

*Family tax reliefs
and benefits in the EU
November 2015*

Conclusions from our analysis...



I Most EU countries earmark more funds for family support policies than Poland does

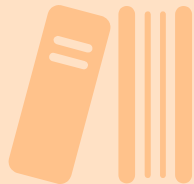


II The funds themselves do not guarantee success



III Countries with systemic solutions are the most successful

The survey took into consideration key elements of financial support for families with children in tax systems and in respect of family benefits in European Union countries and selected countries outside the EU in 2015



About the survey...

Assumptions:

- Family 2+2
- Working parents
- Each parent earns the national average wage
- Children attend public schools/kindergartens
- Children aged 4 and 8
- The children are healthy



The aim of the survey was to assess what aid an average family can count on in specific EU countries in 2015

*A **simulation** was conducted for each country in accordance with the adopted assumptions*

*Tax reliefs and other allowances for **children** were taken into account*

Not all factors with an impact on the financial position of a family were taken into account in the simulation....



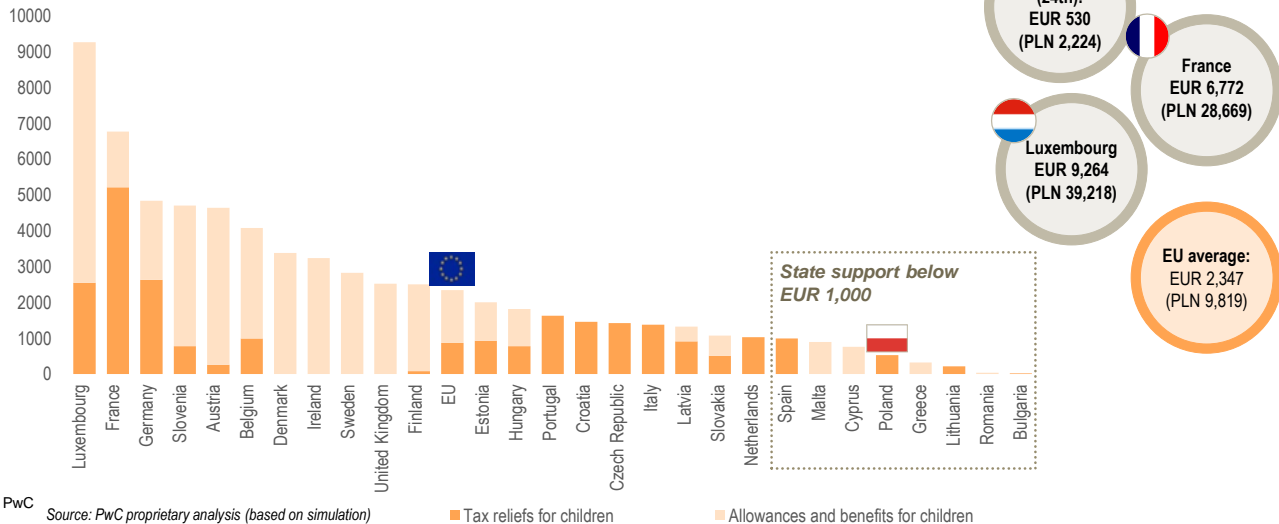
Simulation results

*... based on data
obtained from 28 EU
countries in 2015*



The average amount of direct EU state aid in respect of allowances for children and family benefits is **EUR 2,347 (PLN 9,819) per year**, but in reality over **60% of EU states do not achieve this amount**

Total annual state support (in EUR) – child allowances and family benefits



Why do some countries limit family tax reliefs to the minimum or do not provide them at all?

