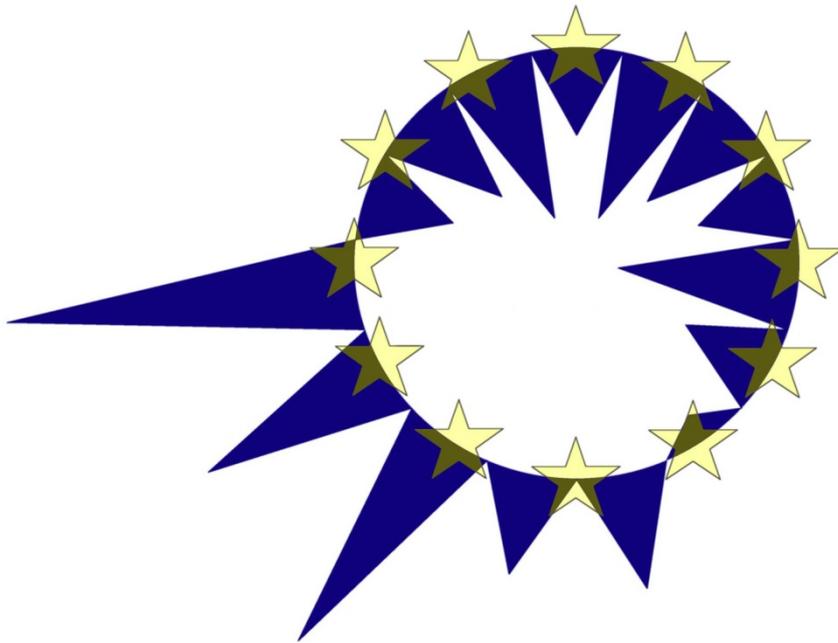




EUROMOD

COUNTRY REPORT



SLOVENIA (SI)

2007-2011

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30/05/2012



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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The results presented in this report are derived using EUROMOD version F6.0 EUROMOD is continually being improved and the results presented here may not match those that would be obtained with later versions of EUROMOD.

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.



CONTENTS

1.	BASIC INFORMATION	1
1.1	Basic figures	1
1.1.1	Basic information about the tax-benefit system	2
1.2	Social Benefits	3
1.3	Social contributions	10
1.4	Taxes	12
2.	SIMULATION OF TAXES AND BENEFITS IN EUROMOD	15
2.1	Scope of simulation	15
2.2	Order of simulation	18
2.3	Social benefits	19
2.3.1	Credited social contributions up to full working time for parents of children under three/six (tsctfa01_s, tsctfa02_s)	19
2.3.2	Credited social contributions for parents of four or more children who exit labour market (tsctfa03_s, tsctfa04_s)	20
2.3.3	Unemployment wage compensation (bunct_s)	21
2.3.4	Parental allowance (bmanc_s)	23
2.3.5	Birth grant (bchba_s)	23
2.3.6	Large family allowance (bchlg_s)	24
2.3.7	Social assistance (bsa_s)	24
2.3.8	Housing benefit (bho_s)	26
2.3.9	Child benefit (bchmt_s)	27
2.4	Social contributions	28
2.4.1	Employee social contributions (tscee_s), (tsce_s)	29
2.4.2	Employer social contributions (tsce_s)	29
2.4.3	Self-employed social contributions (tsce_s)	30
2.4.4	Credited social contributions (tsctfa*_s, tscthl01_s, tsct*_s)	30
2.5	Personal income tax (tin_s)	31
2.5.1	Tax unit	31
2.5.2	Exemptions	31
2.5.3	Tax allowances	31
2.5.4	Tax base	35
2.5.5	Tax schedule	36
2.5.6	Tax credits	37
2.6	Payroll taxes	37
2.6.1	Payroll tax on wages	37
2.6.2	Tax on contractual work	38
2.7	Main changes in the taxes and benefits between 2007 and 2011	38



3. DATA	39
3.1 General description	39
3.2 Sample quality and weights	40
3.2.1 Non-response	40
3.2.2 Weights	41
3.2.3 Item non-response and under-reporting	41
3.3 Data adjustment	42
3.4 Imputations and assumptions	42
3.4.1 Time period	42
3.4.2 Gross incomes	43
3.4.3 Other imputed variables	43
3.5 Updating	44
4. VALIDATION	47
4.1 Aggregate Validation	47
4.1.1 Validation of incomes inputted into the simulation	47
4.1.2 Validation of outputted (simulated) incomes	54
4.2 Income distribution	60
4.2.1 Income inequality	60
4.2.2 Poverty rates	62
4.2.3 Validation of minimum wage	64
4.3 Summary of “health warnings”	66
5. REFERENCES	66



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	22,800	EUR	-
2009	2.032	17.1	16.4	79.4	1.53	5.9	20,700	EUR	-
2010	2.047	17.0	16.5	79.8	1.57	7.3	20,900	EUR	-

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

Source: Eurostat (2011): 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	44.5	22.7
2007	42.4	37.8	42.4	21.3
2008	42.3	37.2	44.1	21.4
2009	43.1	37.9	49.0	24.3
2010	43.4	n.a.	49.0	n.a.

Source: ^[1]OECD (2010): OECD. Stat Extracts, <http://stats.oecd.org/Index.aspx>; ^[2] Eurostat (2011):

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

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 (2011): 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 1992-2011,

http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/tekzib/Bilten_javnih_financ/Konsolidirana_bilanca_javnega_financiranja_1992-2011.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 though 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. 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. 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 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. Large family is 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. 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 expecting 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.
- Most benefits depend on annual income. Exceptions are social assistance 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.

