household income (including all income sources except family benefits) should not exceed 75% the minimum wage on a monthly basis, excluding 13<sup>th</sup> and 14<sup>th</sup> bonus payments. The same condition applies to individual earnings of any adult in the family.

#### 2.3.5. *Tax treatment*

The benefit is taxable but is not subject to social security contributions.

#### 2.3.6. *Interactions with other components of the tax-benefit system*

Accumulation with social security pensions or cash benefits is not possible unless these had been compatible with the work that gave rise to the unemployment benefit.

#### 2.3.7. *Combining benefit receipt and employment/starting a new job*

The unemployment assistance is compatible with part-time work as an employee. The allowance is reduced in the same proportion as the number of daily working hours. Earnings cannot exceed 75% of the minimum wage on a monthly basis, excluding 13<sup>th</sup> and 14<sup>th</sup> bonus payments.

### 2.4. *Extraordinary unemployment allowance (Subsidio extraordinario por desempleo)*

Variable names: [UA]

This programme aims to help long-term unemployed to get back to work. It is non-contributory, means-tested and taxable. It replaces previous programmes: professional requalification programme (Programa de recualificación profesional, PREPARA) and

Employment activation programme (Programa de activación para el empleo, PAE), which which could not be extended beyond May 2018, due to the rulings of the Constitutional Court.

#### *2.4.1. Eligibility conditions*

**Age:** The same age limits as those, which give right to work: from 16 years old and up to the retirement age (if the employee is entitled to retirement pension).

**Other conditions:** Unemployed who have exhausted or are not eligible to unemployment insurance and/or assistance benefits and have been registered at the Employment Office.

#### *2.4.2. Benefit amount*

It is 80% of the IPREM, excluding the bonus payments.

#### *2.4.3. Benefit duration*

Maximum duration is 6 months.

#### *2.4.4. Means test*

Per capita household income (including all income sources except family benefits) should not exceed 75% the minimum wage on a monthly basis, excluding 13th and 14th bonus payments. The same condition applies to individual earnings of any adult in the family.

#### *2.4.5. Tax treatment*

The benefit is taxable but is not subject to social security contributions.

#### *2.4.6. Interactions with other components of the tax-benefit system*

Accumulation with social security pensions or cash benefits is not possible unless these had been compatible with the work that gave rise to the unemployment benefit.

#### *2.4.7. Combining benefit receipt and employment/starting a new job*

The unemployment assistance is compatible with part-time work as an employee. The allowance is reduced in the same proportion as the number of daily working hours. Earnings cannot exceed 75% of the minimum wage on a monthly basis, excluding 13<sup>th</sup> and 14<sup>th</sup> bonus payments.

### **3. Social assistance and housing benefits**

Each of the 17 Autonomous Communities (regions) of Spain and the cities of Ceuta and Melilla has its specific law regulating the minimum income scheme. The general principle is to alleviate poverty by means of cash benefits for basic living needs. The model simulates the minimum income scheme in **Madrid**. Nine autonomous communities (Andalucía, Aragon, Asturias, Catalonia, Galicia, Madrid, Murcia, Basque Country and Valencian Community) have also a supplement to the minimum income in support of housing rent, illness, etc.

### 3.1. *Minimum Insertion Income in Madrid (Renta M nima de Inserci n en Madrid)*

Variable name: [\[SA\]](#)

This is a non-contributory benefit, means-tested and taxable.

#### 3.1.1. *Eligibility conditions*

**Age:** Older than 25 and younger than 65 or in any of the following circumstances:

- a) have members of the household younger than 18 years old or with disabilities
- b) be an orphan (or in situation of serious social exclusion) between 18 and 25 years old
- c) be over 65 years old, live alone, do not receive public pension.

**Other conditions:** The claimant must be available and actively seeking work (if she/he is able to work). He or she has to be registered in the municipality of the region during the previous year of the application. TaxBen assumes these conditions are satisfied.

#### 3.1.2. *Benefit amount*

The amount of the benefit, depending on the number of dependent members in the family, is the following (from 2016 to 2019):

Number of people	Monthly amount (EUR)
1 person	400
2 people	512.67
3 people	587,78
any additional person	75.11

The maximum amount a family unit (households) can receive is linked to the number of family members.