1

Bulgaria applies a low flat tax rate of 10 percent, at the cost of abolishing most of the available tax reliefs

2

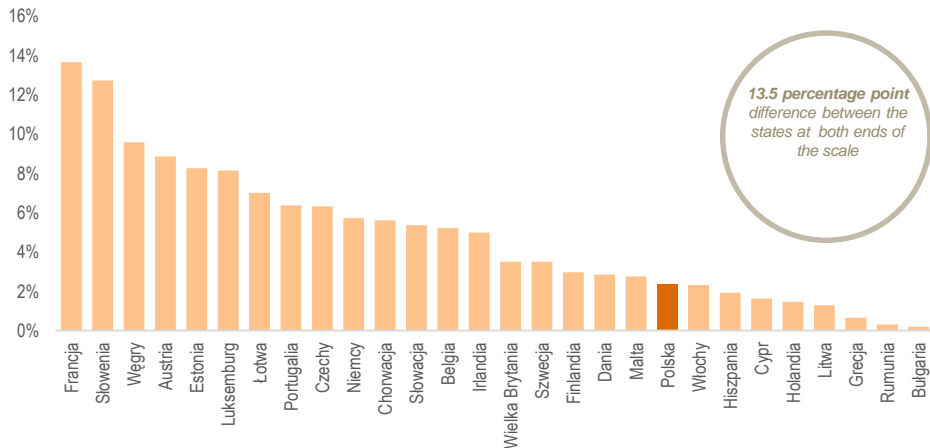
Sweden, Denmark and Ireland offer high social benefits

3

Great Britain, Finland and Cyprus are countries where the tax-free income threshold is relatively high (in 2015: GBP 10,600, EUR 16,500 and EUR 19,500 respectively)



State financial support with reference to average remuneration ...



Total state support with reference to the average remuneration of spouses/partners (in %)



13.5 percentage point difference between the states at both ends of the scale

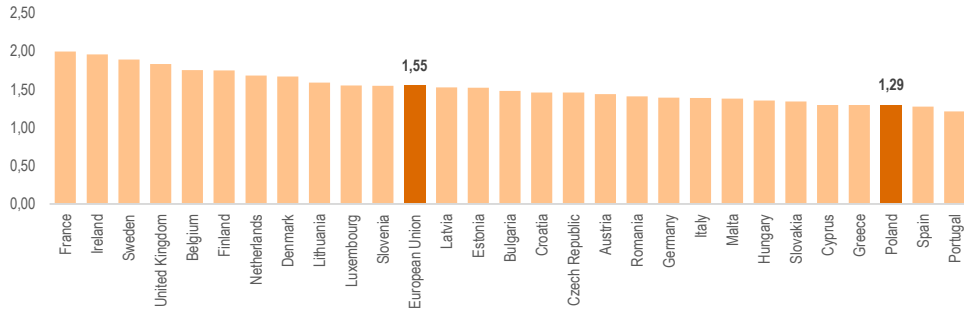
 **POLAND** with a result of 2.4 % ranks 20th and is one percentage point higher than Italy despite the fact that actual financial support in Italy is more than two and a half times higher than in Poland 

 **HUNGARY** with its relatively low income, compared with the first ranking, advanced to third place (9.6%) 

 **LUXEMBOURG** (8.2%), with average income per couple of EUR 113,612, drops to 6th place. 

Using appropriate state incentives and reliefs for families may contribute to increased fertility ...

Fertility rates in the EU*




Poland and other Central and Eastern European countries:



The fertility rate in Poland is slightly lower than, e.g., in Hungary, the Czech Republic or Slovakia. However, it is worth noting that in those countries expenditure on supporting families which have, or are planning to have, children is much higher than in Poland (e.g. in Hungary over three times as high as in Poland– see slide 7).

 France and Germany support families to a great extent, however....

 ... in France the tax incentives and reliefs lead to a high fertility rate, whereas in Germany this rate is one of the lowest in the EU.

 In Lithuania, where the amount of direct state aid in respect of benefits and family tax reliefs is one of the lowest, the fertility rate is higher than the average for the EU.

In most EU countries, the relationship between family support tax incentives and reliefs, and the fertility ratio is noticeable. However, there are exceptions where there is no straightforward relationship...