1.2 Social Benefits

Sick leave payment (*bolniško nadomestilo*): contributory; it is paid for 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.

Funeral costs refund (*pogrebina*): 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 and child care and protection leave 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. The minimum wage compensation amounts to 55% of the minimum wage and the maximum compensation is 2.5 times the average wage in Slovenia.

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 he will only be paid the social security contributions based on the minimum wage. 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 fulfill 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 postržbo*): 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.

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 benefit level amounts to 70% of the basis in the first three months and 60% thereafter. The minimum benefit level is equal to the guaranteed wage net of contributions and taxes while the maximum level is three times the lowest possible unemployment compensation. The beneficiaries are paid health-, pension- and disability insurance. Duration of unemployment wage compensation varies from 3 to 24 months depending on the length of insurance period. 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. 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 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.

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. The cash benefit amounted to 58,510 SIT (244.2 EUR) in 2006. The benefit level is adjusted once a year in January in line with the consumer price index. It is one-time benefit and not subject to income tax.

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. The right to a child benefit is 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 is less than 26 years of age. Child benefit is not subject to income tax.

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.

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. Employment service of Slovenia provides national scholarship to apprentices, pupils and students from families, where income per capita does not exceed annual amount of 130% of guaranteed wage. 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.

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.



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.

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
Sick leave payment paid by compulsory health insurance	38.39	42.34	39.46	43.35	41.73
Funeral costs refund and death benefit	n.a.	n.a.	n.a.	n.a.	0.00
Parental (maternity) payment	0.95	0.96	1.03	1.10	1.10
Paternal payment	0.70	0.76	0.84	0.00	1.06
Old age pension	16.10	16.54	16.92	17.34	18.01
Survivor pension	4.61	4.55	4.52	4.52	4.53
Disability - invalidity pension	4.78	4.70	4.61	4.53	4.45
Pension support for old-age, survivor and disability pensioners	2.38	2.24	2.23	2.29	2.29
War and farmers pension	0.38	0.35	0.31	0.28	0.25
Attendance supplement	1.38	1.43	1.46	1.48	1.49
Disability supplement for disabled	2.76	2.76	2.76	2.76	2.75
Yearly bonus for pensioners	26.75	27.06	27.39	27.75	28.32
Wage compensation for disabled workers	2.63	2.66	2.70	2.69	2.44
Unemployment wage compensation	0.86	0.75	0.70	1.35	1.48
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
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
Compensation for lost income due to care of child who need special care	0.02	0.02	0.02	0.03	0.03
Parental allowance	0.15	0.15	0.15	0.14	0.13
Birth grant	0.96	0.99	1.04	0.98	1.02
Child benefit	19.14	18.86	18.60	18.62	18.29
Large-family supplement	1.32	1.40	1.42	1.44	1.47
Childcare supplement	0.28	0.28	0.29	0.25	0.29
National scholarship	1.88	1.72	1.68	1.94	1.96
State pension	0.88	0.87	0.83	0.80	0.75
Housing benefit	n.a.	n.a.	n.a.	n.a.	n.a.
Social assistance	2.90	2.35	1.99	2.30	2.62
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 (2006-2010); Annual report of Institute for Pension and Disability Insurance (2006-2010); Annual report of National Employment Service of Slovenia (2006-2010); Statistical data of Ministry of Labour, Family and Social Affairs, http://www.mddsz.gov.si/si/uvcljavljanje_pravic/statistika/; Statistical Yearbook (2006-2010); 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
Annual expenditure (EUR, million)	4,871.5	5,093.3	5,619.2	6,024.5	6,277.7
as % of total expenditure					
Sick leave payment paid by compulsory health insurance	3.45	3.61	3.58	3.35	3.55
Funeral costs refund and death benefit	0.19	0.17	0.17	0.16	0.15
Parental (maternity) payment	3.89	4.17	4.45	4.68	4.65
Paternal payment	0.18	0.20	0.23	0.13	n.a.
Old age pension	41.83	43.05	43.45	42.98	43.35
Survivor pension	9.39	9.31	7.64	7.35	7.14
Disability - invalidity pension	7.74	7.78	8.96	8.44	8.06
Pension support for old-age, survivor and disability pensioners	0.93	0.79	0.89	0.88	0.87
War and farmers pension	0.97	0.92	0.84	0.75	0.69
Attendance supplement	1.33	1.33	1.29	1.25	1.23
Disability supplement for disabled	0.64	0.62	0.60	0.58	0.56
Yearly bonus for pensioners	0.00	0.00	0.00	0.00	2.18
Wage compensation for disabled workers	3.51	3.38	3.25	3.05	2.86
Unemployment wage compensation	2.20	1.96	1.76	3.18	3.74
Unemployment assistance	0.23	0.07	0.01	0.00	n.a.
Social contributions up to full working time for parents of children under three	0.05	0.09	0.09	0.11	0.15
Credited social contributions for parents of four or more children who exit the labour market	-	-	0.03	0.03	0.05
Compensation for lost income due to care of child who need special care	0.04	0.05	0.05	0.05	0.06
Parental allowance	0.12	0.12	0.11	0.10	0.10
Birth grant	0.10	0.10	0.10	0.09	0.10
Child benefit	4.95	4.83	4.91	4.77	4.61
Large-family supplement	0.19	0.20	0.19	0.19	0.19
Childcare supplement	0.13	0.13	0.14	0.13	0.13
National scholarship	1.40	1.27	1.13	1.22	1.19
State pension	0.67	0.65	0.62	0.58	0.54
Housing benefit	0.10	0.10	0.07	0.00	n.a.
Social assistance	2.83	2.29	1.91	2.11	2.35
Supplement for persons at social risk	-	-	--	0.23	-

Source: Annual report of National Health Insurance Institute (2006-2010); Annual report of Institute for Pension and Disability Insurance (2006-2010); Annual report of National Employment Service of Slovenia (2006-2010); Statistical data of Ministry of Labour, Family and Social Affairs, http://www.mdds.gov.si/si/uvcljavljanje_pravic/statistika/; Statistical Yearbook (2006-2010); 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 1992-2011, http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/tekigib/Bilten_javnih_financ/Konsolidirana_bilanca_javnega_financiranja_1992-2011.xls; IMAD: Development report 2010.

