



Agencia Tributaria

Labour Market and Pensions in Tax Sources

Methodology

Subdirectorato General for Statistics



Presentation

The publication Labour Market and Pensions in Tax Sources (Mercado de Trabajo y Pensiones en Las Fuentes Tributarias) is a statistical exploitation that approaches the vision of the labour market from a double perspective: that of the entity that employs and remunerates, and that of the person retained or receiving wages, pensions and unemployment benefits. It is precisely the characteristics of these groups that will be the object of study and analysis in this publication, thus constituting the universe of analysis. As of 2008, the classification by 'nationality' was incorporated in the groups of employees and unemployed persons, distinguishing between those of Spanish and foreign nationality. Also from this year onwards, the classification by type of entity has been modified, establishing a more aggregate and homogeneous classification for both companies and non-profit institutions.

The statistic is based on the list of recipients of income presented by employers and entities that pay pensions or unemployment benefits through the Annual Summary Statement of Deductions and Income on Account on Labour Income, certain economic activities, prizes and certain income imputations (Model 190)..

Usefulness of the statistic

The importance of the statistic lies in the possibility of knowing the demographic and territorial distribution of labour income as well as the characteristics of the labour market in a broad sense. It includes both, employed persons and unemployed persons receiving unemployment benefits, not forgetting pensioners or persons who have left the labour market because of their age and others who receive widow's pensions, etc.

The analysis of the employed population presents results classified by sector of activity, which makes possible to establish a profile of the Spanish economy that answers the following questions: which sectors employ the greatest number of workers? Which ones pay the most? In which sectors is there inequality in the distribution of the workforce by sex? etc. The subsequent updating of the data, will make it possible to monitor the evolution of changes in the labour market, employment growth, the variation in the average amount of wages, the sensitivity of the labour market to changes in the cycle and the effect of the labour market anticipating changes in the economic situation in certain sectors of activity. In short, this statistic opens up new expectations for studying the labour market, joining the rest of the statistical sources that have this productive factor as their object of study.

From the perspective of the recipients of income, the distribution by territory, by sex, by age bracket and by salary bracket, established in proportion to the minimum interprofessional wage, is analysed.

The Annual Declaration of Withholding Tax Return on Income, being a source of exhaustive information and relating classified income with the type of individual who receives it, is the ideal tax source for the study of the distribution of income, making it possible to carry out these analyses.



Methodology

1. Introduction

The Labour Market and Pensions Statistics in Tax Sources is based on the annual returns (Form 190) filed by individuals, legal and other entities, including the Public Administrations, that are obliged to withhold or pay income tax on the income of individuals in accordance with the provisions of Article 71 of the Tax Regulations, that pay any income in the reference, providing a quantification and description of the mass of income received and/or generated from work in the Common Tax System Territory.

This return is informative and does not have, as with other tax returns, any case of exemption from the obligation to declare. Thus, all entities that pay salaries, pensions or unemployment benefits are obliged to present the return, regardless of their personality, activity, size or public or private nature. Therefore the information is exhaustive and very detailed. Each withholder or payor of income presents a summary information and a list of payees with individualized information of the data to construct paid remunerations and withholdings. The framework is made up of the populations of employees, pensioners and recipients of unemployment benefits who reside in the Common Tax System Territory. These lists of recipients include all persons who receive income subject to personal income tax, even if they are paid less than the legal minimum exemption for the obligation to declare personal income tax, withholding tax at a zero rate or exempt income.



2. Objectives and content of the publication

OBJECTIVES

The statistic in Labour Market and Pensions in Tax Sources constitute a census based on the annual declarations of Model 190. It offers the data available in the Tax Sources for the study of employed, unemployed and pensioners through statistical tables in which both, recipients and payments made, are classified according to different criteria: geographical, activity and business size, sex and age of the recipient, etc.....

The publication aims to update the information already available, as well as to make it more manageable, current and operational.

CONTENT OF THE PUBLICATION

The publication contains this Methodological paper, Statistical Tables, representative graphs and maps and Annexes.

The Methodology provides the population and territorial framework of the group under investigation, defines the variables that are the object of exploitation and presents the classification variables used.

