
SPAIN 2002

1. Overview of the system

Unemployed persons are covered by two successive benefits: a contributory unemployment insurance benefit for 4-to-24 months depending on contributions, then an assistance benefit for 3-to-30 months. (The most common duration is 18 months, and for persons over 52 the duration is 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 *Ingreso Mínimo de Inserción*. Family benefits are income-related. The tax unit is the individual; nevertheless family units have the option of filing their tax returns on a joint basis. The 2002 AW level is EUR 18 601 (OECD Secretariat estimate).

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.

2.1.1 *Employment conditions*

None.

2.1.2 *Contribution conditions*

A claimant must have contributed for a minimum of 360 days in the 6 years preceding the legal status of unemployment.

2.2 *Calculation of benefit amount*

2.2.1 *Calculation of gross benefit*

It is 70 per cent of reference earnings for a maximum period of 6 months, then 60 per cent of reference earnings for the remaining period of the benefits (see section 2.4 for the duration of the benefit); reference earnings correspond to the average gross earnings over the last 6 months.

The benefit is limited by a maximum and a minimum that depend on the number of dependent children below age 26. Both are expressed as a percentage of SMI, the minimum interprofessional wage (*Salario Mínimo Interprofesional*), with an increment of 1/6 (proportional to bonus payment). For 2002,

 SMI is EUR 17.20 per day, that is EUR 6 190.80 yearly, including in both cases the proportional part of bonus payment.

Family type	In per cent of SMI*	
	Minimum	Maximum
With no dependent children	75	170
With dependent children	100	
One child		195
Two or more children		220

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

2.2.2 *Income and earnings disregards*

It is not means-tested. Unemployment benefits are reduced in proportion to hours worked.

2.3 *Tax treatment of benefit*

Normally taxable. For a person on unemployment insurance, the total social security contributions amount to 65 per cent of 4.7 per cent of reference earnings, subject to lower and upper ceilings (see section 10.3).

2.4 *Benefit duration*

The total duration increases with contribution record. There is no waiting period; the benefit is paid 7 days per week.

Contribution record (in months)	Duration of benefit (in months)
12-18	4
19-24	6
25-30	8
31-36	10
37-42	12
43-48	14
49-54	16
55-60	18
61-66	20
67-72	22
72+	24

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

None.

2.5.2 *Older workers*

None.

2.5.3 *Casual agriculture workers*

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 360 days, and a maximum of 540 days, when the period of contributions has been 2 160 days.

3. Unemployment assistance

3.1 *Conditions for receipt*

With dependants:

- Those 16-65 years old who have exhausted their entitlement to contributory benefit.
- Those with no entitlement to contributory benefit, but who paid contributions for 3 months.

Without dependants:

- Those older than 45 who have exhausted their entitlement to contributory benefit for at least 12 months.
- Those with no entitlement to contributory benefit, but who paid contributions for 6 months.
- Spanish workers who are immigrants, having returned to Spain from countries which are not members of the European Union/Economic Area, or with which no covenant exists concerning protection for being unemployed, with no entitlement to contributory benefit and having worked abroad for no fewer than twelve months.
- Persons released from prison with no entitlement to contributory benefit and having been in prison at least 6 months.
- Workers declared to be fully capable or partially disabled as a result of any review proceedings due to improvement of a disability.

3.2 *Calculation of benefit amount*

3.2.1 *Calculation of gross benefit*

It is 75 per cent of the interprofessional minimum wage (*Salario Minimo Interprofesional* - SMI) excluding the proportional part of bonus payments. The SMI in 2002 was EUR 14.74 per day, that is EUR 5 306.40 per year.

3.2.2 *Income and earnings disregards*

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

3.3 *Tax treatment of benefit*

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

3.4 Benefit duration

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. 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 75 to 125 per cent of SMI, depending upon their family circumstances (*i.e.* children, etc.).