In Madrid, the amount per month per family cannot be over EUR 655.20 in 2016, EUR 707.70 in 2017, EUR 735.90 in 2018 and EUR 900.00 in 2019.

#### 3.1.3. *Benefit duration*

It lasts as long as the conditions are fulfilled.

#### 3.1.4. *Means test*

Qualifying households must pass an income test based on economic resources: income from work, pensions, benefits and subsidies of the state or any other title, as well as complementary pensions and food. The value of the heritage will also be taken into account. In general, the household income cannot exceed the amount of the minimum income the household apply to.

Means test and minimum insertion income in Madrid: to have less income than the amount of minimum insertion income depending on the number of members of the family unit.

If the thresholds are exceeded, the benefit is withdrawn on a one-to-one basis.

### 3.1.5. Tax treatment

The benefit is taxable, but the tax system is structured in such a way that a year-long recipient will pay no tax.

### 3.1.6. Interaction with other components of the tax-benefit system

It is complementary with other subsidies, such as employment, housing subsidies, and other public benefits, throughout all autonomous communities.

### 3.1.7. Combining benefit receipt and employment/starting a new job

In general, this benefit is compatible with income from work (with certain exceptions), although with limits on the amount of income received. The benefit is withdrawn with respect to income from employment on a one-to-one basis.

## 4. Family benefits

### 4.1. Family allowance (*Prestaciones familiares*)

Variable name: **[FB]**

This is a non-contributory benefit, means-tested and not taxable.

#### 4.1.1. Eligibility conditions

The following eligibility conditions should hold:

- have dependent children under the age of 18 years (or older disabled children (*not modelled*));
- annual income below the threshold (no income test for disabled children).

#### 4.1.2. Benefit amount

The amount per dependent child in 2019 is the following: EUR 28.41 per month (EUR 341 per year). Benefit amounts for disabled children are higher (*not modelled*).

#### 4.1.3. Benefit duration

As long as the eligibility conditions hold.

#### 4.1.4. Means test

If annual family income does not exceed the following income thresholds, the benefit is paid in full:

Number of dependent children	Income threshold 2019 (EUR per year)
1	12 313.00
2	14 159.95
3	18 532.00
4	21 534.00

The benefit will be reduced if the income is above the threshold but at the same time below the amount found adding to this figure the amount of the subsidy. In any case, in order to have the right for the benefit, the difference between the two items must be equal or superior to EUR 24.25 per child per year.

#### 4.1.5. Tax treatment

The benefit is not taxable.

#### 4.1.6. Interaction with other components of the tax-benefit system

None

#### 4.1.7. Combining benefit receipt and employment/starting a new job

The child does not lose the status of a dependent child or minor by the mere fact of doing a job on his or her own behalf or on behalf of others, provided that the net income of that work, within the calendar year, does not exceed 100% of minimum wage, also in annual computation (*not covered by the model*).

## 5. Net costs of Early Childhood Education and Care

The **reference date** for the policy rules described in this section is **1 January 2019**.

Pre-primary education is for children from 0 to 6 years and it is divided into two three-year stages: from 0 to 2 years old, and from 3 to 5 years old. Both stages are a part of the same programme with an integrated curriculum. The majority of the schools provide only one stage, but some schools provide both stages. There is also care provision for children outside the education system. Compulsory schooling starts at age 6 in the first grade of primary education.

### 5.1. Gross childcare fees

Variable name: `[SPcc_cost]`

The second stage of pre-primary education in public and government dependent private schools for children from 3 to 5 years (including) is free of charge.

As for the centres for children under 3 years old, the situation varies across autonomous and local administrations. Almost all the Autonomous Communities have a specific allocation of subsidized public places. The fees usually depend on various criteria: level of income, number and ages of children in care, lone-parent status, both parents in work, etc.

