Statistic of Personal Income Tax Annual Return Submitters by municipalities

Methodology

1. Introduction

The '**Statistic of Personal Income Tax annual return submitters by Municipalities**' stems from the statistical use of administrative records: in this case from Form 100, Personal Income Tax (PIT) annual return together with Form 190 from which exempted income information is taken.

Transparency Law states the active advertising as the framework for Public Administrations behaviour. One of the roles matching this requirement is the drawing up and making available to all citizens the most frequently demanded information, either by them or by other public administrations. One of the subjects that arouses both more interest and information requests is the knowledge of income distribution at a local level. For this reason, the present release was undertaken in order to offer a product that meets most of these requests as well as to be able to widen the knowledge of Personal Income Tax information, taking into account that this is the tax with highest collection capacity. Therefore, this work shows the results of the most relevant items of the tax at the territorial level closest to citizens: the municipal sphere. By classifying municipalities by size, according to official population data provided by the National Statistics Institute (always inside the Common Fiscal Territory, TRFC), it is possible to infer the most relevant features, inside each tax return submitter profile, according to the size of the municipality of residence and their geographical location. The municipality data are worked out with the population (natural persons to whom the data refer) whose fiscal address is located in a given local territorial scope (town) and in the year of accrual of Personal Income Tax.

2. Objectives

The chief aim of the Stat is to meet a standing demand from citizenship, associations and researchers related to the collection of any kind of economic and taxation information at the closest-to-citizen territorial level: municipalities. There are currently many data requests at the local level and even under that level when it comes to big municipalities. The Stat opens the path leading to meet these demands and, though the under-local level is not achieved yet, the main PIT information is offered after being clustered by municipalities, individualized for towns bigger than 1,000 inhabitants and aggregated for the rest.

Given the hampering to safeguard the return submitters data privacy, a selection of the overall variables included in the Form has been done. Besides, local information is available, clustered by Autonomous Community/Province, for every village with less than 1,000 inhabitants.

In order to do the right read of the Tables shown, it must not be forgotten that they contain an information stemming from the PIT annual returns submitted, which sometimes include the income from different persons being part of a family. It is neither individual nor family income, given that one or another are included depending on the taxation option chosen. That said, this time the information about the number of holders in each return has been added for each record. Thus, the income holder will be one person both in individual returns and in joint family taxation option with a single parent only, while there will be two holders in marriage couples joint taxation option.

3. Content

This release comprises the present Methodology and the Statistical Tables.

Methodology section explains the population scope and the territorial scope of the Statistic as well as expose the specific classifying variables and the operating variables used to meet the aim of this product.

Stat Tables show the information, for TRFC, displayed in two blocks:

Block I: Statistic by Territories

It includes three kinds of Tables: The first of them, *Gross income and Disposable Income* is the actual novelty of this release because it provides information about submitters aggregate income before taxes (Gross Income). Gross income is shown without tax reliefs and including exempted income, as to achieve an steady and out-of-tax-regulation concept, valid in each of the fiscal years. Disposable Income is the gross income after paying taxes, considering a wide notion of these latter because it comprises the annual return outcome as much as the social contributions paid by workers. Information is shown in two different layouts: main variables summary detailed by Autonomous Community and Province; and the Table of complete variables with the selection choice of Autonomous Community and Province too. The other two kinds of Tables, *PIT Economic and Taxation Data,* and *Family Situation* integrate the information at a municipal level into the mainstream Statistic of Personal Income Tax annual return submitters. With this purpose, the most relevant PIT economic and taxation magnitudes are clustered according to the size of the Municipality, inside TRFC. The three classes of Tables contain likewise disaggregated Tables by population size, allowing to check out data at a National, Community or Province levels.

Block II: Detail of Municipalities bigger than 1.000 inhabitants

This block displays detailed information about Municipalities with more than 1,000 inhabitants, according to population official data.

The block includes two kinds of Tables. The first one, *Ranking position by average gross income of Municipalities with population higher than 1,000 inhabitants,* gives the position of average gross income of the looked up town in a regional top-down sorting of municipalities bigger than 1,000 inhabitants, inside their Autonomous Community. It also shows the national position related to the total number of Municipalities, inside TRFC. The other one shows relevant data about annual return summary, economic data and tax assessment, on one hand, and family situation, in the other hand, for Municipalities bigger than 1,000 inhabitants, according to the Census updated on January 1st of the following year after the referenced fiscal year (Source: National Statistics Institute). The differences between these two kinds of Tables are in the way of browsing in order to select the Municipality to be consulted.

