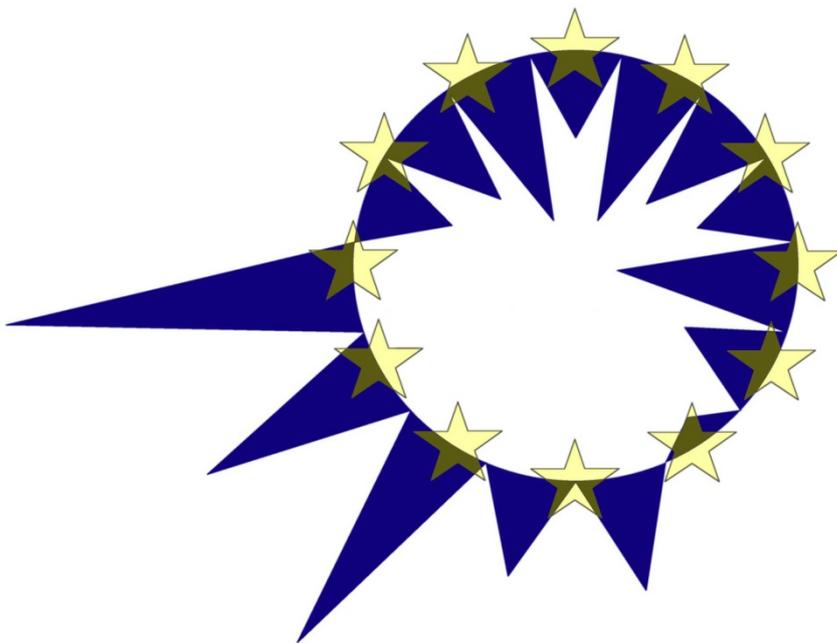


EUROMOD

COUNTRY REPORT



SLOVENIA (SI)

2009-2012

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10/09/2013



EUROMOD is a tax-benefit microsimulation model for the European Union (EU) that enables researchers and policy analysts to calculate, in a comparable manner, the effects of taxes and benefits on household incomes and work incentives for the population of each country and for the EU as a whole.

EUROMOD has been enlarged to cover 27 Member States and is updated to recent policy systems using data from the European Union Statistics on Income and Living Conditions (EU-SILC) as the input database, supported by DG-EMPL of the European Commission.

This report documents the work done in one annual update for Slovenia. This work was carried out by the EUROMOD core developer team, based mainly in ISER at the University of Essex, in collaboration with a national team.

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This report accompanies the release of EUROMOD G1.0. There may be minor differences between the results presented here and those obtained with G1.0 due to further improvements since the report was prepared.

For more information, see: <http://www.iser.essex.ac.uk/research/euromod>

This document is supported by the European Union Programme for Employment and Social Solidarity – PROGRESS (2007-2013).

This programme is managed by the Directorate-General for Employment, social affairs and equal opportunities of the European Commission. It was established to finally support the implementation of the objectives of the European Union in the employment and social affairs area, as set out in the Social Agenda, and thereby contribute to the achievement of the Lisbon Strategy goals in these fields.

The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA-EEA and EU candidate and pre-candidate countries.

PROGRESS mission is to strengthen the EU contribution in support of Member States' commitment. PROGRESS is instrumental in providing analysis and policy advice on PROGRESS policy areas; monitoring and reporting on the implementation of EU legislation and policies in PROGRESS policy areas; promoting policy transfer, learning and support among Member States on EU objectives and priorities; and relaying the views of the stakeholders and society at large

For more information see: <http://ec.europa.eu/progress>

The information contained in this publication does not necessarily reflect the position or opinion of the European Commission.



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1. BASIC INFORMATION

1.1 Basic figures

Table 1.1 Basic figures

| | Pop. (m.) | pop. < 18 (%) | pop. ≥ 65 (%) | Life expect. (years) | Fertility rate | Unemp rate | GDP per head (PPS) | Currency Name | exch. rate ^[1] |
|------|--------------|---------------------|---------------------|----------------------------|-------------------|---------------|--------------------------|------------------|------------------------------|
| 2006 | 2.003 | 17.7 | 15.6 | 78.3 | 1.32 | 6.0 | 20,700 | SIT | 239.64 |
| 2007 | 2.010 | 17.4 | 15.9 | 78.4 | 1.38 | 4.9 | 22,100 | EUR | - |
| 2008 | 2.010 | 17.2 | 16.3 | 79.1 | 1.53 | 4.4 | 22,700 | EUR | - |
| 2009 | 2.032 | 17.1 | 16.4 | 79.4 | 1.53 | 5.9 | 20,600 | EUR | - |
| 2010 | 2.047 | 17.0 | 16.5 | 79.8 | 1.57 | 7.3 | 20,800 | EUR | - |
| 2011 | 2.050 | 17.1 | 15.5 | 80.1 | 1.56 | 8.2 | 21,300 | EUR | - |

^[1] Euro exchange rate on 30th of June.

Source: Eurostat (2012): Statistics Database,

http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database.

Table 1.2 Tax-benefit system and government budget

| | Total general government revenue ^[1] % of GDP | Total tax receipts ^[1] % of GDP | Total general government expenditure ^[1] % of GDP | Social protection ^[2] % of GDP |
|------|---|--|---|--|
| 2006 | 43.2 | 38.3 | 44.6 | 22.7 |
| 2007 | 42.4 | 37.7 | 42.5 | 21.3 |
| 2008 | 42.3 | 37.0 | 44.1 | 21.4 |
| 2009 | 43.1 | 37.4 | 49.0 | 24.3 |
| 2010 | 43.4 | 37.7 | 49.0 | 24.9 |

Source: ^[1]OECD (2012): OECD. Stat Extracts, <http://stats.oecd.org/Index.aspx>; ^[2] Eurostat (2012): Statistics Database, http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database and for 2010 Statistical Office of the Republic of Slovenia, http://www.stat.si/eng/novica_prikazi.aspx?id=4864

Table 1.3 Social protection expenditure by function (as % of total social protection expenditure)

| | Sickness/ health care | Disability | Old age | Survivors | Family/ children | Unemployment | Housing | Social exclusion |
|------|--------------------------|------------|---------|-----------|---------------------|--------------|---------|---------------------|
| 2006 | 31.4 | 8.3 | 37.2 | 7.3 | 8.4 | 2.7 | 0.07 | 2.4 |
| 2007 | 31.3 | 7.9 | 38.5 | 7.2 | 8.1 | 2.0 | 0.07 | 2.3 |
| 2008 | 32.9 | 7.7 | 37.6 | 7.3 | 8.3 | 1.8 | 0.05 | 2.0 |
| 2009 | 32.3 | 7.2 | 38.0 | 7.2 | 8.7 | 2.4 | 0.03 | 2.1 |
| 2010 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: Eurostat (2012): Statistics Database,

http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database.



Table 1.4 Taxation (as % of total tax receipts)

| | Personal income tax | Corporate income tax | Social security contributions | | Taxes on goods and services | Other taxes |
|------|------------------------|-------------------------|-------------------------------|-----------|-----------------------------------|-------------|
| | | | Employees* | Employers | | |
| 2006 | 15.2 | 8.0 | 21.0 | 14.3 | 35.1 | 6.3 |
| 2007 | 14.1 | 8.7 | 21.1 | 14.4 | 36.2 | 5.5 |
| 2008 | 15.7 | 9.0 | 21.4 | 14.6 | 35.3 | 4.0 |
| 2009 | 16.2 | 5.5 | 23.3 | 15.7 | 36.7 | 2.7 |
| 2010 | 15.9 | 3.5 | 23.7 | 16.0 | 37.9 | 3.0 |

* Includes self-employed

Source: Government of the Republic of Slovenia, Ministry of Finance: Bulletin of Government Finance - Consolidated General government 1992-2012,

http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/tekzib/Bilten_javnih_financ/Konsolidirana_bilanca_javnega_financiranja_1992-2012.xls.

Note: Data on taxation are not available for Slovenia.

1.1.1 Basic information about the tax-benefit system

- The tax-benefit system is a unified, national system.
- The "fiscal year" runs from January 1 to December 31. Benefit levels are mostly adjusted once a year in January in line with the consumer price index.
- Full pensionable age is set at 63 for men and 61 for women. This means that insured persons retiring prior to the full pensionable age receive »penalties«. There are numerous exemptions to the penalty rule. It has to be stated that the retirement prior to full pensionable age is also conditional on the accumulation of a sufficient number of qualifying years.
- Minimum school leaving age is 15. The definition of dependent children differs for tax and for benefit purposes. For tax purposes, dependent children are defined as: (a) children aged under 18; (b) children in full-time education aged under 26 and (c) unemployed children at age 18 or above without own income or with own income less than family allowance for dependent child. The definition of dependent children for benefit purposes is more rigorous; the dependent children are defined as children aged under 18 or aged under 26 if the child continues with full-time education. Irrespective of above definition, children should not be employed or married, should not have children and must cohabit with parents in order to be considered dependent children.
- For tax-benefit purposes, lone parents are the parents of resident dependent children; they do not cohabit with a partner of the opposite sex (whether or not any partner is the parent of the child is irrelevant), except in cases when paternity is not regulated. Since 2012, when Exercise of rights to public funds Act was enacted, the lone parent or single-parent family definition is much stricter. It is a union of one parent and children, whereas the other parent had died and the child does not receive any support after the deceased parent, or if the other parent is unknown, or if the child does not receive any income support from the other parent. This means that a union of a child and one parent, receiving maintenance payment from the other parent, is not treated as a single-parent family. Large family is a family with three or more children.
- The income tax system is an individual system, with the spouses being assessed independently.



- Before 2005, all income sources were taxed in the same manner. Since 2006, separate taxation of dividends, capital gains and interest (with a 20% flat tax rate) has been in force.
- The annual tax return for the calendar year, which is also the tax year, must be submitted to the Tax Administration by all taxpayers, who have received any type of income subject to tax, higher than general tax allowance. Income threshold is somewhat higher for pensioners. In his tax return, a taxpayer provides information on all types of income subject to tax, amounts of advance PIT paid during the year, employee social security contributions and tax allowances. Withholdings usually do not match the exact amount due in financial year because of some incomes on irregular basis and some additional allowances that are not taken into account during the year. Since tax year 2007, Tax Administration has been sending informative calculation of PIT to taxpayers according to administrative records. If taxpayers do not lodge an appeal, this informative calculation is considered to be a final tax provision.
- There is no unique indexing regime for taxes and benefits, although there are indexing rules for particular benefits. Family benefits, social assistance and housing benefit are up-rated once a year in January in line with consumer price index. Unemployment benefits were partly depended on guaranteed wage, which was up-rated every 1st August with expected growth of living expenses (consumer price index) in the following year set by Minister of Labour, Family and Social Affairs. Since July 2006 unemployment benefits have been dependent on minimum wage which was up-rated in the same manner as guaranteed wage. Pension up-rating was established in a special legal act (Pension and Disability Insurance Act, 1999) and has been changed four times since. From September 2005 pensions have been up-rated twice a year regarding the growth of average gross wage in Slovenia (something less, as at least 0.5 percentage points is subtracted from the wage growth). However, the growth of pensions lags behind the wage growth because of this 0.5 percentage point and some other rather complicated details. Income tax thresholds, income tax allowances and tax credits are up-rated in December each year according to consumer price index in November. Since 2010, the indexation regime is changed through intervention acts due to economic crises.
- Most benefits depend on annual income. Exceptions are social assistance, income support (since 2012) and housing benefit where three months income prior to the submission of the claim is taken into account. Social contributions and benefits are delivered on a monthly basis. Exceptions are large family supplement which is delivered once a year and birth grant which is delivered only at the birth of child. Income tax liability is based on annual income and allowances and thresholds are referred to in annual terms.
- The new regulation, adopted in July 2010, has introduced profound changes in the non-contributory means-tested social benefits. The implementation of these acts was delayed from June/September 2011 to 1st January 2012 because some of data registers would not be available before the end of 2011. The Exercise of Rights to Public Funds Act (2010) regulates cash benefits (child allowance, cash social assistance, pension support and national educational grant), subsidies and payments from public sources, introducing many novelties in order to increase justice, simplify the system, make it more transparent and efficient, and alleviate abuse. The order in which to apply for cash benefits is defined, as is the definition of the family, and income and property to be taken into account in means testing. The Social Benefits Act (2010) enacted a higher amount of the minimum income and a new equivalence scale that includes work incentives.



- The most important cash benefits can be exercised by the applicant according to the following set order: 1) child benefit, 2) social assistance, 3) income support and 4) state scholarship. This order is very important as family income, a subject of income test, includes also previous social benefits.
- In November 2010, Act of Intervention Step because of Economic Crises was adopted. According to this Act, the indexation of social benefits in 2011 amounted only to a quarter of regular indexation. Besides, indexation of pensions and civil servants wages was limited. In December 2011 Act of Additional Intervention Step in 2012 was adopted because of Economic Crises. This act limited the amount of basic minimum income to 260 EUR (instead of 288 EUR as stated in Exercise of Rights to Public Funds Act) and increased minimum income for children and income support recipients through higher weights. This Act has also abolished indexation of social benefits and wages of civil servants.
- In May 2012, Public Finance Balance Act was adopted in order to lower public expenses and high deficit which tends to increase. This act, which has come into force on June 1, 2012, tightens the eligibility conditions and reduces benefits amounts. Some measures are permanent while others are temporary; the measures which regulate family benefits (parental payment, child benefit, birth grant, large family allowance, parental allowance and national scholarships) will be in force until the year when GDP growth reaches 2.5%. Until the end of December 2014, the basic minimum income is set to 260 EUR and social benefits, with exception of minimum income, are not be subject to any indexation.

1.2 Social Benefits

Sick leave payment (*bolniško nadomestilo*): contributory; it is paid by compulsory health insurance from the 31st day of absence from work (prior is paid by employer) and depends on the physicians' (or, where applies, the National Health Insurance Institute's medical board) assessment of the state of sickness. There are no waiting days for this benefit. If absence from work is longer than one year or if there is no prospect of recuperation, the insured person can be referred to the invalidity board at the Institute for Pension and Disability Insurance. The amount of *wage compensation* depends on the insured person's average monthly salary in calendar year prior to sick-leave, the cause of absence and valorisation method. It amounts from 80% to 100% of the average monthly. It is subject to income tax. Public Finance Balance Act, adopted in May 2012, reduces the wage compensation during sick leave in most cases by 10 percentage points.

Funeral costs refund (*pogrebna*): contributory; it is payable to the person who paid for the funeral, provided that the deceased was employed (or insured); amounts to 80% of the average inevitable funeral costs in Slovenia.

Death benefit (*posmrtnina*): contributory; it is payable to family members supported by the deceased (who was employed or insured), ranges from 100% to 150% of the guaranteed gross wage. The exact amount is established by National Health Insurance Institute.

Parental (maternity) payment (*starševsko nadomestilo*): contributory. The total leave associated with childbirth consists of maternity leave (3 months) and child care and protection leave (9 months) and amounts to 365 days. In some cases parental leave is prolonged. Eligibility to wage compensation during parental leave is held by persons who were insured for at least 12 months in the last three years before the start of the individual part of parental leave. Wage compensation during the maternity leave and the child care and protection leave amounts to 100% of the average monthly gross wage of the entitled person during the 12 months prior to the leave. Before Public Finance Balance Act was enacted, the minimum wage compensation



amounted to 55% of the minimum wage and the maximum compensation was 2.5 times the average wage in Slovenia. Since June 2012, Public Finance Balance Act has lowered wage compensation during the child care and protection leave to 90% of the base (average monthly gross wage during the 12 months prior to the leave) and sets its maximum to 2 times average wage in Slovenia. In cases when the base is equal or below the amount of minimum wage, the wage compensation during the child care and protection leave still amounts to 100% of the base.

Paternal leave (*očetovsko nadomestilo*): contributory. It lasts 90 days. Fathers are obliged to use at least 15 days during the maternal leave, while the rest of the 75 days can be used until a child's age of eight. During the first 15 days of the paternal leave, the father is entitled to 100% wage compensation, while for the rest of the 75 days only the social security contributions based on the minimum wage are paid. It is subject to income tax.

Old age pension (*starostna pokojnina*): contributory. The pension is calculated as a percentage of the pension base, which is simply the best 18-year average of net wages. The pension is then computed using this pension base, accrual rates and the pension qualifying period. Net pension is subject to income tax, but due pensioners tax credit and seniors tax allowance most of pensions remain untaxed.

Survivor pension (*družinska pokojnina*): contributory. Pensions are granted to family members of the deceased. Except for the spouse, which does not have to fulfil this condition, it is required for the other members that they were dependent on the income of the deceased. The spouse can receive a widow's pension, provided an age criterion is met (53 years); if the spouse was not an insured person, he/she could obtain a widow's pension at the age of 48. Children can receive a survivors pension up to the age of 26, provided they annually submit an attestation of school attendance. The computation of survivors pension is extremely non-transparent, particularly with regard to the widows pension. As a general rule, the amount of survivors' pension is dependent on the potential beneficiaries and their sources of income. Survivors pension is subject to income tax. Same rules are in force as for old age pensions, except considering the number of beneficiaries.

War and farmers pension (*vojaške in kmečke pokojnine*): contributory. War veterans and farmers retire under special conditions. War and farmers pensions are subject to tax.

Disability - invalidity pension (*invalidska pokojnina*): contributory. The granting of disability pensions depends on the cause of disability. In case of an occupational disease or employment injury, the insured person can obtain a pension regardless of his insurance period. If the cause of disability is illness or off-the-job injury, a sufficient insurance period is required. As a general rule, the insurance period must cover at least one third of the period from age 20 to the date of the occurrence of disability. The computed disability pension is still somewhat higher than the old-age pension for two reasons: first, there are no penalties for pensioning prior to full pensionable age, and, second, the minimum disability pension is more generous. Part-time invalidity pension is also possible. Disability-invalidity pensions are subject to tax.

Wage compensation for disabled workers (*nadomestila za delovne invalide*): contributory. There are few benefits: disbursements for disabled insured persons who are reassigned to new jobs, for persons who are involved in occupational rehabilitation, for persons who have temporarily withdrawn from active labour force and are temporarily unemployed. Wage compensation is subject to tax.

Attendance supplement (*dodatek za pomoč in pomoč*): contributory; for old-age, survivor and disability pensioners whom the assistance and care by another person is indispensable; not subject to tax. Recipients of social assistance whom the assistance and care by another person is indispensable are also eligible to attendance supplement.



Pension support for pensioners (*varstveni dodatek*): contributory; old-age, survivor and disability pensioners with very low pensions and pension qualifying period less than 40/38 years; it is subject to tax. This benefit has been abolished since January 1st 2012. Women older than 63 years, men older than 65 years and persons permanently incapable to work may apply for income support which no longer depends on the right to contributory pension.

Disability supplement for disabled (*invalidnina za telesno okvaro*): contributory; for all insured disabled persons; not subject to tax.

Yearly bonus for pensioners (*letni dodatek*): contributory. Persons who qualify for old-age pension, survivor pension or invalidity benefits (who not receive wage) are eligible to yearly bonus for pensioners. The amount of this benefit depends on the level of pension and type of pension (or benefit). It is paid once a year and is subject to tax.

Unemployment wage compensation (*denarno nadomestilo med brezposelnostjo*): is a contributory benefit for the unemployed who were employed for at least 12 months in the last 18 months prior to the termination of employment and are covered by unemployment insurance. The basis for determining the level of unemployment compensation is a twelve months' average gross wage of the unemployed person prior to unemployment. The legislation changed in 2011. Before, the benefit level amounted to 70% of the basis in the first three months and 60% thereafter. The minimum benefit level was equal to the guaranteed wage net of contributions and taxes while the maximum level was three times the lowest possible unemployment compensation. Duration of unemployment wage compensation varied from 3 to 24 months depending on the length of insurance period. Those unemployed, who were older than 55 and had been lacking up to three years until retirement, had their pension and disability insurance contributions paid by the employment service until they retire. The legislation has changed in January 2011. Unemployment wage compensation is a benefit for unemployed who were employed for at least 9 months in the last 24 months prior to the termination of employment (not by their own fault or will) and are covered by unemployment insurance. Duration of unemployment wage compensation varies from 3 to 25 months depending on the length of insurance period. The benefit level amounts to 80% of the basis in the first three months and 60% thereafter. The minimum benefit level is equal to the 350 EUR while the maximum level is three times the minimum. Since June 2012, Public Finance Balance Act lowers the amount of benefit to 50% of the basis after one year and sets maximum amount to 892.50 EUR. The beneficiaries are paid health-, pension- and disability insurance. Unemployment compensation is subject to personal income tax.

Unemployment assistance (*denarna pomoč med brezposelnostjo*): is a means-tested contributory benefit payable once the unemployment wage compensation has been exhausted. An eligibility criterion is income per family member. In the last three months it must not exceed 80% of the guaranteed wage and the family's social security must be endangered. It amounts to 80% of the net guaranteed wage. The beneficiaries have their health insurance contributions paid by the Employment Office. The length of provision is 15 months. In case of older unemployed lacking up to three years to the retirement (and having minimum chances of getting a job) it can be prolonged until the fulfillment of the retirement conditions. Unemployment assistance is not subject to personal income tax. Since 15th July 2006, unemployment assistance has been abolished and there were no new beneficiaries after this date. Only beneficiaries who gained right to unemployment assistance before this date kept receiving it afterwards until the right expired.

Social contributions up to full working time for parents of children under three (*pravica do plačila prispevkov iz naslova krajšega delovnega časa*): contributory. One of the parents, with a child up to three years and working at least half-time, has the right to have social security contributions up to full working time (based on minimum wage) paid from the state budget.



This benefit is subject to tax. Since January 2007 this right had been extended to parents with at least two children until the sixth year of the youngest child.

Credited social contributions for parents of four or more children who exit the labour market (*pravica do plačila prispevkov zaradi zapustitve trga dela*): contributory. One of the parents who exits the labour market due to nursing and caring for four or more children, until the youngest child reaches the age of ten, is entitled to credited social security contributions on the basis of a minimum wage. This benefit is subject to tax.

Compensation for lost income due to care of child who need special care (*delno plačilo za izgubljen dohodek*): contributory. One of the parents will be entitled to a partial compensation for lost income if he/she stops working or reduces working hours due to care of a child who need special care. The compensation will be equal to the minimum wage (or its proportional part, depending on the working hours). This benefit is subject to tax.

Parental allowance (*starševski dodatek*): non-contributory; granted to persons who are not eligible for the insurance-based wage compensation during the parental leave. Qualified is a mother who is a national of Slovenia and has a permanent residence in Slovenia and is not receiving any wage compensation. A child must be a national of Slovenia and the father must not receive any parental leave wage compensation. The father is qualified if the mother dies, abandons a child, is not able to live and work independently, or if she, during the period of entitlement, enters into employment or self-employment. It is not means-tested. Parental allowance is not subject to income tax. Public Finance Balance Act has increased parental allowance amount to 55% of net minimum wage (251 EUR in June 2012).

Birth grant (*pomoč ob rojstvu otroka*): non-contributory; universal non means-tested benefit for a child born in Slovenia, if the mother or the father has permanent residence in Slovenia. This benefit is granted either in-kind or in cash. It is one-time benefit and not subject to income tax. Public Finance Balance Act has introduced income test for this benefit and since June 2012 only families with net family income per family member below 64% of average net wage are eligible.