- *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.

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 vrtca*) 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 partly 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 2.12, 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
Social contributions (1000 EUR)	4,231,224	4,597,973	5,095,009	5,161,254	5,234,485
as % of total revenue					
Employee social security contributions	53.48	53.61	53.60	53.15	52.93
Employer social security contributions	39.77	39.82	39.80	39.47	39.32
Self-employed social security contributions	5.01	4.90	4.86	5.21	5.26
Other social security contributions	1.74	1.67	1.74	2.17	2.48

Source: Ministry of Finance, Consolidated General government 1992-2011,

http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/tekigib/Bilten_javnih_financ/Konsolidirana_bilanca_javnega_financiranja_1992-2011.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 purposes. 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*): is paid at the purchase of a new vehicle, beside the VAT. VAT is payable upon the transfer (sale) of motor vehicles, but there are also the motor vehicle tax (MVT) and an environmental duty on used-up motor vehicles. The motor vehicle tax must be paid for passenger motor vehicles which are put into circulation in Slovenia for the first time. First, the tax rate was determined on a progressive scale at 1–13% of the selling price of the vehicle. The MVT was also chargeable on every transfer of used passenger cars, which must have been registered, if VAT has not been paid on this transfer, with MVT in this case amounting to 5% of the selling price of the used car. 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.

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
Direct taxes					
Personal income tax	64.75	56.28	53.09	52.56	n.a.
Capital income tax	1.01	3.11	4.95	6.23	n.a.
Inheritance and gift tax	2.32	2.25	2.28	2.34	n.a.
Derivative instruments gains tax	-	-	-	0.03	n.a.
Tax on gambling and Concession Fee	0.02	0.02	0.02	0.02	n.a.
Indirect taxes					
Motor vehicle tax	1.63	2.06	1.88	1.60	n.a.
Tax on transfer of immoveable property	3.15	2.80	2.72	2.26	n.a.
Tax on insurance premiums	0.01	0.02	0.02	0.03	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, 2006-2009,
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
Annual revenue (1000 EUR)	11,761,989	12,757,942	13,937,364	12,955,413	12,848,422
Direct taxes					
Personal income tax	1,792,964	1,804,427	2,185,135	2,092,860	2,039,298
Corporate Income Tax	942,330	1,113,243	1,257,037	712,228	448,602
Payroll tax	449,600	391,541	229,651	1,303	0
Tax on contractual work	23,334	26,600	28,386	27,186	28,076
Inheritance and gift tax	5,651	8,695	11,011	10,951	13,649
Property tax	138,391	140,604	155,099	166,676	173,048
Indirect taxes					
Value added tax	2,715,982	2,906,674	3,144,501	2,838,007	2,940,893
Excise duties	955,948	1,157,852	1,213,255	1,415,000	1,439,187
Tax on transfer of immoveable property and financial property tax	45,082	57,122	48,798	29,348	32,621
Motor vehicle tax	47,397	61,708	71,444	40,860	40,068
Customs duties	50,254	116,371	118,505	89,389	90,699

Ministry of Finance, Consolidated General government 1992-2011,

http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/tekgib/Bilten_javnih_financ/Konsolidirana_bilanca_javnega_financiranja_1992-2011.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	
Wage compensation due to temporary incapacity for work	-	E	E	E	E	E	E	No data on contribution history and incapacity for work
Funeral costs refund	-	E	E	E	E	E	E	No data on event occurrence
Death benefit	-	E	E	E	E	E	E	No data on event occurrence
Parental (maternity) payment	bmact	I	I	I	I	I	I	No data on contribution history
Paternal payment	bcrbafh	I	I	I	I	I	I	No data on contribution history
Old age pension	poa	IA	IA	IA	IA	IA	IA	No data on contribution history. 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 old-age pensioners	poa	IA	IA	IA	IA	IA	IA	No data on contribution history and eligibility. It is included in survivor pension together with eventual attendance and disability supplement, thus it is not possible to divide the amount.
Survivor pension	psu	IA	IA	IA	IA	IA	IA	No data on contribution history and eligibility. It is included in survivor pension together with eventual attendance and disability supplement, thus it is not possible to divide the amount.
Pension support for survivor pensioners	psu	IA	IA	IA	IA	IA	IA	No data on contribution history and eligibility. 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	IA	IA	IA	IA	IA	IA	No data on contribution history and eligibility.
Disability - invalidity pension	pdi	IA	IA	IA	IA	IA	IA	No data on contribution history and disability occurrence. It is included in invalidity pension together with eventual attendance and disability supplement, thus it is not possible to divide the amount.
Pension support for disability pensioners	pdi	IA	IA	IA	IA	IA	IA	No data on contribution history and disability occurrence. 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	IA	IA	IA	No information on disability occurrence;



