Module on Net benefits: restricted approach

*Item 7.1 of the agenda*

Franca Faes-Cannito
Giuliano Amerini
ESTAT-F5

9-10 April 2014

Working Group Social Protection
Module on Net benefits: restricted approach

For discussion:

• Issues resulting from the validation and analysis of the data following the first year mandatory data collection (2010 data),

• Issues raised by Poland.

• EEV: 12 replies
Module on Net benefits: restricted approach

- Countries were invited to comment item 7.1 during the Early Exchange of Views (EEV) that contained 3 boxes. A special request was made in BOX 1: Exchanging experiences and good practices
  - 10 countries replied to Box 1 (DE, ES, LV, LT, NL, RO, SI, SK, UK and CH)

- The results of the EEV will be presented for information for each Box.
- The Working Group will be invited to provide comments at the end of each issue.
Box 1- Exchanging experiences and good practices

- **Difficulties** encountered during the data collection and compilation and the **solutions** found

  - **No problem:** DE, RO, SK, SI and UK
  
  - **ES, LV, LT and NL** expressed no methodological doubts, but some difficulties in specific cases with available data sources. **Solutions:** estimates using similar cases, using the same tools as the Ministry of Finance, etc.

  - **CH:** module still under implementation. Calculation methods already developed. **Difficulties** because of the federal structure of the tax system. **Still some minor methodological issues** to be clarified with Eurostat.
Box 2- Consolidated QRNET (2009 data collection)

- Mainly for countries not having yet implemented the net-restricted module: take note of the experiences of other countries as presented in document SP-2014-10-Annex 1

- **CH** mentioned that the information provided is indeed very useful (good practices from other countries).
Box 3- Clarifications on issues raised by Poland

- Help in further clarifying Eurostat replies on the issues raised by Poland

- ES, IT, LV, NL, AT and the UK agreed with Eurostat replies.
  - The methodology of the RESTRICTED approach is clear (as far as a methodology can be: there will be always implementation issues or borderline cases to be clarified).
  - Finding the right data sources and methods is an implementation aspect (admittedly not always easy to solve)
  - Some problems remain to be clarified, but for the Enlarged approach (see item 7.2), not for the Restricted
  - Split Restricted vs. Enlarged is to be kept.

- CH agree with Eurostat replies: had some doubts regarding some questions
Questions raised by Poland

**Question 1:** Do the other member countries share the concerns about the legitimacy of the methodology for the treatment of taxable benefits on this basis or in practice was tax levied on them in the period in question?

*Eurostat:* concept of "taxable" benefits to be based on ex-post macro-analysis (de facto) and not on purely legal information (de iure).
Questions raised by Poland

**Question 2:** Do the member countries share the concerns about the methodological correctness of the way shown of calculating fiscal benefits in the ‘restricted approach’?

Eurostat: fiscal benefits (of course only those applied to social benefits) in the restricted approach should be included in the AITR (and AISCR). The category "fiscal benefits" is only to be used if, for any reasons, countries can not include fiscal benefits in the AITR.
Questions raised by Poland

**Question 3:** Do the member countries have sufficient statistical data permitting the calculation of the amount of fiscal benefits in the “restricted approach” taking into account the structure of the person according to amount of income, entitlement to benefits, their structure by function, taxation and contribution rules for AITR?

*Eurostat: the restricted approach requires indeed an investment in finding the appropriate data sources and the correct methods to use them, taking into account the methodology. Estimates are acceptable. Of course they have to be documented in the Quality Report (countries do).*
Questions raised by Poland

**Question 4:** Do the member countries share the concerns about the economic interpretation and legitimacy of presenting the amount of fiscal benefits thus obtained in the ‘restricted approach’?

**Eurostat:** no concerns from countries and users. Ideally, the "fiscal benefit" item in the restricted should be empty. It is only used when (some) fiscal benefits can not be included for practical reasons (data source, etc.) in the AITR (and AISCR).
Questions raised by Poland

**Question 5: Do the member countries share the concerns about the value obtained for the amount of net benefits including fiscal benefits in accordance with the methodology presented at the meeting?, (= the restricted approach is misleading; should be abolished)**

*Eurostat: the net-restricted results are useful. They permit to estimate the difference between what is spent by the schemes (gross) and what is received by the recipients of social benefits (net-restricted). It is meaningful information users want to know.*
Questions raised by Poland

**Question 6:** Do the member countries share the concerns about the correctness of presenting net social expenditure including fiscal relief in the ‘restricted approach’?

**Eurostat:** some presentational issues exist. They have to be dealt with in the explanatory notes (metadata). Suggestions for improvements by countries are always welcome.
THANK YOU FOR YOUR ATTENTION