

2. GOVERNMENT FINANCIAL POLICIES TOWARDS FAMILIES

2.2 Fiscal Policies

ii) major changes which have taken place, over the last few years in tax deductions, tax benefits or tax allowances for children, other dependent persons and spouses/cohabiting partners. Significance of these changes. Policy rationale for any changes and the reaction of key groups.

Children/Household composition

Austria

In the course of the tax reform 2005, the sole earner's and the sole parent's tax credit were increased depending on the number of children. The changes became effective in 2004.

Belgium

Depuis l'exercice d'imposition 2005 les co-habitants légaux sont assimilés aux personnes mariées et ne complètent qu'une seule déclaration commune. Les co-habitants légaux bénéficient donc du même régime fiscal que les conjoints mariés. Le cohabitant légal est celui qui s'est fait enregistrer comme tel par une déclaration de cohabitation légale et éventuellement avec une convention de cohabitation.

De ce fait, ils peuvent bénéficier de l'application du quotient conjugal, de l'optimisation éventuelle des déductions relatives aux amortissements en capital des emprunts hypothécaires.

Les mesures nouvelles de l'exercice 2008 sont les suivantes :

- L'article 132 bis du code des impôts sur les revenus a été adapté pour adapter la notion de garde qui a été modifiée au profit de la notion d'hébergement égalitaire qui correspond à la garde partagée.
- La notion de partage des suppléments d'impôts entre le père et la mère a été remplacée dans ce même article par la notion de contribuables pour viser les situations de co-parenté fiscale dans les cas par exemple d'adoption par des personnes du même sexe.
- Les formalités de demande de co-parenté fiscale en vue de la répartition des suppléments d'impôts ont été facilitées dans les cas d'hébergement égalitaire.
- Le supplément pour enfant de moins de trois ans peut maintenant également être réparti entre les contribuables qui appliquent la co-parenté fiscale.
- Le supplément de quotité exemptée pour le parent imposé isolément n'est plus seulement attribué au parent isolé qui a un ou plusieurs enfants à charge mais aussi au parent imposé isolément à qui la moitié des suppléments sur la quotité de revenus exemptée d'impôt est octroyée pour un ou plusieurs enfants à charge en application d'une co-parenté fiscale.

Bosnia and Herzegovina

Not mentioned/not applicable

Bulgaria

Revoking of the tax break for children. The change was introduced in relation to the 2008 introduction of the proportionate taxation of the incomes of natural persons at 10%; Increase in the amount of the tax break for persons with decreased ability to work: the amount of the tax break was related to the amount tax basis that is not subjected to taxation (2400 leva x 2). In 2008 in the absence of a minimum amount not subjected to taxation the break is determined at a higher amount – 7 920 per annum; narrowing down of the scope of the tax break for donations under the provisions of the TINPA: starting from 2008, donations done by natural persons directly to other natural persons will not be eligible for the tax break. The change was introduced in relation to the 2008 introduction of the proportionate taxation of the incomes of natural persons at 10% and based on data accounted by the incomes authorities and organisations of persons with disabilities according to which despite the increase in the amount of the tax break used the finances concerned do not reach the people for whom they are meant.

Croatia

Until 2005 – personal deduction amounted to €205.47 personal deduction was: 0.4 for dependent adult family member, 0.42 for the first child, 0.59 for the second, 0.84 for the third, 1.17 for the fourth, 1.59 for the fifth, 2.09 for the sixth, 2.67 for the seventh, 3.34 for the eighth, personal deduction rate for persons with disabilities was increased by 0.25.
From 2005 – personal deduction amounts to €219.17, personal deduction is: 0.5 for dependent adult member of family, 0.5 for the first child, 0.7 for the second, 1.0 for the third, 1.4 for the fourth, 1.9 for the fifth, and for every subsequent child the rate increases progressively by 0.6, 0.7, 0.8, 0.9 and 1.0 in relation to the deduction rate for the previous child, personal deduction for persons with disability is now 0.3, and for persons with established 100% disability or disability which forces them to use other people's help, it is 1.0.
From 1st July 2008 – the amount of personal deduction is €246.57.

Cyprus

The 2003 tax reform replaced all tax related exemptions for child/spouse etc by significantly raising, in exchange, the tax-free income and introduced the child benefit allowance, as described above.

In particular, it should be noted that with the tax reform in force as from 1.1.2003, all personal allowances (apart from contributions to approved pension schemes, provident funds and life insurance policies) were abolished. The threshold of taxable income was raised from €6.000 (€10.251,61) to €9.000 (€15.377,41) for 2003 and to €10.000 (€17.086,01) for the year 2004. The non-taxable income is currently at €19.500.