Disability supplement for disabled	pdi	IA	IA	IA	IA	IA	IA	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	IA	IA	IA	IA	IA	
Wage compensation for disabled workers	bdirw	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	PS	PS	PS	PS	PS	PS	
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	IA	IA	IA	Data available is not sufficient to simulate eligibility.
Parental allowance	bmanc	S	S	S	S	S	S	
Birth grant	bchba	S	S	S	S	S	S	
Child benefit	bchmt	S	S	S	S	S	S	
Large-family supplement	bchlg	S	S	S	S	S	S	
Childcare supplement	bfa	IA	IA	IA	IA	IA	IA	Data available is not sufficient to simulate eligibility conditions. Data available is not sufficient to simulate eligibility cond. National scholarship is included among all scholarships.
National scholarship	bed	I	I	I	I	I	I	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	
Social assistance	bsa	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	
Employee social security contributions	tscee*	S	S	S	S	S	S	
Employer social security contributions	tscer*	S	S	S	S	S	S	
Self-employed social security contributions	tscse*	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	
Credited social contributions for parents of four or more children who exit labour market	tscctfa03, tscctfa04	E	S	S	S	S	S	
Personal Income Tax	tin	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	
Taxation of winnings from conventional games of chance	-	E	E	E	E	E	E	No information available
Derivative instruments gains tax	-	E	E	E	E	E	E	No information available
Tax on gambling	-	E	E	E	E	E	E	No information available
Inheritance and gift tax	-	E	E	E	E	E	E	No information available
Property tax	tpr	I	I	I	I	I	I	No information available
Water Vessel Tax	-	E	E	E	E	E	E	No information available
Motor vehicle tax	-	E	E	E	E	E	E	No information available
Circulation tax	-	E	E	E	E	E	E	No information available
Value added tax	-	E	E	E	E	E	E	No information available
Excise duties	-	E	E	E	E	E	E	No information available
Tax on insurance premiums	-	E	E	E	E	E	E	No information available
Tax on transfer of immoveable property	-	E	E	E	E	E	E	No information available
Tax on transfer of immoveable property	-	E	E	E	E	E	E	No information available
Customs Duties	-	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 2007-2011 are simulated, i.e. spine. Each policy corresponds to a “sheet” in the Slovenian.xls policy file. As Slovenian system experienced few structural changes within this period, we use one table to display policy simulations over the four years’ span. The spine structure is identical for all four analysed years.

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. 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 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. Family allowances include the parental allowance, birth grant and large family allowance. The two means-tested benefits, social assistance and housing benefit depend on income after income tax and employee and self-employed contributions have been deducted. 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 takes account of social assistance and housing benefit. So child benefit comes after social assistance and housing benefit. 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, 2006-2011

Policy	Description	Main output
yem_si	Minimum wage	yem
bunct_si	Unemployment wage compensation (switched off in the baseline)	bunct_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
tscse_si	Social Insurance Contributions (self-employed)	tscse*_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
bchba_si	Birth Grant	bchba_s
bchlg_si	Large family allowance	bchlg_s
bsa_si	Social assistance	bsa_s
bho_si	Housing benefit	bho_s
bchmt_si	Child benefit	bchmt_s
tsctthl_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 2006-2011 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
Gross average wage (per month), in EUR	1,212.8	1,284.79	1,391.43	1,438.96	1,494.88	1,504.65
Gross minimum wage (per month), in EUR	511.6	521.8	566.53	589.19	734.15	748.10
Gross guaranteed wage (per month), in EUR	233.07	237.73	-	-	-	-
Net guaranteed wage (per month), in EUR	181.56	185.19	-	-	-	-

2.3.1 Credited social contributions up to full working time for parents of children under three/six (tsctfa01_s, tsctfa02_s)

- *Definitions*

One of the parents who nurses and cares for a child until the child's third year of age have the right to part-time work. Part-time work include 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 to full-time work on the basis of a proportional share of the minimum wage. Since 2007 one of the parents who nurses and cares 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 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 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. 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.

- ***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 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***

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. Duration of unemployment wage compensation varies from 3 to 24 months depending on the length of insurance period:

Table 2.5 Duration of the entitlement to unemployment wage compensation

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

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***

The basis for determining the level of unemployment compensation is a twelve months' average gross wage of the unemployed person prior to unemployment. The benefit level amounts to 70% of the basis in the first three months and 60% thereafter. The minimum benefit level is equal to the 45.56% of gross minimum wage while the maximum level is three times the minimum. 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 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 maternity payments and has no employment or self-employment income.

- *Income test*

Not applicable.

- *Benefit amount*

The 2006-11 parental allowance benefit rates are indicated below. It lasts 365 day as parental leave. The amount does not change in case of twins, triplets, etc. The benefit level is adjusted once a year in January in line with the consumer price index. Parental allowance is not subject to income tax.

Table 2.6 Parental allowance rates, EUR per month, 2006-2011

	2006	2007	2008	2009	2010	2011
Parental allowance	170.88	175.15	181.46	188.90	193.24	195.56

- *EUROMOD notes*

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

2.3.5 Birth grant (bchba_s)

- *Definitions*

Birth grant is a 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.

- *Eligibility conditions*

Access to birth grant is limited to families with a dependent baby aged less than one year.

- *Income test*

Not applicable.



- **Benefit amount**

The 2006-11 birth grant benefit rates are indicated below. It is on-time benefit, not subject to income tax.