Child benefit (*otroški dodatek*): non-contributory means-tested benefit held by one of the parents for a child residing in Slovenia. Child benefit is paid only in case if income per family member, in the calendar year prior to the submission of a claim, was below the average wage in Slovenia. The level of child benefit depends on the average monthly income per family member in a calendar year prior to the submission of a claim and the birth order of a child. Up to 2012, the right to a child benefit was held until the child reaches 18 years of age, as well as for the period in which the child continues with full-time education, provided the child was less than 26 years of age. Since January 2012, the child benefit is held only until the child reaches 18 years of age, regardless further enrolment in regular education. Child benefit is not subject to income tax. Public Finance Balance Act has abolished right to child benefit for parents in 7th and 8th income bracket and has lowered child benefit amount for parents in 5th and 6th income bracket by 10%.

Large-family supplement (*dodatek za veliko družino*): a non-contributory universal non means-tested transfer to families with three or more children. Eligible are families with three or more children below age 18 or older, if fulfilling the age and status conditions for the entitlement to a child benefit. The level of benefit is paid once a year and is not subject to income tax. Public Finance Balance Act has introduced income test for this benefit and since June 2012 only families with net family income per family member below 64% of average net wage are eligible.

Childcare supplement (*dodatek za nego otroka*): non-contributory; it is non means-tested benefit, paid for seriously ill children and physically or mentally handicapped children. The



level of benefit amounted to 21,060 SIT (87.9 EUR) per month in 2006 (in for the period recommended by a medical expert commission, but not longer than his/her 18th birthday or until age 26 if in schooling). Childcare supplement is not subject to income tax.

National scholarship (*republiška štipendija*): non-contributory. Amount of scholarship depends on student's family income per capita, students' grades and commuting or accommodation. In 2008, a new law was adopted and the income threshold per capita was set at 60% - 65% of minimum wage. In 2009, income threshold per capita was increased to 65% - 68% of minimum wage. Since January 2012, pupils and students younger than 18 years, have no longer been eligible to national scholarship and income threshold per family member has been set to 64% of net average wage. Public Finance Balance Act has decreased this threshold to 53% of net average wage in June 2012.

State pension (*državna pokojnina*): is a non-contributory means-tested benefit disbursed to persons who do not have a pension in their own right, are at least 65 years old and have resided in Slovenia for at least 30 years (between age 15 and 65). The amount of this benefit is 33.3% of the lowest pension base. Most recipients of this benefit are women. Net pension is subject to income tax, but due pensioners tax credit and senior tax allowance it effectively remains untaxed. This benefit has been abolished since January 1st, 2012. Women older than 63 years, men older than 65 years and persons permanently incapable to work may apply for income support which no longer depends on the right to contributory pension.

Housing benefit (*subvencija najemnine*): is non-contributory, means-tested and covers part of rent for a person whose family income does not exceed certain threshold. Share of covered rent depends on the size of apartment and beneficiary's income, and must not exceed 80% of respective non-profit rent. It is not subject to tax.

Social assistance (*socialna pomoč*): non-contributory; the benefit level is the difference between the minimum income for a single person or a family and their own income net of taxes and compulsory social security contributions. The basic amount of minimum income is set by the law and adjusted once a year in January according to the change in the costs of living in the last year. Social assistance is not subject to income tax or social security contributions. The minimum income has been increased by new Social Benefits Act in January 2012 and work incentives have been introduced within social assistance.

Supplement for persons at social risk (*dodatek za socialno ogrožene*): non-contributory. It was a one-time lump sum benefit introduced to mitigate the economic crisis in 2009 (introduced in July). Recipients of social assistance in July were eligible regardless their income. Supplement amounted to 200 EUR for families on social assistance and 160 EUR for single persons on social assistance. There were also some other groups of persons, who might have been eligible if their net income in July had not exceeded 313 EUR: recipients of parental payments and parental allowance, recipients of unemployment wage compensation, pensioners and disabled workers, who receive wage compensation. There were two levels of supplement; 120 EUR for persons with income below 268 EUR and 80 EUR for persons with incomes between 268 EUR and 313 EUR.

- *Scope and scale*

The following tables provide an indication of the relative scale and coverage of each benefit by showing the number of recipients and the expenditure on each benefit.



Table 1.5 Social benefits: recipients (as % of population)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-------|-------|-------|-------|-------|-------|
| Sick leave payment paid by compulsory health insurance | 38.39 | 42.34 | 39.46 | 43.35 | 41.73 | n.a. |
| Funeral costs refund and death benefit | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Parental (maternity) payment | 0.95 | 0.96 | 1.03 | 1.10 | 1.10 | 1.11 |
| Paternal payment | 0.70 | 0.76 | 0.84 | 0.00 | 1.06 | n.a. |
| Old age pension | 16.10 | 16.54 | 16.92 | 17.34 | 18.01 | 18.84 |
| Survivor pension | 4.61 | 4.55 | 4.52 | 4.52 | 4.53 | 4.54 |
| Disability - invalidity pension | 4.78 | 4.70 | 4.61 | 4.53 | 4.45 | 4.40 |
| Pension support for old-age, survivor and disability pensioners | 2.38 | 2.24 | 2.23 | 2.29 | 2.29 | 2.28 |
| War and farmers pension | 0.38 | 0.35 | 0.31 | 0.28 | 0.25 | 0.22 |
| Attendance supplement | 1.38 | 1.43 | 1.46 | 1.48 | 1.49 | 1.50 |
| Disability supplement for disabled | 2.76 | 2.76 | 2.76 | 2.76 | 2.75 | 2.76 |
| Yearly bonus for pensioners | 26.75 | 27.06 | 27.39 | 27.75 | 28.32 | 29.26 |
| Wage compensation for disabled workers | 2.63 | 2.66 | 2.70 | 2.69 | 2.44 | 2.37 |
| Unemployment wage compensation | 0.86 | 0.75 | 0.70 | 1.35 | 1.48 | 1.77 |
| Unemployment assistance | 0.08 | 0.08 | 0.01 | 0.00 | 0.00 | - |
| Social contributions up to full working time for parents of children under three | 0.24 | 0.23 | 0.27 | 0.39 | 0.44 | 0.45 |
| Credited social contributions for parents of four or more children who exit the labour market | n.a. | n.a. | 0.05 | 0.05 | 0.06 | 0.07 |
| Compensation for lost income due to care of child who need special care | 0.02 | 0.02 | 0.02 | 0.03 | 0.03 | 0.03 |
| Parental allowance | 0.15 | 0.15 | 0.15 | 0.14 | 0.13 | 0.13 |
| Birth grant | 0.96 | 0.99 | 1.04 | 0.98 | 1.02 | 0.99 |
| Child benefit | 19.14 | 18.86 | 18.60 | 18.62 | 18.29 | 17.93 |
| Large-family supplement | 1.32 | 1.40 | 1.42 | 1.44 | 1.47 | 1.47 |
| Childcare supplement | 0.28 | 0.28 | 0.29 | 0.25 | 0.29 | 0.29 |
| National scholarship | 1.88 | 1.72 | 1.68 | 1.94 | 1.96 | 2.08 |
| State pension | 0.88 | 0.87 | 0.83 | 0.80 | 0.75 | 0.71 |
| Housing benefit | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Social assistance | 2.90 | 2.35 | 1.99 | 2.30 | 2.62 | 2.53 |
| Supplement for persons at social risk | - | - | - | 5.10 | - | - |

Notes: Data for monthly received benefits refers to monthly averages.

Sick leave payment paid by employers is not taken into account.

Source: Annual report of National Health Insurance Institute (2006-2011); Annual report of Institute for Pension and Disability Insurance (2006-2011); Annual report of National Employment Service of Slovenia (2006-2011); Statistical data of Ministry of Labour, Family and Social Affairs, http://www.mdds.gov.si/si/uvcljavljanje_pravic/statistika/; Statistical Yearbook (2006-2011); Statistical Office of the Republic of Slovenia, SI-Stat Data Portal, <http://www.stat.si/pxweb/dialog/statfile1.asp>.



Table 1.6 Social benefits: expenditure

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Annual expenditure (EUR, million) | 4,871.5 | 5,093.3 | 5,619.2 | 6,024.5 | 6,277.7 | 6,533.5 |
| as % of total expenditure | | | | | | |
| Sick leave payment paid by compulsory health insurance | 3.45 | 3.61 | 3.58 | 3.35 | 3.55 | 3.32 |
| Funeral costs refund and death benefit | 0.19 | 0.17 | 0.17 | 0.16 | 0.15 | 0.14 |
| Parental (maternity) payment | 3.89 | 4.17 | 4.45 | 4.68 | 4.65 | 4.58 |
| Paternal payment | 0.18 | 0.20 | 0.23 | 0.13 | n.a. | n.a. |
| Old age pension | 41.83 | 43.05 | 43.45 | 42.98 | 43.35 | 43.64 |
| Survivor pension | 9.39 | 9.31 | 7.64 | 7.35 | 7.14 | 6.87 |
| Disability - invalidity pension | 7.74 | 7.78 | 8.96 | 8.44 | 8.06 | 7.63 |
| Pension support for old-age, survivor and disability pensioners | 0.93 | 0.79 | 0.89 | 0.88 | 0.87 | 0.84 |
| War and farmers pension | 0.97 | 0.92 | 0.84 | 0.75 | 0.69 | 0.62 |
| Attendance supplement | 1.33 | 1.33 | 1.29 | 1.25 | 1.23 | 1.19 |
| Disability supplement for disabled | 0.64 | 0.62 | 0.60 | 0.58 | 0.56 | 0.55 |
| Yearly bonus for pensioners | 0.00 | 0.00 | 0.00 | 0.00 | 2.18 | 2.14 |
| Wage compensation for disabled workers | 3.51 | 3.38 | 3.25 | 3.05 | 2.86 | 2.64 |
| Unemployment wage compensation | 2.20 | 1.96 | 1.76 | 3.18 | 3.74 | 4.78 |
| Unemployment assistance | 0.23 | 0.07 | 0.01 | 0.00 | - | - |
| Social contributions up to full working time for parents of children under three | 0.05 | 0.09 | 0.09 | 0.11 | 0.15 | 0.18 |
| Credited social contributions for parents of four or more children who exit the labour market | - | - | 0.03 | 0.03 | 0.05 | 0.06 |
| Compensation for lost income due to care of child who need special care | 0.04 | 0.05 | 0.05 | 0.05 | 0.06 | 0.07 |
| Parental allowance | 0.12 | 0.12 | 0.11 | 0.10 | 0.10 | 0.09 |
| Birth grant | 0.10 | 0.10 | 0.10 | 0.09 | 0.10 | 0.09 |
| Child benefit | 4.95 | 4.83 | 4.91 | 4.77 | 4.61 | 4.50 |
| Large-family supplement | 0.19 | 0.20 | 0.19 | 0.19 | 0.19 | 0.19 |
| Childcare supplement | 0.13 | 0.13 | 0.14 | 0.13 | 0.13 | 0.13 |
| National scholarship | 1.40 | 1.27 | 1.13 | 1.22 | 1.19 | 1.24 |
| State pension | 0.67 | 0.65 | 0.62 | 0.58 | 0.54 | 0.49 |
| Housing benefit | 0.10 | 0.10 | 0.07 | 0.00 | n.a. | n.a. |
| Social assistance | 2.83 | 2.29 | 1.91 | 2.11 | 2.35 | 2.22 |
| Supplement for persons at social risk | - | - | -- | 0.23 | - | - |

Source: Annual report of National Health Insurance Institute (2006-2011); Annual report of Institute for Pension and Disability Insurance (2006-2011); Annual report of National Employment Service of Slovenia (2006-2011); Statistical data of Ministry of Labour, Family and Social Affairs, http://www.mdds.gov.si/si/uveljavljanje_pravic/statistika/; Statistical Yearbook (2006-2011); Statistical Office of the Republic of Slovenia, SI-Stat Data Portal, <http://www.stat.si/pxweb/dialog/statfile1.asp>; Ministry of Finance: Bulletin of Government Finance - Consolidated General government 1992-2012, http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/tekgib/Bilten_javnih_financ/Konsolidirana_bilanca_javnega_financiranja_1992-2012.xls; IMAD: Development report 2011.



- *Not strictly benefits*

Sick leave payments paid by employers (*bolniško nadomestilo*): is payable to employees by employer for the first 30 days of sickness. It amounts to 100% of the average monthly salary in previous month in case of soldiers and civil invalids from wartime, occupational disease, employment injury, transplantation of tissues or organs for the benefit of others, donation of blood and quarantine. It drops to 90% if the insured person is absent from work due to illness, or 80% in case of non-employment related injuries, nursing of a close family member, escort of others, or during the period of qualifying for rehabilitation of a handicapped child at home. Public Finance Balance Act, adopted in May 2012, reduces the wage compensation during sick leave in most cases by 10 percentage points.

Entitlement payments from the Guarantee Fund (*pravica v primeru insolventnosti delodajalca*): are granted to those workers who lost their jobs due to the initiation of bankruptcy proceedings, forced settlement or liquidation of a commercial company from the court register under the provisions of the Act on Financial Operations of Companies. Guarantee Fund provides unpaid wages, wage compensations (up to the ceiling amounting to half of minimum wage) and compensation for dismissal (up to the ceiling amounting to half of minimum wage).

Maintenance replacement (*nadomestilo preživnine*) is provided by the Maintenance Fund and is intended for beneficiaries – children – who have been allocated maintenance under a final court ruling, a temporary injunction or an agreement with the Social Security Department, but which the person liable is not paying. It is deemed that a person liable to pay maintenance is defaulting on payment if maintenance has not been paid for three consecutive months or is being paid irregularly. The level of maintenance replacement depends on the age of the child.

Childcare subsidy for pre-school childcare (*znižano plačilo vrteca*) amounts to 20%-80% of the price of services; the percentage depends on family income per member, and to certain extent also on family assets. The difference between the prices and fees collected from parents is covered from the municipal budgets.

Subsidized school meals (*subvencije šolske prehrane*) are intended for children in primary and secondary schools. Subsidies are higher for children whose parents cannot pay for school meals. This benefit is means-tested.

Subsidized meals for high-school students (*subvencionirana študentska prehrana*): Each high-school student is entitled to one voucher for every working day. Vouchers are used as payment means in particular restaurants and are subsidized from app. from 40 to 70%.

Subsidized commuting for children in primary schools as well as secondary and high school students (*subvencija šolskih prevozov*) who daily travel to school. The subsidy depends on the distance and income.

Textbook funds (*učbeniški sklad*) provided to all children in primary and secondary schools who can borrow textbooks from school for lending fee.

Foster allowances (*dohodki, ki jih prejema oseba za oskrbo otroka v rejniški družini*) are paid to families looking after children in foster care.

1.3 Social contributions

There are four types of compulsory social security contributions, which are paid both by employer and employee: (1) for pension and disability insurance (they are paid to the Pension Insurance Fund), (2) for health insurance (they are paid to the Institute of Health Insurance), (3) for unemployment insurance (they are paid to the central government), (4) for maternity leave



insurance (they are paid to the central government). Within the system there are many varieties with regard to these contributions, which depend on the socio-economic status of the insured person. The most important are as follows.

Employee and employer social security contributions (*prispevki za socialno varnost za zaposlene*): If a person is an employee (in a dependent job), the base for contributions is the amount of the gross wage, which also includes gross leave pay, fringe benefits and remuneration of expenses related to work above a certain threshold. The total rate of contribution for employees amounts to 22.10% and 16.10% for employers. There is no upper ceiling. The contributions for employees are paid as a withholding tax by employers, who deduct them from wages.

Self-employed social security contributions (*prispevki za socialno varnost za samozaposlene*): The self-employed are supposed to pay both employee and employer social security contributions at the same rates (22.10% and 16.10%). Social security contributions are calculated on the basis of schedule presented in the Table 2.16, which is graduated in relation to self-employed profit (revenue minus expenses) from pre-previous year (i.e. profit reported in last tax return). The base cannot be less than national minimum wage.

Social security contributions for people receiving social security benefits (*prispevki za socialno varnost za prejemnike socialnih transferjev*): The social security contributions for pensions and pension benefits are paid at the rate of 5.96% on a (artificially) grossed pension, for maternity payment, paternal payment and wage compensation for disabled workers at the rate of 38.2%, for unemployment benefit at the rate of 37.67% on a gross amount of unemployment wage compensation and at the rate of 12.92% for unemployment assistance. In the case of parental payments, unemployment benefit and wage compensation for disabled workers the “employee” part of social security contributions is withheld from the gross benefit amount, i.e. effectively paid by the recipient.

Credited social security contributions: There are credited social security contributions for parents: (a) up to full working time for part-time-working parents with children under 3 or 6 years; (b) paternal payment after 15th day and (c) for a parent who exits the labour market due to the care for four or more children. Besides, health insurance contributions on pensions (paid by Pension Fund to the Health Insurance Company) and health insurance contributions on unemployment assistance (paid by Employment Service to the Health Insurance Company) are also considered credited social security contributions. The “employer” part of social security contributions on parental payments and wage compensation for disabled workers (16.10%), on unemployment benefit (15.57%) and total social security contributions (12.92%) form unemployment assistance could be considered as credited contributions. However in external statistics these contributions are treated as transfers between public funds.

- *Scope and scale*

The following table shows the composition of social contributions, as a percentage of overall revenue. Unfortunately, there are no officially published data on the number of social contributions contributors.



Table 1.7 Social contributions: contributors (as % of population)

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|------|------|------|------|------|
| Social contributions | | | | | |
| Employee social security contributions | n.a. | n.a. | n.a. | n.a. | n.a. |
| Employer social security contributions | n.a. | n.a. | n.a. | n.a. | n.a. |
| Self-employed social security contributions | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other social security contributions | n.a. | n.a. | n.a. | n.a. | n.a. |

Notes: There is no officially published data on the number of social contributions contributors.

Table 1.8 Social contributions: revenue

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Social contributions (1000 EUR) | 4,231,224 | 4,597,973 | 5,095,009 | 5,161,254 | 5,234,485 | 5,267,607 |
| as % of total revenue | | | | | | |
| Employee social security contributions | 53.48 | 53.61 | 53.60 | 53.15 | 52.93 | 52.66 |
| Employer social security contributions | 39.77 | 39.82 | 39.80 | 39.47 | 39.32 | 39.11 |
| Self-employed social security contributions | 5.01 | 4.90 | 4.86 | 5.21 | 5.26 | 5.34 |
| Other social security contributions | 1.74 | 1.67 | 1.74 | 2.17 | 2.48 | 2.89 |

Source: Ministry of Finance, Consolidated General government 1992-2012, http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/tekgib/Bilten_javnih_financ/Konsolidirana_bilanca_javnega_financiranja_1992-2012.xls.

1.4 Taxes

Personal income tax (*dohodnina*): it is taxed at the individual level and is levied on six categories of income: income from employment, business income, income from basic agriculture and forestry, income from rents and royalties, income from capital, and other income accruing to persons liable to tax in the Republic of Slovenia. Most social benefits, which are not wage compensation, are not subject to personal income tax. Revised personal income tax regulation was adopted in 2006, when flat tax rate for capital income was enacted.

Derivative instruments gains tax (*davek od dobička od odsvojitve izvedenih finančnih instrumentov*): was introduced in July 2008. The tax is payable by resident individuals and is levied on the difference between the value of the derivative instrument upon disposal and its acquisition value. It is levied at degressive rates depending on the period of holding (from 20% to 0% (tax exemption) when the period of holding is longer than 20 years). Gains realized from short-term contracts are taxed at 40%.

Payroll tax (*davek na izplačane plače*): was levied on employers who are obliged to pay social security contributions, usually those employing people on a permanent basis. The tax was applied to each gross wage or salary on a progressive basis (i.e. at progressive rates). This tax was not applied to the self-employed. According to law on payroll tax this tax has been abolished since 2009.

Tax on contractual work (*poseben davek na določene prejemke*): is applied to contractual temporary work. The tax is levied at the flat rate of 25% on gross payments and it is paid by employer.



Taxation of winnings from conventional games of chance (*davek na dobitke od iger na srečo*): Winnings from lotteries, raffles, scratch lotteries, bingo, betting and similar games of chance organized in Slovenia are subject to a 15% tax if the prize exceeds EUR 300. In the taxation of winnings the gross principle is used. No deductions are allowed. The tax is withheld by the gaming operator.

Tax on gambling and concession fee (*davek od iger na srečo*): are levied on the gross gaming revenue (GGR) of an operator of games of chance. Two tax rates on gambling of 5% and 18% apply, depending on the type of game. Additionally, operators of games of chance are subject to a 5% to 45% concession fee on GGR.

Inheritance and gift tax (*davek na dediščine in darila*): applies to transfers of property. The tax is paid by an individual who is the testamentary heir or the heir at law for inheritance tax purposes and the recipient for gift tax proposes. Taxpayers are divided into four categories according to their relationship with the deceased or donor. Tax rate varies from 5% to 30%.

Property tax (*davek od premoženja*): is levied on urban premises such as buildings and parts of buildings including apartments, garages, second homes and boats that are not used for business purposes. The taxpayer is an individual who is the actual or beneficial owner, the taxable base is ascertainment value according to special criteria issued by the Government. The tax rate depends of the type of construction and their value. Exemptions to the property tax include: buildings of less than 160 square meters, buildings used for agricultural purposes, business premises used by the owner or user for business activity and cultural or historical monuments.

Water vessel tax (*davek na vodna plovila*): is levied on vessels longer than five metres registered in Slovenia or registered in other countries but owned by Slovenian residents. The taxpayers are the owners. The tax is levied for the calendar year, based on the length of the vessel and its engine power.

Motor vehicle tax (*davek na motorna vozila*): For passenger motor vehicles which are put into circulation in Slovenia for the first time (first registration in Slovenia) motor vehicle tax is paid. Import and acquisition of motor vehicles from other EU Member States are also taxed. Tax base is selling price excluding taxes. From the 1st of March 2010 the tax rates depend on the environmental criteria (CO₂ and Euro emission standards), and the rates are from 0.5% to 28% for petrol cars and from 1% to 31% for diesel cars. In the case of diesel motor vehicles particulate matter (PM) emissions are also considered. Tax rates for motorcycles and camper vans are set upon engine capacity in the range from 1.5% to 5% for motorcycles and 6% to 18% for camper vans.

Circulation tax (*letni davek na motorna vozila*) is defined as an annual fee on the use of motor vehicles and is imposed on vehicles registered in Slovenia. The rates are set according to different categories of vehicles, and the outstanding amount is calculated in proportion to the duration of the registration period.

Value added tax (*davek na dodano vrednost*): is charged and paid on supplies of goods and performed services within the territory of Slovenia and the importation of goods into the EU. The standard VAT rate is 20%. A reduced rate of 8.5% applies mostly to foodstuffs, public passenger transport, pharmaceuticals products, medical equipment, hotel accommodation, books, newspapers and periodicals. The Value Added Tax Act specifies several categories of goods and services that are exempt from VAT, such as medical services, childcare, etc.

Excise duties (*trošarine*): are levied on tobacco products, alcohol and alcohol beverages, mineral oils, electricity and gas.



Tax on insurance premiums (*davek na promet zavarovalnih poslov*): is levied on insurance premiums and is payable by insurance companies and other legal providers of insurance services within the Slovenia. The tax rate is 6.5%.

Tax on transfer of immoveable property (*davek na promet nepremičnin*): is levied on transfer of immovable property, if VAT has not been charged on such transfer. It is applied to the market value of immovable property transferred. In general, the taxpayer is the seller of the immovable property. The tax rate is 2% of the market value of the transaction.

Customs duties (*carine*): are levied on goods upon importation into the Community customs territory from third countries not belonging to that territory. The rates of duties are laid down in the Common Customs Tariff of the Community and are applied in accordance with the common customs legislation of the EU.

- *Scope and scale*

The following tables show the number of taxpayers and the composition of taxes, as a percentage of overall tax revenue.