Within the statistical tables, a general table is presented with the total population according to the nature of their salaries, broken down into three different sections, one for each type of salary studied (salaried employment, pensions and unemployment). More detailed information can be obtained by different variables and cross-sections of variables. All of them are represented also by graphs that help us to interpret the data from the tables and representative maps where the information is broken down by Autonomous Communities and Provinces.

The data and disaggregation shown in the tables will only be available when there is a certain minimum of observations. This is necessary to safeguard the secrecy and confidentiality of taxpayers. Another option will have to be chosen in the event that the desired data is suppressed.

In the Annexes, the Sectoral Classification in terms of Economic Activities Tax is included, as well as the methodological changes that have arisen over the years.



3. *Scope of the Statistic*

POPULATION SCOPE

The Labour Market and Pensions Statistic in tax sources is a census where the population framework comprises the companies and entities that pay any type of remuneration: salaries, pensions or unemployment benefits. It contains the list of perceptions and recipients of these remunerations.

From the perspective of the withholder, those who pay and retain exclusively other type of income, i.e. income from economic activities (agricultural or professional), exempted income, prizes, assignment of image rights, as well as income from directors and administrators are excluded of the scope.

From the perspective of the withheld person, also excluded payments above and payments of those who have their tax address in the Autonomous Territories (regardless of whether the corresponding payments have been made to the State Treasury or the Autonomous Treasuries).

The reporting units that are required to submit Model 190 are as follows:

a. Companies or entities that produce goods and services intended for sale, regardless of their legal status, activity or size. Including:

- Entrepreneurs, farmers and professionals natural persons.
- Communities of property and civil societies of persons without legal personality.
- Societies of any kind and cooperatives.
- Temporary groupings of companies.

b. Private non-profit institutions or private administrations that provide services to particular groups of families or companies, not intended for sale.

c. State, regional and local public administrations.

d. Natural and legal persons and other entities not resident in Spanish territory that operate there through a permanent establishment.

The reporting units do not include households that pay salaries to domestic workers.

GEOGRAPHICAL SCOPE

The existence of special tax regimes in the Provincial Councils of the Basque Country and Navarre limits the geographical scope of this statistic to the so-called Common Tax Regime Territory which excludes, in principle, the aforementioned territories. However, the companies or entities that operate or maintain establishments in both territories are obliged to pay the withhold tax and to submit the corresponding annual tax return to the tax authorities of both territories. Thus, included in this statistic are all those recipients with tax address in the Common Tax Regime Territory who receive payments from entities or companies with obligation to declare in any of the Tax Administrations.



TEMPORAL SCOPE

This Statistic includes all declarations of Form 190 relating to the income accrued in the statistic's reference year.



4. *Study groups and variables to be exploited*

This section lists the variables presented in the Statistical Tables and briefly describes the main characteristics of each of them.

This statistic is structured in three separate sections, based on the information obtained from the different compensation keys of the declaration or entity: Employment (key A), Unemployment (keys C and L13) and Pensions (key B and subkeys 6 and 7 of key L). In addition, in the case of Employment and Wages, the study analyse two different perspectives: that of the recipient and that of the paying or retaining company.

It should be pointed out that the information contained in form 190 will include the data on the income studied, both those that are exempt and those in which the application of the rules established for this purpose in the regulations in force have determined the application of a deduction or payment percentage equal to zero.

One of the particularities of this statistic is the phenomenon of plurality. Thus, in these groups there are situations in which a person can obtain, throughout the year, salary payments from two or more companies or entities, and two or more types of payments.

Before defining the variables under study, it is necessary to conceptually delimit each of the corresponding sections, and then define the exploitation and classification variables used in the compilation of this statistic.

COLLECTIVES

The groups studied in this statistic are: Employees, Unemployed and Pensioners.

Employees

This is the group made up of the recipients whose payments are declared in key A (employees in general). It includes all those payments, in cash or in kind, that have been made by the reporting person or entity, as income from work.

This study is carried out from two perspectives: that of the paying or retaining entity and that of the employee or recipient.

Unemployed

This group is made up of the recipients whose payments are declared under codes C (Unemployment benefits or subsidies) and L13 (Unemployment benefits paid in the form of a single payment). It includes all the payments corresponding to unemployment benefits or subsidies, regardless of the form of payment.