In Comunidad de Madrid, for example, the following rules apply:

The monthly fee for seven hours of childcare for a child under the age of 3 is calculated based on the per capita income (defined as the tax base in the income tax return of natural persons) of the family unit of the economic year immediately preceding the start of each school year, according to the criteria:

- EUR 57.76 if annual per capita income is less than or equal to EUR 5 644
- EUR 93.86 if annual per capita income is greater than EUR 5 644 and less than or equal to EUR 7 656
- EUR 129.96 if annual per capita income is greater than EUR 7 656 and less than or equal to EUR 25 725
- EUR 187.72 if annual per capita income is higher than EUR 25 725.

For children under the age of 2, the cost increases by 43.32 EUR per month for each of the income bands. The cost of meals is included in this fee.

The fee corresponds to attendance of the school for seven hours a day. Any additional half hour (or less) per day adds EUR 10.83 to the monthly fee. TaxBEN assumes that eight hours of childcare are needed if a lone parent or both parents work full time.

The monthly fee corresponding to the attendance of the school for four hours a day is EUR 43.32. This fee is fixed and is not a function of family income. In private centres, the family usually pay more.

#### 5.1.1. Discounts for part-time usage

No information

### 5.2. Fee discounts and free provision

In Comunidad de Madrid, the families, which receive Minimum Insertion Income, are exempt from paying the fees.

### 5.3. *Child-care benefits for formal centre-based care*

Variable name: [\[cc\\_benefit\]](#)

There are no special childcare benefits to parents of children in public kindergartens.

#### 5.3.1. *Eligibility*

#### 5.3.2. *Benefit amount*

#### 5.3.3. *Benefit duration*

#### 5.3.4. *Means test*

#### 5.3.5. *Tax treatment*

#### 5.3.6. *Interaction with other benefits*

#### 5.3.7. *Combining benefit receipt and employment/starting a new job*

### 5.4. *Child care allowance for children not using child care centers*

None.

### 5.5. *Tax concessions for childcare expenditures*

In Comunidad de Madrid, there is a deduction of up to EUR 1 000 for each child provided that school fees are met through a private price (amounts paid through a public price or through a price authorized by the Administration are not deductible). There are no tax credits at the national level linked directly to childcare expenditures, but there are other tax credits for children of relevant age (see Section 7).

## 6. **In-work benefits**

There are no in-work benefits in Spain.

## 7. **Social security contributions and payroll taxes**

### 7.1. *Contributions by employees (Cotizaciones sociales de los empleados)*

Variable names: [\[SOCSEC\\_p\]](#); [\[SOCSEC\\_s\]](#)

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

- Lower ceiling: EUR 12 600
- Upper Ceiling: EUR 48 841.2

These ceilings are based on a full-time job. For part-time workers, ceilings are proportional to the real hours worked.

The following rates apply:

- 4.7% for pensions/sickness and invalidity

- 1.55% for unemployment (general rate)
- 0.1% for training.

### 7.2. *Contributions by benefit recipients (Cotizaciones sociales de los beneficiarios de prestaciones sociales)*

Variable names: [[SOCSEC\\_p](#); [SOCSEC\\_s](#)]

For a person on unemployment insurance, the total social security contributions amount of 4.7% of reference earnings, with the same lower and upper ceilings (as for employees).

The remaining social security contributions for pensions and sickness are paid by the Public Service of Public Employment (*Servicio Público de Empleo Estatal, SEPE*). This public body also pays contributions for individuals on unemployment assistance. Contributions are not payable on family benefits and social assistance. Contributions paid by SEPE on behalf on unemployment benefit recipients are not included in the model.

### 7.3. *Contributions by employers (Cotizaciones de los empleadores)*

Variable names: [[SSCR\\_p](#); [SSCR\\_s](#)]

Employers are liable to pay the following contributions (with the same lower and upper ceilings (as for employees):

- Old age pension/sickness and disability: 23.6%
- Unemployment (general rate): 5.50%
- Wages fund: 0.2%
- Professional Training: 0.6%.

## 8. Taxes

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

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

### 8.1. *Personal income tax (Impuesto sobre la renta de las personas físicas, IRFP)*

Variable name: [[IT](#)]

#### 8.1.1. *Tax allowances*

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

**Tax allowance for social security contributions:** All social security payments are fully deductible.

**Other expenses allowance:** is up to EUR 2 000. It may be increased by the same amount in case of accepting a job in a different location implying a change of residence (*not modelled*).