* Data relating to 2013
Source: Eurostat data

Examples of family support tools

... in force in European Union countries and in selected non-EU states



Examples of family support tools



Tax reliefs and other deductions

- ⑥ Allowance for children
- ⑥ Allowance for handicapped children
- ⑥ Expense deduction
- ⑥ Deduction for alimony
- ⑥ Family quotient
- ⑥ Preferential tax settlements with spouse/ child



Family allowances and benefits

- ⑥ Family benefit
- ⑥ Benefit for children who continue education
- ⑥ One-off childbirth benefit
- ⑥ Benefit to cover costs of raising children
- ⑥ Social benefits

Benefit for children—deduction from tax / income



Deduction from income



Germany

From **EUR 7,008** per child
to **EUR 35,040** per five children



Slovenia

From **EUR 2,437** per child
to **EUR 23,650** per five children



Spain

From **EUR 2,400** per child
to **EUR 18,100** per five children



Croatia

From **EUR 2,052** per child
to **EUR 17,264** per five children



Belgium

From **EUR 1,510** per child
to **EUR 15,570** per five children



Deduction from tax



Italy

EUR 950 per child
(EUR 1,200, if under 3 years)



Czech

From **EUR 494** to **EUR 627**
per child



Portugal

EUR 325 per child
(EUR 450, when less than 3)



Poland

From **EUR 265** to **EUR 643**
per child



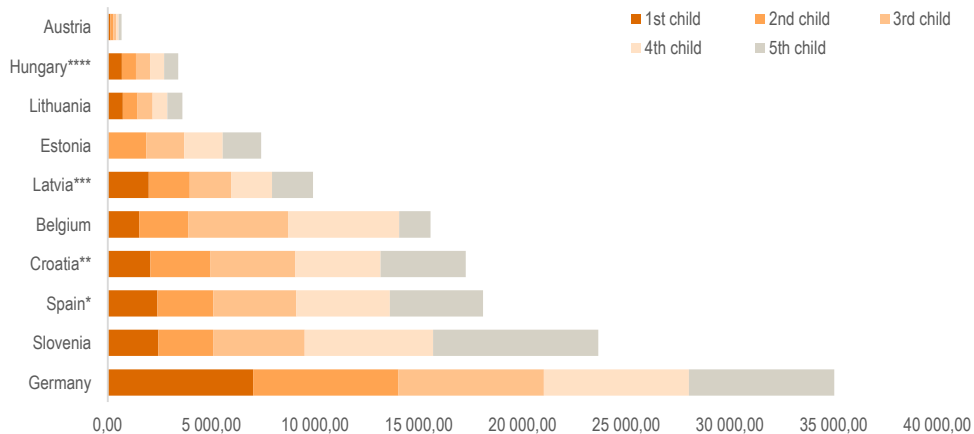
Netherlands

EUR 1,033 for children

The amount deductible from income does not fully constitute savings for the family, as in case of deduction from tax.

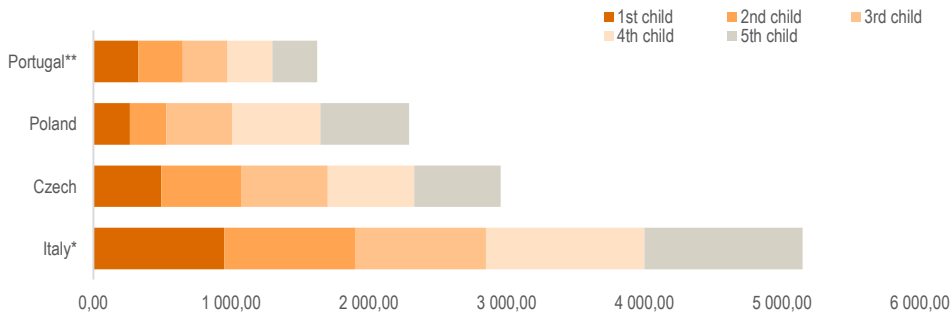
Deduction from income only decreases the tax base by the amount of the deduction to which the family is entitled.

Deduction for children deductible from taxable income awarded by selected EU states according to the number of children (in EUR)



- * If a child is less than 3 years old the amount is increased by EUR 2,800
- ** There is a differentiation between regions
- *** An additional EUR 560 per child less than 3 years old
- **** The amount relates to families with at least three children, when it is less than approx. EUR 205 per child

Deduction for children deductible from tax awarded by selected EU states according to the number of children (in EUR)



* The amount relates to children above 3 years old

** When a child is less than 3 years old the amount is increased

Source: PwC proprietary analysis

Deduction of expenditure

The tax base or the amount of tax payable itself may be reduced not only by typical allowances for children. Many types of **expenses related to maintaining and raising children (including education)** may be deducted.

