

Payable tax credits (PTC)

1. What are payable tax credits? Treatment in ESSPROS

In ESSPROS, fiscal benefits are defined as social protection provided in the form of tax breaks that would be defined as social protection benefits if they were provided in cash, excluding tax breaks promoting the provision of social protection or promoting private insurance plans.

Tax breaks can take the form of the following: 1) a tax allowance, exemption, or deduction — which is subtracted from the tax base; 2) a reduced tax rate — which cuts the tax liability derived from the tax base; or 3) a tax credit — which is subtracted directly from the tax liability otherwise due by the beneficiary household or corporation.

There are two forms of tax credit:

- Non-payable tax credits, also known as *wastable* or less often as *non-refundable* tax credits, are limited in value to the value of the tax liability. As such, non-payable tax credits can only ever be granted to taxpayers with a non-zero tax liability.
- Payable tax credits, also known as *non-wastable* or *refundable* tax credits, are not limited and can exceed the value of any tax liability, including a liability of zero, and may therefore be granted to non-taxpayers. The amount of any payable tax credit that exceeds the tax liability is paid directly to the beneficiary in cash. In some cases, such credits may even be paid fully in cash.

As a general rule, payable tax credits have two components: a cash component and a fiscal component. The cash component has the characteristics of a cash transfer (government expenditure), while the fiscal component has the characteristics of a fiscal benefit (reduction in government revenue).

According to 2015 and 2016 decisions of the Working Group on Social Protection Statistics, fiscal benefits in the form of payable tax credits should be included in full (cash component plus fiscal component) in the ESSPROS Core System while all other forms of fiscal benefit are excluded from the Core System.

Payable tax credits are always treated in the same way as cash payments even if part of the value is in practice delivered through reduced taxation. These are therefore classified as benefits in cash unless they are provided to reimburse the recipient in whole or in part for certified expenditure, in which case they are reported as benefits in kind.

The above treatment of payable tax credits is consistent with the approach applied in national accounts where payable tax credits are classified as government expenditure (and not reduced tax revenues).

The latest revision of the ESA considers the total value of payable tax credits as government expenditure. This treatment requires that tax revenues are recorded as the total tax liability before the application of payable tax credits (see §20.167-20.168 of ESA 2010). Adopting the

same approach in ESSPROS requires payable tax credits for social protection purposes to be included, in full, in the ESSPROS Core expenditure data, rather than just the part paid in cash.

A payable tax credit may or may not serve to provide social protection. Only tax credits with social purposes, those that conform to the general definitions of Social protection, are included in the “full ESSPROS”.

Payable tax credits may be granted to households or to units belonging to other sectors of the economy (e.g. corporations). Payable tax credits granted to non-household institutional units are not included in the Core system even if their intention is to “indirectly” protect households.

Methodological references:

On 9 December 2016, Eurostat published the 2016 edition of the "ESSPROS Manual and user guidelines" including clarifications about the treatment of payable tax credits.

A most recent edition of this publication (2022 *edition*) has been released in November 2022 and it is available via the following link:

<https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-22-013>

On 4 December 2017, Eurostat published the first edition of the "compendium of methodological clarifications" on ESSPROS, including a specific chapter about payable tax credits.

A most recent edition of this publication (2021 *edition*) has been released in February 2021 and it is available via the following link:

<https://ec.europa.eu/eurostat/documents/3859598/12467711/KS-GQ-21-003-EN-N.pdf>

2. Treatment of PTC granted for a social protection purpose, at country level (situation as at 15th January 2024)

Summary information on payable tax credits with social protection purpose and their treatment in ESSPROS data is provided here below for each participating country. More detailed information may be included in the country qualitative information for the relevant schemes, available on Eurostat web site:

<http://ec.europa.eu/eurostat/web/social-protection/data/qualitative-information>

EU MEMBER STATES

Belgium

Three payable tax credits granted for a social purpose are reported to exist in Belgium:

1. A refundable tax credit for dependent children (Crédit d'impôt pour enfants à charge) was introduced in 2002;
2. A refundable tax credit on low income from professional activities (Crédit d'impôt pour faible revenus professionnels) was introduced in 2001 and entered into force in 2002;
3. A refundable tax credit for low income workers (Crédit d'impôt pour travailleurs à bas salaire) was introduced in 2011.