Table 1.9 Taxes: taxpayers (as % of population)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|-------|-------|-------|-------|-------|------|
| Direct taxes | | | | | | |
| Personal income tax | 64.75 | 56.28 | 53.09 | 52.56 | 49.49 | n.a. |
| Capital income tax | 1.01 | 3.11 | 4.95 | 6.23 | n.a. | n.a. |
| Inheritance and gift tax | 2.32 | 2.25 | 2.28 | 2.34 | n.a. | n.a. |
| Derivative instruments gains tax | - | - | - | 0.03 | n.a. | n.a. |
| Tax on gambling and Concession Fee | 0.02 | 0.02 | 0.02 | 0.02 | n.a. | n.a. |
| Indirect taxes | | | | | | |
| Motor vehicle tax | 1.63 | 2.06 | 1.88 | 1.60 | n.a. | n.a. |
| Tax on transfer of immoveable property | 3.15 | 2.80 | 2.72 | 2.26 | n.a. | n.a. |
| Tax on insurance premiums | 0.01 | 0.02 | 0.02 | 0.03 | n.a. | n.a. |

Notes: Data refer to the number of decisions on individual taxes, therefore the exact number/percentage of taxpayers might be slightly different.

Source: Tax Administration of the Republic of Slovenia, Annual Report, 2006-2011, http://www.durs.gov.si/si/o_davcni_upravi_rs/letna_porocila_o_delu_durs/.



Table 1.10 Taxes: revenue

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Annual revenue (1000 EUR) | 11,761,989 | 12,757,942 | 13,937,364 | 12,955,413 | 12,848,422 | 13,209,222 |
| Direct taxes | | | | | | |
| Personal income tax | 1,792,964 | 1,804,427 | 2,185,135 | 2,092,860 | 2,039,298 | 2,054,312 |
| Corporate Income Tax | 942,330 | 1,113,243 | 1,257,037 | 712,228 | 448,602 | 667,637 |
| Payroll tax | 449,600 | 391,541 | 229,651 | 1,303 | 0 | 0 |
| Tax on contractual work | 23,334 | 26,600 | 28,386 | 27,186 | 28,076 | 29,243 |
| Inheritance and gift tax | 5,651 | 8,695 | 11,011 | 10,951 | 13,649 | 9,840 |
| Property tax | 138,391 | 140,604 | 155,099 | 166,676 | 173,048 | 175,454 |
| Indirect taxes | | | | | | |
| Value added tax | 2,715,982 | 2,906,674 | 3,144,501 | 2,838,007 | 2,940,893 | 2,992,405 |
| Excise duties | 955,948 | 1,157,852 | 1,213,255 | 1,415,000 | 1,439,187 | 1,462,406 |
| Tax on transfer of immoveable property and financial property tax | 45,082 | 57,122 | 48,798 | 29,348 | 32,621 | 29,620 |
| Motor vehicle tax | 47,397 | 61,708 | 71,444 | 40,860 | 40,068 | 37,966 |
| Customs duties | 50,254 | 116,371 | 118,505 | 89,389 | 90,699 | 100,250 |

Ministry of Finance, Consolidated General government 1992-2012,
http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/tekgib/Bilten_javnih_financ/Konsolidirana_bilanca_javnega_financiranja_1992-2012.xls.

2. SIMULATION OF TAXES AND BENEFITS IN EUROMOD

2.1 Scope of simulation

Not all the taxes and benefits mentioned in the previous section are simulated by EUROMOD. Some are beyond its scope entirely and are neither included in the EUROMOD database nor in its output income variables. Others are not possible to simulate accurately with the available data. They are included in the database and may be chosen as components of output variables, but the rules governing them may not be changed by the model. Table 2.1 and Table 2.2 classify each of the main tax-benefit instruments (and some minor ones introduced above) into one of these three groups and provides a brief explanation as to why the instrument is not fully simulated if this is the case.

Table 2.1 Simulation of benefits in EUROMOD

| | Variable name(s) | Treatment in EUROMOD | | | | | | | Why not fully simulated? |
|--|------------------|----------------------|------|------|-------|-------|-------|------|---|
| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | |
| Wage compensation due to temporary incapacity for work | - | E | E | E | E | E | E | E | No data on contribution history and incapacity for work |
| Funeral costs refund | - | E | E | E | E | E | E | E | No data on event occurrence |
| Death benefit | - | E | E | E | E | E | E | E | No data on event occurrence |
| Parental (maternity) payment | bmact | I | I | I | I/ PS | I/ PS | I/ PS | I/PS | No data on contribution history |



| | | | | | | | | | |
|---|---------------|------|------|------|------|------|------|------|---|
| Paternal payment | bcrbafh | I | I | I | I | I | I | I | No data on contribution history |
| Old age pension | poa | IA | IA | IA | I | I | I | I | No data on contribution history. |
| Pension support for old-age pensioners | poa | IA | IA | IA | - | - | - | - | It is included in old-age pension together with eventual attendance and disability supplement, thus it is not possible to divide the amount. |
| Pension support for pensioners | psact | - | - | - | I | I | I | - | No data on contribution history. |
| Income support | bsapm | | | | | | | S | |
| Survivor pension | psu | IA | IA | IA | I | I | I | I | No data on contribution history and eligibility. |
| Pension support for survivor pensioners | psu | IA | IA | IA | - | - | - | - | It is included in survivor pension together with eventual attendance and disability supplement, thus it is not possible to divide the amount. |
| War and farmers pension | Poa, psu, pdi | IA | No data on contribution history and eligibility. |
| Disability - invalidity pension | pdi | IA | IA | IA | I | I | I | I | No data on contribution history and disability occurrence. |
| Pension support for disability pensioners | pdi | IA | IA | IA | - | - | - | - | It is included in invalidity pension together with eventual attendance and disability supplement, thus it is not possible to divide the amount. |
| Attendance supplement | poa, pdi, psu | IA | IA | IA | I | I | I | I | No information on disability occurrence; |
| Disability supplement for disabled | pdi | IA | IA | IA | I | I | I | I | No data on contribution history and disability occurrence; it is included in old-age, survivor and disability pension and wage compensation for disabled workers. |
| Yearly bonus for pensioners | poa, pdi, psu | IA | |
| Wage compensation for disabled workers | bdirw | I | I | I | I | I | I | I | No data on contribution history and eligibility. Wage compensation for disabled workers includes also eventual disability supplement. |
| Unemployment wage compensation | Bunct | I/PS | No data on contribution history and work readiness. |
| Unemployment assistance | bunmt | I | I | I | I | I | I | - | The benefit has phased out since 2006 and has become very minor; therefore we do not simulate it. |
| Compensation for lost income due to care of child who need special care | bfa | IA | IA | IA | I | I | I | I | Data available is not sufficient to simulate eligibility. |



| | | | | | | | | | |
|---------------------------------------|-------|----|----|----|---|---|---|---|---|
| Parental allowance | bmanc | S | S | S | S | S | S | S | |
| Birth grant | bchba | S | S | S | S | S | S | S | |
| Child benefit | bchmt | S | S | S | S | S | S | S | |
| Large-family supplement | bchlg | S | S | S | S | S | S | S | |
| Childcare supplement | bfa | IA | IA | IA | I | I | I | I | Data available is not sufficient to simulate eligibility conditions. Data available is not sufficient to simulate eligibility cond. |
| National scholarship | bed | I | I | I | I | I | I | I | National scholarship is included among all scholarships. No information available – recipients are included among old-age recipients |
| State pension | poanc | I | I | I | I | I | I | - | |
| Housing benefit | bho | S | S | S | S | S | S | S | |
| Social assistance | bsa | S | S | S | S | S | S | S | |
| Supplement for persons at social risk | - | - | - | - | E | - | - | - | One time lump sum benefit introduced in July 2009. |

Notes: “-”: policy did not exist in that year; “E”: *excluded* from the model as it is neither included in the micro-data nor simulated; “I”: *included* in the micro-data but not simulated; “IA”: included in the microdata in an aggregated variable but not simulated; “PS” *partially simulated* as some of its relevant rules are not simulated; “S” *simulated* although some minor or very specific rules may not be simulated.



Table 2.2 Simulation of taxes and social contributions in EUROMOD

| | Variable name(s) | Treatment in EUROMOD | | | | | | | Why not fully simulated? |
|---|----------------------|----------------------|------|------|------|------|------|------|--------------------------|
| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | |
| Employee social security contributions | tscee* | S | S | S | S | S | S | S | |
| Employer social security contributions | tscer* | S | S | S | S | S | S | S | |
| Self-employed social security contributions | tscse* | S | S | S | S | S | S | S | |
| Credited social contributions up to full working time for parents of children under three/six | tscctfa01, tscctfa02 | S | S | S | S | S | S | S | |
| Credited social contributions for parents of four or more children who exit labour market | tscctfa03, tscctfa04 | E | S | S | S | S | S | S | |
| Personal Income Tax | tin | S | S | S | S | S | S | S | |
| Payroll tax | tpa | S | S | S | - | - | - | - | Abolished in 2009 |
| Tax on contractual work | taj | S | S | S | S | S | S | S | |
| Taxation of winnings from conventional games of chance | - | E | E | E | E | E | E | E | No information available |
| Derivative instruments gains tax | - | E | E | E | E | E | E | E | No information available |
| Tax on gambling | - | E | E | E | E | E | E | E | No information available |
| Inheritance and gift tax | - | E | E | E | E | E | E | E | No information available |
| Property tax | tpr | I | I | I | I | I | I | I | No information available |
| Water Vessel Tax | - | E | E | E | E | E | E | E | No information available |
| Motor vehicle tax | - | E | E | E | E | E | E | E | No information available |
| Circulation tax | - | E | E | E | E | E | E | E | No information available |
| Value added tax | - | E | E | E | E | E | E | E | No information available |
| Excise duties | - | E | E | E | E | E | E | E | No information available |
| Tax on insurance premiums | - | E | E | E | E | E | E | E | No information available |
| Tax on transfer of immoveable property | - | E | E | E | E | E | E | E | No information available |
| Tax on transfer of immoveable property | - | E | E | E | E | E | E | E | No information available |
| Customs Duties | - | E | E | E | E | E | E | E | No information available |

Notes: “-”: policy did not exist in that year; “E”: *excluded* from the model as it is (neither included in the micro-data nor simulated); “I”: *included* in the micro-data but not simulated; “IA”: included in the microdata in an aggregated variable but not simulated; “PS”: *partially simulated* as some of its relevant rules are not simulated; “S”: *simulated* although some minor or very specific rules may not be simulated.



2.2 Order of simulation

The following table shows the order in which the main elements of the Slovenian system in 2006-2012 are simulated, i.e. spine. Each policy corresponds to a “sheet” in the Slovenian.xls policy file. Despite the fact, that Slovenian system experienced few structural changes within this period, we use one table to display policy simulations over the seven years’ span. The spine structure is identical for all analysed years, although some policies cover only few years within the seven years span.

The defined order shows the start of Slovenian policy simulations with the minimum wage, which is followed with the simulation of contributory unemployment wage compensation and contributory parental payment. Note that the simulation of these policies is not included in the baseline simulation; that is, for the baseline results both employment income and unemployment benefits are read directly from the input data. The only exception is parental payment in 2012 which is included in the baseline simulation.

The next policy sheet calculates tax on contractual work and payroll tax. The following four policy sheets concern the simulation of the social insurance contributions: for employers, for employees, for self-employed and credited social security contributions for parents (contributions up to full working time for parents of children under three and for parents of four or more children who exit labour market). Next, personal income tax after standard and family tax allowances is calculated.

Following the contributions and taxes, the benefits are simulated. New legislation in 2012 requires new order of benefits simulation. According to the Exercise of Rights to Public Funds Act, the beneficiary must apply for benefits in the following set order:

1. child benefit;
2. cash social assistance;
3. income support;
4. state scholarship.

This set order is very important as the income, which is the basis for income test, includes also benefits to which the applicant was or would be entitled, if this he/she enforced or would enforce this right in accordance with the order as stipulated above.

Despite legal changes, the same spine, with few changes, has been retained. Parental allowance is followed by “new” child benefit for 2012 (policy is set off for years 2005-2011), birth grant and large family allowance (the last two benefits are means tested in 2012). The two means-tested benefits, social assistance and housing benefit, depend on income after income tax and employee and self-employed contributions. They are therefore simulated after the simulation of income taxes and contributions. The housing benefit income test takes account of parental allowance and social assistance. Furthermore, the child benefit income test (before 2012) takes account of social assistance and housing benefit. Therefore “old” child benefit policy for years 2005 -2011 comes after social assistance and housing benefit (it is set off for 2012). Finally, other credited social insurance contributions are simulated: health insurance contributions on pensions and unemployment assistance and employer part of social insurance contributions on benefits.



Table 2.3 EUROMOD Spine: order of simulation, 2006-2012

| Policy | Description | Main output |
|------------|---|--------------|
| yem_si | Minimum wage | yem |
| bunct_si | Unemployment wage compensation (switched off in the baseline) | bunct_s |
| bmact_si | Parental (maternity) payment | bmact_s |
| tpa_si | Tax on contractual work and payroll tax (employers) | tpa_s, taj_s |
| tscer_si | Social Insurance Contributions (employers) | tscer*_s |
| tscee_si | Social Insurance Contributions (employees) | tscee*_s |
| tsce_si | Social Insurance Contributions (self-employed) | tsce*_s |
| tsctfa_si | Credited social contributions up to full working time for parents of children under three / parents of four or more children who exit labour market | tsctfa*_s |
| tinta01_si | Income taxes: deductions from taxable income (standard allowances) | tinta_s |
| tinta02_si | Income taxes: deductions from taxable income (family allowances) | tinta_s |
| tin_si | Income taxes | tin_s |
| bmanc_si | Parental Allowance (non contributory maternity benefit) | bmanc_s |
| bchmt_si | Child benefit (year 2012) | bchmt_s |
| bchba_si | Birth Grant | bchba_s |
| bchlg_si | Large family allowance | bchlg_s |
| bsa_si | Social assistance | bsa_s |
| bsapm_si | Income support | bsapm_s |
| bho_si | Housing benefit | bho_s |
| bchmt_si | Child benefit (years 2006 – 2011) | bchmt_s |
| tscthl_si | Other credited social insurance contributions | tsct*_s |

2.3 Social benefits

The amount of some social benefits depends on the level of average, guaranteed and minimum wage. The 2006-2012 amounts are presented in the table below.



Table 2.4 Average gross wage, minimum wage and guaranteed wage amounts, 2006-2001

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012* |
|---|---------|----------|----------|----------|----------|---------|----------|
| Gross average wage (per month), in EUR | 1,212.8 | 1,284.79 | 1,391.43 | 1,438.96 | 1,494.88 | 1504.65 | 1,528.46 |
| Net average wage (per month), in EUR | 773.42 | 834.50 | 899.80 | 930.00 | 966.62 | 987.39 | 992.30 |
| Gross minimum wage (per month), in EUR | 511.6 | 521.8 | 566.53 | 589.19 | 734.15 | 748.10 | 763.06 |
| Gross guaranteed wage (per month), in EUR | 233.07 | 237.73 | - | - | - | - | - |
| Net guaranteed wage (per month), in EUR | 181.56 | 185.19 | - | - | - | - | - |

Note: Data for 2012 refer to January.

2.3.1 Credited social contributions up to full working time for parents of children under three/six (tscctfa01_s, tscctfa02_s)

- *Definitions*

One of the parents, who nurses and cares for a child until the child's third year of age, has the right to part-time work. Part-time work includes at least a half of the normal obligation for weekly working hours. The employer ensures the worker the right to the salary on the basis of actual working hours, while the Republic of Slovenia ensures the payment of credited contributions for the difference up to full-time work on the basis of a proportional share of the minimum wage. Since 2007, one of the parents, nursing and caring for two children, may extend this right until the younger child reaches the age of six years.

- *Eligibility conditions*

One of the parents who nurses and cares for a child until the child's third year of age and works part-time. In case of two children, this right might be extended until the younger child reaches the age of six years from 2007 onwards. Part-time work include at least a half of the normal obligation for weekly working hours – at least 20 hours. The right is granted also to self-employed parents.

- *Income test*

Not applicable.

- *Benefit amount*

The Republic of Slovenia ensures the payment of social security contributions for the difference up to full-time work on the basis of a proportional share of the minimum wage. Credited social security contributions (employee part) are part of the gross income for assessing family income for means-tested benefits, but it is not taxed with personal income tax. For example, if an eligible employee works 60% part time, then the employee and employer social security contributions (or self-employed social security contributions in case of self-employment) are paid based on 40% of the minimum wage.



- ***EUROMOD notes***

Although this policy is named a credited social contribution, it is treated as a benefit in the Slovenian legislation. Therefore, we describe the policy here and only mention it later in the chapter about social security contributions.

2.3.2 Credited social contributions for parents of four or more children who exit labour market (tscctfa03_s, tscctfa04_s)

- ***Definitions***

The payment of credited contributions for one parent of four or more children who exits labour market is ensured.

- ***Eligibility conditions***

One of the parents, who exits the labour market due to nursing and caring for four or more children until the youngest child reaches the age of ten, is entitled to credited employee and employer or self-employed contributions on the basis of a minimum wage.

- ***Income test***

Not applicable.

- ***Benefit amount***

The Republic of Slovenia ensures the payment of social security contributions based on the minimum wage. Paid social security contributions are part of the gross income, but they are not taxed with personal income tax.

- ***EUROMOD notes***

Although this policy is named a credited social contribution, it is treated as a benefit in the Slovenian legislation. Therefore we describe the policy here and only mention it later in the chapter about social security contributions.

2.3.3 Unemployment wage compensation (bunct_s)

- ***Definitions***

It is a contributory benefit for the unemployed who were earlier employed.

- ***Eligibility conditions***

The legislation has changed in January 2011. Before, eligible were unemployed who were employed for at least 12 months in the last 18 months prior to the termination of employment (not by their own fault or will) and were covered by unemployment insurance. Since 2011, eligible have been unemployed who had been employed for at least 9 months in the last 24 months prior to the termination of employment (not by their own fault or will) and have been covered by unemployment insurance. Duration of unemployment wage compensation varied from 3 to 25 months depending on the length of insurance period:



Table 2.5 Duration of the entitlement to unemployment wage compensation before 2011

| Insurance record | Duration of the entitlement |
|----------------------------------|------------------------------------|
| 1-5 years | 3 months |
| 5-15 years | 6 months |
| 15-25 years | 9 months |
| Over 25 years | 12 months |
| Over 25 years and over age of 50 | 18 months |
| Over 25 years and over age of 55 | 24 months |

Table 2.6 Duration of the entitlement to unemployment wage compensation since 2011

| Insurance record | Duration of the entitlement |
|----------------------------------|------------------------------------|
| 9 months-5 years | 3 months |
| 5-15 years | 6 months |
| 15-25 years | 9 months |
| Over 25 years | 12 months |
| Over 25 years and over age of 50 | 19 months |
| Over 25 years and over age of 55 | 25 months |

Unemployment wage compensation is conditioned on active search of employment, work readiness, readiness for attending interviews or training courses and accepting referrals to active labour market programmes.

- *Income test*

Not applicable.

- *Benefit amount*

Before 2011, the basis for determining the level of unemployment compensation was a twelve months' average gross wage of the unemployed person prior to unemployment. The benefit level amounted to 70% of the basis in the first three months and 60% thereafter. The minimum benefit level was equal to the 45.56% of gross minimum wage while the maximum level was three times the minimum. Since January 2011, the benefit level amounts to 80% of the basis in the first three months and 60% thereafter. The minimum benefit level is equal to the 350 EUR while the maximum level is three times the minimum. Since June 2012, Public Finance Balance Act has introduced two changes: benefit level amounts to 50% of the basis after the one year of receiving the benefit and the maximum benefit level is set to 892.50 EUR.

The beneficiaries pay employee part of health-, pension- and disability insurance, while the employer part is paid by Employment service of Slovenia. Those unemployed, who are older than 55 and are lacking up to three years until retirement, have their pension and disability insurance contributions paid by the employment service until they retire. Paid social security contributions are part of the gross income, but they are not taxed with personal income tax.

- *EUROMOD notes*

The simulation of unemployment wage compensation is switched off in the model by default.

Effectively, this benefit is only partly simulated using the information about actual receipt. But rather than simply using the observed receipt as part of the eligibility criteria, all eligibility rules in full detail are covered. However, as not all required information (e.g. work history) is available several assumptions are made, among else considering some rules automatically fulfilled for those in receipt. This approach is chosen so that the benefit can be also modelled for



those currently employed if needed (e.g. to simulate their entitlement if they become unemployed, for replacement rates calculations).

Unemployment duration (*lunmy_s*) is set equal to the maximum of observed unemployment duration (*lunmy*) and observed benefit receipt (*bunmy*). If modelling unemployment benefit for those currently employed, unemployment duration is set equal to the reported number of months in employment in the current year (*liwmy*), once contribution history (see the next step) is modelled. It is effectively also assumed that unemployment spells start in the reference year.

Modelled contribution history is based on the reported number of months in employment (*liwmy*), controlling for the total number of months in work (*liwwh*).

- For those currently employed (*ils_earn* != 0 & *lunmy_s* = 0 & *bunct* = 0), this is used.
- For those currently unemployed (*lunmy_s* > 0) and in receipt (*bunct* > 0), this is set at least equal to the minimum qualifying period.
- For those currently unemployed (*lunmy_s* > 0) and not in receipt (*bunct* = 0), this is set to zero.

At this point, working age people who are unemployed (*lunmy_s* > 0), have sufficient contribution history, are not in education, do not receive old-age pension or self-employment income are considered eligible. It is assumed that all of them are involuntary unemployed and capable and available for work (there is a variable in the SILC data identifying the latter but only filled in for those currently unemployed).

Benefit duration (*bunmy_s*) is calculated according to the rules above, using modelled contribution history, while also controlling for the unemployment duration (*lunmy_s*).

Benefit entitlement is calculated based on previous earnings and benefit duration, subject to the lower and upper thresholds. For those currently employed, current earnings are used. For those currently unemployed and in receipt, previous earnings are used which have been imputed by reversing unemployment insurance benefit rules. For those currently unemployed and not in receipt, imputed wage is used. Finally, benefit amount is adjusted with the number of months in receipt (*bunmy_s*).

Paid pension and disability insurance contributions by the employment service for those unemployed, who are older than 55 and are lacking up to three years until retirement, are not simulated.

2.3.4 Parental (maternity) payment (*bmaact_s*)

- *Definitions*

It is a contributory benefit for mother/father on parental leave.

- *Eligibility conditions*

The total leave associated with childbirth consists of maternity leave (3 months) and child care and protection leave (9 months) and amounts to 365 days. In some cases parental leave is prolonged. Eligibility to wage compensation during parental leave is held by persons who were insured for at least 12 months in the last three years before the start of the individual part of parental leave.



- ***Income test***

Not applicable.

- ***Benefit amount***

Before June 2012, wage compensation during the maternity leave and the child care and protection leave amounted to 100% of the average monthly gross wage of the entitled person during the 12 months prior to the leave. The minimum wage compensation amounted to 55% of the minimum wage and the maximum compensation is 2.5 times the average wage in Slovenia. Since June 2012, Public Finance Balance Act has lowered wage compensation during the child care and protection leave to 90% of the base (average monthly gross wage during the 12 months prior to the leave) and set its maximum to 2 times average wage in Slovenia. In cases when the base is equal or below the amount of minimum wage, the wage compensation during the child care and protection leave still amounts to 100% of the base.

- ***EUROMOD notes***

The simulation of wage compensation during parental leave is switched off by default for years between 2009 and 2011 and switched on for year 2012. Since June 2012, replacement rate for the child care and protection leave has dropped to 90% and available data on the benefit amount from year 2009 are less suitable than simulated data.