Data view through EGEO map

Data view through EGEO map (interactive map with georeferenced data) is available. When consulting the choroplastic map and selecting the territorial scope (Autonomous Community, Province or Municipality) data referred to Average Gross Income, Average Disposable Income, number of returns and Returns Submission Ratio are displayed.

Statistical confidentiality (S.E.)

Each datum and each disaggregation shown in the Tables will only be available when referred to a minimum number of observations at the chosen crossing. This minimum has to be enough and necessary in order to guarantee and keep safe statistical secrecy and taxpayers' confidentiality.

Unlike other statistics publishing data at the level of annual return items, in this Stat some linked data are shown aggregate in order to soften, as far as possible, the impact of concealing some relevant contents in the Table.

Parameter value of statistical secrecy is S.E.
.

4. Reference Scope

Population scope

The population scope is made up of all taxpayers legally required to submit PIT annual return according to the rules provided for by article 96 of the Law 35/2006 related to the Personal Income Tax and other tax regulations, as well as by article 61 of the Procedure Ruling passed with Royal Decree 439/2007. Moreover, people not forced to do it but that have submitted returns anyway, are also included.

Territorial scope

The existence of the Basque Country and Navarre Foral regimes limits the territorial scope of the Stat to the TRFC, which excludes those regions and includes the autonomous cities of Ceuta and Melilla. Non-residents are included, though as they are not linked to any Province or Municipality they are shown in the tables at a level alike to the one associated to an Autonomous Community.

Temporal scope

The current release comprises the whole number of PIT annual returns, Form D-100, matching with the tax accrual fiscal year.

5. Operating Variables

BLOCK I: STATISTIC BY TERRITORIES

These Block includes three kinds of Tables:

1. Gross Income and Disposable Income by Autonomous Community, Province and population size.
2. Economic and Tax Data by Autonomous Community, Province and population size.
3. Family situation by Autonomous Community, Province and population size.

TABLE 1. Gross Income and Disposable Income by Autonomous Community, Province and population size.

In order to work out a gross income figure as an addition of similar constituents, each negative outcome in the return have been substituted by zero.

Data shown in this Table are the following:

- **Number of returns:** Number of returns that matches the target population in the referenced temporal scope and in the considered territory.
- **Number of holders:** Number of submitters that appear as holders in the return: one holder both in individual returns and in joint family taxation option with a single parent only, and two holders in marriage couples joint taxation option.
- **Number of Municipalities:** Number of towns within the chosen category: total national, by Autonomous Community, Province and/or size band of the town (classification of Municipalities).
- **Number of inhabitants:** Number of persons registered in the Census updated to January 1st of the fiscal year following the tax accrual year.
- **Earned Income:** Amount of gross earned income, be it cash or kind, corporate contributions to pension schemes/group insurance primes, and the contributions to workers' protected assets. Reliefs and deductible expenses are not subtracted.
- **Capital Income:** Gross capital income regardless whether it is included in General Base or in Savings Base. Bank accounts interests, financial assets income, dividends, Treasury Bonds yields, businesses and personal properties lease and income from intellectual or industrial property are all included. Neither deductible expenses nor tax reliefs to which the taxpayers are entitled are subtracted.
- **Income of real state not used in business activities:**

  Includes the amount of the full assessable income resulting from the real properties leased or transferred to third parties or from the constitution or transfer of rights of use thereof, provided such lease cannot be qualified as business activity. Neither deductible expenses nor tax reliefs to which the taxpayers are entitled are subtracted. Income allocation from housing different from taxpayer usual residence is not included either.
- **Business Activities income:** Sum of net income worked out adding the different business activities income taxation schemes: direct and direct simplified, non-farming activities objective assessment and farming module scheme. Under no circumstances, neither the tax relief provided for income generated in a more than two years period nor specific reliefs provided for by tax laws are subtracted. Yet, the business activities net income coming from income allocation regime is certainly included.
- **Other Income:** It comprises income allocated by Economic Interest Clusters and Temporary Union of Businesses, image rights, income allocations from International Fiscal Transparency

Regime or income derived from sales of shares of collective investment undertakings in tax havens. Though legally they are capital gains, emancipation income (recurring public provision for youngsters who live in rented housing) is included,

- **Net Capital Gains:** Accrual year net balance of capital gains/losses to be included in the General Base or in the Savings Base, minus the negative balance of prior years' losses, to be included within the current year Taxable Base. Exempted gains are not part of this return item.