Czech Republic

Since 2006 all "personal" tax relief have been transformed into tax credits. For 2006 and 2007 the amounts remained same and for 2008 the changes are marked between parentheses:

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- CZK 7200 (€ 288) (CZK 24 840, € 994) for all taxpayers. Both partners of a married couple with children are entitled to this credit even if one of them earns no income and the spouses claim the joint taxation,

- CZK 4200 (€ 168) (CZK 24 840, € 994) is given in respect of a spouse living in a common household if that spouse earns no more than CZK 38 040 (€ 1522). The principal is eligible to this credit even if they opt for joint taxation, introduced in 2006. Tax credit could double in case of spouse with a full disability.

- CZK 6000 (€ 240) (CZK 10 680, € 427) per child, introduced already in 2005, (irrespective of the child's own income) if the child satisfies one or more of the following criteria:

- aged below 18
- aged below 26 and receiving full-time education
- aged below 26 and physically or mentally disabled provided that the child is not in receipt of a state disability payment

The tax credit could have form of a negative tax up 52 200 CZK (€ 2088).

- CZK 1500 (€ 60) (CZK 2520, € 101) if the taxpayer is in receipt of a partial disability pension or entitled to both an old-age pension and a partial disability pension

- CZK 3000 (€ 120) (CZK 5040, € 202) if the taxpayer is in receipt of a full disability pension, or another type of pension conditional on his full disability pension, or if the taxpayer is entitled to both old-age pension and full disability pension or deemed to be fully disabled under statutory provisions, but his application for a full disability pension was rejected for reasons other than that he was not fully disabled (handicapped)

- CZK 9600 (€ 384) (CZK 16 140, € 646) if the taxpayer is a "ZTP-P" card holder (ZTP-P means handicapped person requiring an assistance)

- CZK 2400 (€ 96) (CZK 4020, € 161) if the taxpayer takes part in a systematic educational or training programme under statutory provisions in order to prepare for his future vocation (profession) by means of such studies or prescribed training until completion 26 years old or 28 years old (Ph.D. programme).

It should be noted as well that in 2008 the tax base was broadened and progressive taxation modified to one single rate. Joint Taxation. Introduced in 2005 but abolished in 2008 due to changes in tax rate structure. Any reason for the joint taxation does not exist when only one rate is applicable. Moreover, the tax credit for spouse without earnings was considerably increased.

Estonia

The major change was an implementation of increase of the maximum tax-free income starting from the second and since 2007 from the first child. There reason behind was a concern for low fertility rates. There have been surveys showing no implication on child poverty.

Finland

Please see 2.2. i

France

Tax credit:

At the 2005 family affairs conference, the Prime Minister decided to take steps to sustain the birth rate and the occupational activity of mothers, that is enable them to opt, at the birth of a third or subsequent child, for a year of parental leave remunerated at a rate of approximately 50% over the current parental leave lasting for three years. The tax credit for the expense of having a child under 6 cared for away from home would be doubled.

The CESU:

In the framework of the policy pursued in aid of personal services, the "universal service employment cheque"(CESU), comprising the wages, dues and social charges payable by a user of these services, was created to amplify and enhance the earlier cheque



arrangement. It affords partial coverage of the cost of employing a person at home or using the services offered by home help enterprises, particularly for child care. The coverage was extended by Decree no. 2007-854 of 14 May 2007 to accompaniment when away from home (outings, transport, acts of everyday life), provided that such services are part of an offer of services which includes a range of activities performed at home.

The cheque has been available since January 2006 and qualifies its users for a reduction of income tax worth 50% of the amounts paid for personal services, lower employer's charges, and a VAT rate reduced to 5.5% on the services charged to users who avail themselves of a personal services enterprise or association. Enterprises which defray the social charges in respect of their employees receive exemptions from charges and a tax credit on the corresponding amounts.

Germany

Not mentioned/not applicable

Greece

Not mentioned/not applicable

Hungary

In 2006, the family tax credit of the families with one or two children was abolished, and the tax credit of the bigger families was reduced (from 10 000 HUF/child/month to 4000 HUF/child/month).

Iceland

Support that parents receive from municipalities for staying home with their children to bridge the gap between the end of parental leave and enrolment in day-care, which not count as taxable incomes, was implemented in 2006. Child benefits have not been altered in substance, though some alterations have been made to the amount of the benefit and to the income testing threshold.

Italy

FAMILY AND ECONOMIC RESOURCES

- Family income support. Since the Finance Act 2007, in the framework of a broader reform of the personal income tax (IRPEF), the Italian State has allocated three billion Euros per year in favour of low and medium income families with children. Family income support was provided by transforming deductions for family charges into tax allowances – equal for everybody – which have been considerably increased. Furthermore, child benefits have also been raised for employees and economically dependent workers. The system for the calculation of benefits has also been reformed with the elimination of the existing income brackets, which determined significant reductions in child benefits even for small increases in salary (the so-called “poverty traps”). The child benefit, together with the tax allowance, has reached for low-income families (14,000 €) the sum of 2,400 € per year for

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children younger than 3 and of 2,300 € for children aged 3-18. The tax allowance has been granted also to self-employed workers, who have received on average 100 € for each child under age. These measures represent the first step of a broader reform of family income support, whose benefits will be gradually increased and extended.