This benefit is only partly simulated using the information about actual receipt. However, as not all required information (e.g. work history) is available several assumptions are made, among else considering some rules automatically fulfilled for those in receipt.

Base for compensation during parental leave is estimated on previously predicted hourly wage, hours worked per week and average number of weeks per month. Hours worked per week are estimated as follows:

- For those in receipt and with $lhw = 0$, it is set to 40.
- For those in receipt and with $lhw > 0$, the actual lhw is used, but it is capped to 40.

The number of months in receipt of compensation during parental leave is estimated as the ratio of actual amount received per year and 100% of predicted base (as replacement rate was 100% in years before June 2012).

Benefit entitlement is then calculated based on the calculated base and benefit duration, subject to the lower and upper thresholds.

2.3.5 Parental allowance (bmanc_s)

- ***Definitions***

Parental allowance is granted to one of the parents who is not eligible for the insurance-based wage compensation during the parental leave. Qualified is a parent who is a national of Slovenia, has a permanent residence in Slovenia and is not receiving parental (maternity) payment. A child must be a national of Slovenia and the father must not receive any parental leave wage compensation. Most usually, mother is qualified for parental allowance; the father is qualified only in case if mother dies, abandons a child, is not able to live and work independently, or if she, during the period of entitlement, enters into employment or self-employment. There is no means test.



- **Eligibility conditions**

Parental allowance is granted to parents who are not eligible for the insurance-based wage compensation during the parental leave. The benefit is paid only to parents with children aged less than one year, who receive no contributory parental payments and has no employment or self-employment income.

- **Income test**

Not applicable.

- **Benefit amount**

The 2006-12 parental allowance benefit rates are indicated below. The amount of parental allowance has been substantially increased to 55% of net minimum wage in June 2012. It lasts 365 day as parental leave. The amount does not change in case of twins, triplets, etc. The benefit level was adjusted once a year in January in line with the consumer price index until 2011 and according to intervention legislation thereafter. Parental allowance is not subject to income tax.

Table 2.7 Parental allowance rates, EUR per month, 2006-2012

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------|--------|--------|--------|--------|--------|--------|------|
| Parental allowance | 170.88 | 175.15 | 181.46 | 188.90 | 193.24 | 195.56 | 251 |

- **EUROMOD notes**

In the implementation it is assumed that the mother receives parental allowance unless father is a lone parent.

2.3.6 Birth grant (bchba_s)

- **Definitions**

Birth grant is a benefit for a child born in Slovenia, if the mother or the father has permanent residence in Slovenia. This benefit is granted either in-kind or in cash.

- **Eligibility conditions**

Access to birth grant is limited to families with a dependent baby aged less than one year. Until the year 2012 it was a universal, non means-tested, while means test was introduced in June 2012.

- **Income test**

Birth grant was not subject to income test before June 2012. Since then, only parents whose net family income per family member (family members are parents and dependent children according to the definition on pp. 2) is below the 64% of net average wage are eligible for birth grant. Income definition is the same as for child benefit income test.

- **Benefit amount**

The 2006-12 birth grant benefit rates are indicated below. It is one-time benefit, not subject to income tax.



Table 2.8 Birth grant rates, EUR, 2006-2012

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------|--------|--------|--------|--------|--------|--------|--------|
| Birth grant | 244.16 | 250.26 | 259.27 | 269.90 | 276.11 | 279.42 | 280.75 |

2.3.7 Large family allowance (bchlg_s)

- *Definitions*

Large-family supplement is a transfer to families with three or more children.

- *Eligibility conditions*

Access to large family allowance is limited to families with three or more dependent children residing in Slovenia under the condition that the child is a national of the Republic of Slovenia or the child is not a national of the Republic of Slovenia, on the condition of reciprocity (i.e. bilateral convention between two countries). Eligible are families with three or more children below age 18 or older, if fulfilling the age and status conditions for the entitlement to a child benefit; i.e. aged less than 26 and involved in full time education.

- *Income test*

Birth grant was a universal non means-tested benefit before June 2012. Since then, only parents whose net family income per family member is below the 64% of net average wage are eligible for birth grant.

- *Benefit amount*

The level of benefit is paid once a year and it differs according to the size of family. The benefit level is adjusted once a year in January in line with the consumer price index and is not subject to income tax. The 2006-12 large family allowance rates are indicated below.

Table 2.9 Large family allowance, EUR, 2006-2012

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|--------|--------|--------|--------|--------|--------|--------|
| Large family allowance: 3 dependent children | 342.18 | 350.73 | 363.36 | 378.26 | 386.96 | 391.60 | 393.46 |
| Large family allowance: 4 or more dependent children | 417.29 | 427.72 | 443.12 | 461.29 | 471.90 | 477.56 | 479.83 |

2.3.8 Social assistance (bsa_s)

- *Definitions*

Social assistance is means-tested benefit and is intended to ensure the minimum income for residents of Slovenia. The benefit level is the difference between the minimum income of the household and household's income in previous three months which is the base for income test. Social assistance has experienced major changes in 2012, therefore we describe both system; old system before 2012 and new system in 2012.

- *Eligibility conditions*

In accordance with the Social Assistance Act, beneficiaries are citizens of the Republic of Slovenia permanently residing in Slovenia and aliens in possession of a permit for permanent



residence in Slovenia. The right to financial social assistance can also be exercised by persons in respect of whom this right is recognised by international instruments binding on the Republic of Slovenia. Financial social assistance is available for beneficiaries who are unable to provide minimum income resources for themselves or their family members for reasons beyond their control and who have exercised their right to financial benefits pursuant to other regulations.

When assessing the eligibility, the account is taken of the ceiling as well as of the fact whether an individual or family has assets enabling subsistence, whether all other rights were exercised (social assistance is the last of the rights within the system, eligible when all other subsistence options are exhausted) and whether the person concerned is active in seeking solutions to his/her problem. The latter is of particular importance to all who can work and must be registered with the Employment Service of Slovenia, participate in offered programmes of active employment policy and actively seek employment.

Social assistance is means tested and before 2012, financial social assistance was not granted to a single person or a family with savings or property amounting to or exceeding the level of 60 % of minimum incomes.

Since 2012, new means test has been introduced. It should be noted that means test is taken into account for all social benefits. The person's assets include immovable property, vehicles, vessels, ownership shares in companies or cooperatives, securities, cash assets on transaction or other bank account (savings and other cash assets) and other movable assets. The person's assets do not include the apartment, where the person resides, to the value of the appropriate apartment (the Social Assistance Act states what appropriate apartment is), personal vehicle or single-track vehicle to the value of 28-times of the basic minimum income amount, assets that provide income, higher than double the gross minimum salary and also assets in some other cases. Assets are considered in such way that the income of persons is increased by a fictively determined income, namely in the amount of annual interest calculated on the value of assets, which are considered. The average annual interest rate for households for time deposits from 1 to 2 years for the year prior to the year when the application is submitted according to the Bank of Slovenia's information is considered.

- ***Income test***

Period: 2007-2011

The family income should be below family minimum income. Family income which is the base for income test is net of taxes and consists of: taxable employment and self-employment income, contractual work incomes, student work incomes, all pensions, unemployment wage compensation, wage compensation for disabled workers, unemployment assistance, parental and paternal payments, parental allowance, capital income, rents, compensation for lost income due to care for child with special needs, social contributions up to full working time for parents working part-time, the difference between received and paid maintenance payments. Personal income tax and employee social security contributions are subtracted.

The amount of the monthly minimum income for individual family members is determined in proportion to the minimum income using the following scale:

- first adult person in the family: 1
- every next adult person in the family: 0.7
- child up to 18 years of age or child aged 18-25 if in full-time education: 0.3.

The amount of the minimum income for a single-parent family is increased by 30 % of the basic amount of the minimum income. The 2006-11 basic amounts of the minimum income are listed below.



Table 2.10 Minimum income rates, EUR per month, 2006-2011

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------|--------|--------|--------|--------|--------|--------|
| Minimum income | 200.56 | 205.57 | 212.97 | 221.70 | 226.80 | 229.52 |

Financial social assistance is not granted to a single person or a family with savings or property amounting to or exceeding the level of 60% of minimum incomes. For the purposes of income test, property shall exclude:

- the apartment in which an individual person or family live and which is set forth in regulations governing housing relations as an adequate apartment,
- property generating income which is observed in the determination of one's own income,
- objects which, pursuant to the regulations governing the execution of judgements in civil matters and the insurance of claims and
- personal vehicles up to the value of 35 minimum wages.

Period: year 2012

The Social Benefits Act (2010) introduces new equivalence scale which was enforced in January 2012. The new equivalence scale also includes work incentive (additional weight of 0.28 for 60-128 hours of work per month and 0.56 for more than 128 hours of work per month). The weights differ for the first and further children, and also according to the status of a higher secondary school student (additional weight of 0.1 to compensate for the education related costs since these students are not eligible for the national educational grant). Consequently, the weights are defined for 13 family member types, which is evident from Table 2.11.

Table 2.11 Equivalence scales for social assistance, from 1 January 2012

| Weight | Family member |
|--------|---|
| 1 | The first adult |
| 1.28 | The first adult working 60-128 hours/month |
| 1.56 | The first adult working more than 128 hours/month |
| 0.7 | Single person aged 18-25, living with parents and registered as unemployed |
| 0.7 | Single person - permanently unemployable, or permanently incapable of work, or older than 63 (a woman) / 65 (a man) - living with persons who have sufficient means of subsistence for themselves and are not their family members (according to the definition in the Act) |
| 1 | An adult in full-day institutional care |
| 0.5 | Each further adult |
| 0.64 | Each further adult working 60-128 hours/month |
| 0.78 | Each further adult working more than 128 hours/month |
| 0.8 | The first child: the oldest child who is not a higher secondary education |
| 0.7 | Further child who is not in higher secondary education |
| 0.99 | The first child: the oldest child who is in higher secondary education |
| 0.89 | Further child who is in higher secondary education |

Social Benefits Act (2010) introduces a higher level of basic minimum income which is equal to is EUR 288.81 from 1st January 2012. However, the Act of Additional Intervention Step in 2012 because of Economic Crises lowered the amount of basic minimum income to 260 EUR (from initially set value of 288.81 EUR) from the first day the Social Benefits Act was enforced. In case of a child in a single-parent family (according to new legislation), the minimum income for a family is increased by 10 per cent of basic amount of the minimum income for each child.



Family income which is the base for income test is net of taxes and consists of: taxable employment and self-employment income (when self-employment income is lower than gross minimum wage, 75% of gross minimum wage is taken into account), contractual work incomes, student work incomes, all pensions, unemployment wage compensation, wage compensation for disabled workers, unemployment assistance, parental and paternal payments, parental allowance, capital income, rents, compensation for lost income due to care for child with special needs, social contributions up to full working time for parents working part-time, national scholarship (without supplements), the difference between received and paid maintenance payments. Personal income tax and employee social security contributions are subtracted. Child benefits are included in family income, while birth grant and large family allowance are not.

- ***Benefit amount***

The benefit level is the difference between minimum income for the family and family actual income net of taxes and compulsory social security contributions.

- ***EUROMOD notes***

We take into account total annual income and not income in three previous months.

Asset test is not simulated due to data constraints.

Weights for persons older than 63 (a woman) / 65 (a man) - living with persons who have sufficient means of subsistence for themselves and are not their family members are not simulated by the model due to data constraints.

2.3.9 Income support (bsapm_si)

- ***Definitions***

Income support is a social protection benefit, enacted from January 2012, and intended for persons, who cannot ensure their financial security due to circumstances beyond their control. It replaces pension support for pensioners and state pension which have been abolished.

- ***Eligibility conditions***

Persons, who are permanently unemployable or permanently incapable for work or women older than 63 years or men older than 65 years, whose family income (defined in the same way as for social assistance) does not exceed the minimum income amount, are eligible for income support. Income support is also means tested in the same way as social assistance (social assistance included into family income).

- ***Income test***

The Social Benefits Act (2010) introduces new equivalence scale for income support which was enforced in January 2012. The amount of minimum income for income support beneficiaries is increased in relation to the basic amount of the minimum income as evident from Table 2.12.



Table 2.12 Equivalence scales (supplements to basic amount of minimum income), from 1 January 2012

| Weight supplements | Family member |
|--------------------|--|
| 0.73 | The single person |
| 0.73 | The only adult person in the family |
| 0.73 | The first adult person in the family, in which its other adult family members also fulfil the conditions for income support |
| 0.36 | For other adult person in the family, in which its other adult family members fulfil the conditions for income support (with higher weight) or have the status of an active person |

Family income, which is the base for income test, is net of taxes and consists of: taxable employment and self-employment income, contractual work incomes, student work incomes, all pensions, unemployment wage compensation, wage compensation for disabled workers, unemployment assistance, parental and paternal payments, parental allowance, capital income, rents, compensation for lost income due to care for child with special needs, social contributions up to full working time for parents working part-time, national scholarship (without supplements), the difference between received and paid maintenance payments. Personal income tax and employee social security contributions are subtracted. Child benefits and social assistance are included in family income, while birth grant and large family allowance are not.

- ***Benefit amount***

The benefit level is the difference between minimum income for the family and family actual income net of taxes and compulsory social security contributions.

- ***EUROMOD notes***

We take into account total annual income and not income in three previous months.

Asset test is not simulated due to data constraints.

Weights for persons older than 63 (a woman) / 65 (a man) - living with persons who have sufficient means of subsistence for themselves and are not their family members are not simulated by the model due to data constraints.

2.3.10 Housing benefit (bho_s)

- ***Definitions***

Housing benefit is means-tested and covers part of rent for a person whose family income does not exceed certain threshold. The share of covered rent depends on the size of apartment and beneficiary's income, and must not exceed 80% of respective non-profit rent. There were no changes in eligibility conditions, income test and benefit amount for this benefit in 2012.

- ***Eligibility conditions***

Access to housing benefit is limited only to households renting and paying profit or non-profit rent with income under certain threshold.

- ***Income test***

Income threshold is the sum of (a) minimum income (the same as for social assistance according to previous / new legislation) for particular household, (b) 30% of net family income and (c) estimated non-profit rent. Households above threshold are not eligible at all.



The family income should be below family minimum income. Family income, which is the base for income test, is net of taxes and consists of: taxable employment and self-employment income, contractual work incomes, student work incomes, all pensions, unemployment wage compensation, wage compensation for disabled workers, unemployment assistance, parental and paternal payments, parental allowance, capital income, rents, compensation for lost income due to care for child with special needs, social contributions up to full working time for parents working part-time, national scholarship (without supplements), the difference between received and paid maintenance payments. Personal income tax and employee social security contributions are subtracted. Child benefits, social assistance, income support and national scholarship are included in family income, while birth grant and large family allowance are not.

Estimated annual non-profit rent depends on the flat size. The maximum flat size taken into account when estimating non-profit rent depends on the number of family members:

Table 2.13 Maximum flat size for housing benefit, 2006-2012

| The number of family members | Maximum flat size |
|------------------------------|--|
| 1 family member | 30 m ² |
| 2 family members | 45 m ² |
| 3 family members | 55 m ² |
| 4 family members | 65 m ² |
| 5 family members | 75 m ² |
| 6 family members | 85 m ² |
| more than 6 family members | 85 m ² +6 m ² for 7 th and each subsequent member |

Estimated annual non-profit rent is calculated as follows (S = flat size in square meters):

- $(270 \cdot 2.63 \cdot S \cdot 1.057 \cdot \text{factor})$ if $S \leq 30$
- $(270 \cdot 2.63 \cdot S \cdot 1.024 \cdot \text{factor})$ if $S > 30$ & $S \leq 45$
- $(270 \cdot 2.63 \cdot S \cdot 1.000 \cdot \text{factor})$ if $S > 45$ & $S \leq 65$
- $(270 \cdot 2.63 \cdot S \cdot 0.966 \cdot \text{factor})$ if $S > 65$ & $S \leq 75$
- $(270 \cdot 2.63 \cdot S \cdot 0.950 \cdot \text{factor})$ if $S > 75$

In 2006 factor amounted to 0.0446 and in 2007 to 0.0468. It has not changed since then.

- **Benefit amount**

The benefit level is the difference between income threshold for the household and household income which is the base for income test. The benefit cannot be higher than 80% of estimated non-profit rent (*MOD: Estimated non-profit rent*). Housing benefit is not subject to income tax.

- **EUROMOD notes**

There is no information about the actual flat size in the data, so the family-size-dependent maximum flat size is assumed in the estimation of the non-profit rent.

Asset test is not simulated due to data constraints.

2.3.11 Child benefit (bchmt_s)

- **Definitions**

Child benefit has experienced major changes since 2012, therefore we describe both systems - old system before year 2012 and new system in year 2012. Before 2012, child benefit was a means-tested benefit, held by one of the parents for a child residing in Slovenia. The right to a child benefit was held until the child had reached 18 years of age, as well as for the period in



which the child continues with full-time education, but only until the child reaches 26 years of age. Child benefit was paid only in case if income per family member, in the calendar year prior to the submission of a claim, was below the average gross wage in Slovenia.

Since 2012, the right to child benefit has been granted to one of the parents or any other person, namely for a child that resides in the Republic of Slovenia and is younger than 18 years, and who also fulfils all other conditions. Children aged 18 years or older are no longer eligible to child benefit.

- ***Eligibility conditions***

Access to child benefit is limited to families with dependent child residing in Slovenia under the condition that:

- a. the child is a national of the Republic of Slovenia;
- b. the child is not a national of the Republic of Slovenia, on the condition of reciprocity (i.e. bilateral convention between two countries).

- ***Income test***

Access to child benefit is restricted to those families below an income threshold. Income test differs before year 2012 and from year 2012 on.

Before 2012, income threshold was set as income per family member compared to average gross wage. Family income, which was the base for income test, was gross income and consisted of: employment and self-employment income, contractual work incomes, all contributory pensions and yearly bonus for pensioners, disability supplement, unemployment wage compensation, wage compensation for disabled workers, unemployment assistance, parental and paternal payments, parental allowance, capital income, royalties, rents, imputed income from land, compensation for lost income due to care for child with special needs, social contributions up to full working time for parents working part-time, social assistance, housing benefit, scholarship, the difference between received and paid maintenance payments. Families above threshold were not eligible at all.

Since 2012, income threshold is set as income per family member compared to average net wage. The family income, which is the base for income test, is net of taxes and consists of: taxable employment and self-employment income, contractual work incomes, student work incomes, all pensions, unemployment wage compensation, wage compensation for disabled workers, unemployment assistance, parental and paternal payments, parental allowance, capital income, rents, compensation for lost income due to care for child with special needs, social contributions up to full working time for parents working part-time, national scholarship (without supplements), the difference between received and paid maintenance payments. Personal income tax and employee social security contributions are subtracted. Child benefit is the first benefit in series, which means no subsequent benefits (social assistance, income support and state scholarship) are included into family income.

Besides that, a new means test has been introduced. It should be noted that the same assets are taken into account for all social benefits (more details about means testing are described in chapter 2.3.8.).

Families above threshold are not eligible for child benefits.

- ***Benefit amount***

The benefit is paid per month (12 times a year) per eligible child. Before 2012, the amount of benefit depended on the family income per family member in comparison to average gross wage



and the number of eligible children. There were 8 income brackets. The 2006-11 rates are listed in table below.

Table 2.14 Child benefit rates, EUR per month, 2006-2011

| Gross family income per family members as percentage of average gross wage in Slovenia | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|--------|--------|--------|--------|--------|--------|
| 1st child | | | | | | |
| to 15% | 92.14 | 94.44 | 106.06 | 110.41 | 112.95 | 114.31 |
| more than 15% to 25% | 78.78 | 80.75 | 90.68 | 94.40 | 96.57 | 97.73 |
| more than 25% to 30% | 60.05 | 61.55 | 69.12 | 71.95 | 73.6 | 74.48 |
| more than 30% to 35% | 47.36 | 48.54 | 54.51 | 56.74 | 58.05 | 58.75 |
| more than 35% to 45% | 38.72 | 39.69 | 44.57 | 46.40 | 47.47 | 48.04 |
| more than 45% to 55% | 24.54 | 25.15 | 28.24 | 29.40 | 30.08 | 30.44 |
| more than 55% to 75% | 18.40 | 18.86 | 21.18 | 22.05 | 22.56 | 22.83 |
| more than 75% to 99% | 16.02 | 16.42 | 18.44 | 19.20 | 19.64 | 19.88 |
| 2nd child | | | | | | |
| to 15% | 101.36 | 103.89 | 116.67 | 121.45 | 124.24 | 125.73 |
| more than 15% to 25% | 87.09 | 89.27 | 100.25 | 104.36 | 106.76 | 108.04 |
| more than 25% to 30% | 67.10 | 68.78 | 77.24 | 80.41 | 82.26 | 83.25 |
| more than 30% to 35% | 54.04 | 55.39 | 62.20 | 64.75 | 66.24 | 67.03 |
| more than 35% to 45% | 45.19 | 46.32 | 52.02 | 54.15 | 55.4 | 56.06 |
| more than 45% to 55% | 30.71 | 31.48 | 35.35 | 36.80 | 37.65 | 38.1 |
| more than 55% to 75% | 24.54 | 25.15 | 28.24 | 29.40 | 30.08 | 30.44 |
| more than 75% to 99% | 22.16 | 22.71 | 25.51 | 26.56 | 27.17 | 27.5 |
| 3rd and each subsequent child | | | | | | |
| to 15% | 110.58 | 113.34 | 127.28 | 132.50 | 135.55 | 137.18 |
| more than 15% to 25% | 95.35 | 97.73 | 109.75 | 114.25 | 116.88 | 118.28 |
| more than 25% to 30% | 74.15 | 76.00 | 85.35 | 88.85 | 90.89 | 91.98 |
| more than 30% to 35% | 60.84 | 62.36 | 70.03 | 72.90 | 74.58 | 75.47 |
| more than 35% to 45% | 51.62 | 52.91 | 59.41 | 61.85 | 63.27 | 64.03 |
| more than 45% to 55% | 36.85 | 37.77 | 42.41 | 44.15 | 45.17 | 45.17 |
| more than 55% to 75% | 30.71 | 31.48 | 35.35 | 36.80 | 37.65 | 38.1 |
| more than 75% to 99% | 28.29 | 29.00 | 32.57 | 33.91 | 34.69 | 35.11 |

Lone parents were entitled to 10% higher child benefit. Additionally, pre-school child who is not enrolled in pre-school education was entitled to a 20% higher child benefit.

Since 2012, the amount of benefit depends on the family income per family member in comparison to average net wage and the number of eligible children. The number of income brackets is the same as in previous system, while the benefit amounts differ according to educational level of a child.

In June 2012, Public Finance Balance Act abolished the right to child benefit for parents in 7th and 8th income bracket and lowered child benefit amount for parents in 5th and 6th income bracket by 10%. Child benefit amounts, valid from June 1st 2012, are evident from the table below.



Table 2.15 Child benefit rates, EUR per month, 2012

| Net monthly income per person in % of net average wage | Child benefit for a child in elementary school or until 18 years of age (in euro) | | | Child benefit for a child in high school or until 18 years of age (in euro) | | |
|--|---|-----------|--------------------------------|---|-----------|--------------------------------|
| | 1st child | 2nd child | 3rd and every additional child | 1st child | 2nd child | 3rd and every additional child |
| to 18% | 114.85 | 126.33 | 137.83 | 168.31 | 179.73 | 243.55 |
| more than 18 to 30% | 98.19 | 108.55 | 118.84 | 142.73 | 153.04 | 206.88 |
| more than 30 to 36% | 74.83 | 83.65 | 92.42 | 110.48 | 119.25 | 162.89 |
| more than 36 to 42% | 59.03 | 67.35 | 75.83 | 85.75 | 94.03 | 128.58 |
| more than 42 to 53% | 43.44 | 50.70 | 57.90 | 61.24 | 68.45 | 92.94 |
| more than 53 to 64% | 27.52 | 34.45 | 41.34 | 39.10 | 45.99 | 64.05 |
| more than 64 to 82% | 0 | 0 | 0 | 0 | 0 | 0 |
| more than 82 to 99% | 0 | 0 | 0 | 0 | 0 | 0 |

Lone parents (according to new stricter definition) are entitled to a 10% higher child benefit. Additionally, pre-school child, who is not enrolled in pre-school education, is entitled to a 20% higher child benefit.