- **Exempted Income:** Income matching with L key of Form 190, which is exempted following PIT laws and, accordingly, are not included in the annual return. There are three groups: earned income (severance payments, exempted unemployment compensations, income from works carried out abroad, inability and dependency benefits…), motherhood, large family and dependency allowances, and other income.

- **Gross income, gross income subject to tax and gross exempted income:** These variables match with the items displayed in the Statistic of Personal Income Tax annual return submitters. It is worked out adding every income constituent displayed in the Table according to income classes.

- **Social Security Contributions:** Contributions to Social Security or to General Mutual Funds for Officials, drawdowns for passive rights or for orphan schools and alike institutions. This is the part of the tax collected by these organizations in order to cover future pensions and unemployment compensations. It is on account of the workers and it is subtracted in their payroll. The reason for it to be displayed in the Table is that it can be considered as a tax on earned income.

- **Annual Return Net Tax Liability:** It is the final PIT liability, matching with the accrued tax assessed in the return.

- **Disposable Income (subject to tax and exempted):** The disposable income subject to tax is taken from the gross income subject to tax minus tax liability and social contributions. This magnitude is limited to zero (no negative values are considered).

- **Average Gross Income:** It is the gross income amount divided into the number of returns.

- **Average Disposable Income:** It is the disposable income divided into the number of returns.

Note: This Table displays the main gross income constituents. These are defined regardless the item in which each kind of income is included in the Taxable Base, following PIT laws. In most cases, the choice was to select gross income, before subtracting deductible expenses and tax reliefs. Moreover, tax burdens items are considered (social contributions and PIT debt) and they are taken away from gross income to determine the disposable income that can be used for consumption or investment (Attachment 1 shows a Correlation Table with the matching between the items comprised by this Table and the annual return items).

Table 1, main variables version, shows in columns the following variables, with an exhaustive display in rows of Autonomous Communities and Provinces:

- Number of returns.
- Average Gross Income.
- Number of Municipalities.
- Earned Income.
- Exempted Income.
- Gross Income.
- Social Security Contributions.
- Annual Return Final Outcome.
- Disposable Income.

TABLE 2. PIT Economic and Taxation Data by Community, Province and population size.

This table shows the items taxed and that is why the reduced net income and the main magnitudes of the tax are included. The definition of each element of this table matches with those established in the PIT Statistics, according to Law, and in Form 100, PIT annual return, such as: income to be included in the Taxable Base, reductions to work out the Net taxable Base, Tax liabilities, deductions/allowances, withholdings and the final outcome. Therefore, in this block, the target consisting in working out the personal income figure defined in table 1 is not considered, meanwhile all the elements needed for the assessment of Personal Income Tax are thoroughly shown in detail.

Table 2 shows the number, aggregate figure and average value of the following items:

EARNED INCOME (net reduced)

- Gross Earned Income
- Corporate contributions to pension schemes/group insurance primes.
- Deductible Expenses
    - Social Security Contributions
    - Dues paid to trade unions and professional associations
- Preliminary Net Income
- Net Income
- Earned Income Tax reliefs
    - Earned income relief: general
    - Additional relief for active workers with disability
    - Rest of reliefs

INTERESTS AND DIVIDENDS

- Gross income
- Deductible expenses

INCOME FROM REAL STATE NOT USED IN BUSINESS ACTIVITIES

- Sum of allocated income
- Sum of real state income

BUSINESS ACTIVITIES INCOME

- Income assessed in Direct Scheme
- Income assessed in Indirect Scheme
- Net Total Income of Farming Activities

OTHER INCOME IN SPECIAL SCHEMES

- Movable assets net allocated income
- Real State net allocated income

- Reduced Net Income from Business Activities (income allocation)
- Income allocated by Economic Interest Clusters and Temporary Union of Businesses
- Income allocations from International Fiscal Transparency Regime
- Income allocations from image rights
- Income derived from sales of shares of Collective Investment Undertakings in tax havens

CAPITAL GAINS AND LOSSES

- To be included in the General Taxable Base
- To be included in the Savings Taxable Base

