

Madrid, 27 June 2017

## 28 June, Tax Freedom Day 2017

- *The average taxpayer spends 178 working days paying taxes*
- *This year's Tax Freedom Day occurs one day before last year's.*

In 2017, the average Spaniard will have worked 178 days in order to fulfill their tax obligations. In other words, Tax Freedom Day, calculated annually by Think Tank Civismo, takes place on 28 June, one day ahead of last year's.

In the general calculation, the weight of the individual tax types, in terms of days, is the following: 102 days on average for social welfare contributions, 36 days for income tax (IRPF), up to 25 for VAT, 11 for excise duties, and 5 more for other state, autonomous (regional), and municipal duties, such as real estate tax, inheritance tax, and registration tax. This leaves 186 days of income for the taxpayer.

Age group (years)	Total tax paid (euros)	Avg. labor cost (euros)	Working days dedicated to paying taxes	Tax Freedom Day (day when one stops paying tax)
16-29	10.500,78	25.494,17	171	21 de junio
30-44	13.577,01	32.631,52	182	2 de julio
45-64	16.062,33	37.752,18	185	5 de julio
>65	4.626,67	22.687,50	104	16 de mayo
<b>Media</b>	<b>12.038,89</b>	<b>25.352,53</b>	<b>178</b>	<b>28 de junio</b>

### The tax burden on salaries

The breakdown above shows the great impact of income tax and welfare contributions, known together as the "tax wedge", and how they significantly lower the net salaries of workers. Out of every 100 euros of labor costs paid by the employer, employees aged 16-29 take home 64,03, which amounts to a "tax wedge" of 35,97%. For workers between 30 and 44 years of age, net earnings come to 62,26, a "tax wedge" of 37,74%. Those aged 45-64 keep a mere 61 euros, which corresponds to the largest "tax wedge" out of all age brackets: 38,76%. Finally, among wage earners over 65, direct taxation makes sure that for every 100 euros, they get to keep 88. In this case, the "tax wedge" is reduced because of the absence of social welfare contributions.

## The tax punishment of Spanish families

In the case of Spanish households with one or two dependent children, the tax breaks that apply amount to a softening of the “tax wedge” by almost a whole percentage point for each age group. On the other hand, family circumstances are not taken into account when it comes to welfare contributions, cancelling the incentive for having children.

### *“Tax wedge” for families with one child*

Age group (years)	Avg. taxable amount	Income tax (IRPF)	Contribution by employer + employee	Total tax	Labor Cost	Tax wedge (%)
16-29	9.629,75	1.829,65	7.114,42	8.944,07	25.494,17	35,08
30-44	14.775,35	2.923,58	9.106,17	12.029,75	32.631,52	36,86
45-64	18.467,04	3.809,58	10.535,14	14.344,72	37.752,18	37,99
>65	12.787,50	2.446,50	0,00	2.446,50	22.687,50	10,78

Having a second dependent child further reduces the tax pressure by one percentage point on average for each age group, compared to the first child. The most striking is that the tax system awards a larger tax reduction (IRPF + welfare contributions) for more mature parents than it does for younger parents. In doing so, rather than seeking to halt the ageing of the demography, the system generates the opposite demographic effect: parents are likely to have children later.

### *“Tax wedge” for families with two children*

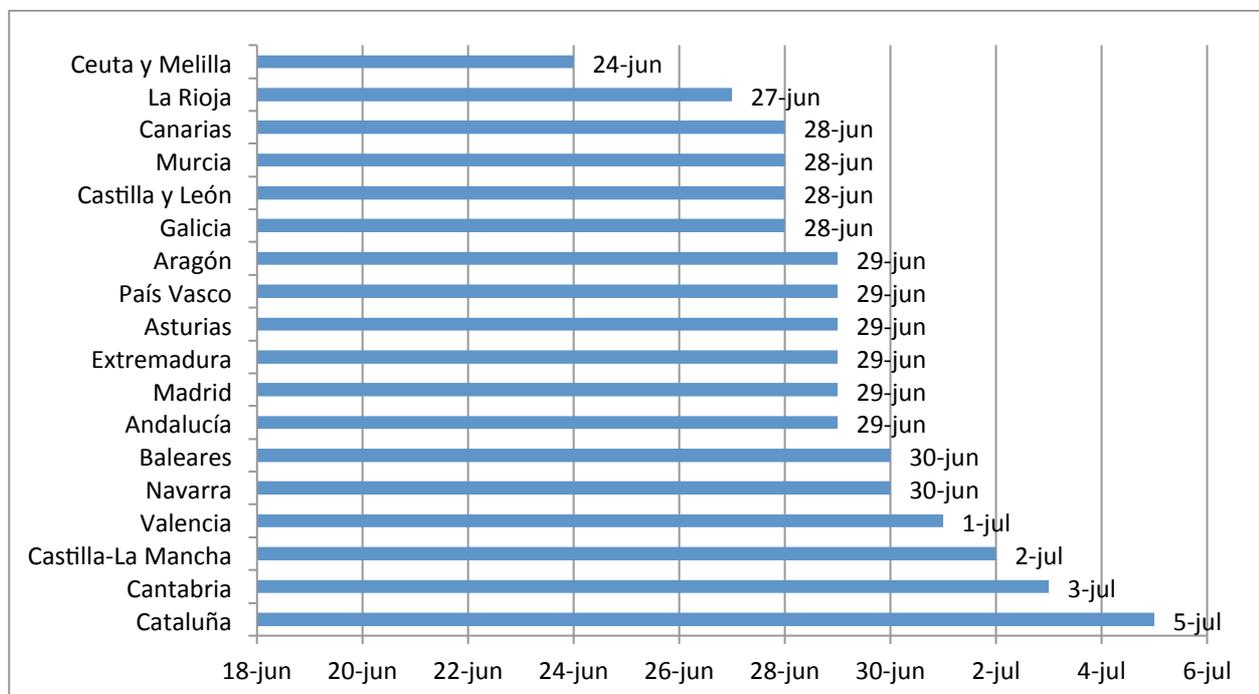
Age group (years)	Avg. taxable amount	Income tax (IRPF)	Contribution by employer + employee	Total tax	Labor Cost	Tax wedge (%)
16-29	8.279,75	1.573,15	7.114,42	8.687,57	25.494,17	34,07
30-44	13.425,35	2.599,50	9.106,17	11.705,67	32.631,52	35,87
45-64	17.117,04	3.485,58	10.535,14	14.020,72	37.752,18	37,14
>65	11.437,50	2.173,12	0,00	2.173,12	22.687,50	9,58

## The tax map of Spain

Even though various autonomous communities (Aragon, Balearic Islands, Cantabria, Galicia, and La Rioja) have implemented important tax hikes in the higher age brackets, others have lowered regional income taxes by half a percentage point to two points. They have also improved the base tax rates as well as available deductions (Community of Valencia, Murcia, and Balearic Islands). This has resulted in a positive net effect, allowing Tax Freedom Day to take place one day sooner.

Among the regions, La Rioja celebrates its Tax Freedom Day first, on 27 June, while Catalonia has to wait the longest, until 5 July. Aragon, the Balearic Islands, Catalonia and Cantabria also need an extra day in order to pay their taxes, whereas Galicia and Castile and León have their Tax Freedom Day one day earlier (two in Andalusia).

*Tax Freedom Day 2017 by autonomous community (taxpayer without children)*



## About Civismo

*Civismo is the foremost liberal think tank of Spain. Through its projects, activities and investigations, it seeks to strengthen civil society and advance personal and economic liberties.*

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