- With one relative to support or none at all: 75 per cent of SMI
- With two relatives to support: 100 per cent of SMI
- With three or more relatives to support : 125 per cent of SMI.

The duration of this benefit is 6 months. Workers aged 52 or over, having exhausted their UI benefits, may be entitled to prolonged unemployment benefits at a flat rate of 75 per cent of the minimum wage. This benefit lasts until they reach retirement age.

3.5.3 Subsidy of casual agriculture workers

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 hours, at least, in agriculture jobs can have the right to receive unemployment subsidies in some circumstances.

3.5.4 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 75 per cent of SMI, excluding the proportional part of bonus payments. Also those who met the following requirements may be eligible: handicapped 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 and have worked at least 6 months abroad and met all the requirements with the exception of having been registered during the last 6 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 75 per cent of SMI and the duration is for a maximum of 10 months.

4. Social assistance

There is a minimum income scheme called the *Ingreso Mínimo de Inserción* (or *Renta Mínima*) 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. The region of Madrid is considered below as being representative.

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.

4.2 Calculation of benefit amount

4.2.1 Calculation of gross benefit

In 2002, the amount is the following depending on the number of dependent members in the family, with a basic amount of EUR 293.86 per month.

Number of dependent members in the family	Rate (EUR per month)
1	367.33
2	411.41
3	455.49
4 and more	599.57

4.2.2 Income and earnings disregards

It is means-tested on a one-to-one basis, using gross family income excluding family benefits. There are no disregards.

4.3 Tax treatment of benefit

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

4.4 Benefit duration

It lasts as long as the conditions are fulfilled.

4.5 Treatment of particular groups

4.5.1 Young persons

None.

4.5.2 Older workers

None.

5. Housing benefits

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

6. Family benefits

6.1 Conditions for receipt

To have dependent children of less than 18 years of age or older handicapped children affected to a degree equal to 65 per cent or more. In the case of children under 18 no handicapped, benefits are income related.

6.2 Calculation of benefit amount

6.2.1 Calculation of gross benefit

In 2002, the amount is the following, per dependent child, depending on the situation:

- Children under 18:
 - a) No handicapped: EUR 24.25 per month (EUR 291 per year).
 - b) Handicapped to a degree of 33 per cent or more: EUR 48.47 per month (EUR 581.65 per year).
- Children over 18:
 - a) Handicapped to a degree of 65 per cent or more: EUR 251 per month (EUR 3 012 per year).
 - b) Handicapped to a degree of 75 per cent or more and needing the help of another person: EUR 376.50 per month (EUR 4 518.00 per year).

The following table allows us to establish the lower and upper ceilings depending on the number of dependent children.

Number of dependent children	Lower ceiling (EUR)	Upper ceiling (EUR)
1	7 954.07	8 245.07
2	9 147.18	9 729.18
3	10 340.29	11 213.29
4	11 533.40	12 697.40

The benefit amount is obtained by dividing the difference between one of the above upper ceilings and gross family income by the number of dependent children, rounded to the upper multiple of EUR 6.01. In any case, the difference between both the above ceilings must be equal or superior to EUR 24.25 per child/year.

6.2.2 *Income and earnings disregards*

In the case of children no handicapped, it is means-tested on a one-to-one basis on gross family income exceeding in 2002 EUR 7 954.07 per year (increasing with 15 per cent for every dependent child from the second).

6.3 *Tax treatment of benefit*

Not taxable.

6.4 *Treatment of particular groups*

None.

7. Childcare benefits

None.

8. Employment-conditional benefits

None.

9. Lone-parent benefits

None.

10. Tax system

10.1. Central government income tax

10.1.1 Tax unit

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

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

10.1.. Tax allowances and tax credits

10.1.2.1 Standard reliefs

Basic reliefs: A personal allowance of EUR 3 305.57 is granted for each individual. For married couples filing jointly the allowance amounts to EUR 6 611.13. This figure is EUR 5 409.11 for heads of households.