The full value (cash component plus fiscal component) of all these PTCs is included in the gross data of the ESSPROS Core system for all years.

The first PTC is recorded under the Family/children function (as “other cash lump sum benefits, non means tested”); the other two PTCs are recorded under the Social exclusion n.e.c. function (as “other cash lump sum benefits, means tested”). All of them are recorded under scheme 81.

Bulgaria

According to information received by the national statistical authority in charge of ESSPROS, payable tax credits granted for a social protection purpose have not existed in the country during the period for which ESSPROS data are available on Eurostat database on line.

Czechia

One payable tax credit granted for a social purpose is reported to exist in the Czech Republic:

- A tax bonus for dependent child as well as for handicapped dependent child, (Daňové zvýhodnění na nezaopatřené dítě) was introduced in 2005.

The full value (cash component plus fiscal component) of this PTC is included in the gross data of the ESSPROS Core system for all years.

The PTC is recorded under the Family/children function (as “family or child allowance, non means-tested”), under scheme 26.

Denmark

One payable tax credit granted for a social purpose is reported to exist in Denmark:

- A compensation for increased duties on energy (Den grønne check) was introduced in 2010.

The full value (cash component plus fiscal component) of this PTC is included in the gross data of the ESSPROS Core system for all years.

The social protection nature of this benefit is still under evaluation. For the time being, the PTC is recorded under the Social exclusion n.e.c. function (as “Other cash lump sum benefits – means tested”).

Germany

Three payable tax credits granted for a social purpose are reported to exist in Germany.

1. A tax credit related to the family compensation system (1. child benefits) was introduced in 1996;
2. A tax credit related to the family compensation system (2. child tax credits) was introduced in 1996 and further developed in 2002;
3. A tax credit related to the family compensation system (3. child bonus) was in force only in 2009.
4. A tax credits related to the family compensation system (5. child bonus / "Drittes Corona-Steuerhilfegesetz") was introduced in 2021.

The full value (cash component plus fiscal component) of all these PTCs is included in the gross data of the ESSPROS Core system for all years.

These PTCs (Familienleistungsausgleich) are all recorded under the Family/children function (“family or child allowance, non means-tested”). All of them are recorded under scheme 27.

Estonia

According to information received by the national statistical authority in charge of ESSPROS, payable tax credits granted for a social protection purpose have not existed in the country during the period for which ESSPROS data are available on Eurostat database on line.

Ireland

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Greece

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Spain

Two payable tax credits granted for a social purpose are reported to exist in Spain:

1. The deductions for maternity (Deducción por maternidad) were introduced in 2003;
2. The deductions for birth or adoption were introduced in 2007 and remained in force until 2010 (they were abolished in January 2011).
3. A complement to the contributory pension for women who have had 2 or more children was introduced in 2017.
4. A benefit for the birth and care of a minor was introduced in 2019.
5. A "Complement for the reduction of the gender gap" was introduced in 2021.

The value of the cash component of these PTCs is included in the gross data of the ESSPROS Core system for all years.

The first PTC is recorded under the Family/children function (as “other cash lump sum benefits”), under scheme 30.

The second PTC implied a financial state support to mothers, regardless of being registered in the Social Security or not. Since 2011, this grant is abolished and it is not applied in any other scheme.

What it is applied within the scheme 1, as a form of support to the working mother is the maternity benefit. It is recorded under the Family/Children function (as “Income maintenance in the event of childbirth, periodic, cash benefits, non means-tested), under scheme 1.

In 2018, the Ministers Council approved that the Maternity income paid by the Social Security would be tax exempted from 2014 onwards (Supreme Court Sentence 1462/2018. The changes are effective since 2018 Net Benefits Data.

The fourth PTC is a temporary maintenance of the maternity complement. People who, on February 4th, 2021, were receiving the maternity complement for demographic contribution, will maintain their receipt. The perception of the maternity complement will be incompatible with the new contributory pension complement to reduce the gender gap. People interested will be able to choose between one or the other.

The fifth complement is related to the contributory pension complement to reduce the gender gap replaces the old maternity complement, being incompatible between them. People interested will be able to choose between one or the other. Women and men who receive a contributory retirement pension (except partial retirement), permanent disability or widowhood as of February 4th, 2021 and who have had one or more sons or daughters will be beneficiaries of this complement. When accessing full retirement from partial retirement, the complement will be recognized, if the requirements are met. The amount of the complement will be set in the corresponding law of general State budgets for each year.