**Employment related allowance:** Net employment income (i.e. gross income less employee social security contributions) may be reduced according to the following rules:

- Taxpayers with net employment income less than or equal to EUR 13 115 per year: EUR 5 565.
- Taxpayers with a net employment income between EUR 13 115 and 16 825: EUR 5 565 less the result of multiplying by 1.5 by the difference between the net employment income and EUR 13 115.

**Disabled workers allowance:** an allowance of EUR 3 500 for disabled salary earners. Those with reduced mobility may claim an augmented allowance of EUR 7 750. (*not modelled*)

### 8.1.2. Tax base

The tax base is defined as taxable income minus social insurance contributions and tax allowances. Taxable income includes income from employment, taxable unemployment benefits and social assistance.

### 8.1.3. Income tax schedule

The central government income tax is calculated according to the following tax schedule:

Taxable income (EUR)	Tax at the lower limit (EUR)	Tax rate on taxable income in excess of the lower limit (%)
0–12 450	0	9.50
12 450–20 200	1 182.75	12.00
20 200–35 200	2 112.75	15.00
35 200–60 000	4 362.75	18.50
Over 60 000	8 950.75	22.50

The Autonomous Communities (Regional Governments) are liable to set up their own personal income tax schedule to tax the general income tax base. In 2019, those tax rate schedules vary from five to ten brackets and their marginal rates from 9.5 to 25.5%.

Up to 2009, the regional share of the tax on the general tax base was determined by applying a progressive tax schedule with default values. However, the Autonomous Communities were allowed to modify these values under certain limitations. The default tax scale was removed in 2010. From that moment on, the regional tax schedule became increasingly different. These differences have grown since 2015, coinciding with the entry into force of the income tax reform. Since 2016, each Autonomous Community applies a different tax scale, with currently only one matching the Central Government tax scale.

Because of these dramatic changes, we had to change the assumptions of the model. In the past, we used the Central Government tax schedule in place of regional tax schedule. Since 2016, we use the regional tax schedule of Madrid (Madrid Region), which is thought to be the most representative.

#### Madrid Schedule for general tax base in 2019

Taxable income (EUR)	Tax at the lower limit (EUR)	Tax rate on taxable income in excess of the lower limit (%)
0–12 450	0	9.00
12 450–17 707.20	1 120.50	11.20
17 707.20–33 007.20	1 709.31	13.30
33 007.20–53 407.20	3 744.21	17.90

Over 53 407.20

7 395.81

21.00

#### 8.1.4. Tax credits

**Maternity tax credit:** This is a non-refundable tax credit for working women with children under 3 years of age up to EUR 1 200. Since 2018 it may be increased by EUR 1 000 where the taxpayer has incurred qualifying expenses related to nursery schools/kindergartens.

**Tax credit for large families:** This tax credit is for large families (3 or more children) or families with dependent family members with disabilities. It is non-refundable. The amount is up to EUR 1 200, in general, or EUR 2 400 for special large families, with 5 or more children. It also may be claimed by single-parent households with two children. Since 2018 it has been raised by EUR 600 for each child exceeding the minimum number of children required for all large families types listed above.

#### Other tax credits:

- The base amount is EUR 5 550 per taxpayer. The same amount is granted for family units filing jointly.
- Dependent children (under 25 years or of any age if disable): EUR 2 400 for the first dependent child; EUR 2 700 for the second; EUR 4 000 for the third, and EUR 4 500 for any additional child.
- Childcare allowance: an additional allowance of EUR 2 800 for each of the above dependent children under 3 years of age.
- There are additional tax credits for elderly and workers with disabilities (*not modelled*).

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

These allowances are tax credits calculated in the following way: all the applicable amounts are summed up, then the tax rate is applied to the sum according to the tax schedule. The obtained result is deducted from the tax.

## 9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Spain 2019 (Figure 1). TaxBEN by default produces the following output: net household incomes (**black line**) and its subcomponents (**coloured stacked areas**) for selected family and individual circumstances.

The model and the related web calculator is accessible from the [project website](#). Figure 1 shows outputs for four scenarios:

- By percentage of the average wage (**Panel A**);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel B**);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel C**);
- By previous employment record, for a jobseeker claiming unemployment benefits (**Panel D**).