Pensioners

It includes persons who have received in the reference year remuneration declared under key B (Pensioners and recipients of passive assets), i.e. non-exempt payments of personal income tax. It corresponds to the pensions and passive assets of public social security schemes and passive classes, as well as those corresponding to other benefits, whether public or private, monetary or in kind, referred to in article 17.2(a) of the Tax Act), and those classified with subkeys 6 and 7 of key L, which are exempted benefits for permanent incapacity or major invalidity and pensions for passive classes of permanent incapacity.

Widows/widowers pensions are included under key B.

DEFINITIONS

Employees

Employees are defined as the group of persons whose payments are declared under key A (employees in general).

The definition of the salaried population and the existence of situations of multiple employment (part-time work and employment relationships of less than one year's duration) enables an employee to obtain, throughout the reference year, salary payments from two or more companies or entities.

Calling N_i to all entities that have made wage payments to employee 'i' and ' S_{ij} ' the full annual salary (without deductions) paid by entity 'j' to employee 'i'. The total annual salary of that employee. ' S_i ' is:

$$S_i = \sum_{j=1}^N S_{ij}$$

' N_i ' shall also be used as the number of different wage payments received by the employee 'i'. ' N ' is the total number of paying entities.

' A ' is the number of employees, i.e. the sum of the employees of the different entities 'j'.

$$A = \sum_j^N A_j$$

where ' A_j ' is the total number of employees of entity 'j' defined as

$$A_j = \sum_{i=1}^N f_{ij} \quad f_{ij} = \frac{S_{ij}}{S_i} \leq 1$$



and ' f_{ij} ', is defined as the weighting for each remuneration paid and represents the importance of the annual remuneration paid by entity ' j ' to employee ' i ' over the total annual remuneration received by employee ' i '. ' N_j ' is the total number of salaries paid by entity ' j ' (where $A_j \leq N_j$). Therefore, employees receiving payments from several entities are accounted as employees of each entity at the ratio of the salary paid by this entity to the total received by the employee.

The operating variables 'total annual wages', and 'annual wages paid by a specific entity', are defined as follows:

- A. Annual wages paid by entity j (S_j) are obtained by summing the wage payments made to the N_j group of persons in the list of wage earners paid by that entity. If S_{ij} is the annual salary received by person ' i ' from entity ' j ', the full annual salaries paid by this entity (without deducting deductions) are:

$$S_j = \sum_{i \in N_j} S_{ij}$$

The 'wage' includes payments received by each employee declared under key B02.

- B. Total annual wages ' S ' is defined as the sum of the annual wages received by each of the ' A ' employees, or the sum of the total annual wages paid by the N entities:

$$S = \sum_{i=1}^A S_i = \sum_{j=1}^N S_j$$

The average annual wage, for any subset of employees formed by crossing the classification variables, is defined as the sum of the annual wages divided by the number of employees in that subset.

Unemployed

In this group, the phenomenon of plurality does not occur. Unemployment benefits are unique and always paid by the same withholder.

Pensioners

The phenomenon of plurality of perceptions applies, that is, a pensioner can receive one or more pensions of different types.

As with salary, the annual pension of a pensioner is defined as the sum of all pensions received.

Equally, for any subset of pensioners formed by crossing the classification variables, the average annual pension is defined as the sum of the annual pensions of that group divided by the number of pensioners in the subset.



OPERATING VARIABLES

The operating variables studied are different in each of the groups treated.

Employees

FROM THE RECIPIENTS POINT OF VIEW

EMPLOYEES (A)

This is the number of persons who receive a cash consideration for work performance, counted only once, regardless of whether they have worked for one or more companies or entities.

PERCEPTIONS PER PERSON

Perceptions per person (on average) are defined as the number of remunerations received by a person and paid by different entities or companies.

WAGES (S)

Is defined as the sum of the annual wages (S_i) received by each of the A employees:

$$S = \sum_{i=1}^A S_i$$

AVERAGE ANNUAL SALARY (SMA)

Is the salary calculated as the quotient between the total salaries and the total number of employees.

$$SMA = S / A$$

FROM THE PAYERS' POINT OF VIEW

NUMBER OF ENTITIES (N)

Is defined as the total number of paying entities or companies with an obligation to withhold or pay on account.

EMPLOYEES (A_j)

Is defined as the number of employees of the entity j



RECIPIENTS (N_i)

This is the number of salary relationships with different companies for each employee. Thus, when an individual is working in more than one company or entity, he/she will be counted as many times as the number of companies he/she works for.