Dependent children: EUR 1 202.02 per child for the first two dependent children under 25 years. For subsequent children (3rd and 4th) the allowance is EUR 1 803.04. Above figures are topped up with EUR 150.25 for every dependent child, to cover part of the costs of education, for those between 3 and 16 years of age.

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

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

- Taxpayers with net income equal or less than EUR 8 113.66: EUR 3 005.06.
- For those with a net income between EUR 8 113.66 and EUR 12 020.24: EUR 3 005.06 less the result of multiplying by 0.1923 the difference between net income and EUR 8 113.67.
- Taxpayers with net income over EUR 12 020.24 or other than employment income over EUR 6 010.12: EUR 2 253.80.

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

Other: No standard relief available.

10.1.2.2 Main non-standard reliefs applicable to an AW

Contributions to approved Mutual or Superannuation Funds: Contributions made by each member of the household, may reduce its taxable income up to a maximum limit of EUR 7 212.15 yearly. Contributions made by taxpayers exceeding 52 years of age may be increased in EUR 1 202.02 for each additional year up to a maximum limit of EUR 22 838.46.

Also, those households whose second earner has net work income below EUR 7 212.15 may reduce taxable income up to a maximum of EUR 1 803.03 on a yearly basis, if the principal earner contributes to some of the above institutions for her/him.

Relief for subscriptions paid in respect of membership of a trade union and business or professional associations (last item is limited to mandatory membership) up to EUR 300.51.

Relief for expenses made for the legal defence of the taxpayer, directly related to a conflict with his employer up to a maximum limit of EUR 300.51 per year.

Other non-standard reliefs provided as deductions are:

Investment in the acquisition and rehabilitation of own-housing:

- As a general rule, 15 per cent of the investment made during the year with a maximum limit of EUR 9 015.18.
- By using external funds (e.g. loans, mortgage): The first two years after the acquisition or rehabilitation: 25 per cent of the first EUR 4 507.59 and 15 per cent of the rest, with a maximum of EUR 9 015.18. In subsequent years: 20 per cent and 15 per cent, respectively.

Gifts: 10 per cent of the amounts donated to foundations and associations declared of public benefit. 25 per cent if these amounts are donated to some special legally approved foundations, associations and other private and public institutions.

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

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

10.1.3 Tax schedule

General rates of tax - resident individuals

Taxable income (EUR)	Tax at the lower limit (EUR)	Tax rate on taxable income in excess of the lower limit (%)
0.00 – 3 678.19	0.00	15.00
3 678.19 – 12 873.68	551.73	20.17
12 873.68 – 25 134.33	2 406.46	23.57
25 134.33 – 40 460.13	5 296.30	31.48
40 460.13 – 67 433.56	10 120.86	38.07
Over 67 433.56	20 389.64	39.60

10.2 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 (%)
0.00 – 3 678.19	0.00	3.00
3 678.19 – 12 873.68	110.35	3.83
12 873.68 – 25 134.33	462.54	4.73
25 134.33 – 40 460.13	1 042.47	5.72
40 460.13 – 67 433.56	1 919.11	6.93
Over 67 433.56	3 788.37	8.40

10.3 Social security contribution schedule

Contributions differ according to the labour market situation. For a worker, there are three main contributions, amounting to 6.35 per cent of gross employment income, limited in 2002 by a lower ceiling of EUR 6 192 per year and an upper ceiling of EUR 30 898.80 per year:

- 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 *L'Institut National pour l'Emploi* (INEM). For a person on unemployment assistance, contributions are paid by (INEM). Contributions are neither payable over family benefits, nor over social assistance.

11. Part-time work

11.1 *Special benefit rules for part-time work*

Persons working less than 12 hours/week or 48 hours/month contribute and they are therefore covered for unemployment insurance.

12. Policy developments

12.1 *Policy changes introduced in the last year*

12.2 *Policy changes announced*

A Personal Income Tax reform is announced for 2003, mainly addressed to lower the tax burden of the families with children.