Table 2.7 Birth grant rates, EUR, 2006-2011

	2006	2007	2008	2009	2010	2011
Birth grant	244.16	250.26	259.27	269.90	276.11	279.42

2.3.6 Large family allowance (bchlg_s)

- **Definitions**

Large-family supplement is a universal non means-tested 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**

Not applicable.

- **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 2006-11 large family allowance rates are indicated below.

Table 2.8 Large family allowance, EUR, 2006-2011

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

2.3.7 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 income which is the base for income test.



- *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. 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 minimum incomes.

- *Income test*

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 2.9 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 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.

- ***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***

Asset test is not simulated due to data constraints

2.3.8 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. Share of covered rent depends on the size of apartment and beneficiary's income, and must not exceed 80% of respective non-profit rent.

- ***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) 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, the difference between received and paid maintenance payments and social assistance. Personal income tax and employee social security contributions are subtracted.

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 2.10 Maximum flat size for housing benefit, 2006-2011

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):

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

2.3.9 Child benefit (*bchmt_s*)

- ***Definitions***

Child benefit is a means-tested benefit, held by one of the parents for a child residing in Slovenia. The right to a child benefit is held until the child reaches 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 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.

- ***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 threshold is set as income per family member compared to average gross wage.

Family income which is the base for income test is gross income and consists 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 are not eligible at all.



- **Benefit amount**

The benefit is paid per month (12 times a year) per eligible child. The amount of benefit depends on the family income per family member in comparison to average gross wage and the number of eligible children. There are 8 income brackets. The 2006-11 rates are listed below:

Table 2.11 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 are entitled to a 10% higher child benefit.

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 for parents of children,
- paternal payment after 15th day, and
- a parent 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), (tscbe_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 (tscbe_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 2.12 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%.

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).

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) pension support, (i) disability supplement and (j) employee social contributions.

2.5.3 Tax allowances

In 2006 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 2007 onwards are presented in Table 2.13.

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 do not exceed 6,676.68 EUR per year, are entitled to the annual allowance equal to €5,112.67 EUR. Students whose incomes from student work exceed this threshold (6,676.68 EUR per year) are not entitled to this allowance at all. Threshold for student work incomes was abolished in 2007 and all students regardless the amount of incomes 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 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.

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

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



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 too 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 so many children 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 2.13 Personal income tax allowances (EUR per year), effective on June 30, 2006-2011

Allowances	2006	2007	2008	2009	2010	2011
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
- For the disabled of group	14,662.71	14,971	15,824.35	16,314.90	16,575.94	16,808.00
- Seniority	1,172.93	1,205	1,273.69	1,313.17	1,334.18	1,352.86
- 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
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
- 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
Family allowances				8,157.99		
- For dependent children						
• 1 st child	2,023.34	2,066	2,183.76	2,251.46	2,287.48	2,319.50
• 2 nd child	2,199.30	2,246	2,374.02	2,447.62	2,486.78	2,521.59
• 3 rd child	2,932.54	3,746	3,959.52	4,082.27	4,147.58	4,205.64
• 4 th child	3,665.79	5,246	5,545.02	5,716.92	5,808.39	5,889.70
• 5 th child	4,399.03	6,746	7,130.52	7,351.57	7,469.19	7,573.75
• 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)
• for disabled child	7,331.57	7,486	7,912.70	8,157.99	8,288.52	8,404.56
- For dependent family members	2,023.34	2,066	2,183.76	2,251.46	2,287.48	2,319.50



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 2.14 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 2.15 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 2.16 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 2.17 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 2.18 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 2.19 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%

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 2.20 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 2.21 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 2.22 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 between 2007 and 2011

- *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.



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, which are approximately of the same size, and then in the second stage 7 persons were selected in the selected PSUs. Actually, the sampling frame of persons aged 16 years or more 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 SILC2008 can be found in its Intermediate Quality Report Eu-Silc-2008 Slovenia (http://circa.europa.eu/Public/irc/dsis/eusilc/library?l=/quality_assessment/quality_reports/si/20)



[08_intermediate/ EN 1.0 &a=d](http://www.stat.si/eng/metodologija_pojasnila.asp?pod=8)) and on the web-page of SORS³ (http://www.stat.si/eng/metodologija_pojasnila.asp?pod=8).

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

Table 3.1 EUROMOD database description

EUROMOD database	SI_2008_a1
Original name	UDB_v08-2(SI)
Provider	Eurostat
Year of collection	2008
Period of collection	1. February – 15 June 2008
Income reference period	Year 2007
Sampling	Two stage random sampling
Unit of assessment	Household [1]
Coverage	Private households [2]
Sample size	9.028 households 25.005 individuals
Response rate	76.07% [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 97.708% in 2008 and proportion of completed household interviews to 77.854%, meaning that household non-response rate was 23.93%.

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 2008 Rp amounted to 100%, meaning that individual non-response rate was 0%. Overall non-response rate was 23.93%.

³ Statistical Office of the Republic of Slovenia.



Unit non response is extensively documented in the Slovenian SILC Quality Report (http://circa.europa.eu/Public/irc/dsis/eusilc/library?l=/quality_assessment/quality_reports/si/2008_intermediate/EN_1.0_&a=d) from page 25 onwards.

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 household (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	28.958
Mean	67.4
Median	56.3
Maximum	827.8
Minimum	3.7
Max/Min	226.1
Decile 1	29.8
Decile 9	115.3
Dec 9 / Dec1	3.9

3.2.3 Item non-response and under-reporting

Concerning item non-response, an overview is provided in the Slovenian SILC Quality Report (http://circa.europa.eu/Public/irc/dsis/eusilc/library?l=/quality_assessment/quality_reports/si/2008_intermediate/EN_1.0_&a=d). 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. Disposable income (HY020) was considerably increased after imputation in many households. 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)).