- Tax allowances. The Finance Act 2008 introduced a tax allowance of 1,200 € in favour of all the large families having at least four dependent children. This is a structural measure which can be benefited from already since 2007 and which adds to the other tax benefits linked to family charges.
 - Child benefits. Based on par. 200 of art. 1 of the Finance Act 2008, child benefits have been increased for families in which at least one member is disabled or one parent is deceased. The Interdepartmental Order of the Minister for Family Policies and of the Minister of Labour and Social Affairs, in collaboration with the Minister for Social Solidarity and the Minister for Economic and Financial Affairs, has thus allocated 30 million Euros to finance this project. As a consequence, child benefits have been increased by at least 10%.
 - Reduction of the cost of services. The agreement signed with the Regions and the local authorities on 20 September 2007 provides for the reorganization of family guidance centres and the training of family assistants, as well as for measures aimed at reducing the cost of services for families with four or more children. These measures will be financed by the National Family Fund, but also through co-financing by the Regions and the local authorities. State resources total 97 million Euros for 2007 and an agreement signed on 14 February 2008 allocated the same amount again.
 - Family card. A bill adopted by the Council of Ministers on 16 November 2007, enclosed to the Finance Act 2008, establishes, among other things, the creation of a "family card" for households with at least three children under age. This card would give families the possibility to have discounts for the purchase of goods and services, agreed upon with the public and private bodies joining the initiative. However, due to the fall of the Government and the early election, this bill – together with other measures that had been adopted by the Council of Ministers – was not passed into a law by Parliament. The measures provided for families and businesses with the 2009 Finance Act
- Family grants: between 200 and 1,000 Euros for families, employees and retirees with an income between 15 and 22 thousand Euros. 2.4 billion Euros allocated. The bonus, depending on income, is:
- 200 Euros for singles with income below 15 thousand euro
 - 300 Euros for a family nucleus with two members and an income of up to 17 thousand euro
 - 450 Euros for a family nucleus with three members and income of up to 17 thousand euro
 - 500 Euros for a four-member family nucleus and income of up to 20 thousand euro
 - 600 Euros for a five-member family nucleus and income of up to 20 thousand euro
 - 1,000 Euros for a family nucleus of over 5 members and income of up to 20 thousand euro
 - 1,000 Euros for families with disabled persons and income of up to 35 thousand euro
- Newborn child relief
- Newborn children: 25 million allocated for a credit fund for newborn children: this covers bank guarantees offered to parents with a newborn or adopted child within the year of reference who request a guaranteed bank loan. For 2009, the fund increased by 10 million for families with children, also adopted, with rare diseases.
- Nappy bonus: families who are entitled to a purchasing card, with children of up to 3 months, are entitled to a contribution to buy powdered milk and nappies. The spending limit is 2 million.
- Family cheques: resources for family cheques have been increased, being extended to the self-employed. Any savings on the 350 million allocated to help borrowers with variable tax rates will go to family cheques. A decree will establish the amounts of cheques on the basis of income levels.
- Funds for rent: the fund created to help families on low incomes in rented accommodation has been increased by 20 million.
- Mortgage rates: in 2009 the variable rate borrowers will pay a maximum rate of 4 percent. The rest will be borne by the state which has allocated 350 million. No fee is due to notaries for acts related to mortgage transferrals. Since January 1st, one may also obtain a mortgage variable rate indexed to the key CEB interest rates.
- Electricity and gas: economically disadvantaged families, who are entitled to reduced rates for electricity, will also benefit by a discount on their gas bill.
- Motorway tolls: the increases in tolls are suspended until 30 April 2009.
- Railway fares: to help commuters there is a block on rail fares for regional routes.
- Current bank accounts: The clause for the maximum overdraft is void if the account is in the red for less than 1 month or if the overdraft facility is not used.
- Energy efficiency: the deduction of 55% for Irpef remains for those who have carried out major renovations to buildings. For work performed in 2008 the amount will be reimbursed in three years, from 2009 the tax credit will be spread over 5 years.
- Home plan: approval will no longer require full agreement, but opinion only. 100 million has been allocated for more urgent action.
- Relations with the Pa: citizens will receive a certified e-mail box for use in its relations with the public administration.
- The "purchase card" or "Social card" was presented on November 26 last year.