Expenses on childcare



Costs of education



Child alimony



Deduction
from tax

France – up to EUR 2,300

France – from EUR 61 to 183

France – deducted in full

Austria – EUR 29-58 per child

Finland – up to EUR 80 per child



Deduction
from income

Germany – up to EUR 4,000

Malta – up to EUR 2,3000

Sweden – deducted in full

Malta – up to approx. EUR 1,300

Estonia – EUR 1,920

Family quotient

Another type of family support tool.

The amount of the quotient depends on the “fiscal units” calculated according to the size and composition of a family. The total taxable income of a family is the amount resulting from accounting for this quotient, i.e. dividing the actual income by the respective number of “fiscal units”. This enables reducing progression, i.e. the family’s income falls into the higher tax brackets later. Thus, the family quotient allows paying significantly lower tax if the family is numerous.

This system is in force in France and Portugal.



Family quotient in France – application



Taxable income: EUR 36,000

1

First step

- calculation of the hypothetical tax liability

Number of adults: 2
Number of children: 0
Number of fiscal units: $2 \times 1 = 2$

$\text{EUR } 36,000 / 2 = 18,000$

Tax rate

(in force when income is EUR18,000): **14%**

Tax liability :

$(0.14 \times 36,000) - (1,356.60 \times 2) = 5,040 - 2,713.2 = \text{EUR } 2,327$

For comparison, the tax liability of a single person with income at the same level is:

$(0.3 \times 36,000 - 5,638.84 \times 1) = \text{EUR } 5,161$

2

Second step

- accounting for all family members

Number of adults : 2
Number of children: 2
Number of fiscal units: $2 \times 1 + 2 \times 0.5 = 3$

$\text{EUR } 36,000 / 3 = 12,000$

Tax rate (in force when income is EUR12 000 EUR) : **14%**

Tax liability:

$(0.14 \times 36,000) - (1,356.60 \times 3) = 5,040 - 4,069.8 = \text{EUR } 970$

3

Third step

The difference between the hypothetical liability and that accounting for all members of the family:

$2,327 - 970 = 1,357$ (< EUR 1,508)

Therefore, EUR 970 is applicable.

Family quotient in Portugal – application

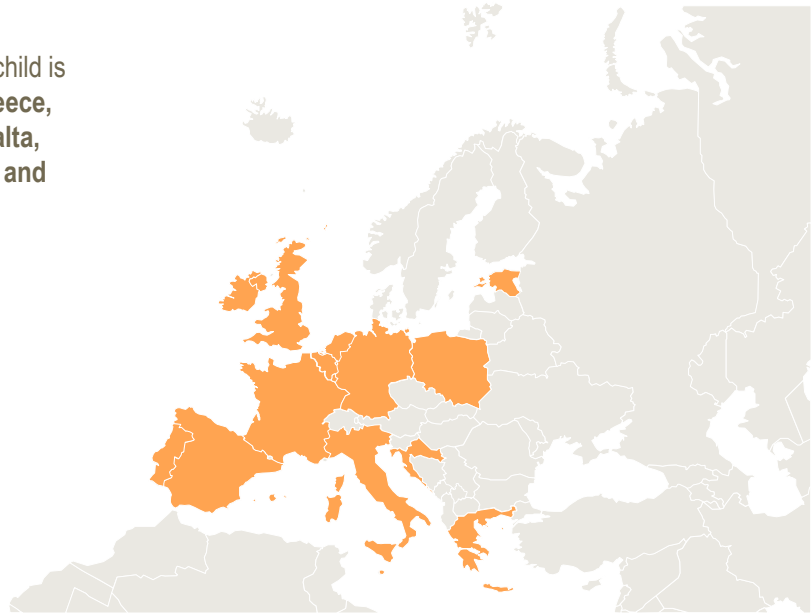
The total taxable income results from dividing the income by the fiscal units in accordance with the principle that one part is attributable to the taxpayer and three-tenths to a child (for example, the quotient for a married couple with two children is 2.6).



PORTUGAL

Preferential settlements with spouse/child

Preferential tax settlement with spouse (partner) or child is possible in **Belgium, Croatia, Estonia, France, Greece, Spain, the Netherlands, Ireland, Luxembourg, Malta, Germany, Poland, Portugal, the United Kingdom and Italy.**



Popular child benefits

Family benefit



One-off childbirth benefit



Benefit for covering the costs of raising a child



Family benefit—selected examples



⊕ In France: many other allowances!