In the year 2023, the amount is €30.40 per month for each son or daughter, with a limit of four times said amount. The complement is not taken into account in the application of the

maximum limit of contributory pensions or to determine the complement for pensions below the minimum.

France

Following a reclassification of some payable tax credits from cash benefits to benefits in kind, made according to the latest ESSPROS methodological developments (see “[Compendium of methodological clarifications-ESSPROS](#)” paragraph 112 ter), ten PTCs granted for a social purpose are reported to exist in France:

1. A tax credit for low income workers (Prime pour l'emploi en faveur des contribuables modestes déclarant des revenus d'activité), which was introduced in 2001 and remained in force until 2015. It is recorded under the Social exclusion function as "other cash lump sum benefits, means-tested";
2. A tax credit for house equipment for people younger than 60 (Crédit d'impôt pour dépenses d'équipement de l'habitation principale des moins de 60 ans) which was introduced in 2005. It is recorded under the Disability function as "other benefits in kind, non means tested";
3. A tax credit for house equipment for people older than 60 (Crédit d'impôt pour dépenses d'équipement de l'habitation principale des plus de 60 ans) which was introduced in 2005, It is recorded under the Old age function as " other benefits in kind, non means tested";
4. A tax credit for moving to find a job (Crédit d'impôt au titre d'un déménagement pour reprise d'une activité salariée) which was introduced in 2006 and remained in force until 2009. It is recorded under Unemployment function as "mobility and resettlement, non means tested";
5. A tax credit for young people, under 26 years old (Crédit d'impôt en faveur des jeunes de moins de 26 ans) which was introduced in 2006 and remained in force until 2009. It is recorded under Unemployment function as "other cash lump sum benefits means tested";
6. A tax credit for child care before age of six (Crédit d'impôt pour frais de garde d'enfants de moins de 6 ans) which was introduced in 2006. It is recorded under Family/children function as "child day care, non means tested";
7. A tax credit for the employment of a home worker to help disabled or invalid persons (Crédit d'impôt au titre de l'emploi salarié à domicile - assistance aux personnes handicapées) which was introduced in 2008. It is recorded under Disability function as "assistance in carrying out daily tasks – non means tested";
8. A tax credit for the employment of a home worker to help old persons (Crédit d'impôt au titre de l'emploi salarié à domicile - assistance aux personnes âgées) which was introduced in 2008. It is recorded under Old age function as "assistance in carrying out daily tasks, non means tested";
9. A tax credit for the employment of a home worker for childcare (Crédit d'impôt au titre de l'emploi salarié à domicile - garde d'enfant à domicile) which was introduced in 2008. It is recorded under Family/children function as "child day care, non means tested";
10. Exceptional tax credit for poor households (Crédit d'impôt exceptionnel aux contribuables modestes) which was introduced in 2009 and remained in force until the

end of that year. It is recorded under Social exclusion and n.e.c. function as "other cash lump sum benefits, means-tested".

The full value of all the PTCs is reported in ESSPROS for the whole period.

Croatia

According to information received by the national statistical authority in charge of ESSPROS, payable tax credits granted for a social protection purpose have not existed in the country during the period for which ESSPROS data are available on Eurostat database on line.

Italy

Three payable tax credits granted for a social purpose are reported to exist in Italy:

1. The additional tax credit for dependent children - households with at least four children (Detrazione d'imposta per famiglie con più di tre figli) was introduced in 2008;
2. The tax credits for rental of primary residence (Detrazione d'imposta per canone di locazione della prima casa) were introduced in 2008;
3. The payable tax credit of EUR 80 per month ("Bonus 80 euro") to employees was introduced in 2014.

The full value (cash component plus fiscal component) of these PTCs is included in the gross data of the ESSPROS Core system for all years.

The first PTC is recorded under the Family/children function (as "family or child allowance, means-tested"); the second PTC is recorded under the Housing function (as "other rent benefits, means-tested"). The third one is recorded under the Social exclusion n.e.c. function (as "income support, means-tested"). All PTCs are recorded under scheme 28.