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 2007 was 834.5 EUR. The EU-SILC estimate of employee cash or near cash net monthly income is 757.9 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 2007 amounted to 774.2 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 2008 refers to the fiscal year 2007 (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 all monetary amounts are 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, 2008). 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 2007). 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 2007. 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 Quality Report (http://circa.europa.eu/Public/irc/dsis/eusilc/library?!=/quality_assessment/quality_reports/si/2008_intermediate/EN_1.0_&a=d).

3.4.3 Other imputed variables

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

- Citizenship – EU_SILC provides no data about citizenship; we assume all persons are Slovene as 97.5% persons living in Slovenia are Slovene.
- 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.
- Non-taxable part of employment income (reimbursement of expenses for commuting and meals) - based on the share of non-taxable part of employment income by income deciles.
- Income from contractual work – based on employment income, self-employment income and the economic status.
- Income from student work – based on employment income, self-employment income and the economic status.
- Credited social contributions up to full working time for parents of children under three and for parents of four or more children who exit labour market – based on family allowance amount and benefit rule.
- Birth grant – based on family allowance amount and benefit rule.
- Parental (maternity) and paternal payments – based on family allowance amount and benefit rule.
- Parental allowance – based on family allowance amount and benefit rule.
- Large family allowance – based on family allowance amount and benefit rule.
- Child benefit – based on family allowance amount and benefit rule.
- Wage compensation for disabled workers – based on disability benefits and labour market status.
- 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 2007 to 2011 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 2007.



Table 3.3 Updating factors

Index	Income Source /index type	2007-2008	2007-2009	2007-2010	2007-2011	
default	Default uprating factor	1.0550	1.0640	1.0870	1.1064	Eurostat harmonized CPI
yivwg	Hourly Wage	1.0830	1.1200	1.1635	1.1750	Wage index; for 2011 wage index refers to the average wage in first 9 month of 2011
yem	Employment income	1.0830	1.1200	1.1635	1.1750	Wage index; for 2011 wage index refers to the average wage in first 9 month of 2011
yemtx	Taxable employment income	1.0830	1.1200	1.1635	1.1750	Wage index; for 2011 wage index refers to the average wage in first 9 month of 2011
yempv	Previous wage	1.0594	1.1473	1.1865	1.2326	Factor based on average wage lagged by 1-year
yse	Self-employment income	0.9330	0.8262	0.8583	0.8668	Average self-employment income index; 2010-11 based on 2009 + salary growth
yaj	Contractual work	0.9857	0.9998	1.0386	1.0489	Average contractual work income index; 2010-11 based on 2009 + salary growth
yst	Student work	1.1501	1.2360	1.284	1.2967	Average student work income index; 2010-11 based on 2009 + salary growth
yyi	Income from capital	0.9673	0.6057	0.6292	0.6354	Average income from capital index; 2010-11 based on 2009 + salary growth
yprrt	Rent	1.0592	1.1670	1.2123	1.2243	Average income from rent index; 2010-11 based on 2009 + salary growth
bed	Scholarship	1.0463	1.0278	1.0278	1.0278	Average state scholarship index; 2009 used for 2010 and 2011
bunct	Unemployment wage compensation	1.0539	1.0554	1.0964	1.1072	Average benefit index; 2009 used for 2010 and 2011
bhl	Wage compensation for sick leave	1.0830	1.1200	1.1635	1.1750	Wage index; for 2011 wage index refers to the average wage in first 9 month of 2011
bsa	Social assistance	1.0754	1.1039	1.1156	0.9456	Average benefit index; for 2011 benefit index refers to the average in first 9 month of 2011
tscctfa	Credited social contributions for parents	0.9624	0.8769	1.0916	0.982	Average benefit index; for 2011 benefit index refers to the average in first 9 month of 2011
bchlg	Large-family supplement	1.0384	1.0802	1.1057	1.1247	Average benefit index; for 2011 benefit index refers to the average in first 9 month of 2011
bchba	Birth grant	1.0667	1.1748	1.2116	1.1197	Average benefit index; for 2011 benefit index refers to the average in first 9 month of 2011



bmact	Parental payment	1.0805	1.1432	1.1770	1.1841	Average benefit index; for 2011 benefit index refers to the average in first 9 month of 2011
bmanc	Parental allowance	1.0805	1.1432	1.1770	1.1792	Average benefit index; for 2011 benefit index refers to the average in first 9 month of 2011
bcrbafh	Paternal payment	0.5353	0.6090	0.5931	0.6037	Average benefit index; for 2011 benefit index refers to the average in first 9 month of 2011
bchmt	Child benefit	1.1281	1.1700	1.1919	1.2288	Average benefit index; for 2011 benefit index refers to the average in first 9 month of 2011
pdi	Disability pension	1.2851	1.3163	1.3242	1.3478	Average benefit index; for 2011 it is based on 2010 + THI
bdirw	Wage compensation for disabled workers	1.0383	1.1178	1.1200	1.1400	Average benefit index; for 2011 it is based on 2010 + THI
poa	Old age pension	1.0804	1.1087	1.1198	1.1398	Average benefit index; for 2011 it is based on 2010 + THI
psu	Survivor pension	0.9052	0.9309	0.9342	0.9509	Average benefit index; for 2011 it is based on 2010 + THI
tpr	Property tax	0.9785	1.0060	1.0493	1.0680	Average property tax index; for 2011 it is based on 2010 + THI

Notes: Updating factor for year 2010-2011 for self-employment work, contractual work, student work and rent refer to default updating factor as Basic Statistical data on PIT for years after 2009 is not available yet.