Independent of income

Luxembourg	EUR 3.18k - 4.02k per child (EUR 265 - 335 per month)	1.55
Germany	EUR 2.2 k - 2.58k per child (EUR 184 - 215 per month)	1.39
Ireland	1, 62k per child (EUR 135 per month)	1.96
Sweden	EUR 1.33k per child (EUR 111 per month)	1.89
Austria	EUR 1.32k - 2.51k per child (EUR 110 - 209 per month)	1.44
Slovakia	EUR 282 - 342 per child (EUR 24 - 29 per month)	1.34
Latvia	137 - 409 per child (EUR 11 - 34 per month)	1.52

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Other states: the United Kingdom, Hungary, the Netherlands, Belgium

Dependent on income

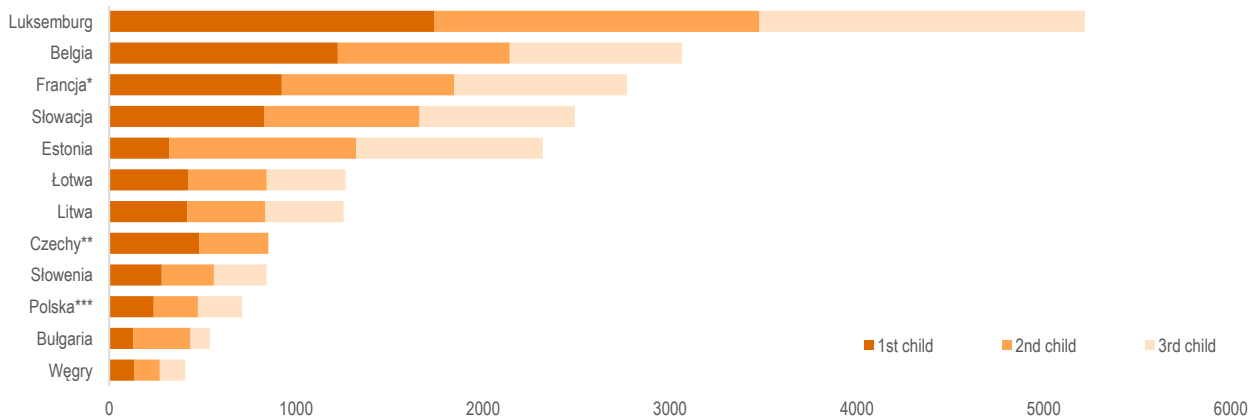
France –income dependent since 2015	EUR 1.56k– EUR 2k per child (EUR 130 – 167 per month)	1.99
Denmark	EUR 1.49k - 2.39k per child (EUR 124 – 199 per month)	1.67
Cyprus	Up to EUR 1.68k per child (up to EUR 140 per month)	1.30
Estonia	EUR 540 - 1.2k per child (EUR 45 - 100 per month)	1.52
Greece	Up to EUR 480 per child (EUR 40 per month)	1.29
Poland – since 1 November 2015	EUR 252 - 372 per child (EUR 21 - 31 per month)	1.29
Bulgaria	EUR 216 per child (EUR 18 per month)	1.48

FERTILITY RATE

Other states: Lithuania, Malta, Slovenia

One-off childbirth benefit

Childbirth benefit in EU states (in EUR)



* Childbirth benefits are awarded depending on the income earned. In a family where both parents work, the benefit is not awarded if the income exceeds the EUR 45,933 threshold.

** Childbirth benefits are awarded depending on the income earned. Families with low income receive childbirth benefit for first and second child only.

*** Income per family member cannot exceed PLN 1,992 (approx. EUR 453).

Source: PwC proprietary analysis

Inspiration for Poland...

- ✓ *France*
- ✓ *United
Kingdom*



French phenomenon...

France



Number of inhabitants:

2015: **66.2M**

2040: **72.8M**

(increase of 9.97 %) ↑

Source: Eurostat



In 2012, 821 000 children were born, and in 2013 – **810 000 children** (most children, i.e. 79.4% were born to families where both parents were French)

Source: National Institute of Statistics and Economic Studies

Fertility rate
1.99

Family support policy central to social policy

Source: Eurostat

A family with two children which earns the same income as a single person will pay even five times less tax.