GENERAL AND SAVINGS TAXABLE BASE

- General Taxable Base
- Savings Taxable Base

TAXABLE BASE RELIEFS AND FAMILY SITUATION

- Joint Taxation Option
- Pensions Schemes Contributions
- Reduction for compensatory spousal pensions and alimonies

GENERAL AND SAVINGS NET TAXABLE BASE

- General Net Taxable Base subject to tax rates fare
- Savings Net Taxable Base
- Personal and Family Minimum
- Increased or decreased Total Personal and Family Minimum. Calculation of Autonomic tax

TAX LIABILITIES

GENERAL DEDUCTIONS/ALLOWANCES

- For usual residence

AUTONOMIC DEDUCTIONS

NET TAX LIABILITY

WITHHOLDINGS AND PAYMENTS ON ACCOUNT

- Payroll withholdings and payments on account
- Capital withholdings
- Urban real properties lease withholdings
- Business Activities withholdings and payments on account
- Other withholdings and payments on account

FINAL POSITIVE RETURN OUTCOME (to be paid)

FINAL NEGATIVE RETURN OUTCOME (to be refund)

TABLE 3. Family situation by Community, Province and population size.

Within this Family Situation Table, the following variables are shown:

- Number of towns
- Number of returns
- Number of children reported
- Number of returns reporting children
- Average number of children by return
- Number of holders by return
- Number of returns with motherhood allowance
- Number of returns with allowance for disabled dependant descendants/ascendants
- Number of returns containing allowance for large family or similar
    - Number of returns with allowance for large families in general
    - Number of returns with allowance for special large families
- Returns Submissions Ratio
- Average earned income
- Average capital income
- Average income from real properties not used in business activities
- Average business activities income
- Average amount of income plus income allocations
- Average personal minimum
- Average minimum for descendants
- Average personal and family minimum
- Average relief on General Taxable Base
- Usual residence average deduction
- Average pension schemes contribution
- Average motherhood allowance
- Average allowance for disabled dependant descendants/ascendants
- Average allowance for large family or similar
    - Average allowance for large families in general
    - Average allowance for special large families

Returns Submissions Ratio: Total number of holders submitting annual returns per number of inhabitants in a territory, multiplied by 100.

Note: Except the variable 'Returns Submissions Ratio', only the operating variables included in TABLE 1 have been defined in these methodology notes. The rest of the variables are the same than those included in the general PIT Statistic (for further information see the section 'Methodology' of the mentioned stat).

BLOCK II – STATISTIC DETAILED BY MUNICIPALITIES

In the Table *Ranking position by average gross income of Municipalities with population higher than 1,000 inhabitants*, the following variables are defined:

- **National ranking position by average gross income:** Position of average gross income of the looked up town in a national top-down sorting of municipalities bigger than 1,000 inhabitants, inside TRFC.
- **Regional ranking position by average gross income:** Position of average gross income of the looked up town in a regional top-down sorting of municipalities bigger than 1,000 inhabitants, inside each Autonomous Community.

Finally, in the rest of the Tables belonging to Block II a comprehensive information, similar to that included in Block I, about gross and disposable income, tax summary, economic and taxation data and family situation of the submitters living in municipalities bigger than 1,000 inhabitants is shown.

6. Classification Variables

The differential characteristic of the two blocks of tables presented are the different classification criteria used.

Therefore, the three territorial criteria used are:

- **Autonomous Community** those within the Common Fiscal Territory
- **Province**
- **Population size:** the following municipality classification is used according to the number of census inhabitants according to the Public Register of Population revised on January the 1st of the year following the statistical reference year (source: INE):

  - Up to 1,000 inhabitants
  - Total of those bigger than 1,000 inhabitants
  - From 1,001 to 5,000 inhabitants
  - From 5,001 to10,000 inhabitants
  - From 10,001 to 20,000 inhabitants
  - From 20,001 to 50,000 inhabitants
  - From 50,001 to 100,000 inhabitants
  - From 100,001 to 500,000 inhabitants
  - More than 500,001 inhabitants

The classification criterion used in block II is the municipality with more than 1,000 inhabitants. The table second of this block, that can be deployed in three sections, includes all the information of block I relating to each of municipalities but with two different selection possibilities: One option allows to select the municipality straight away, with a list of them presented in alphabetical order; and a second utility that lists all the municipalities that can be available shorted out by Autonomous Community, province and size of population, making the navigation easier.