Cyprus

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Latvia

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Lithuania

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Luxembourg

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Hungary

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Malta

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The Netherlands

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Austria

Three payable tax credits granted for a social purpose are reported to exist in Austria:

1. A tax credit for children (Kinderabsetzbeträge) was introduced in 1994;
2. the Sole earner's tax credit and the Single parent's tax credit (Alleinverdiener- und Alleinerzieherabsetzbetrag) turned from non-payable tax credits to payable tax credits in 1994;
3. the Employee's tax credit (Arbeitnehmerabsetzbetrag) became a payable tax credit in 1994 and ceased in 2017.
4. the Additional child allowance (Kindermehrbetrag) was introduced in 2019 and started to be paid and to be recorded in 2020.

The total value (which is only paid in cash) of the first PTC is included in the gross data of the ESSPROS Core system for all the years under the Family/children function (as “family or child allowance, non means-tested”), under scheme 14.

The total value for the second PTC is included in the gross data of the ESSPROS Core system for all the years under (except the first year, 1994, for which data are not available, but thought to be quite low) the Family/children function (as “other cash lump sum benefits” – means tested), under scheme 32.

The total value for the third PTC is included in the gross data of the ESSPROS Core system for all the years (except the first year, 1994, for which data are not available, but thought to be quite low) under the Social exclusion n.e.c. function (as “other cash lump sum benefits” – means tested), under scheme 32. In reporting year 2017, this PTC was merged with a non-

payable tax credit (tax credit for travel expenses - “Verkehrsabsetzbetrag”) and, in accordance with National Accounts, is considered non-payable.

Poland

According to information received by the national statistical authority in charge of ESSPROS, payable tax credits granted for a social protection purpose have not existed in the country during the period for which ESSPROS data are available on Eurostat database on line.

Portugal

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Romania

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Slovenia

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Slovakia

One payable tax credit granted for a social purpose is reported to exist in Slovakia:

- the tax credit on for each dependent child (Daňový bonus na dieťa) was introduced in 2004.

The total value (cash component plus fiscal component) of this PTC is included in the gross data for the ESSPROS Core system under the Family/children function (as “family or child allowance, non means-tested”), under scheme 23.

Finland

According to information received by the national statistical authority in charge of ESSPROS, payable tax credits granted for a social protection purpose have not existed in the country during the period for which ESSPROS data are available on Eurostat database on line.

Sweden

According to information received by the national statistical authority in charge of ESSPROS, payable tax credits granted for a social protection purpose have not existed in the country during the period for which ESSPROS data are available on Eurostat database on line.

THIRD COUNTRIES – EFTA COUNTRIES

Iceland, Norway, Switzerland

According to information received by the national statistical authorities in charge of ESSPROS, payable tax credits granted for a social protection purpose have not existed in these countries during the period for which ESSPROS data are available on Eurostat database on line.

THIRD COUNTRIES – CANDIDATE COUNTRIES / POTENTIAL CANDIDATE COUNTRIES

Montenegro, North Macedonia, Serbia, Turkey, Bosnia and Herzegovina

According to information received by the national statistical authorities in charge of ESSPROS, payable tax credits granted for a social protection purpose have not existed in these countries during the period for which ESSPROS data are available on Eurostat database on line.

THIRD COUNTRIES – OTHER COUNTRIES

United Kingdom

Three main payable tax credits granted for a social purpose were reported to exist in the United Kingdom:

1. the Working tax credit, which was introduced in 2003;
2. the Child tax credit, which was introduced in 2003;
3. the Universal credit, which was introduced in April 2013.

Only the value of the cash component of the first two PTCs was included in the gross data of the Core System starting from 2015; previously the total value (cash component plus fiscal component) was included. The total value (cash component plus fiscal component) of the third PTC was included in the gross data of the Core System.

The first PTC was recorded under the Social exclusion n.e.c. function (as “income support, non means-tested”), under scheme 46.

The second PTC was recorded under two different means tested benefits in the Family/children function (as “family or child allowance” and as “child day care”) under scheme 46.

The third PTC was split in multiple means tested benefits under scheme 47 as follows:

- Under Sickness/Healthcare function as “paid sick leave”;
- Under Disability function as “disability pension” and “assistance in carrying out daily tasks”;
- Under Family/Children function as “family or child allowance” and “other cash periodic benefits”;

- Under Unemployment function as “full unemployment benefit”;
- Under Housing function as “other rent benefit”;
- Under Social exclusion and n.e.c. function as “income support”.