Families raising three children will have a 10% higher pension, the birth of each consecutive child is an additional increase in the benefit of 5% (the total increase cannot exceed 30% of the initial amount).

French phenomenon...

France



It pays to have children



Family quotient – the total income of a household may be divided among its members
Increase in pension as a result of raising a large number of children, extension of the contribution payment period and social insurance for parents for whom raising children is an occupation

Child support not only at the infant stage - possible deductions



Payments made in the course of childcare (e.g. kindergarten fees) in the amount of 50% of the costs, up to EUR 2.3k
Amounts which are to cover part of the child's education in secondary school (EUR 61 per year), high school (EUR 153) and higher education (EUR 183)
Expenses on house help (tuition assistants) – 50% of the costs incurred up to a limit of EUR 12k per year (i.e. maximum deduction EUR 6k per year) or up to EUR 15k in the first year of employment
Alimony for children and former spouse – fully deducted

Not only reliefs and benefits



Collective care – collective nurseries, family nurseries, parental nurseries, children's gardens, long-term kindergartens – financed partly from public funds, partly from allowances and partly from fees paid by parents

Transparent, universal family benefit system



Benefits for children
– from EUR 130 to 160 per month – income criterion
Family benefits
– from EUR 169 to 182 per month awarded to parents with three children (aged: 3-21) – income criterion
Flat-rate tax
– EUR 82 per month – with at least three children
Childbirth allowance – EUR 923 per child – income criterion
Benefit for the selection of an additional type of activity
– for persons who decide to discontinue or limit professional work as a result of the birth of a child (approx. EUR 383 or 566 per month when the family does not receive basic allowance)
One-off benefit on the beginning of the school year
– from EUR 350 to 388 – income criterion
Housing allowance – e.g. for multi-child families (when housing expenses exceed 20% of the family's income)

How they do it in the United Kingdom...


United Kingdom



Number of inhabitants:

2015: **64.6M**

2040: **73.8M**

(a 14.24% increase) 

Source: Eurostat



Fertility rate

1.83

Fertility rate in
Poland: 1.3.
Fertility rate among
Polish women in the
UK is as high as 2.5

Source: Eurostat

* In 2014, 695.2k children were born (of which 187.6k were born of mothers from outside the UK). Additionally, among all the nations inhabiting the UK (excluding British women), Polish women gave birth to most children – approx. 22.1k.

* The data relates to England and Wales

Source: Office for National Statistics United Kingdom

How they do it in the United Kingdom ...

United Kingdom



Benefits for families paid directly

Example of child benefit:

Child benefit – a family with two children (4 and 8 years old) whose average remuneration is approx. EUR 35k is entitled to benefit of approx. EUR 2.5k per annum

Tax credit (in the form of allowances) per child of approx. EUR 740 per year per family and approx. EUR 2.4k per each child or a tax credit for working families – income criterion

Other:

- Up to approx. EUR 2k per year for a single parent;
- approx. EUR 900 per year for a person working over 30 hours a year;
- Up to approx. EUR 3k per year for the handicapped;
- approx. EUR 2.2k for persons over 50 years old



Not only benefits

An extensive offer of care services: family kindergartens, parent, team, long stay kindergartens, children's gardens, authorized caretakers for children. 3- and 4-year olds – free of charge part-time education

Children's Trust Fund – long-term savings and investment account (initially of a value of GBP 250 (approx. EUR 340). The child gains access to the fund when it is 18 years old.

School aid, paid weekly, approx. EUR 40 – income criterion

Loan for development of career and financial aid – for school and university students

Social benefit fund – guarantees adaptation allowance for people leaving their family home and continuing their life in the society or using a relocation program

Crisis loan – for families in a difficult situation causing a risk to health and safety, e.g. in connection with an accident or calamity



Experiences of other countries show that in developing family-supporting policies positive results may be achieved in the form of high fertility ratios...