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 2006, 2007, 2008, 2009 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/uvveljavljanje_pravic/statistika/druzinski_prejemki/); indices of unemployment benefits: Employment service of Slovenia, Annual reports 2006-2010 (http://www.ess.gov.si/trg_dela/publicistika/letna_porocila); indices of pensions and disability benefits: Pension and Invalidity Insurance Institute of Slovenia, Annual reports 2006-2010 (<http://www.zpiz.si/wps/wcm/connect/zpiz+internet/zpiz/prvastran/publikacije/letnaporocila>).



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 2008
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.	iyi	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 2008).

Next we evaluate how well the 2007 income data is updated to match actual data up to 2011. As the period of 2007-2011 was characterised initially by economic boom and then a recession



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

Table 4.2 shows that the number of employed and unemployed is very well reflected in EU-SILC and, hence, in EUROMOD for year 2007. On the other hand the EUROMOD data on the number of employed and unemployed do not match aggregate statistics for years 2008 – 2011 so well. In 2008, when the economy was still growing (at least in the first three quarters of year), the number of employed is underestimated and the number of unemployed overestimated in EUROMOD. On the contrary, due to not accounting for changed socio-economic structure, the number of employed is overestimated and the number of unemployed is severely underestimated in EUROMOD since 2009.

Table 4.2 Number of employed & unemployed, in thousands

	Input dataset (I)	External Source (II)					Ratio (I/II)				
	2007	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Number of employed	836	829	996	822	799	776	101%	84%	102%	105%	108%
Number of unemployed	48	50	46	61	76	79	97%	105%	79%	64%	61%

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 11% higher in EUROMOD than in the external statistics. In the case of earnings external data refer to fiscal administrative data prepared by the Ministry of Finance. The reason for overestimated amount of employment income in EUROMOD is that EU-SILC data (the basis for EUROMOD data) on employment income also include 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.

Self-employment income seems to be severely overestimated in EUROMOD, but EU-SILC 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 and b) some non-taxable incomes collected from questionnaires.

Income from contractual work and income from student work in EUROMOD are both imputed from EU-SILC employment income according to the labour economic status. The number of recipients is severely underestimated in the case of income from contractual work and overestimated in the case of income from student work. However the discrepancies are smaller when the total amount is concerned.

EUROMOD covers only 19% of total investment income when compared to Statistical PIT data, although the number of investment income recipients is underrepresented only by 8%.



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

	Input database (I)		External Source (II)				Ratio (I/II)				
	2007	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Original income											
Employment income	792	794	809	800	n.a.	n.a.	100%	98%	99%	n.a.	n.a.
Self employment income	214	197	215	205	n.a.	n.a.	109%	100%	104%	n.a.	n.a.
Income from contractual work	52	131	148	129	n.a.	n.a.	40%	35%	40%	n.a.	n.a.
Income from student work	156	56	56	46	n.a.	n.a.	279%	279%	339%	n.a.	n.a.
Investment income	424	461	n.a.	n.a.	n.a.	n.a.	92%	n.a.	n.a.	n.a.	n.a.

Notes: As ratios are calculated with precise figures, there might be some differences due to rounding.
Sources for earnings: Basic Statistical data on PIT for years 2007, 2008 in 2009; Ministry of Finance.



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

	Input	External	Ratio (I/II)	Uprated income (I)				External source (II)				Ratio (I/II)			
	database (I)	Source (II)		2007	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010
Original income															
Employment income - mean	1,308	1,285	102%	1,416	1,464	1,521	1,536	1,391	1,437	1,495	1,519	102%	102%	102%	101%
Employment income – total	12,421	11,163	111%	13,452	13,912	14,452	14,595	12,357	12,526	n.a.	n.a.	109%	111%	n.a.	n.a.
Self employment income	1,054	726	145%	984	871	905	914	740	624	n.a.	n.a.	133%	140%	n.a.	n.a.
Income from contractual work	262	315	83%	259	262	272	275	349	311	n.a.	n.a.	74%	84%	n.a.	n.a.
Income from student work	319	200	160%	367	394	409	413	228	203	n.a.	n.a.	161%	194%	n.a.	n.a.
Investment income	151	780	19%	146	91	95	96	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.

Sources: for earnings: Basic Statistical data on PIT for years 2007, 2008 in 2009; 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.

The number of old-age pensioners is well estimated in EUROMOD, while on the other hand the old-age pensions are overestimated by 16% (in 2007). This could be explained with the problems of splitting the old-age benefits. Namely 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. As splitting attempts did not lead to reasonable results we treat all old age benefits as old age pensions and overestimation is expected. As the number of old-age pensioners is increasing from year to year due to ageing population, the 2007 data underestimate the number of old-pensioners from year 2008 on.

For disability pensions, the difference between administrative figures and the observations in SILC is wider. While the number of recipients is underestimated (by 8% in 2007), the total expenditure on this component is overestimated by about 40%. This also could be explained with the problems of splitting the benefits. Disability pensions represent two thirds of all disability benefits therefore relatively large discrepancies are expected. The reason for underestimations of survivor pensions lies in EU-SILC data.