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The card is for citizens over sixty-five and families with children under 3 years of age who have an income of up to 6,000 Euros. For those who are over 70, the income threshold is 8,000 Euros.
The Purchase Card was introduced in the Finance Act (art.81 legislative decree No. 112/2008 ratified by Law 133/2008) to support families and the elderly for food shopping and the household expenses of electricity and gas.
The Purchasing Card looks like a regular electronic payment card, similar to those already in circulation and widely distributed in our country. Unlike these, however, the expenditure made with the Purchasing Card will be charged not to the card holder, but rather directly to the State.
The Card can be used to make purchases in all affiliated shops. The Card will also give discounts in those shops. Through the Card, one can directly obtain the electronically registered reduced price. Additional benefits and advantages are being studied.
The Purchasing Card is worth 40 Euros per month. For applications made before December 31, the Card will be initially credited with 120 Euros, for the months of October, November and December 2008. Subsequently, during 2009, the Card will be credited every 2 months with 80 euro, on the basis of allocated funds over time.

Latvia

Not mentioned/not applicable

Lithuania

Not mentioned/not applicable

Monaco

Not mentioned

Montenegro

Not mentioned

Norway

Not mentioned/not applicable

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Poland

Not mentioned/not applicable

Portugal

Before 2007, there were different tax deductions depending on marital status: married partners had a deduction of the 50% deduction of minimum national wage while single or divorced persons had a 60% deduction. The government decided to abolish these differences, thereby establishing that married, separated, divorced and single persons have the same 55% tax allowance of minimum national wage.

As from 2008, and in the context of the so-called "national programme for the promotion of the birth-rate", tax deductions for each dependant child below age 3 have doubled from 40% to 80% of the national minimum wage.

Russian Federation

Not mentioned/not applicable

Slovakia

Not mentioned/not applicable

Slovenia

Not mentioned

Spain

The tax family measures can be established both by the State and by the Autonomous Communities that have the competence (País Vasco and Navarra) or the many others that have assumed the competence. There are deductions related to age (over 65) in the Communities of Balears, Canary Islands, Castilla la Mancha), related to disability/ over 65 as in C. Valenciana, Galicia and Castilla y León. Related to large families as in Galicia, Castilla y León, Valencia and Canary Islands. Related to care of children under three or single families as in Andalucía, or related to reconciling as in the C. Valenciana, etc.

At State level, the reform of the Income Tax – Law 35/2006 which took effect as from the 1st of January 2007, intends to improve equity and favour economic growth. It increased the personal/family minimum amount free of tax.

Sweden

- Family policy has previously not granted support to families with children by allowing deductions in the tax system for any of the categories asked about here. The new gender equality bonus is therefore something of a breakthrough and it will benefit the family by allowing credits to tax accounts.
- The gender equality bonus is to improve the conditions for gender equality in both parental leave and participation in working life. The gender equality bonus is to be an incentive for parents to share parental leave as evenly as possible between themselves. It will counter unjustified pay differentials by making it more financially possible for families to share parental leave more equally, and strengthen incentives to return to work. The gender equality bonus will be calculated on the basis of how a child's parents divide parental leave and the days of parental benefit they take. Parents who share parental leave equally by each taking an equal number of days of parental leave will receive the maximum bonus on condition that they work when the other parent takes parental leave. Parents who have joint custody of a child are entitled to the gender equality bonus. The bonus is applicable from 1 July 2008.

Switzerland

Réforme de l'imposition du couple et de la famille

En 1984, le Tribunal fédéral (instance suprême en Suisse) a rendu un arrêt faisant jurisprudence selon lequel la charge fiscale des couples mariés doit être allégée par rapport à celle des personnes vivant seules et ne doit pas être plus lourde que celle des couples de concubins. En 2006, le Parlement a adopté des mesures immédiates permettant, dans le domaine de l'impôt fédéral, d'atténuer considérablement la discrimination frappant les personnes mariées. La loi en la matière est entrée en vigueur le 1er janvier 2008. Début 2007, une consultation a été lancée par le Gouvernement en vue d'une réforme fondamentale de l'imposition des couples mariés et de la famille (passage à l'imposition individuelle ou maintien de la taxation commune des époux). Quatre modèles d'imposition étaient proposés: l'imposition individuelle modifiée, le splitting intégral, le splitting partiel ou l'imposition individuelle à choix et le double barème. Cette consultation a toutefois débouché sur un constat de blocage entre deux clans de force à peu près égale, de sorte qu'aucune solution satisfaisante n'a pu être trouvée. Les efforts se concentrent donc désormais sur l'allègement de la charge fiscale des familles avec enfants, autre thème important aux yeux de la population.

Turkey

Child allowances take into account the special situations of taxpayers and affect low taxpayers positively. The impact of child allowances changes according to the number of children. Whereas taxpayer who is single and whose spouse works takes advantage of about 46 YTL monthly, taxpayer who has four children and whose spouse does not work takes advantage of about 78 YTL monthly.

United Kingdom

No major changes