Childbirths by sequence of birth in the family

	First child	Second child	Third child	Fourth and each consecutive
European Union	47.1%	35.5%	11.8%	5.6%
Ireland	37.9%	35.4%	17.6%	9.0%
United Kingdom	39.2%	35.7%	15.7%	9.5%
France	42.3%	35.6%	15.0%	7.0%
Sweden	43.4%	37.4%	13.6%	5.6%
Germany	49.4%	34.4%	11.2%	5.0%
Poland	48.6%	36.4%	10.4%	4.6%

The incentives and reliefs granted are also related to the percentage of births of children in multi-child families. Families in countries conducting effective family support policy much more frequently decide to have more than one or two children. For example, in model France, 22% of all children are born as the third, fourth or consecutive child in a family. In Ireland the ratio is 26.6%, in the UK 25.2%, and in Sweden 19.2%. Poland is on the other end of the scale – here only 15% children are born as the third, fourth or consecutive child in a family.

Source: Eurostat

Food for thought for Poland: *Children are our hope...*



Number of inhabitants:

2015: **38.5M**

2040: **36.2M**

(a drop of 5.97 %) ↓



Source: Eurostat

Data from the Central Statistical Office of Poland shows that the main reasons for putting off or resigning from having children are concerns about an unsuccessful relationship, and concern related to difficulties in continuing professional career, lack of appropriate housing conditions and deterioration of lifestyle.....

And the key beneficiary is the state...

In order for the family support state policy to give the required effects, large financial expenditures from the state budget are needed.

Constant economic growth is required, employment growth and an increase in the mechanisms which ensure safety at work.

However, funds per se do not guarantee success

Long-term investment in the future is necessary, rebuilding the citizens' trust in the durability and effectiveness of the solutions introduced.

What is important?



Introducing systemic solutions

Thank you for your attention...

Contact:



**Tomasz
Barańczyk**
Partner

tel: +22 746 4852
tomasz.baranczyk@pl.pwc.com



**Joanna
Narkiewicz-
Tarłowska**
Director

tel: +22 746 4764
joanna.narkiewicz-tarlowska@pl.pwc.com



**Iwona
Boniecka**
Senior Consultant

tel: +22 746 4699
iwona.boniecka@pl.pwc.com

Annex

- *Total amounts of support in EU states*
- *Child relief*
 - *deduction from income*
- *Child relief*
 - *deduction from tax*
- *Inspirations from outside the EU*





Total support for the surveyed family (see: assumptions, 3rd slide) in particular EU states (in EUR) in 2015

	EU state	Tax reliefs	Family support benefits	Total support of EU states	Total support of EU states compared with the average remuneration of a couple		EU state	Tax reliefs	Family support benefits	Total support of EU states	Total support of EU states compared with the average remuneration of a couple
1.	Luxembourg	2549	6715	9264	8.2%	15.	Croatia	1459	0	1459	5.6%
2.	France	5220	1552	6772	13.7%	16.	Czech	1422	0	1422	6.3%
3.	Germany	2635	2208	4843	5.7%	17.	Italy	1382	0	1382	2.3%
4.	Slovenia	778	3925	4703	12.7%	18.	Latvia	911	410	1321	7.0%
5.	Austria	264	4378	4642	8.9%	19.	Slovakia	514	564	1078	5.4%
6.	Belgium	994	3088	4082	5.2%	20.	Netherlands	1033	0	1033	1.5%
7.	Denmark	0	3386	3386	2.9%	21.	Spain	994	0	994	1.9%
8.	Ireland	0	3240	3240	5.0%	22.	Malta	0	900	900	2.8%
9.	Sweden	0	2832	2832	3.5%	23.	Cyprus	0	760	760	1.6%
10.	United Kingdom	0	2520	2520	3.5%	24.	Poland	530	0	530	2.4%
11.	Finland	86	2419	2505	3.0%	25.	Greece	0	320	320	0.7%
12.	Estonia	929	1080	2009	8.3%	26.	Lithuania	216	0	216	1.3%
13.	Hungary	781	1039	1820	9.6%	27.	Romania	0	38	38	0.3%
14.	Portugal	1625	0	1625	6.4%	28.	Bulgaria	20.5	0	20.5	0.2%
							Average:			2347.013	

Source: PwC proprietary analysis (based on simulation)