TOTAL WAGES (S)

Is defined as the sum of the total annual salaries paid by the N entities.

$$S = \sum_{i=1}^N S_i$$

TOTAL WITHHOLDINGS

These are the withholdings or payments on account that companies or entities are obliged to withhold on behalf of their employees.

AVERAGE WITHHOLDING TAX RATE

The average percentage withholding rate is calculated as the ratio of total withholdings to total wages.

Unemployed

UNEMPLOYED

This is the number of different people who have received unemployment benefits during the reference year.

AVERAGE ANNUAL BENEFIT

The average annual benefit received by the unemployed is calculated as the ratio of total annual unemployment benefits to the number of unemployed.

Pensioners

PENSIONERS

This is the number of different people who received a monetary pension during the year.

PENSION PER PERSON

It is defined as the number of pension payments received by a person.

ANNUAL AVERAGE PENSION

The average annual pension is calculated as the ratio between the total number of pensions paid and the number of pensioners.



CLASSIFICATION VARIABLES

The classification variables used are distinguished according to the following criteria: territorial, characteristics of the recipient or employee and characteristics of the withholder or paying company.

TERRITORIAL: PROVINCE AND AUTONOMOUS COMMUNITY

From the territorial point of view, the information can be broken down by province and by Autonomous Community. Depending on the perspective from which the three different groups are studied, a distinction is made between the tax domicile of the recipient and the withholder. Thus, in the case of the unemployed and pensioners, the tax domicile taken as a reference is always that of the recipient, but in the case of the group of employees, both the tax domicile of the withholder and that of the recipient are used, therefore the study of this group is presented from the two perspectives: withholding or paying company and perceptor or employee.

CLASSIFICATION VARIABLES OF THE RECIPIENT

RECIPIENT GENDER

The disaggregation of the data by sex of the recipient is considered essential for a complete analysis of the labour market and pensions; therefore, tables have been obtained broken down by sex.

ANNUAL SALARY BREAKDOWN

The salary breakdown have been determined as proportion of the minimum annual interprofessional payments, taking as a reference the Annual Interprofessional Minimum Wage for the calculation of the groups of Wage earners and Unemployed, and the Annual Interprofessional Minimum Pension in the case of Pensioners. In both cases, there are a total of 13 ranges, the first 10 sections have an amplitude of 0.5, starting of (0 to 0.5] times the Minimum Annual Interprofessional Wage or Pension, and the last three are (5 - 7.5] , (7.5 – 10] times the Minimum Interprofessional Wage or Pension and more than 10 times the Minimum Interprofessional Wage or Pension.

ANNUAL INCOME RANGES

This variable refers to the income received in the year for all the items contemplated in the statistics and is calculated as the sum of the remunerations paid for any of the “wage” keys (key A), pensions (key B and L06, L07) and severance payments (keys C and L13). Eight annual income ranges are presented.



INCOME BRACKETS

ANNUAL

From 3000
(3000 a 6000]
(6000 a 9000]
(9000 a 12000]
(12000 a 18000]
(18000 a 24000]
(24000 a 30000]
More than 30000

AGE

The table below shows the age groups used in the different groups.

AGE STEPS	
Colectiv	Age groups
EMPLOYEES	<18
	18-25
	26-35
	36-45
	46-55
	56-65
	>65
UNEMPLOYEES	<26
	26-35
	36-45
	46-55
	>55
PENSIONERS	<25
	25-35
	36-55
	56-65
	65-75
	>75

NATIONALITY

Nationality is defined as the special legal relationship between a person and a State; thus we will distinguish between those who have Spanish nationality and those who do not have. This classification is defined according to the first letter of the NIF (Tax Identification Number). Foreigners have an X or M identifying letters. Any other letter is used for Spaniards.



RETAINER's CLASSIFICATION VARIABLES

TYPE OF ENTITY (New)

The classification for type of entity is established according to the legal personality, the profitable or non-profit purpose of the entity's corporate purpose, and the size of the company for tax purposes:

1. Public Administration and Non-Profit Institutions

1.1. Public Administration

1.2. Non-profit institutions

- Cooperatives or partnerships
- Congregations
- Other NPI

2. Companies

2.1. Personal companies

- Physical persons
- Entities in income attribution

2.2. Corporate companies

- Large companies
- Small and Medium Enterprises (SMEs)

NOTE

(1) Since 2008, the classification by type of entity has been modified, making it possible to establish a more aggregate and homogeneous classification for both companies and non-profit institutions.