- **EUROMOD notes**

Asset test is not simulated due to data constraints. The increase of child benefits in single parent families is not simulated for year 2012, due to new stricter definition of single-parent family and lack of needed data. 20% higher child benefits are also not simulated due to data constraints.

2.4 Social contributions

There are four types of compulsory social security contributions, which are paid both by employer and employee: (1) for pension and disability insurance (they are paid to the Pension Insurance Fund), (2) for health insurance (they are paid to the Institute of Health Insurance), (3) for unemployment insurance (they are paid to the central government), (4) for maternity leave insurance (they are paid to the central government).

There are also some social security contributions for benefits. Employee part of these contributions (unemployment wage compensation, parental payments, wage compensation for disabled workers, compensation for lost income due to care for child with special needs and compensation for lost income due to care for child with special needs) is included among employee social contributions, although they are paid from the institution which disburses the benefit.

The “employer” part of social security contributions on benefits (parental payments, wage compensation for disabled workers, unemployment wage compensation, compensation for lost income due to care for child with special needs, compensation for lost income due to care for child with special needs, unemployment assistance and pensions) could be considered as credited contributions. However, in external statistics these contributions are treated as transfers between public funds.

As already mentioned, there are also credited social security contributions for parents:

- part time work of parents with children under 3/6 - up to full working time,
- paternal payment after 15th day, and
- parents who exits the labour market due to the care for four or more children.



Besides, there are also credited health insurance contributions on pensions (paid by Pension Fund to the Health Insurance Company) and health insurance contributions on unemployment assistance (paid by Employment Service to the Health Insurance Company).

2.4.1 Employee social contributions (tscee_s), (tscebe_s)

Employee social contributions are paid at a flat rate 22.1% of reference earnings. Reference earnings are: taxable employment income and wage compensation for sick leave. Employee part of social contributions is paid also from some benefits: compensation for lost income due to care for child with special needs, maternity and paternal payments, unemployment wage compensation, compensation for lost income due to care for child with special needs and wage compensation for disabled workers. There is no upper earnings threshold. The base for contributions includes also some fringe benefits and remuneration of expenses related to work above certain threshold.

The rates of employee social contributions are the following:

- a. for pension and disability insurance: 15.5%;
- b. for health insurance: 6.36%;
- c. for unemployment insurance: 0.14%
- d. for maternity leave insurance: 0.1%

- **EUROMOD notes**

Due to data reasons, the base consists (only) of: taxable employment income and wage compensation for sick leave. Employee part of social contributions for benefits consists of unemployment wage compensation, wage compensation for disabled, maternity and paternity payment. Employee part of social contributions on benefits (tscebe_s) is added to employee social contributions (ils_sicee) in the output and has to be subtracted to get contributions paid actually by employees.

2.4.2 Employer social contributions (tscer_s)

Employer social contributions are always paid in line with employee social security contributions. In addition, there are also some incomes where only employer social contributions are paid. The rates of contributions are the following:

- a) for pension and disability insurance:
 - 8.85% - the base is the same as for employee social contributions,
 - 6% - the base is income from contractual work;
- b) for health insurance:
 - 6.56% - the base is the same as for employee social contributions;
- c) for occupational disease and employment injury insurance contributions:
 - 0.53% - the base is the same as for employee social contributions less unemployment insurance benefit;
- d) for unemployment insurance:
 - 0.06% - the base is the same as for employee social contributions;
- e) for maternity leave insurance:
 - 0.1% - the base is the same as for employee social contributions.



2.4.3 Self-employed social contributions (tscse_s)

Self-employed social security contributions are calculated on the basis of the following schedule, which is graduated in relation to self-employed profit (revenue minus expenses). The base cannot be less than national minimum wage.

Table 2.16 Self-employed social contributions, tax base

| Profit | Tax base for contributions |
|--|----------------------------|
| if profit > 0 & profit ≤ minimum wage | minimum wage |
| if profit > minimum wage & profit ≤ average gross wage | 0.6*average gross wage |
| if profit > average gross wage & profit ≤ 1.5*average gross wage | 0.9*average gross wage |
| if profit > 1.5 average gross wage & profit ≤ 2.0*average gross wage | 1.2*average gross wage |
| if profit > 2.0 average gross wage & profit ≤ 2.5*average gross wage | 1.5*average gross wage |
| if profit > 2.5 average gross wage & profit ≤ 3.0 average gross wage | 1.8*average gross wage |
| if profit > 3.0 average gross wage & profit ≤ 3.5 average gross wage | 2.1*average gross wage |
| if profit > 3.5 average gross wage | 2.4*average gross wage |

Minimum base is minimum wage and upper earning threshold is 2.4*average gross wage. Self-employment contribution rates correspond to the sum of employee and employer contributions rates, i.e. 22.1% + 16.1%=38.2%.

- **EUROMOD notes**

Data on self-employment income in EU SILC include self-employment income which is taxed with social contributions and also other types of income (agriculture income, part of employment income to align with labour economic status) which are partly gained through survey. Therefore, the identification of self-employed persons who are obliged to pay social insurance contributions is needed. In 2009 and onwards, we identify them by comparing gross and net self-employment income in EU-SILC (py050g and py050n). When net self-employment income is lower than gross self-employment income, we assume that social insurance contributions were paid and we consider them as self-employed who are obliged to pay contributions. In years before 2008, we identify this group of self-employed by setting the condition in connection to labour status (les = 2).

2.4.4 Credited social contributions (tscctfa*_s, tsccthl01_s, tscct*_s)

The base for credited social security contributions for parents is an appropriate percentage of minimum wage in case of part time work or the total amount of minimum wage. All social security contributions are paid (38.2% in total). (See sections 2.3.1 and 2.3.2.)

The base for credited health insurance contributions on pensions is the amount of pensions multiplied by a factor (1.573), while the contribution rate is 5.96%. The base for credited health insurance contributions on unemployment assistance is the benefit amount and the contribution rate is 12.92%. Note that these contributions are treated as transfers between public funds in external statistics and not as credited contributions.

The employer part of social contributions on benefits is also treated as transfers between public funds and not as credited contributions. The following rates are applied: 16.10 % for wage compensation for disabled workers and parental payments, and 15.57% for unemployment wage compensation.



2.5 Personal income tax (*tin_s*)

The main tax simulated for Slovenia is personal income tax. All residents are required to file income tax returns if their annual income exceeds an exemption limit (i.e. general tax allowance and higher amount for pensioners).

2.5.1 Tax unit

Personal income tax in Slovenia is individual and each taxpayer must file its own tax return. Only in case of family allowances we consider family, but only to determine dependent children and other dependent family members.

2.5.2 Exemptions

There are few tax exemptions i.e. income components which do not have to be declared to the tax authorities, and thus are not included in the concept of taxable income: (a) family benefits (birth grant, large family supplement, child benefit, parental allowance), (b) social assistance, (c) housing benefit, (d) attendance supplement, (e) childcare supplement, (f) unemployment assistance, (g) benefits from education (scholarship), (h) disability supplement and (i) employee social contributions.

2.5.3 Tax allowances

There are eight tax allowances: (a) general tax allowance, (b) disabled person's tax allowance, (c) seniority tax allowance, (d) allowance for self-employed professionals, (e) special allowance for additional pension insurance, (f) special allowance for selected expenses, (g) family allowance for other dependant family member (partner or parent) and (h) family allowance for children. The first 6 allowances are named standard allowances and the last 2 are named family allowances. All tax allowances are deducted from the intermediary tax base.¹

- *Standard tax allowances (*tinta_s*)*

In this chapter we describe standard tax allowances in year 2006. We also mention legislation changes in subsequent years, while exact amounts of allowances from year 2007 onwards are presented in Table 2.17.

Taxpayers who are not dependent children / parents / partners (another taxpayer claims family or child allowance for them) or taxpayers with positive intermediary tax base are eligible for general allowance. General tax allowance amounted to 2,521.82 per year in 2006. Since 2007, general allowance differentiates according to the taxable income amount.

Disabled person's allowance is granted to all taxpayers who are heavily disabled and it amounted to €1,221.89 monthly. Seniority allowance is granted to all taxpayers aged 65 and over.

Self-employed professionals in the field of culture and self-employed journalist are entitled to the annual allowance equal to 15% of their income, but the allowance cannot be higher than €2,086.46 per month.

¹ Intermediary tax base is taxable income minus employee and self-employed social security contributions.



Taxpayers can also claim allowance for insurance premium paid for additional voluntary pension insurance in the size up to 5.844% of his gross wage, but the monthly allowance cannot be higher than the amount set by law €195.06.

Special allowance for selected expenses is defined as a sum of a taxpayer's expenses for selected purchases, such as the acquisition of books or government securities. The sum of these expenses can be deducted by up to 2% of the intermediary tax base. In 2006, special allowance for selected expenses could be increased by additional 2% for interest paid on housing loan or expenses related to purchasing of dwelling. Special allowance for selected expenses has been abolished since 2007.

There is also special allowance for students who work on the basis of a student's referral note from an authorised organisation, which carries out an activity of providing work to secondary-school and university students in accordance with the regulations in the domain of employment. Students in regular education (aged 26 or less), whose incomes from student work did not exceed 6,676.68 EUR per year, were entitled to the annual allowance equal to €5,112.67 EUR. Students whose incomes from student work exceeded this threshold (6,676.68 EUR per year) were not entitled to this allowance at all. Threshold for student work incomes was abolished in 2007 and all students, regardless the income amount from student work, are entitled to this allowance.

- *EUROMOD notes*

Disabled person's allowance and self-employed professional's allowance are implemented but switched off because of lack of data on eligibility.

- *Family tax allowances (tinta_s)*

In case of family allowances, we consider family as a tax unit to determine dependent children and other family members. Despite considering family as a tax unit to determine dependent family members, it should be kept in mind that tax allowances are always assessed individually and not jointly.

We distinguish between tax allowances for dependent family members and tax allowances for dependent children.

Dependent family member is:

- dependent spouse or
- dependent parent

with intermediary tax base less than family allowances for other dependent family members.

Children below age 18 are considered dependent children, regardless any other conditions. Children aged 18 or more but less than 26 are considered dependent children only if a person is in full time educations. If child is unemployed and with income less than family allowances for dependent child can also be considered as dependent child.

Every person is considered as an individual in Slovenian tax system. Therefore parents can freely decide how to split entitlement to child allowances among them. In most cases it is optimal that parent with highest final tax base claims allowance for all children, as allowance is progressive². For this reason, it is assumed that parent with highest final tax base claims allowance for all children or for the children his/her final tax base can absorb.

² Note that this final tax base contains all standard tax allowances but no family tax allowances yet.



If the final tax base of parent with highest income is not sufficient to claim allowances for all dependent children in the family, the other parent should claim allowance for the rest of children. As allowance is progressive, it is important to keep in mind that the other parent can claim allowance only for the number of children reported in his/her own tax return, regardless of the number of children in family. For example, in a family with five dependent children, father claims allowance for 3 children (for the first, the second and the third) and mother claim allowance for the rest two children (the first and the second for mother and not the fourth and the fifth for the family).

There is also the rule, that only one parent should claim allowance for one dependent child. Parents can share allowance for the same child only in case, if the final tax base of one parent is to low and the allowance for dependent child could not be claimed in its full amount. It should be noted that parents are allowed to split children and not the amount of allowance. For example, in family with 3 children, where father is able to claim allowance for two children and 1/3 of allowance for the third child, mother claims the rest - 2/3 of allowance for the third child, which is considered as first for mother and the allowance amounts to 2/3 of allowance for the first child.

The head of the household can claim allowance for as many children as his/her final tax base can absorb and also for marginal child, i.e. the child for whose allowance cannot be claimed in full amount. In the implementation the rest of the allowance is not transferred to the other parent but it is neglected.

Children left for the other parent – the partner of the head of tax unit - are defined as the difference between the number of all dependent children in the tax unit and the number of children the parent with highest final tax base claims allowance for.

Finally, total allowance for either parent is calculated. Family allowance is progressive and it rises for each subsequent child.



Table 2.17 Personal income tax allowances (EUR per year), effective on June 30, 2006-2011

| Allowances | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|--|------------------------------------|---|---|--|---|---|
| Standard allowances | | | | | | | |
| - General | 2,521.82 | 2,800 | <ul style="list-style-type: none"> • 4,959.60 if gross income is up to 8,300 • 3,959.60 if gross income is between 8,300 and 9,600 • 2,959.60 if gross income is 9,600 or higher | <ul style="list-style-type: none"> • 5,113.35 if gross income is up to 8,557.30 • 4,082.35 if gross income is between 8,557.30 and 9,897.60 • 3,051.35 if gross income is 9,897.60 or higher | <ul style="list-style-type: none"> • 6,120 if gross income is up to 10,200 • 4,147.67 if gross income is between 10,200 and 11,800 • 3,100.17 if gross income is 11,800 or higher | <ul style="list-style-type: none"> • 6,205.68 if gross income is up to 10,342.80 • 4,205.74 if gross income is between 10,342.80 and 11,965.20 • 3,143.57 if gross income is 11,965.20 or higher | <ul style="list-style-type: none"> • 6,373.24 if gross income is up to 10,622.06 • 4,319.30 if gross income is between 10,622.06 and 12,288.26 • 3,228.45 if gross income is 12,288.26 or higher |
| - For the disabled of group | 14,662.71 | 14,971 | 15,824.35 | 16,314.90 | 16,575.94 | 16,808.00 | 17,261.82 |
| - Seniority | 1,172.93 | 1,205 | 1,273.69 | 1,313.17 | 1,334.18 | 1,352.86 | 1,389.39 |
| - For self-employed professionals | 15% of annual incomes up to 25,037.56 | 15% of annual incomes up to 25,000 | 15% of annual incomes up to 25,500 | 15% of annual incomes up to 25,500 | 15% of annual incomes up to 25,500 | 15% of annual incomes up to 25,500 | 15% of annual incomes up to 25,500 |
| For selected expenses | up to 2% of annual tax base | - | - | - | - | - | - |
| For interest paid on housing loan or purchase of dwelling | up to 2% of annual tax base | - | - | - | - | - | - |
| - For additional pension insurance | max up to 2,340.75 | max up to 2,390 | max up to 2,526.23 | max up to 2,604.54 | max up to 2,646.21 | max up to 2,683.26 | max up to 2,755.71 |
| - For students | For incomes from student work below 6,676.68 EUR: 5,112.67 | 2,800 | 2,959.60 | 3,051.35 | 3,100.17 | 3,143.57 | 3,228.45 |
| Family allowances | | | | | | | |



| | | | | | | | | |
|--------------------------------|-----------------------------------|----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|
| - For dependent children | | | | | | | | |
| • 1 st child | 2,023.34 | 2,066 | 2,183.76 | 2,251.46 | 2,287.48 | 2,319.50 | 2,382.13 | |
| • 2 nd child | 2,199.30 | 2,246 | 2,374.02 | 2,447.62 | 2,486.78 | 2,521.59 | 2,589.68 | |
| • 3 rd child | 2,932.54 | 3,746 | 3,959.52 | 4,082.27 | 4,147.58 | 4,205.64 | 4,319.20 | |
| • 4 th child | 3,665.79 | 5,246 | 5,545.02 | 5,716.92 | 5,808.39 | 5,889.70 | 6,048.73 | |
| • 5 th child | 4,399.03 | 6,746 | 7,130.52 | 7,351.57 | 7,469.19 | 7,573.75 | 7,778.24 | |
| • each subsequent child | 732.82 (more than previous child) | 1,500 (more than previous child) | 1,585.50 (more than previous child) | 1,634.65 (more than previous child) | 1,660.80 (more than previous child) | 1,684.05 (more than previous child) | 1,729.52 (more than previous child) | |
| • for disabled child | 7,331.57 | 7,486 | 7,912.70 | 8,157.99 | 8,288.52 | 8,404.56 | 8,631.48 | |
| - For dependent family members | 2,023.34 | 2,066 | 2,183.76 | 2,251.46 | 2,287.48 | 2,319.50 | 2,382.13 | |



- **EUROMOD notes:**

The possibility of splitting the allowance for one child between parents is neglected in the implementation due to high construction pretentiousness of the model and insignificant impact on aggregate results. However, model determines the number of children the parent with highest final claims allowance for, and the number of children left for the second parent. The model assumes that at most 10 dependent children live in one family, which meets the requirements of Slovenian data.

It was not possible to apply actual calculation of family allowances entirely in EUROMOD. Therefore, there are some differences between the modelled policy and actual calculation of family allowances:

- upper income limit cannot be controlled for dependent partners in the tax unit definition and only partly for dependent parents,
- dependent child income limit depends on the family allowance for that child – current policy always compares income of dependent child to allowance for the first child,
- policy currently does not allow splitting of one child between parents,
- implementation does not check if child is less than a year old (in this case only a proportional child allowances are taken into account).

Parents of disabled children are entitled to higher tax allowance. This cannot be simulated.

2.5.4 Tax base

The final tax base is defined as taxable income minus social security contributions minus tax allowances. We get intermediary tax base if we subtract employee and self-employed social security contributions from taxable income.

Taxable income consists of: employment income, self-employment income, wage compensation for sick leave, pensions (with yearly bonus and pension support), wage compensation for disabled workers, income from contractual work (90% of income), imputed income from land, royalties (90% of income), income from rent (60% of income), maternity (parental) payments, unemployment insurance benefit, compensation for lost income due to care for child with special needs, credited social contributions up to full working time for parents of children under three and for parents of four children or more who exit labour market.

Intermediary tax base is taxable income minus employee social security contributions.

Final tax base is intermediary tax base minus tax allowances.

Note that final tax base cannot be negative. Therefore policy limits tax allowances to intermediary tax base.



2.5.5 Tax schedule

The tax schedule is progressive, and it is shown in tables below.

Table 2.18 Tax schedule, 2006

| Tax bracket | Tax base (annual) | | Tax |
|-------------|-------------------|-----------|-----|
| | From (EUR) | To (EUR) | |
| 1 | - | 5,538.72 | 16% |
| 2 | 5,538.72 | 10,821.82 | 33% |
| 3 | 10,821.82 | 21,899.27 | 37% |
| 4 | 21,899.27 | 44,011.56 | 41% |
| 5 | 44,011.56 | | 50% |

Table 2.19 Tax schedule, 2007

| Tax bracket | Tax base (annual) | | Tax |
|-------------|-------------------|----------|-----|
| | From (EUR) | To (EUR) | |
| 1. | - | 6,800 | 16% |
| 2. | 6,800 | 13,600 | 27% |
| 3. | 13,600 | - | 41% |

Table 2.20 Tax schedule, 2008

| Tax bracket | Tax base (annual) | | Tax |
|-------------|-------------------|-----------|-----|
| | From (EUR) | To (EUR) | |
| 1. | - | 7,187.60 | 16% |
| 2. | 7,187.60 | 14,375.20 | 27% |
| 3. | 14,375.20 | - | 41% |

Table 2.21 Tax schedule, 2009

| Tax bracket | Tax base (annual) | | Tax |
|-------------|-------------------|-----------|-----|
| | From (EUR) | To (EUR) | |
| 1. | - | 7,410.42 | 16% |
| 2. | 7,410.42 | 14,820.83 | 27% |
| 3. | 14,820.83 | - | 41% |

Table 2.22 Tax schedule, 2010

| Tax bracket | Tax base (annual) | | Tax |
|-------------|-------------------|-----------|-----|
| | From (EUR) | To (EUR) | |
| 1. | - | 7,528.99 | 16% |
| 2. | 7,528.99 | 15,057.96 | 27% |
| 3. | 15,057.96 | - | 41% |



Table 2.23 Tax schedule, 2011

| Tax bracket | Tax base (annual) | | Tax |
|-------------|-------------------|-----------|-----|
| | From (EUR) | To (EUR) | |
| 1. | | 7,634.40 | 16% |
| 2. | 7,634.40 | 15,268.77 | 27% |
| 3. | 15,268.77 | | 41% |

Table 2.24 Tax schedule, 2012

| Tax bracket | Tax base (annual) | | Tax |
|-------------|-------------------|-----------|-----|
| | From (EUR) | To (EUR) | |
| 1. | | 7,840.53 | 16% |
| 2. | 7,840.53 | 15,681.03 | 27% |
| 3. | 15,681.03 | | 41% |

Interests, capital gains and dividends are taxed separately. The tax rate for dividends and interest income is 20%. The tax rate for capital gains depends on the holding period: 20% for a holding period of up to 5 years, 15% for a holding period from 5 to 10 years, 10% for a holding period from 10 to 15 years, 5% for a holding period from 15 to 20 years and 0% for a holding period greater than 20 years. The tax is treated as a final tax for residents and non-residents alike.

- *EUROMOD notes*

Due to data limitations, taxes on capital gains are not simulated (while tax on interests and dividends are).

2.5.6 Tax credits

Tax credits are defined as deductions from tax due. In Slovenian tax system there is only one tax credit; pensioner allowance granted to all pension recipients, regardless of the type and amount of pension. This tax credit amounts to 14.5% of received pension.

2.6 Payroll taxes

We distinguish between two types of payroll tax: (a) payroll tax on wages and (b) tax on contractual work.

2.6.1 Payroll tax on wages

Payroll tax on wages is paid by all employees who receive wages. The tax schedule contains four brackets and a progressive tax scale with 0%, 2.3%, 4.7%, and 8.9% tax rates. This tax is not applied to the self-employment income. Tax schedule for 2006 - 2008 is shown in tables below. This tax was abolished in 2009.



Table 2.25 Tax schedule, 2006

| Tax bracket | Tax base (annual) | | Tax |
|-------------|-------------------|----------|-------|
| | From (EUR) | To (EUR) | |
| 1 | - | 650.98 | 0% |
| 2 | 650.98 | 1,669.17 | 3.0% |
| 3 | 1,669.17 | 3,129.69 | 6.3% |
| 4 | 3,129.69 | - | 11.8% |

Table 2.26 Tax schedule, 2007

| Tax bracket | Tax base (annual) | | Tax |
|-------------|-------------------|--------------|------|
| | From (EUR) | To (EUR) | |
| 1 | - | 688.53 EUR | 0% |
| 2 | 688.53 EUR | 1,669.17 EUR | 2.3% |
| 3 | 1,669.17 EUR | 3,129.69 EUR | 4.7% |
| 4 | 3,129.69 EUR | | 8.9% |

Table 2.27 Tax schedule, 2008

| Tax bracket | Tax base (annual) | | Tax |
|-------------|-------------------|--------------|------|
| | From (EUR) | To (EUR) | |
| 1 | - | 688.53 EUR | 0% |
| 2 | 688.53 EUR | 1,669.17 EUR | 1.1% |
| 3 | 1,669.17 EUR | 3,129.69 EUR | 2.3% |
| 4 | 3,129.69 EUR | | 4.4% |

It should be noted that, unlike with income tax, here the highest rate (reached) applies to the whole tax base and not only to incomes within that income bracket.

2.6.2 Tax on contractual work

The contractual work tax applies to all registered legal persons and individuals who perform private business or professional activity and employ other persons under contracts for temporary work. The taxable base also includes all refunds of expenses in connection with services performed. Tax is levied at the flat rate of 25% on gross payments.