Annex – Child relief – deductions from income



Deduction from income – per year

EU state	1st child	2nd child	3rd child	4th child	5th child	Total in EUR
Germany	7 008.00	7 008.00	7 008.00	7 008.00	7 008.00	35 040.00
Slovenia	2 436.92	2 649.24	4 418.54	6 187.85	7 957.14	23 649.69
Spain*	2 400.00	2 700.00	4 000.00	4 500.00	4 500.00	18 100.00
Croatia**	2 052.00	2 899.84	4 104.00	4 104.00	4 104.00	17 263.84
Belgium	1 510.00	2 370.00	4 820.00	5 360.00	1 510.00	15 570.00
Latvia***	1 980.00	1 980.00	1 980.00	1 980.00	1 980.00	9 900.00
Estonia	0.00	1 848.00	1 848.00	1 848.00	1 848.00	7 392.00
Lithuania	720.00	720.00	720.00	720.00	720.00	3 600.00
Hungary****	680.00	680.00	680.00	680.00	680.00	3 400.00
Austria	132.00	132.00	132.00	132.00	132.00	660.00

* Spain – if a child is less than 3 years old, the amount is increased by EUR 2,800

** Croatia - varies in different regions

*** Latvia – an additional EUR 560 per child less than 3 years old

**** Hungary - the amount relates to families with at least three children, if less, then it is approx. EUR 205 per each child

Annex – Child relief – deduction from tax



Deduction from tax – per year

EU state	1st child	2nd child	3rd child	4th child	5th child	Total in EUR
Italy*	950.00	950.00	950.00	1 150.00	1 150.00	5 150.00
Czech	494.00	582.00	627.00	627.00	627.00	2 957.00
Poland	265.00	265.00	476.00	643.00	643.00	2 292.00
Portugal**	325.00	325.00	325.00	325.00	325.00	1 625.00

* Italy– the amount relates to children older than 3

** Portugal – EUR 450 when the child is less than 3

Source: PwC proprietary analysis

Inspiration from outside the EU

The countries presented below have different demographic perspectives. Anglo-Saxon countries are on one end of the scale; the number of inhabitants will continue to grow. At the other end of the scale, in Russia, the population will continue to decrease. This shows that not only do the quality of family support policies have an impact on demography, but also many other economic and cultural factors.

	Canada	Russia	USA
Fertility ratio	1.59	1.61	1.87
Number of inhabitants	2015: 35.9M 2040: 42.5M	2015: 143.4M 2040: 132.9M	2015: 321.7M 2040: 373.7M
	<ul style="list-style-type: none"> • Possibility to deduct costs of childcare to approx. EUR 4.7 thousand per child less than 6 and up to approx. EUR 2.7 thousand per child 6-15 years old, approx. EUR 6.7 thousand for a handicapped child. • Non-refundable loans, e.g. <ul style="list-style-type: none"> - For spouses – ca. EUR 7,4 thousand (interest rate 15%) - For children – approx. EUR 1,48 thousand per child (interest rate 15%) - For sports and arts – up to EUR 670 and up to EUR 340 - Childcare loan for a handicapped child – (interest rate 15%) • Other social benefits for children 	<ul style="list-style-type: none"> • Child deduction – ~ EUR 228 - (for 1st) and ~EUR 480 – for third and consecutive children– income criterion – below ~EUR 3.8 thousand • Maternal capital - ~EUR 6 thousand for 2nd and consecutive children. Condition – investment of the amount on behalf of the child, e.g. earmarked for purchase of apartment, education or payment to a pension account. • Education deduction – ~ EUR 655 from income per year • Deduction for healthcare expenses – ~ EUR 1.5 thousand from income per year 	<p><i>Relates to the state of New York:</i></p> <ul style="list-style-type: none"> • Family tax credit (income criterion) e.g.: <ul style="list-style-type: none"> - Child tax credit for a child less than 17 years old, max. up to ~ EUR 895 - Higher education loan for students – up to ~ EUR 358 - Student deduction – max. up to ~ EUR 8.9 thousand - Family tax credit – up to ~ EUR 300 • Possibility of entering into the so-called savings plans earmarked for higher education, which are deducted from income. In the state of NY ~ EUR 4.5 thousand

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