Companies are classified according to their personal form of taxation, differentiating between corporate companies, i.e. those that pay corporate income tax and personal companies that pay personal income tax.

As for NPISHs, the modifications introduced in the NIF according to RD 1065/2008, of July 27, 2008, allow for a more detailed and precise classification of institutions.



ACTIVITY SECTORS

The main activity of each company is obtained from the annual VAT return, from the information on business annual tax headings and from the main activity assigned in the Census of Large Companies. Based on this information, since 2009, the Labour Market and Pensions in Tax Sources statistic present a new sector classification harmonised with the new National Classification of Economic Activities (NACE 2009):

1. Agriculture, livestock, forestry and fisheries
2. Extractive industry, energy and water
3. Industry
4. Construction and real estate activities
5. Trade, repairs and transport
6. Information and communications
7. Financial and insurance companies
8. Services to business
9. Social services
10. Other personal and leisure services
11. Unclassified

FIRM SIZE

Size is established by the number of employees working for the enterprise during the reference period:

1. Up to 3 employees
2. (3 to 9 employees]
3. (9 to 19 employees]
4. (19 to 49 employees]
5. (49 to 99 employees]
6. (99 to 199 employees]
7. (199 to 499 employees]
8. More than 499 employees



RESULTS' TABULATION

The results tables are structured in four sections. The first, under heading 0, presents population groups according to the type of remuneration. The other three present information on recipients according to the type of remuneration studied: Wages, Pensions and Unemployment.

SECTION 0. Lists the types of remuneration obtained by the recipients. It summarises, in a global way the nature of the remuneration data for the reference year. Population groups are presented according to the type of remuneration, by the number of recipients, annual remuneration, average annual remuneration, tax withholdings and type of withholdings. This provides the user with an overview of the situation. This table will also be available by Autonomous Community and Annual Income range.

SECTION 1. Employees wages or salaries (Key A): These are studied from the perspective of the recipients of the remuneration and from the perspective of the paying entities:

- ✓ The perspective of the recipient is provided with data on employees, Number of payments per person, Wages and Average annual salary, all of them differentiated by sex and for different variables such as: Wage ranges, Autonomous Community and Province corresponding to the employee's tax address, Gender, Age ranges and Nationality. In addition, data can be obtained from the crosses of these variables. Each of these tables is complemented with a representative graph or a map when the data is presented by Provinces or Autonomous Communities.
- ✓ Regarding the paying company the information available is as follows: Number of entities, Number of recipients, Total annual remuneration and Total annual withholdings and Average rate of withholding, all of them classified by Type of entity, Activity Sector, Autonomous Community of the recipient's tax address, Dimension of the company as well as the corresponding crosses of variables and the representative graphs and maps.

SECTION 2. Unemployment (Keys C and L13): Provides information on the number of unemployed, the annual unemployment benefit and average benefit distributed by sex, age range, nationality, Autonomous Community and province.

SECTION 3. Pensions (Key B and subkeys 6 and 7 of Key L): Contains information on Number of pensioners, Number of perceptions and Average annual pension by sex and Age range, Autonomous Community, Province and Pension range, as well as graphs and maps.

Tables of results can be obtained that satisfy the need for information of agencies, individual users, always preserving statistical confidentiality.

In addition, the following details must be taken into account:



- ✓ The tables that represent variables of the recipients refer to persons with tax address in the Common Tax Regime Territory, regardless of whether their salaries have been paid by entities with obligation to declare to the State Treasury or to the Foral Treasuries.

- ✓ The tables of reporting entities refer to the entities or the part of them with the obligation to declare and present the corresponding withholding to the State Treasury. The Economic Agreement with the Basque Country and the Agreement with Navarre establish as a general criterion that the deductions on income from work or professional activities will be required in the territories where the work or services are provided, except those corresponding to civil servants and employees of the State Treasury. In the case of pensions and unemployment benefits, they shall be required, in general, in the territory where the payment is made, except for those of passive assets which shall always be required by the State Administration.