2.7 Main changes in the taxes and benefits

- *Changes between 2006 and 2007*

Unemployment assistance no longer exists since 15th July 2006.

The minimum and maximum level of unemployment wage compensation is set according to minimum wage; it is equal to the 45.56% of gross minimum wage while the maximum level is three times the minimum.

In case of two or more children in a family, the social contributions up to full working time are paid until the youngest child in a family reaches the age of six (previously age of three).

The number of income tax brackets for PIT is reduced from five to three, while a special allowance for selected expenses was abolished.



- *Changes between 2007 and 2008*

The most recent amendment to the Income Tax Act (in force since 1st February 2008) has introduced a higher general income tax relief for the lowest tax brackets, which further reduced the tax liability of the lowest-income taxpayers.

- *Changes between 2008 and 2009*

Payroll tax was abolished.

- *Changes between 2009 and 2010*

New special tax allowance for Slovenian residents who are cross border working migrants was introduced. Cross border working migrants are Slovene residents who work cross border (employer must not be a Slovenian resident) and daily or at least once weekly return back to Slovenia. It amounted to 7,112.00 in 2010.

- *Changes between 2011 and 2012*

The new regulation, adopted in July 2010, introduces profound changes in the non-contributory means-tested social benefits. The implementation of these acts was delayed from June/September 2011 to 1 January 2012 because some of the data registers would not be available before the end of 2011. The Exercise of Rights to Public Funds Act (2010) regulates cash benefits (child benefits, cash assistance, income support and national scholarship), subsidies and payments from public sources, introducing many novelties in order to increase justice, simplify the system, make it more transparent and efficient, and alleviate abuse. The order in which to apply for cash benefits is defined, as is the definition of the family, and income and property to be taken into account in means testing. The Social Benefits Act (2010) enacted a higher amount of the minimum income and a new equivalence scale that includes work incentive.

The most important cash benefits can be exercised by the applicant according to the following set order: 1) child benefit, 2) social assistance, 3) income support and 4) state scholarship. This order is very important as family income, a subject of income test, includes also previous social benefits.

According to new legislation adopted in July 2010, a single-parent family is a union of one parent and children, whereas the other parent had died and the child does not receive any support after the deceased parent, or if the other parent is unknown, or if the child does not receive any income support from the other parent. This means that a union of a child and one parent receiving maintenance payment from other parent is not treated as a single-parent family.

In December 2011, Act of Additional Intervention Step in 2012 because of Economic Crises was adopted which limited the amount of basic minimum income to 260 EUR (instead of 288 EUR as stated in Exercise of rights to public funds Act) and maintained initially set amount of minimum income for children and income support recipients through higher weights. This Act has also abolished indexation of social benefits and wages of civil servants. In May 2012, Public Finance Balance Act was adopted in order to lower public expenses and high deficit which tends to increase. This act, which has come into force on June 1st 2012, tightens the eligibility conditions and reduces benefits amounts. Some measures are permanent while others are temporary; the measures which regulate family benefits (parental payment, child benefit, birth grant, large family allowance, parental allowance and national scholarships) will be in force until the year when GDP growth reaches 2.5%. Until the end of December 2014, the basic minimum income is set to 260 EUR and social benefits, with exception of minimum income, are not be subject to any indexation.



3. DATA

3.1 General description

The Slovenian database consists of the Slovenian part of the European Union Statistics on Income and Living Conditions (EU-SILC). The observation units are households and persons aged 16 and over who live in these households and have been selected at random from the Central Population Register. These selected persons and their addresses determine the households that shall be interviewed.

The sample design for Slovenian EU-SILC was two-stage stratified design. In the first stage sampling units were selected, which are clusters of enumeration areas, approximately of the same size. In the second stage 7 persons were selected in the selected PSUs. Actually, the sampling frame of persons aged 16 years or more (on 31st December 2009) is divided into 6 strata, which are defined according to the size of the settlement and the proportion of agricultural households in the settlement. Since regional representativeness should be maintained, implicit stratification according to statistical region was applied.

The survey is in fact a panel; therefore, the selected persons and households participate in the survey for 4 consecutive years. The sample consists of 4 rotating sub-samples: every year a quarter of the respondents who have already participated in 4 consecutive surveys is eliminated and a new quarter of persons is introduced and interviewed for the first time. Every year the sample consists of approximately 12,500 persons or households, respectively, whereas the method of selection and weights enable to generalize the response data to the entire population and to all the households.

The EU-SILC survey consists of two parts or sources: the survey and the register/ administrative data. The data that refer to income and some other information are gathered from the existing registers and administrative records and are linked to the survey results. The use of registers and administrative sources not only facilitates the diminishing of the burden on the respondents, but it also helps cut down the survey expenses. Register and administrative sources from which important information is gathered:

- Tax Authority – income tax and other sources
- Employment Service of Slovenia – unemployment benefits, financial aid, register of unemployed persons
- Ministry of Labour, Family and Social Affairs – social benefits, family income
- Agency for Agricultural Markets and Rural Development – agricultural subsidies
- Central Population Register – marital status, country of birth
- Pension and Disability Insurance Institute – pensions and other sources
- Statistical Register of Employment – status of employed persons, occupation, activity of employment, number of employed persons in the unit
- Institute of Public Health – status of inactive persons
- Ministry of the Environment and Spatial Planning – housing allowances.

The survey takes place between 1 February and 15 June in the year following the income reference year.

More information on technical issues concerning the Slovenian EU-SILC 2010 can be found in its Intermediate Quality Report Eu-Silc-2010 Slovenia (and on the web-page of SORS³ (http://www.stat.si/eng/metodologija_pojasnila.asp?pod=8).

³ Statistical Office of the Republic of Slovenia.



User Database on which the EUROMOD database is based, is provided by Eurostat.

Table 3.1 EUROMOD database description

| | |
|-------------------------|--|
| EUROMOD database | SI_2010_a1 |
| Original name | UDB_v10-1(SI) |
| Provider | Eurostat |
| Year of collection | 2010 |
| Period of collection | 1st February – 14th June 2010 |
| Income reference period | Year 2009 |
| Sampling | Two stage random sampling |
| Unit of assessment | Household [1] |
| Coverage | Private households [2] |
| Sample size | 9,364 households 29,474 individuals |
| Response rate | 77.62% [3] |

[1] Households are composed of families or other communities of persons who live together and spend their income together (for dwelling, food, other), irrespective of whether all members have permanent residence in the place in which the household is located, or whether - due to work, schooling or other reasons - some of the members for a longer period of time (up to 6 months) live elsewhere in Slovenia or abroad.

[2] Households living at private residential addresses. Selected persons and their addresses determine the households that shall be interviewed.

[3] It refers to household response rate which is equal 1 minus household non-response rate.

3.2 Sample quality and weights

3.2.1 Non-response

Since there is the sample of persons, and the data are obtained both from the interview and from the registers, the household is considered respondent only if household questionnaire is completed and if also questionnaire for the selected person is completed. From other household members data are obtained from registers.

Household non-response rate is computed as follows:

$$NR=(1-(Ra*Rh))*100,$$

Where Ra is address contact rate and Rh is the proportion of complete household interviews accepted for the database. Address contact rate amounted to 98.4% in 2010 and proportion of completed household interviews to 78.8%, meaning that household non-response rate was 22.38%.

Individual non-response rates (NRp) is computed as follows:

$$NRp=(1-(Rp))*100$$

Where Rp is the proportion of the complete personal interviews within the households accepted for the database. In 2010 Rp amounted to 100%, meaning that individual non-response rate was 0%. Overall non-response rate was 23.93%.

Unit non response is extensively documented in the Slovenian SILC Quality Report from page 26 onwards (Statistical Office of the Republic of Slovenia, Intermediate Quality Report, EU-SILC-2010, Slovenia).



3.2.2 Weights

The EU-SILC weights were calculated in three consecutive steps. In the first step the sampling weight (design factor), in the second the non-response adjustment factor and in the third the calibration factor was calculated. The final weight was the product of all three factors. The weights were calculated for the selected households (selected person of the household) and for all the persons included in the survey.

The sampling weight for the sample person is inversely proportional to the probability of selection and the weight is calculated when the person is selected in the sample. The non-response factor was calculated for each stratum. The final step of the calculation of the weights was the calculation of the calibration factors. By the calibration procedures the weighted sums of some key variables are set to the known population values. The sum of weights is equal to the sum of the estimated number of households in Slovenia.

Slovenian EU-SILC sample statistics have been projected to a reference population of 1,952,604 individuals in 696,640 households. Table 3.2 presents more basic descriptive statistics for the grossing-up individual weight rb050.

Table 3.2 Descriptive Statistics of the Grossing-up weight

| | |
|--------------|----------|
| Number | 29.474 |
| Mean | 67.77 |
| Median | 56.76 |
| Maximum | 1,828.93 |
| Minimum | 1.01745 |
| Max/Min | 1798 |
| Decile 1 | 23.40 |
| Decile 9 | 122.54 |
| Dec 9 / Dec1 | 5.24 |

3.2.3 Item non-response and under-reporting

Concerning item non-response, an overview is provided in the Slovenian SILC Quality Report (Statistical Office of the Republic of Slovenia, Intermediate Quality Report, EU-SILC-2010, Slovenia). From page 32 onwards, item non-response for each variable is assessed.

There is a large share of the households where some income is imputed. In the case of partial non-response some income variables were imputed (such as income from farming, reimbursement for travel to/from work, allowance for meal, non-cash employee income – components (value of the company car, months of use it), regular inter household transfers received, regular inter household transfer paid, contribution to private pensions plans, sickness benefits (numbers of days when person get sickness leave), tax on wealth, interests paid for mortgage (components to calculate interests), interests (received), consumption from own production (all components to calculate own production)). However, disposable income (HY020) was decreased after imputation in many households. The reason was imputation of the variable HY120G/N (tax on wealth) which caused the decreasing of disposable income.

Some non-income variables were imputed, such as number of rooms, total housing costs, child care, and activity status during the income reference period.

Based on Statistical Office of the Republic of Slovenia (SORS), the average net monthly wage in 2009 was 930.0 EUR. The EU-SILC estimate of employee cash or near cash net monthly



income is 827.7 EUR. The fact is that SILC monthly net income is somewhat lower than average net monthly wage from administrative sources. The reason might be the differences in income definition. Average wage reported by SORS refers only to taxable cash income received by worker, but it includes sickness benefits paid by employer (and not paid by National Health Insurance Institute). On the other hand EU-SILC data refer to cash and near cash employment income (for example reimbursement for travel to/from work and meals) but exclude sickness benefits. Even if we include sickness benefits (both, paid by employer and paid by National Health Insurance Institute) into the wage, we find out that the average net monthly wage (including sickness benefit) in 2009 amounted to 844.1 EUR. It should be mentioned that survey wages are lower on average in comparison to official statistics in Slovenia. The reason lies in methodological issues, as official average wage calculation covers persons in paid employment with employment contracts (those working under work contracts or royalty are not covered). Covered are all legal persons but not individual private entrepreneurs and persons in paid employment by them, own account workers and farmers (groups with usually lower wages). Besides, in order to minimize the influences of sick and/or maternity leave, those persons who did not receive at least 90% of minimum wage in the reference year are not taken into consideration.

The difference between EU-SILC data on employment income and data from administrative sources is relatively small, which is expected as income data are gathered from the existing registers and administrative records.

3.3 Data adjustment

Adjustments to variables are kept to a minimum. Some minor data cleaning was done to ensure that the relationships of individuals within households are coherent.

In order to guarantee consistency between demographic variables and income variables which refer to the year before data was collected (and on which EUROMOD simulation are based), all children born between the end of the income reference period and the date of interview have been dropped from the sample.

3.4 Imputations and assumptions

3.4.1 Time period

All income information in EU-SILC 2010 refers to the fiscal year 2009 (January – December) and is expressed in annual totals. Generally, incomes and benefits in Slovenia are paid on a monthly basis, although there are few exceptions (birth grant, large family allowance). There is no information on the number of months a certain wage or benefit was received. In EUROMOD database there are all monetary amounts transformed to monthly averages by dividing amounts by 12; it means it is implicitly assumed that income is received at the same rate throughout the year.

The EU-SILC information on demographic variables mainly refers to the time of data collection (February-June, 2010). The lag between the income reference period and current variables ranges from 2 to 6 months. However, some information also indicates the status at the end of the income reference period (year 2009). For example, there are two age variables: one of them indicating age at the time of the survey implementation and one at the end of 2009. Similar situation is observed for some socio-economic and labour variables. For example, variable pl030 (self-defined current economic status) refers to the data collection time, while variable rb170 refers to the main activity status during the income reference period. If possible, the



corresponding demographic, labour and socio-economic information in the EUROMOD dataset were based on the EU-SILC variables, otherwise they were imputed.

3.4.2 Gross incomes

Most of the data derived from registers are recorded gross at component level in EU-SILC. All income data are collected at the individual level (i.e. the person registered as the receiver of the income). This also concerns typically “household” related incomes such as housing benefits and social assistance.

Data file from the Tax authority enabled Statistical Office of the Republic of Slovenia that all income variables in EU-SILC were recorded gross and net. Some of variables have the same values for the gross and for the net, because from some kind of income the taxes were not paid. Only for PY020G and PY020N the gross amount was converted into the net amount taking into account 25% tax, which is usually paid in advance to tax authority.

Other notes can be found in the Slovenian SILC Quality Report (Statistical Office of the Republic of Slovenia, Intermediate Quality Report, EU-SILC-2010, Slovenia).

3.4.3 Other imputed variables

Some income / benefit variables are aggregated at very high level in EU-SILC survey which makes many problems in modelling procedures. On the other hand, national version of EU-SILC contains all EU-SILC variables at disaggregated level. Statistical Office of the Republic of Slovenia provided us with the access to national version. Since the national EU-SILC data are not anonymised, we got permission to calculate the shares of individual benefit / income in aggregated EU-SILC variables. We applied these shares to EU-SILC UDB variables and in this manner imputed the following variables:

- bfapt - Social contribution up to full working time for parents of children under three/six
- bchba - Birth grant
- bmact - Parental - maternity payment
- bmanc - Parental allowance
- bcrbafh - Paternal payment
- bchlg - Large family allowance
- bchmt - Child benefit
- bhcc - Childcare supplement
- bcrsvcc - Compensation for lost income due to care of child who need special care
- yemnt - Non-taxable part of employment income
- yemtx - Taxable part of employment income; excluding 0.9 of income from contractual and student work
- yem00 - Employment income; excluding 0.9 of income from contractual and student work
- yse00 - Self-employment income; excluding 0.9 of income from contractual and student work
- yaj - Income - Contractual work
- yst - Income - Student work
- poanc - State pension
- psact - Pension support for pensioners
- bdica - Attendance supplement
- bdixp - Disability supplement for disabled
- bdirw - Compensation for disabled workers



- pdi00 - Disability pensions; excluding pension support for pensioners (psact), attendance supplement (bdica), disability supplement for disabled (bdixp) and compensation for disabled workers (bdirw)
- poact - Pension - Old Age - Contributory
- poa00 - Pension - Old Age – Contributory; excluding pension support for pensioners (psact), attendance supplement (bdica), disability supplement for disabled (bdixp) and compensation for disabled workers (bdirw)
- psu00 - Pension – Survivor; excluding pension support for pensioners (psact), attendance supplement (bdica), disability supplement for disabled (bdixp) and compensation for disabled workers (bdirw)
- bsaen - Cash social assistance (bsaen)
- bsacm - Charity (bsacm)

Other key variables that are fully imputed (not available in the EU-SILC UDB survey) are:

- yivwg - Predicted wage
- Citizenship – EU_SILC provides no data about citizenship; we assume all persons are Slovene as 97.5% persons living in Slovenia are Slovene.
- Self-employment income recipients who are taxed with self-employment social insurance contributions are persons where lse00 = 2. These persons have lower net self-employment income than gross employment income.
- Work history (where missing) – based on the average working period for pensioners, age and sex.
- Number of months in work (where missing) – it is imputed according to employment and self-employment income in relation to the average wage.
- Previous wage – based on unemployment wage compensation.
- Slovenia is treated as one region - drgn is not applicable.

3.5 Updating

The factors that are used to update monetary variables from 2009 to 2012 are shown in the table below. No other updating adjustments are employed. Thus, the distribution of characteristics (such as employment status and demographic variables), as well as the distribution of each income source that is not simulated, remain as they were in 2009.



Table 3.3 Updating factors

| Index | Income Source /index type | 2009-2010 | 2009-2011 | 2009-2012 | |
|---------|--|-----------|-----------|-----------|--|
| default | Default uprating factor | 1.0209 | 1.0422 | 1.0683 | Eurostat harmonized CPI |
| yivwg | Hourly Wage | 1.0389 | 1.0596 | 1.0622 | Wage index; for 2012 wage index refers to the average wage in first 5 months of 2012 |
| yem | Employment income | 1.0389 | 1.0596 | 1.0622 | Wage index; for 2012 wage index refers to the average wage in first 5 months of 2012 |
| yemtx | Taxable part of employment income | 1.0389 | 1.0596 | 1.0622 | Wage index; for 2012 wage index refers to the average wage in first 5 months of 2012 |
| yemnt | Non-taxable part of employment income | 1.0389 | 1.0596 | 1.0622 | |
| yem00 | Employment income excluding 0.9 of income from contractual and student work | 1.0389 | 1.0596 | 1.0622 | |
| yempv | Previous wage | 1.0342 | 1.0743 | 1.0957 | Factor based on average wage lagged by 1-year |
| yse | Self-employment income | 1.0685 | 1.0898 | 1.0925 | Average self-employment income index; 2011-12 based on 2010 + salary growth |
| yse00 | Self-employment income excluding 0.9 of income from contractual and student work | 1.0685 | 1.0898 | 1.0925 | Average self-employment income index; 2011-12 based on 2010 + salary growth |
| yaj | Contractual work | 0.9772 | 0.9966 | 0.9991 | Average contractual work income index; 2011-12 based on 2010 + salary growth |
| yst | Student work | 1.0190 | 1.0393 | 1.0406 | Average student work income index; 2011-12 based on 2010 + salary growth |
| yyi | Income from capital | 0.7577 | 0.6468 | 0.6485 | Average income from capital index; 2011 based on 2011 + salary growth |
| yprrt | Rent | 0.8728 | 0.8901 | 0.8924 | Average income from rent index; 2011-12 based on 2010 + salary growth |
| bed | Scholarship | 1.0448 | 1.0445 | 1.0706 | Average state scholarship index; for 2012 it is based on 2011 + default factor change |
| bunct | Unemployment wage compensation | 1.0209 | 1.1952 | 1.2213 | Average benefit index; for 2012 benefit index refers to the average in first 5 month of 2012 |
| bhl | Wage compensation for sick leave | 1.0209 | 1.0422 | 1.0683 | Wage index |



| | | | | | |
|---------|--|--------|--------|--------|---|
| bsa | Social assistance | 1.0106 | 1.0285 | 1.0542 | Average benefit index; for 2012 it is based on 2011 + THI |
| bsacm | Charity | 1.0106 | 1.0285 | 1.0542 | Average benefit index; for 2012 it is based on 2011 + THI |
| bsaen | Cash social assistance | 1.0106 | 1.0285 | 1.0542 | Average benefit index; for 2012 it is based on 2011 + THI |
| bchlg | Large-family supplement | 1.0486 | 1.0626 | 1.0626 | Average benefit index; for 2012 benefit index refers to the average in first 4 months of 2012 |
| bmact | Parental payment | 1.0296 | 1.0423 | 1.0035 | Average benefit index; for 2012 benefit index refers to estimated value of benefit in 2012 |
| bmanc | Parental allowance | 1.0204 | 1.0279 | 1.1644 | Average benefit index; for 2012 benefit index refers to estimated value of benefit in 2012 |
| bcrbafh | Paternal payment | 0.9740 | 0.9934 | 0.9959 | Average benefit index; for 2011-12 based on 2010 + salary growth |
| bchmt | Child benefit | 1.0187 | 1.0532 | 1.3174 | Average benefit index; for 2012 benefit index refers to the average in first 8 months of 2012 |
| pdi | Disability pension | 1.0083 | 1.0067 | 0.9733 | Average benefit index; for 2012 benefit index refers to the average in first 6 months of 2012 |
| pdi00 | Disability pensions excluding pension support for pensioners (psact), attendance supplement (bdica), disability supplement for disabled (bdixp) and compensation for disabled workers (bdirw) | 1.0083 | 1.0067 | 0.9733 | Average benefit index; for 2012 benefit index refers to the average in first 6 months of 2012 |
| bdirw | Wage compensation for disabled workers | 1.0020 | 0.9877 | 0.9902 | Average benefit index; for 2012 it is based on 2011 + salary growth |
| poa | Old age pension | 1.0167 | 1.0264 | 1.0182 | Average benefit index; for 2012 benefit index refers to the average in first 6 months of 2012 |
| poa00 | Pension - Old Age - Contributory excluding pension support for pensioners (psact), attendance supplement (bdica), disability supplement for disabled (bdixp) and compensation for disabled workers (bdirw) | 1.0167 | 1.0264 | 1.0182 | Average benefit index; for 2012 benefit index refers to the average in first 6 months of 2012 |



| | | | | | |
|-------|------------------------------------|--------|--------|--------|---|
| poact | Old age pension - contributory | 1.0167 | 1.0264 | 1.0182 | Average benefit index; for 2012 benefit index refers to the average in first 6 months of 2012 |
| poanc | State pension | 1.0167 | 1.0264 | 0.0000 | Average benefit index; not existing in 2012 |
| psu | Survivor pension | | | | Average benefit index; for 2011 it is based on 2010 + THI |
| psact | Pension support for pensioners | 1.0182 | 1.0248 | 0.0000 | Average benefit index; not existing in 2012 |
| bdixp | Disability supplement for disabled | 1.0181 | 1.0248 | 0.9733 | Average benefit index; for 2012 benefit index for pdi is used. |
| bdica | Attendance supplement | 1.0150 | 1.0112 | 0.9733 | Average benefit index; for 2012 benefit index for pdi is used. |
| tpr | Property tax | 1.0209 | 1.0422 | 1.0683 | Default factor |

Sources: Eurostat: http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database; employment income: SI-STAT/Average monthly wages (http://pxweb.stat.si/pxweb/Database/Demographics/07_labour_force/10_earnings_costs/01_07010_earnings/01_07010_earnings.asp); indices of income types (self-employment work, contractual work, student work, income from capital, rent): Basic Statistical data on PIT for years 2009 and 2010 Ministry of Finance (internal documentation); indices of family benefits: The Ministry of Labour, Family and Social Affairs, Statistics, Family allowances (http://www.mddsz.gov.si/si/uvcljavljanje_pravic/statistika/druzinski_prejemki/); indices of unemployment benefits: Employment service of Slovenia, Annual reports 2009-2011 (http://www.ess.gov.si/trg_dela/publicistika/letna_porocila) and Monthly reports (http://www.ess.gov.si/trg_dela/publicistika/mesecne_informacije); indices of pensions and disability benefits: Pension and Invalidity Insurance Institute of Slovenia, Annual reports 2009-2011 (<http://www.zpiz.si/wps/wcm/connect/zpiz+internet/zpiz/prvastran/publikacije/letnaporocila>) and Monthly reports (<http://www.zpiz.si/wps/wcm/connect/zpiz+internet/zpiz/prvastran/publikacije/mesecnistatisticnipregledi>).



4. VALIDATION

4.1 Aggregate Validation

Disposable income in EUROMOD is slightly different from the original EU-SILC data as can be seen from Table 4.1. There are three reasons for that: a) inclusion of different income components in the definition of household disposable income, b) sample adjustments, and c) differences in the simulated vs. observed values of income components.