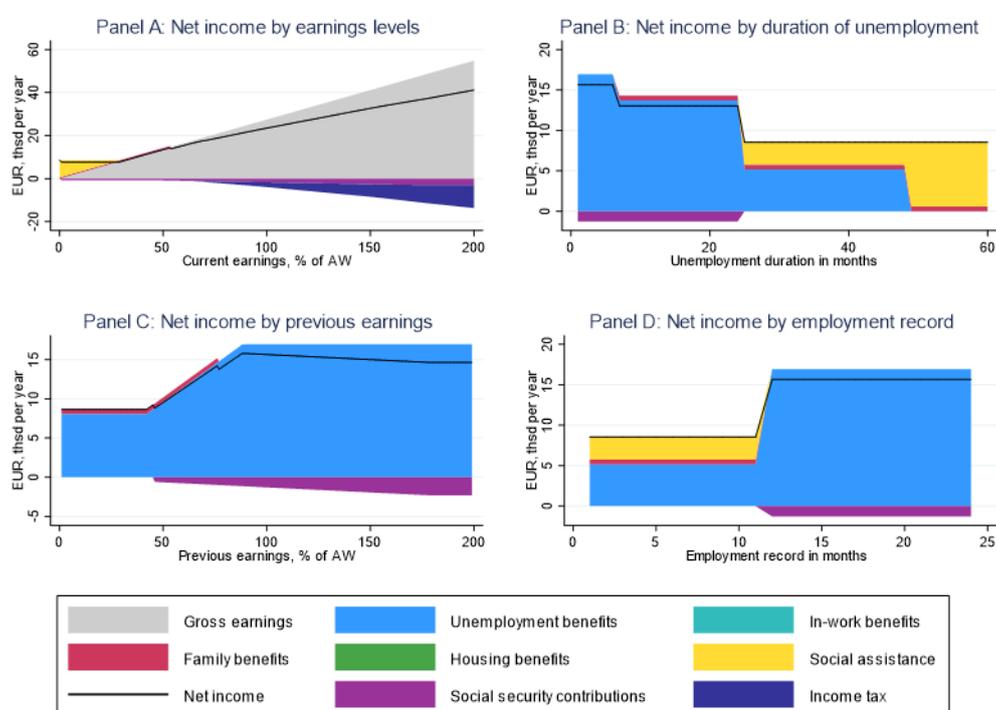
The stacked areas shows the following household income components: **GROSS** = gross earnings; **SSC** = social security contributions; **IT** = income tax; **FB** = family benefits; **HB**

= housing benefits; **SA** = social assistance; **IW** = in-work benefits. Note that each component may contain more than one benefit or tax.

Results in Figure 1 refer to a two-adult family with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefit supplements are assumed to be available in all the four scenarios provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

**Figure 1. Selected output from the OECD tax-benefit model**

Two-adult couple with two children.



*Notes:* In Panel A, the first adult is employed full-time and full-year. The second adult is out of work and not eligible for unemployment benefits, e.g. because they have expired (the same is assumed for the first adult when earnings are zero). In Panels B to D, the first adult is out of work and claiming unemployment benefits, whereas the second adult is out of work and not eligible to unemployment benefits. Previous earnings of the first adult equal to the Average Wage. In Panels B and C, the first adult is assumed to have a 'long' employment record of 264 consecutive months before the job loss. Panels C and D refer to the 2nd month of unemployment benefit receipt.

*Source:* Calculations based on the OECD tax-benefit model.

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## Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Spain that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

### *Benefit for birth or adoption (Ayuda por nacimiento o adopción)*

This is a one-off lump-sum economic benefit (EUR 1 000) for birth or adoption in the following cases: large families, lone-parent families or disabled mothers. The same income test as for the family allowance is applied (see Section 4.1.4. ).

### *Benefit for multiple births or adoption (Ayuda por parto o adopción múltiple)*

This is a one-off lump sum economic benefit for multiple births or adoption:

- 2 children: 4 times the monthly amount of the minimum wage
- 3 children: 8 times the minimum wage
- 4 children and more: 12 times the minimum wage.