Table 4.1 Components of disposable income

| | EUROMOD | EU-SILC 2010 |
|--|--|--------------|
| Disposable income | ils_dispy | HY020 |
| Employee cash or near cash income | yem | PY010G |
| Company car | - | PY021G |
| Cash benefits or losses from self-employment | yse | PY050G |
| Pension from individual private plans | ypp | - |
| Unemployment benefits | bunct | PY090G |
| Old-age benefits | poa | PY100G |
| Survivor' benefits | psu | PY110G |
| Sickness benefits | bhl | PY120G |
| Disability benefits | pdi | PY130G |
| Education-related allowances | bed | PY140G |
| Income from rental of a property or land | yprrt | HY040G |
| Family/children related allowances | bmact, bmanc_s, bchlg_s, bchba_s, bcrbafh, bchmt_s | HY050G |
| Social exclusion not elsewhere classified | bsa_s | HY060G |
| Housing allowances | bho_s | HY070G |
| Regular inter-household cash transfer received | ypt | HY080G |
| Interests, dividends, etc. | yy | HY090G |
| Income received by people aged under 16 | yot | HY110G |
| Regular taxes on wealth (-) | tpr | HY120G |
| Regular inter-household cash transfer paid (-) | xmp | HY130G |
| Tax on income and social contributions (-) | tinkt_s, tin00_s, ils_sicee, ils_sicse | HY140G |

4.1.1 Validation of incomes inputted into the simulation

In this section we compare statistics on earnings, benefits and taxes that are not simulated by EUROMOD with external sources (i.e. administrative figures). This provides an assessment of the quality of the database and also provides some useful background information for the validation of simulated components of income, which may depend on or be associated with the non-simulated components. We also calculate the ratio of EUROMOD earnings/expenditures and the numbers of recipients to estimates drawn from administrative statistics for some of the main social security benefits that are not simulated by the model. For these income components, the values in the EUROMOD database are mostly identical to those in the original database (here SILC 2010).

Next, we evaluate how well the 2009 income data is updated to match actual data up to 2012. As the period of 2009-2012 was characterised by deepening economic recession, starting in



2008, the unchanged socio-economic structure in the model creates differences between simulated and actual data (at the aggregate level).

Table 4.2 shows that the number of employed is overestimated in EUROMOD (i.e. EU-SILC). The number of unemployed is severely overestimated in EUROMOD, particularly in 2009. We should keep in mind that the number of employed and unemployed from input dataset is computed based on the number of months in employment/unemployment. Thus, definitions between the EUROMOD and LFS, especially one of the unemployed, do not match precisely.

Table 4.2 Number of employed & unemployed, in thousands

| | Input dataset (I) | External Source (II) | | | | | Ratio (I/II) | | | |
|----------------------|-------------------|----------------------|------|------|------|------|--------------|------|------|--|
| | 2009 | 2009 | 2010 | 2011 | 2012 | 2009 | 2010 | 2011 | 2012 | |
| Number of employed | 883 | 822 | 799 | 779 | 772 | 107% | 111% | 113% | 114% | |
| Number of unemployed | 95 | 61 | 76 | 84 | 87 | 156% | 125% | 113% | 109% | |

Notes: Number of employed and unemployed computed based on months in employment/unemployment. Numbers computed as averages of monthly data over the year.

Sources: Statistical Office of the Republic of Slovenia: Labour force survey detailed data (http://www.stat.si/eng/tema_demografsko_trg.asp)

Table 4.3 and Table 4.4 show the number of recipients and aggregate amounts of market income. Total employment income is on average 2% higher in EUROMOD than in the external statistics, while the number of employment income recipients in EUROMOD exceeds external data by 4%. External data refer to fiscal administrative data prepared by the Ministry of Finance. One reason for overestimated data on employment income in EUROMOD might be the definition of employment income in EU-SILC (the basis for EUROMOD data). Employment income in EU-SILC also includes some non-taxable income (for example reimbursement for work related expenses: commuting and meals) which is not reported in PIT return and consequently not included into administrative data. Non-taxable income was imputed and deducted from employment income. Obviously, imputation of non-taxable part of employment income, based on national version of EU-SILC, is successful as discrepancies are rather small.

Self-employment income seems to be severely overestimated in EUROMOD, but EU-SILC based data on self-employment income include also some additional income in comparison to fiscal data: a) income from employment if the person spent some time in self-employment, b) some agriculture income and c) some non-taxable incomes collected from questionnaires. External statistics refer only to “pure” self-employment income.

Income from contractual work and income from student work in EUROMOD are both imputed from EU-SILC employment income, based on national EU-SILC data. The number of recipients is overestimated in the case of income from contractual work, while the amount of this income is overestimated only for 2% in comparison to fiscal data.

The number of recipients and also the amount of income from student work are seriously overestimated in comparison to fiscal data. However, there is plausible explanation for this. Fiscal data which are used for external data are based on decisions of personal income tax sent out by Tax Administration. Income from student work is often low and students are not obliged to fill in tax return. Besides, they have very high tax allowance and majority of students are not tax-payers, meaning that they do not receive decision of personal income tax. Consequently,



these students are not included in fiscal data and external data is underestimated. In case of student income EUROMOD data reflect reality better.



Table 4.3 Market Income-Number of recipients, (thousands)

| | Input database (I) | | External Source (II) | | | | Ratio (I/II) | | | |
|------------------------------|--------------------|------|----------------------|------|------|------|--------------|------|------|--|
| | 2009 | 2009 | 2010 | 2011 | 2012 | 2009 | 2010 | 2011 | 2012 | |
| Original income | | | | | | | | | | |
| Employment income* | 832 | 800 | 783 | n.a. | n.a. | 104% | 106% | n.a. | n.a. | |
| Self employment income | 232 | 205 | 170 | n.a. | n.a. | 113% | 136% | n.a. | n.a. | |
| Income from contractual work | 151 | 129 | 135 | n.a. | n.a. | 117% | 112% | n.a. | n.a. | |
| Income from student work | 150 | 46 | 46 | n.a. | n.a. | 326% | 326% | n.a. | n.a. | |
| Investment income | 400 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |

Notes: As ratios are calculated with precise figures, there might be some differences due to rounding. * Only taxable employment income are reported here
Sources for earnings: Basic Statistical data on PIT for years 2009 and 2010; Ministry of Finance.



Table 4.4 Market Income-Aggregate amounts, (millions of Euros)

| | Input database (I) | External Source (II) | Ratio (I/II) | Uprated income (I) | | | External source (II) | | | Ratio (I/II) | | |
|------------------------------------|--------------------------|----------------------------|-----------------|--------------------|--------|--------|----------------------|-------|-------|--------------|------|------|
| | 2009 | 2009 | 2009 | 2010 | 2011 | 2012 | 2010 | 2011 | 2012 | 2010 | 2011 | 2012 |
| Original income | | | | | | | | | | | | |
| Employment income* - mean | 1,293 | 1,437 | 90% | 1,343 | 1,370 | 1,373 | 1,495 | 1,525 | 1,520 | 90% | n.a. | n.a. |
| Employment income* –total | 12,769 | 12,526 | 102% | 13,265 | 13,530 | 13,563 | 12,670 | n.a. | n.a. | 105% | n.a. | n.a. |
| Self employment income | 1,135 | 624 | 182% | 1,212 | 1,237 | 1,240 | 554 | n.a. | n.a. | 219% | n.a. | n.a. |
| Income from contractual work | 318 | 311 | 102% | 311 | 317 | 318 | 319 | n.a. | n.a. | 97% | n.a. | n.a. |
| Income from student work | 340 | 203 | 167% | 340 | 346 | 353 | 205 | n.a. | n.a. | 166% | n.a. | n.a. |
| Investment income | 202 | n.a. | n.a. | 153 | 131 | 131 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Notes: As ratios are calculated with precise figures, there might be some differences due to rounding. * Only taxable employment income are reported here
Sources for earnings: Basic Statistical data on PIT for years 2009 and 2010; Ministry of Finance.



Table 4.5 and Table 4.6 below compare statistics on non-simulated benefits with external sources. Many differences between administrative figures and EUROMOD data arise from different coverage or reference period.

All pension benefits are aggregated in EU-SILC. This means that all benefits disbursed to old-age pensioners by The Institute of Pension and Invalidity Insurance of Slovenia are treated as old-age pensions in EU-SILC. The same logic applies for survivor and disability pensions. Based on national version of EU-SILC, we calculated the shares of particular benefits within poa, pdi and psu and applied these shares on each pension benefit.

The number of old-age pensioners is a bit underrepresented in EUROMOD, while on the other hand the old-age pensions are overestimated by 14% (in 2009). As the number of old-age pensioners is increasing from year to year due to ageing population, the 2009 data underestimates the number of old-pensioners even more for the later years. For disability pensions, the difference between administrative figures and the observations in EUROMOD is wider. While the number of recipients is underestimated (by 11% in 2009), the total expenditure on this component is overestimated by 12%. The difference between administrative figures and the observation in EUROMOD is even bigger when survivor pensions are concerned. The number of recipients in EUROMOD is underestimated by 23% and the total amount of survivor pensions by 11%. Similarly, benefits disbursed by The Institute of Pension and Invalidity Insurance of Slovenia (attendance supplement, pension support for pensioners, disability supplement and state pension) are all underestimated in terms of recipients and aggregate amounts in EUROMOD data. The differences between EUROMOD data and aggregate statistics on pensions result from EU-SILC data (structure and amounts).

The amount of scholarships in EUROMOD matches external statistics, although the number of scholarship recipients is overestimated in EUROMOD.

The difference between administrative figures and the observations in SILC for unemployment wage compensation seems wider. It might be misleading, as external statistics refer to average monthly number of recipients, while the number in EUROMOD refers to the total number of recipients. Since the length of receiving unemployment benefits depends on individual characteristics, it is impossible to assume from administrative sources, how many persons received unemployment benefit during the whole year. However, aggregate amounts refer to yearly totals in aggregate statistics and in EUROMOD. Comparison reveals that unemployment benefit is underrepresented in the data already in 2009, when EUROMOD covers 83% of unemployment wage compensation amount. The number of unemployed and recipients of unemployment benefit was increasing in following years, which increases the gap between EUROMOD predictions and aggregate statistics.

Wage compensation for disabled workers is relatively small benefit and it was imputed in EUROMOD from disability benefits, based on national version of EU-SILC. Number of recipients in EUROMOD totally matches aggregates statistics, while the aggregate amount is underestimated by 11%.

The number of parental payment recipients seems much overestimated in EUROMOD, but it might be misleading as external statistics refer to average monthly number of recipients, while the number in EUROMOD refers to the total number of recipients. There are only few parents who receive the benefit through whole calendar year, as there are parents who started receiving the benefit in 2008 and parents who started receiving the benefit in 2009. Parental payment was partly simulated in 2012 to reflect decrease in its replacement rate and minimum/maximum thresholds. Thus, the ratio of parental payments in EUROMOD is quite stable through the years. The aggregate amount of parental payment is underestimated by 15% in 2009, regardless the overestimated number of recipients.



Table 4.5 Non-simulated taxes and benefits-Number of recipients/payers, (thousands)

| | Input database (I) | | External Source (II) | | | Ratio (I/II) | | | |
|--|--------------------|------|----------------------|------|------|--------------|------|------|------|
| | 2009 | 2009 | 2010 | 2011 | 2012 | 2009 | 2010 | 2011 | 2012 |
| Pension | | | | | | | | | |
| Old-age pension | 346 | 370 | 384 | 401 | 397 | 94% | 90% | 86% | 85% |
| Disability pension | 82 | 92 | 91 | 90 | 90 | 89% | 90% | 91% | 91% |
| Survivor pension | 71 | 92 | 93 | 93 | 94 | 77% | 76% | 76% | 76% |
| Benefits | | | | | | | | | |
| Attendance supplement | 16 | 30 | 30 | 31 | 30 | 53% | 53% | 52% | 53% |
| Pension support for pensioners | 43 | 46 | 47 | 47 | - | 93% | 91% | 91% | - |
| State pension | 9 | 16 | 15 | 15 | - | 56% | 60% | 60% | -! |
| Disability supplement | 51 | 56 | 56 | 56 | 56 | 91% | 91% | 91% | 91% |
| Scholarship | 81 | 61 | 63 | 69 | n.a. | 133% | 129% | 117% | - |
| Parental payment | 38 | 22 | 22 | 23 | 22 | 173% | 173% | 165% | 173% |
| Unemployment wage compensation | 64 | 27 | 30 | 36 | 37 | 237% | 213% | 178% | 173% |
| Wage compensation for disabled workers | 51 | 51 | 50 | 49 | 48 | 100% | 102% | 104% | 106% |
| Paternal payment | 19 | 18 | 18 | n.a. | n.a. | 106% | 106% | - | - |

Sources: for earnings: Basic Statistical data on PIT for years 2009 and 2010; Ministry of Finance (internal documentation); for scholarship: Statistical Office of the Republic of Slovenia, SI-Stat Data Portal (http://www.stat.si/pxweb/Database/Demographics/09_education/10_other_data/02_09543_Scholarship/02_09543_Scholarship.asp); for parental and paternal payment: The Ministry of Labour, Family and Social Affairs, Statistics, Family allowances (http://www.mddsz.gov.si/si/uvcljavljanje_pravic/statistika/druzinski_prejemki/); for unemployment benefits: Employment service of Slovenia, Annual reports 2009-2011 (http://www.ess.gov.si/trg_dela/publicistika/letna_porocila) and Monthly data (http://www.ess.gov.si/trg_dela/publicistika/mesecne_informacije); for wage compensation for disabled workers and pensions: Pension and Invalidity Insurance Institute of Slovenia, Annual reports 2009-2011 (<http://www.zpiz.si/wps/wcm/connect/zpiz+internet/zpiz/prvastran/publikacije/letnaporocila>) and Monthly data (<http://www.zpiz.si/wps/wcm/connect/zpiz+internet/zpiz/prvastran/publikacije/mesecnisticnicipregledi>).



Table 4.6 Non-simulated taxes and benefits-Aggregate amounts, (millions of Euros)

| | Input | External | Ratio (I/II) | Uprated income (I) | | | External source (II) | | | Ratio (I/II) | | |
|--|-----------------|----------------|-----------------|--------------------|-------|-------|----------------------|-------|------|--------------|------|------|
| | database (I) | Source (II) | | 2010 | 2011 | 2012 | 2010 | 2011 | 2012 | 2010 | 2011 | 2012 |
| Pension | | | | | | | | | | | | |
| Old-age pension | 2,963 | 2,624 | 113% | 3,013 | 3,042 | 2,998 | 2,755 | 2,883 | n.a. | 109% | 106% | n.a. |
| Disability pension | 568 | 509 | 112% | 572 | 571 | 553 | 506 | 499 | n.a. | 113% | 114% | n.a. |
| Survivor pension | 394 | 443 | 89% | 396 | 394 | 372 | 448 | 449 | n.a. | 88% | 88% | n.a. |
| Benefits | | | | | | | | | | | | |
| Attendance supplement | 34 | 75 | 45% | 35 | 35 | 34 | 77 | 78 | n.a. | 45% | 45% | n.a. |
| Pension support for pensioners | 47 | 53 | 89% | 48 | 48 | - | 54 | 55 | - | 89% | 87% | - |
| State pension | 20 | 35 | 57% | 20 | 20 | - | 75 | 81 | - | 27% | 25% | - |
| Disability supplement | 31 | 35 | 89% | 32 | 32 | 30 | 35 | 36 | n.a. | 91% | 89% | n.a. |
| Scholarship | 128 | 127 | 101% | 128 | 128 | 128 | 137 | 151 | n.a. | 93% | 85% | n.a. |
| Parental payment | 239 | 282 | 85% | 246 | 249 | 231 | 292 | 299 | 280 | 84% | 83% | 83% |
| Unemployment wage compensation | 159 | 192 | 83% | 162 | 190 | 194 | 234 | 312 | 283 | 69% | 61% | 69% |
| Wage compensation for disabled workers | 162 | 183 | 89% | 163 | 160 | 161 | 180 | 172 | n.a. | 91% | 93% | n.a. |
| Paternal payment | 14 | 7 | 200% | 13 | 14 | 14 | 7 | n.a. | n.a. | 186% | n.a. | n.a. |

Sources: for earnings: Basic Statistical data on PIT for years 2009 and 2010; Ministry of Finance (internal documentation); for scholarship: Statistical Office of the Republic of Slovenia, SI-Stat Data Portal (http://www.stat.si/pxweb/Database/Demographics/09_education/10_other_data/02_09543_Scholarship/02_09543_Scholarship.asp); for parental and paternal payment: The Ministry of Labour, Family and Social Affairs, Statistics, Family allowances (http://www.mddsz.gov.si/si/uvcljavljanje_pravic/statistika/druzinski_prejemki/); for unemployment benefits: Employment service of Slovenia, Annual reports 2009-2011 (http://www.ess.gov.si/trg_dela/publicistika/letna_porocila) and Monthly data (http://www.ess.gov.si/trg_dela/publicistika/mesecne_informacije); for wage compensation for disabled workers and pensions: Pension and Invalidity Insurance Institute of Slovenia, Annual reports 2009-2011 (<http://www.zpiz.si/wps/wcm/connect/zpiz+internet/zpiz/prvastran/publikacije/letnaporocila>) and Monthly data (<http://www.zpiz.si/wps/wcm/connect/zpiz+internet/zpiz/prvastran/publikacije/mesecnistatisticnipregledi>).



4.1.2 Validation of outputted (simulated) incomes

Table 4.7 and Table 4.8 compare statistics on simulated benefits in EUROMOD with data from administrative sources. In terms of total expenditure, the most important simulated benefits are child benefit and social assistance while other benefits contribute only marginally to total household disposable income. Simulated unemployment wage compensation is also validated in this section, although by default the observed unemployment wage compensation is used in the model rather than the simulated variable.

The number of unemployment wage compensation recipients is much overestimated in all years. However, the difference in the number of unemployment wage compensation recipients might be misleading as external statistics refer to average monthly number of recipients, while the number in EUROMOD refers to the total number of recipients in 2009. On the contrary, the total amount of this benefit is underestimated. The simulated unemployment wage compensation covers 75% of this benefit from original data (EU-SILC) and only 63% of benefit in 2009 compared to aggregate statistics. Since the 2009, the simulated amount of unemployment wage compensation becomes gradually even more underestimated. The model captures slightly less than two thirds of total unemployment benefits for 2009 and around half of aggregate amount in the following years.

The number of birth grant recipients and the aggregate amount of benefit is very well simulated. The large family allowance is overestimated, both in terms of recipients (10%) and aggregate amount (18%).

The numbers of child benefit recipients from administrative sources and from EUROMOD output refer to the number of eligible children. We find that the simulated number of children receiving child benefit is overestimated by 25% when compared to external statistics. However, the simulated number of children receiving the child benefit in 2009 exceeds the number of dependent children in families receiving this benefit in EU-SILC database only by 8%. There are two possible reasons for overestimation. First, one of eligibility conditions for child benefits in 2009 was that a student must have been enrolled in regular education with a maximum of one year break during the study. Available data do not contain information on educational history and we assume that all students fulfil this eligibility condition for child benefits. Second, there might be also a take-up issue, as child benefits for “high” income families are very low and there are chances that these families do not claim the benefit. However, there are no data on non-take up of child benefits. The total expenditure on this benefit is overestimated less, only by 8% in comparison to administrative data, which might again lead as to assumption of benefit non-take up by high income families with low child benefits.

EUROMOD simulates only one third of actual recipients of parental allowance in terms of the number of recipients and the aggregate benefit amount. The reason for such a large difference is partly the absence of the contribution history data as paid contributions in previous three years are the basis for eligibility assessment.

Total expenditure of simulated social contributions up to full working time for parents (of children under 3/6 and working part time) is overestimated and the number of parents taking these rights as well. On the contrary, social contributions up to full working time for parents and leaving labour market are well simulated.

Social assistance is under-estimated in terms of recipients and in terms of expenditure. Similarly like data on unemployment wage compensation recipients, the difference in the number of social assistance recipients might be misleading, as external statistics refers to average monthly number of recipients, while the number in EUROMOD refers to the total number of recipients



in 2009. Concerning the expenditure data, the main reason for the difference is the fact that actual entitlement for social assistance depends on incomes in the three previous months. EU-SILC database contains data on annual income and it is implicitly assumed that income is received at the same rate throughout the year, as monthly incomes are simply annual incomes divided by 12. Actual income position of individuals might be drastically changed during one year and three months average can differ from annual average. Income support has been introduced only in 2012. However, significant non take up is expected, as recipients of income support, who own real estate (the value of which is above the value of an appropriate apartment) must agree with the entry of the prohibition of alienation and burdening of real estate in the land book to the benefit of the Republic of Slovenia. The same condition is true also for social assistance recipients under certain conditions (has received the cash social assistance more than twelve times in the past 18 months), and non-take up is expected also for social assistance recipients. Unfortunately, there is no available administrative data on non-take up of benefits.

There are no numbers available for the recipients of the housing benefit, but simulated total housing benefit amount is seriously over-estimated.

The tables below compare statistics on PIT simulated by EUROMOD with external sources - Statistical analysis of tax return data. The number of taxpayers from Statistical analysis of tax return data (external source) refers to all persons who filled a tax return in 2009, regardless of the amount of paid PIT. There is also a certain number of taxpayers who filled in their own tax return but paid no PIT due to claimed tax allowances. Therefore, the number of taxpayers in EUROMOD does not refer to taxpayers who actually paid some PIT but to the number of persons who were obliged to fill in tax return.

Revenues from PIT simulated by EUROMOD prove that simulated policy and data suit actual situation, as simulated PIT is rather close to actually collected PIT. The number of taxpayers in EUROMOD exceeds the actual number of taxpayers by 2%. It should be kept in mind that the number of personal income tax payers refers to the number of persons who have been obliged to file a tax return. On the other hand, the collected PIT is somewhat underestimated when simulated with EUROMOD, as aggregate amount of PIT is lower by 11% in comparison to collected PIT. The sum of taxable income (of persons who have to file a tax return) amounts to 16,643 million EUR in EUROMOD in 2009, and is only one per cent higher than taxable income from aggregate statistics on PIT. But on the other hand, data on mean employment income in [Table 4.4](#) and the number of recipients in [Table 4.3](#) show that employment income in EUROMOD is lower on average. It is expected, as income data is anonymised and very high incomes are replaced by lower values. Due to progressive nature of PIT, the simulated PIT is obviously lower than actually collected PIT. Besides, the simulated number of taxpayers with reduced tax base due to tax allowance for dependent children seems a bit higher than in PIT statistics; in EUROMOD 340 thousands taxpayers claimed this allowance, which exceeds the actual number by 4%. This overestimation is expected, as students should have been enrolled in regular education with a maximum of one year break during the study (similarly as for child benefit) in order to be considered dependent children for tax purposes. There is no data on educational history, therefore we assume all students fulfil the dependent child condition and the number of taxpayers with dependent child allowance is a bit too high, which leads us to underestimated simulated PIT.

[Table 4.7](#) and [Table 4.8](#) also compare statistics on simulated social contributions in EUROMOD with external sources. There are no numbers available for the social security contributions payers. However, external information on total revenues from social contributions shows that EUROMOD simulations have good results.

Employee and employer social contributions are well estimated as simulated revenues exceed actually collected employee social contributions only by 6% or 5% respectively. This



divergence is entirely explained by the fact that the SILC contains in relative terms too much income from employment (taxable income). External statistics on other social contributions include “employee” part social contributions of benefits, which is true for EUROMOD results as well. The EUROMOD data on the amount of other contributions is overestimated for 22% in 2009 which might be expected due to overestimated amounts of some benefits.

Revenues from self-employed social contributions are over-estimated too, unsurprisingly. Self-employment income in EUROMOD is 82% higher compared to the administrative sources. Self-employment income in EU-SILC and also in EUROMOD includes some additional income types which are not treated as the social contributions basis. Therefore, we introduce a new variable lse00 (from 2009⁴ onwards) for persons who paid taxes on self-employment income, i.e. whose gross self-employment income is higher than net employment income. We assume that only eligible persons (who actually paid some tax on self-employment income) pay social security contributions. Still, we overestimate total self-employed social insurance contributions by 12% in 2009. The reason might lie in the fact, that the base for self-employed social contributions is profit in the previous one or even two years. Assumption in EUROMOD is that incomes and profits in previous years are identical to current income and profit, which might not be the case in real life.

⁴ Due to differences in the data for years before 2009 we define the base for contributions on self-employment income using information on economic status which must be defined as self-employed (les = 2).



Table 4.7 Simulated taxes and benefits- Number of recipients/ payers (thousands)

| | EUROMOD (I) | | | | Original data (II) | Ratio (I/II) | External source (III) | | | | Ratio (I/III) | | | |
|---|-------------|-------|-------|-------|--------------------|--------------|-----------------------|-------|------|------|---------------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | 2009 | 2009 | 2009 | 2010 | 2011 | 2012 | 2009 | 2010 | 2011 | 2012 |
| Benefits & credited contributions | | | | | | | | | | | | | | |
| Unemployment wage compensation | 54 | 54 | 54 | 54 | 54 | 100% | 27 | 30 | 36 | 35 | 200% | 180% | 150% | 154% |
| Birth grant | 20 | 20 | 20 | 15 | 19 | 105% | 20 | 21 | 20 | 13 | 100% | 95% | 100% | 115% |
| Large family supplement | 33 | 33 | 33 | 29 | 32 | 103% | 30 | 30 | 30 | 27 | 110% | 110% | 110% | 107% |
| Child benefit (means tested) | 473 | 474 | 473 | 322 | 440 | 108% | 378 | 374 | 368 | 284 | 125% | 127% | 129% | 113% |
| Parental allowance | 1 | 1 | 1 | 1 | 5 | 20% | 3 | 3 | 3 | 3 | 33% | 33% | 33% | 33% |
| Housing benefit | 19 | 19 | 18 | 34 | 7 | 271% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Social assistance | 30 | 30 | 29 | 46 | 71 | 42% | 47 | 54 | 52 | 48 | 64% | 56% | 56% | 96% |
| Income support | - | - | - | 31 | - | - | - | - | - | 11 | - | - | - | 282% |
| Social contributions up to full working time for parents (part-time work) | 14 | 14 | 14 | 14 | | | 8 | 9 | 9 | 11 | 175% | 156% | 156% | 127% |
| Social contributions up to full working time for parents (not working) | 1 | 1 | 1 | 1 | 12 | 125% | | | | | | | | |
| | 1 | 1 | 1 | 1 | | | 1 | 1 | 1 | 2 | 100% | 100% | 100% | 50% |
| Taxes | | | | | | | | | | | | | | |
| Personal income tax | 1,050 | 1,050 | 1,052 | 1,045 | n.a. | n.a. | 1,034 | 1,013 | n.a. | n.a. | 102% | 104% | n.a. | n.a. |
| Tax on investment income | 400 | 400 | 400 | 400 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |



| | EUROMOD (I) | | | | Original data (II) | Ratio (I/II) | External source (III) | | | | Ratio (I/III) | | | | | | |
|---------------------------------------|-------------|------|------|------|--------------------|--------------|-----------------------|------|------|------|---------------|------|------|------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | | | 2009 | 2009 | 2009 | 2010 | 2011 | 2012 | 2009 | 2010 | 2011 | | |
| Social insurance contributions | | | | | | | | | | | | | | | | | |
| Employee contributions | 826 | 826 | 826 | 826 | 826 | 0 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Self-employed contributions | 74 | 74 | 74 | 74 | 74 | 0 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Employer contributions | 881 | 881 | 881 | 881 | 881 | 0 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Other contributions | 180 | 180 | 180 | 179 | 171 | 0 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Notes: The number of PIT taxpayers in EUROMOD does not refer to taxpayers who actually paid some PIT but to persons who were obliged to fill in tax return.

Data for external benefits recipients and tax payers in 2012 are assessed on the basis of the dynamics of individual categories in the first months of the year.

Other contributions include credited social contributions up to full working time for parents and for parents who exit labour market, and employee part of social contributions paid on benefits (unemployment wage compensation, contributory parental payments)

Sources: for family benefits: The Ministry of Labour, Family and Social Affairs, Statistics, Family allowances

(http://www.mddsz.gov.si/si/uvcljavljjanje_pravic/statistika/druzinski_prejemki/); for unemployment benefits: Employment service of Slovenia, Annual reports 2009-2011 (http://www.ess.gov.si/trg_dela/publicistika/letna_porocila) and Monthly data (http://www.ess.gov.si/trg_dela/publicistika/mesecne_informacije); for housing benefit Statistical Office of the Republic of Slovenia, Statistical yearbook 2011 (<http://www.stat.si/letopis/letopisprvastran.aspx?lang=en>); for social assistance: The Ministry of Labour, Family and Social Affairs, Statistics,

(http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti_pdf/excel/po_vrstah_nov2011.xls), for taxes: Basic Statistical data on PIT for years 2009 and 2010; Ministry of Finance (internal documentation); for social contributions: Ministry of Finance, Consolidated General government 1992-2012, http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/tekzib/Bilten_javnih_financ/Konsolidirana_bilanca_javnega_financiranja_1992-2012.xls.



Table 4.8 Simulated taxes and benefits- Aggregate amounts, (millions of Euros)

| | EUROMOD (I) | | | | Original data (II) | Ratio (I/II) | External source (III) | | | | Ratio (I/III) | | | |
|---|-------------|-------|-------|-------|--------------------|--------------|-----------------------|-------|-------|------|---------------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | | | 2009 | 2010 | 2011 | 2012 | 2009 | 2010 | 2011 | 2012 |
| Benefits & credited contributions | | | | | | | | | | | | | | |
| Unemployment wage compensation | 120 | 130 | 144 | 140 | 159 | 75% | 192 | 234 | 312 | 283 | 63% | 56% | 46% | 49% |
| Birth grant | 6 | 6 | 6 | 4 | 5 | 120% | 6 | 6 | 6 | 4 | 100% | 100% | 100% | 100% |
| Large family supplement | 13 | 13 | 13 | 12 | 13 | 100% | 11 | 12 | 12 | 11 | 118% | 108% | 108% | 109% |
| Child benefit (means tested) | 311 | 320 | 320 | 247 | 259 | 120% | 287 | 290 | 294 | 252 | 108% | 110% | 109% | 98% |
| Parental allowance | 2 | 2 | 2 | 2 | 5 | 40% | 6 | 6 | 6 | 6 | 33% | 33% | 33% | 33% |
| Housing benefit | 19 | 19 | 18 | 37 | 7 | 271% | 3 | n.a. | n.a. | n.a. | 633% | n.a. | n.a. | n.a. |
| Social assistance | 71 | 74 | 75 | 114 | 71 | 100% | 127 | 148 | 133 | 139 | 56% | 50% | 56% | 82% |
| Income support | - | - | - | 38 | - | - | - | - | - | n.a. | - | - | - | n.a. |
| Social contributions up to full working time for parents (part-time work) | 15 | 18 | 19 | 19 | | | 7 | 10 | 11 | 13 | 214% | 180% | 173% | 146% |
| Social contributions up to full working time for parents (not working) | 2 | 2 | 3 | 3 | 26 | 65% | 2 | 3 | 4 | 4 | 100% | 67% | 75% | 75% |
| Taxes | | | | | | | | | | | | | | |
| Personal income tax | 1,741 | 1,868 | 1,845 | 1,780 | n.a. | n.a. | 1,961 | 1,939 | 1,976 | n.a. | 89% | 96% | 93% | n.a. |
| Tax on investment income | 40 | 31 | 26 | 26 | n.a. | n.a. | 129 | 98 | 84 | n.a. | 31% | 32% | 31% | n.a. |



| | EUROMOD (I) | | | | Original data (II) | Ratio (I/II) | External source (III) | | | | Ratio (I/III) | | | |
|---------------------------------------|-------------|-------|-------|-------|--------------------|--------------|-----------------------|-------|-------|-------|---------------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | | | 2009 | 2009 | 2009 | 2010 | 2011 | 2012 | 2009 | 2010 |
| Social insurance contributions | | | | | | | | | | | | | | |
| Employee contributions | 2,903 | 3,016 | 3,076 | 3,083 | n.a. | n.a. | 2,743 | 2,771 | 2,774 | 2,751 | 106% | 109% | 111% | 112% |
| Self-employed contributions | 302 | 336 | 341 | 345 | n.a. | n.a. | 269 | 275 | 281 | 309 | 112% | 122% | 121% | 112% |
| Employer contributions | 2,134 | 2,216 | 2,260 | 2,265 | n.a. | n.a. | 2,037 | 2,058 | 2,060 | 2,120 | 105% | 108% | 110% | 107% |
| Other contributions | 137 | 142 | 149 | 146 | n.a. | n.a. | 112 | 130 | 152 | 147 | 122% | 109% | 98% | 99% |

Notes: Data for external benefits and taxes amounts in 2012 are assessed on the basis of the dynamics of individual categories in the first months of the year.

Sources: for family benefits: The Ministry of Labour, Family and Social Affairs, Statistics, Family allowances

(http://www.mddsz.gov.si/si/uvcljavljanje_pravic/statistika/druzinski_prejemki/); for unemployment benefits: Employment service of Slovenia, Annual reports 2009-2011 (http://www.ess.gov.si/trg_dela/publicistika/letna_porocila) and Monthly data (http://www.ess.gov.si/trg_dela/publicistika/mesecne_informacije); for housing benefit Statistical Office of the Republic of Slovenia, Statistical yearbook 2012 (<http://www.stat.si/letopis/letopisprvastran.aspx?lang=en>); for social assistance: The Ministry of Labour, Family and Social Affairs, Statistics,

(http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti_pdf/excel/po_vrstah_nov2011.xls), for taxes: Basic Statistical data on PIT for years 2009 and 2010; Ministry of Finance (internal documentation); for social contributions: Ministry of Finance, Consolidated General government 1992-2012, http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/tekzib/Bilten_javnih_financ/Konsolidirana_bilanca_javnega_financiranja_1992-2012.xls.



4.2 Income distribution

All income distribution results presented here are computed for individuals according to their household disposable income (HDI) equivalised by the “modified OECD” equivalence scale. HDI is calculated as the sum of all income sources of all household members net of income tax and social insurance contributions. The weights in the OECD equivalence are: first adult=1; additional people aged 14+ = 0.5; additional people aged under 14 = 0.3.

4.2.1 Income inequality

Median disposable income in EUROMOD is very close to the median disposable income reported by Eurostat, which can be seen from [Table 4.9](#). Simulated median disposable income is lower only by 3% for years 2009 and 2% for 2010. The Gini coefficient and interquartile ratio are also well simulated.

Detailed analysis of disposable income levels of different income deciles shows that we slightly overestimate the share of equalised income in the lowest decile (by 2% in 2009 and 3% in 2010), which may be due to full take-up rates for benefits assumed in the simulations. For all other deciles the deviation between EUROMOD estimates and EU-SILC based Eurostat statistics is small (up to 1% in 2009 and up to 2% in 2010).



Table 4.9 Income distribution

| Indicator | EUROMOD (I) | | | | External Source (II) | | | | Ratio (I/II)* | | |
|---------------|-------------|-------|-------|-------|----------------------|-------|-------|------|---------------|-----------|-----------|
| | 2009 | 2010 | 2011 | 2012 | 2009 | 2010 | 2011 | 2012 | 2009/2010 | 2010/2011 | 2011/2012 |
| Decile shares | | | | | | | | | | | |
| 1 | 4.06 | 4.03 | 4.02 | 4.2 | 4.1 | 4.0 | 3.9 | n.a. | 102% | 103% | n.a. |
| 2 | 5.82 | 5.79 | 5.8 | 5.81 | 6.1 | 5.9 | 5.8 | n.a. | 99% | 100% | n.a. |
| 3 | 6.96 | 6.94 | 6.99 | 6.99 | 7.2 | 7.1 | 7.1 | n.a. | 98% | 98% | n.a. |
| 4 | 7.85 | 7.87 | 7.89 | 7.90 | 8.1 | 7.9 | 8.0 | n.a. | 99% | 98% | n.a. |
| 5 | 8.76 | 8.78 | 8.8 | 8.77 | 8.9 | 8.8 | 8.9 | n.a. | 100% | 99% | n.a. |
| 6 | 9.72 | 9.73 | 9.75 | 9.74 | 9.8 | 9.7 | 9.8 | n.a. | 100% | 99% | n.a. |
| 7 | 10.78 | 10.82 | 10.84 | 10.80 | 10.8 | 10.8 | 10.8 | n.a. | 100% | 100% | n.a. |
| 8 | 12.14 | 12.18 | 12.18 | 12.14 | 11.9 | 12.1 | 12.1 | n.a. | 100% | 101% | n.a. |
| 9 | 14.13 | 14.15 | 14.14 | 14.07 | 13.8 | 14.0 | 13.9 | n.a. | 101% | 102% | n.a. |
| 10 | 19.77 | 19.7 | 19.58 | 19.61 | 19.3 | 19.7 | 19.8 | n.a. | 100% | 99% | n.a. |
| Median | 952 | 976 | 998 | 1,000 | 989 | 978 | 1,000 | n.a. | 97% | 98% | n.a. |
| Mean | 1,031 | 1,056 | 1,077 | 1,083 | 1,062 | 1,054 | 1,074 | n.a. | 98% | 98% | n.a. |
| Gini | 0.240 | 0.240 | 0.239 | 0.236 | 0.227 | 0.238 | 0.238 | n.a. | 101% | 100% | n.a. |
| S80/S20 | 3.4 | 3.5 | 3.4 | 3.4 | 3.2 | 3.4 | 3.5 | n.a. | 100% | 100% | n.a. |

Notes: Computed for individuals according to their household disposable income (HDI) equivalised by the “modified OECD” equivalence scale. HDI are calculated as the sum of all income sources of all household members net of income tax and social insurance contributions.

Sources: Eurostat (2011): Statistics Database, http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database.

* Eurostat EU-SILC based estimates refer to the data collection period, while EUROMOD estimates refer to income reference period. In order to validate EUROMOD results, Eurostat statistics are lagged by one year to correspond to the EUROMOD estimates.



4.2.2 Risk-of-poverty rates

Table 4.10 compares EUROMOD monetary risk-of-poverty rates and the external source poverty figures (Eurostat). The risk-of-poverty rate is underestimated when poverty line is set at 40% or 50% of median income. Underestimation of poverty at lower poverty thresholds is expected, as we assume full take-up of social assistance and other benefits, and overestimate housing benefits. The previous table also shows that we overestimate the share of income received by the lowest decile for the same reasons.

At-risk-of-poverty rate at 60% of median income is well matched in the base year (2009) and underestimated by 2-3% in 2010. One reason for this is that we do not take account of the changes in unemployment levels in EUROMOD. For 70% threshold risk-of-poverty rates are slightly overestimated in 2009 and levelling out in 2010. Here and when interpreting previous results we should take account of our median being slightly lower compared to the EU-SILC based estimate.

Female poverty rates are higher in comparison to male poverty rates. Interestingly, the divergences between EUROMOD and external source poverty rates are lower in case of female poverty rates.

The estimated discrepancy between the poverty figures from EUROMOD incomes and from SILC incomes is not evenly distributed across age groups. Poverty rates among youth (16-24 years) are overestimated by about 4%. Poverty rates for the primary age group of 25-49 years old is similarly overestimated in 2009, while it drops in 2010 – the result of not accounting for the changes in employment levels. On the contrary, the poverty rates for the group 50-64 years old rises in 2010 in spite of similar overestimation in 2009. The dynamics of the child poverty rates is similar to the adults' in the primary age group, although the starting point in 2009 is at 97% of the EU-SILC based estimate. Poverty rate among the elderly population (65+) is underestimated by 4% in 2009 and 5% in 2010, which can be explained by overestimated pensions in EU-SILC and EUROMOD database.



Table 4.10 At risk of poverty rates by gender and age

| Indicator | EUROMOD (I) | | | | External Source (II) | | | | Ratio (I/II)* | | | |
|-----------------------|-------------|------|------|------|----------------------|------|------|------|---------------|-----------|-----------|-----------|
| | 2009 | 2010 | 2011 | 2012 | 2009 | 2010 | 2011 | 2012 | 2009/2010 | 2010/2011 | 2011/2012 | 2012/2013 |
| 40% median HDI | | | | | | | | | | | | |
| Total | 2.7 | 2.8 | 2.9 | 1.8 | 2.7 | 3.1 | 3.2 | n.a. | 87% | 88% | n.a. | n.a. |
| Males | 2.9 | 3.1 | 3.1 | 2.1 | 2.8 | 3.3 | 3.2 | n.a. | 88% | 97% | n.a. | n.a. |
| Females | 2.4 | 2.5 | 2.7 | 1.6 | 2.7 | 3.0 | 3.2 | n.a. | 80% | 78% | n.a. | n.a. |
| 50% median HDI | | | | | | | | | | | | |
| Total | 7.2 | 7.3 | 7.6 | 7.1 | 6.5 | 7.3 | 7.7 | n.a. | 99% | 95% | n.a. | n.a. |
| Males | 6.9 | 7 | 7 | 6.3 | 5.6 | 6.7 | 6.8 | n.a. | 103% | 103% | n.a. | n.a. |
| Females | 7.6 | 7.7 | 8.2 | 8 | 7.5 | 7.9 | 8.6 | n.a. | 96% | 90% | n.a. | n.a. |
| 60% median HDI | | | | | | | | | | | | |
| Total | 12.8 | 13.2 | 13.1 | 12.9 | 11.3 | 12.7 | 13.6 | n.a. | 101% | 97% | n.a. | n.a. |
| Males | 11.6 | 11.9 | 11.7 | 11.2 | 9.8 | 11.3 | 12.2 | n.a. | 103% | 98% | n.a. | n.a. |
| Females | 14.1 | 14.5 | 14.5 | 14.5 | 12.8 | 14.1 | 15.0 | n.a. | 100% | 97% | n.a. | n.a. |
| 70% median HDI | | | | | | | | | | | | |
| Total | 20.3 | 20.4 | 20.2 | 20 | 18.2 | 19.7 | 20.3 | n.a. | 103% | 100% | n.a. | n.a. |
| Males | 18.9 | 18.9 | 18.6 | 18.2 | 16.2 | 18.3 | 18.8 | n.a. | 103% | 101% | n.a. | n.a. |
| Females | 21.6 | 21.8 | 21.7 | 21.7 | 20.1 | 21.2 | 21.7 | n.a. | 102% | 100% | n.a. | n.a. |
| 60% median HDI | | | | | | | | | | | | |
| 0 – 15 years | 12.2 | 12.1 | 12.3 | 10.5 | 11.2 | 12.6 | 14.8 | n.a. | 97% | 82% | n.a. | n.a. |
| 16 – 24 years | 10.9 | 11.2 | 10.9 | 11 | 8.4 | 10.5 | 10.8 | n.a. | 104% | 104% | n.a. | n.a. |
| 25 – 49 years | 10.6 | 10.9 | 10.5 | 9.3 | 8.4 | 10 | 11.4 | n.a. | 106% | 96% | n.a. | n.a. |
| 50 – 64 years | 13.8 | 14.6 | 14.3 | 14.8 | 11.7 | 13.3 | 12.8 | n.a. | 104% | 114% | n.a. | n.a. |
| 65+ years | 19.3 | 19.9 | 20.5 | 23 | 20 | 20.2 | 20.9 | n.a. | 96% | 95% | n.a. | n.a. |

Notes: Computed for individuals according to their household disposable income (HDI) equivalised by the “modified OECD” equivalence scale. HDI are calculated as the sum of all income sources of all household members net of income tax and social insurance contributions.

Sources: Eurostat

* Eurostat EU-SILC based estimates refer to the data collection period, while EUROMOD estimates refer to income reference period. In order to validate EUROMOD results, Eurostat statistics are lagged by one year to correspond to the EUROMOD estimates.



4.2.3 Validation of minimum wage

In this section we give a brief overview what is the impact of minimum wage policy, if switched on. In our baseline scenario the minimum wage policy is switched off.

On average minimum wage effect increases total earnings of employees by 0.6% in 2009 and 1% in 2010-2012 (see the following table). Almost the same pattern is valid for social contributions, while income tax increases slightly more. Disposable income is increased by 0.3% in 2009 and slightly more in following years (0.4 and 0.5%).

Social assistance expenditure is decreased by 1.4% in 2009. Consequently, inequality (measured by the Gini coefficient) is reduced by 0.2%, while poverty rate is increased by 0.8%.



Table 4.11 Impact of minimum wage

| | Baseline (I) | | | | Minimum wage included (II) | | | | Ratio (I/II) | | | |
|----------------------------------|--------------|--------|--------|--------|----------------------------|---------|---------|---------|--------------|------|------|------|
| | 2009 | 2010 | 2011 | 2012 | 2009 | 2010 | 2011 | 2012 | 2009 | 2010 | 2011 | 2012 |
| Disposable income (total) | 16,269 | 16,647 | 16,967 | 16,917 | 16,312 | 16,723 | 17,043 | 16,998 | 100% | 100% | 100% | 100% |
| Gross employee earnings (total) | 12,769 | 13,265 | 13,530 | 13,563 | 12,843 | 13,396 | 13,662 | 13,705 | 99% | 99% | 99% | 99% |
| Income tax (total) | 1,782 | 1,868 | 1,871 | 1,824 | 1,794 | 1,918 | 1,893 | 1,846 | 99% | 97% | 99% | 99% |
| Employee SICs (total) | 2,903 | 3,016 | 3,076 | 3,083 | 2,919 | 3,045 | 3,105 | 3,115 | 99% | 99% | 99% | 99% |
| Social assistance (total) | 71 | 74 | 75 | 114 | 70 | 72 | 73 | 111 | 101% | 103% | 103% | 102% |
| Gini (Eq HDI) | 0.240 | 0.240 | 0.239 | 0.239 | 0.23942 | 0.23928 | 0.23794 | 0.23835 | 100% | 100% | 100% | 100% |
| At poverty risk (60% median HDI) | 12.8 | 13.2 | 13.3 | 13.3 | 12.9 | 13.2 | 13.1 | 13.2 | 99% | 100% | 102% | 101% |



4.3 Summary of “health warnings”

This final section summarises the main findings in terms of particular aspects of the Slovenian part of EUROMOD or its database that should be borne in mind when planning appropriate uses of the model and in interpreting results.

- The sample is relatively small. Care should be taken in interpreting results for small sub-groups.
- The definition of some income source (employment income, self-employment income) in EUROMOD differs from definitions in administrative data.
- The definition of some labour economic status in EUROMOD differs from definition of labour economic status for assessing eligibility for benefits.
- Pension benefits (old-age, disability, survivor) includes pensions and all other benefits disbursed by Institute for Pension and Disability Insurance as attempts to separate these benefits did not lead to reasonable estimates. Particularly, this should be kept in mind wherever disability pensions are taken into account.
- EUROMOD database contains information on annual income and it is implicitly assumed that income is received at the same rate throughout the year, as monthly incomes are simply annual incomes divided by 12. This especially affects social assistance simulation.
- Unemployment assistance was not simulated and not imputed into data due to very small number of eligible cases in sample although it was in force until 15th July 2006 and gradually phasing out.

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