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

For unemployment wage compensation the difference between administrative figures and the observations in SILC seems wider. 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. 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 under-represented in the data already in 2007, when EUROMOD covers 81% of unemployment wage compensation. The number of unemployed and recipients of unemployment benefit started to increase at the end of 2008, which increases the gap between EUROMOD predictions and aggregate statistics. In 2009 the model captures around less than half of total unemployment benefits.

Wage compensation for disabled workers is relatively small benefit and it was imputed in EUROMOD from disability benefits. We managed to match approximately two thirds of recipients and of total amount of this benefit.

The number of parental payment recipients and the amount of parental payments are much underestimated in EUROMOD. This is due to the underestimation of children aged less than one in EU-SILC. In 2007, the actual number of new-borns was 19,823 while the number of new-borns in the same year in EU-SILC 2008 is 17,474.



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

	Input database (I)	External Source (II)					Ratio (I/II)				
	2007	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Pension											
Old-age pension	332	333	343	354	369	385	100%	97%	94%	90%	86%
Disability pension	87	95	93	92	91	90	92%	94%	95%	96%	97%
Survivor pension	72	92	92	92	93	93	78%	78%	78%	77%	77%
Benefits											
Scholarship	68	55	55	61	63	n.a.	125%	125%	112%	109%	n.a.
Parental payment	14	19	21	22	22	23	75%	68%	65%	65%	62%
Unemployment wage compensation	34	15	14	27	30	38	227%	243%	126%	113%	89%
Wage compensation for disabled workers	35	53	55	51	50	49	67%	64%	69%	71%	72%
Paternal payment	15	15	17	18	18	n.a.	100%	88%	83%	83%	n.a.

Notes: As ratios are calculated with precise figures, there might be some differences due to rounding.

Sources: for earnings: Basic Statistical data on PIT for years 2007, 2008 in 2009; 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, Family allowances (http://www.mdds.gov.si/si/uvcljavljanje_pravic/statistika/druzinski_prejemki/); for unemployment benefits: Employment service of Slovenia, Annual reports 2007-2010 (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 2007-2010 (<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>).



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)		2007	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010
Pension															
Old-age pension	2,549	2,193	116%	2,754	2,826	2,855	2,906	2,442	2,590	2,721	n.a.	113%	109%	105%	n.a.
Disability pension	558	396	141%	717	735	739	752	503	509	506	n.a.	143%	144%	146%	n.a.
Survivor pension	398	474	84%	360	370	372	378	429	443	448	n.a.	84%	84%	83%	n.a.
Benefits															n.a.
Scholarship	111	111	100%	116	114	114	114	116	127	137	n.a.	100%	90%	83%	n.a.
Parental payment	144	212	68%	155	164	169	170	250	282	292	224	62%	58%	58%	76%
Unemployment wage compensation	81	100	81%	85	85	89	89	99	192	192	234	86%	44%	46%	38%
Wage compensation for disabled workers	106	172	62%	110	118	119	121	182	183	183	179	60%	64%	65%	68%
Paternal payment	11	10	103%	6	7	7	7	6	7	7	n.a.	101%	99%	96%	n.a.

Notes: As ratios are calculated with precise figures, there might be some differences due to rounding.

Sources: for earnings: Basic Statistical data on PIT for years 2007, 2008 in 2009; 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 2007-2010 (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 2007-2010 (<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, unemployment wage compensations and social assistance while other benefits contribute only marginally to total household disposable income.

The number of unemployment wage compensation recipients is much overestimated in the years of economic growth, i.e. year 2007 and 2008. 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 2007. On the contrary, the total amount of this benefit is underestimated. The simulated unemployment wage compensation covers 74% of this benefit from original data (EU-SILC) and only 60% of benefit in 2007 compared to aggregate statistics. Since the 2009, when recession has started, the simulated amount of unemployment wage compensation becomes gradually even more underestimated. The model captures slightly more than one third of total unemployment benefits for 2009 and less than a third for 2010.

Note that by default the observed unemployment wage compensation is used in the model rather than the simulated variable.

Due to underestimated number of children aged less than one in EU-SILC 2008 the underestimation of birth grant recipients and the expenditure is expected. With regards to the parental allowance, the issue is similar. The number of recipients and the expenditure are underestimated, even given the lower number of new-borns. In fact, EUROMOD succeeds to simulate only around a quarter of actual recipients of parental allowance. The reason for such a large difference might be that different types of employment are not distinguished (besides the underestimated number of children under one). Namely, only mothers/fathers in contractual work or student work are eligible to parental allowance, while mothers/fathers with regular employment are entitled to parental payments. As we were able to identify only 40% of contractual workers, there is a reasonable doubt that we consider actual contractual workers as employees with regular employment, and wrongly treat these parents as non-eligible to parental allowance.

Large family allowance is well-estimated as simulated benefit exceeds the official data on recipients and expenditure on large family allowance by 9% or 1% respectively.

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 20% when compared to external statistics. However, the simulated number of children receiving the child benefit in 2007 almost exactly matches the number of dependent children in families receiving this benefit in EU-SILC database. There are two possible reasons for overestimation. First, one eligibility condition for child benefits is that a student must be enrolled in regular education with a maximum of one year break during the study. Available data do not contain information about 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 matches administrative data, which means that average child benefit is underestimated. Some income sources in EU-SILC include also non-taxable part of income (as already mentioned for employment income) which might lead to overestimated family means. Consequently, child benefits are too low. Besides, persons who in reality do not take up child benefits are simulated as recipients in the model. Under full take-up



assumption they are eligible to very low monthly amounts of child benefit which additionally reduces average amount of child benefit.

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

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 2007. 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.

There are no numbers available for the recipients of the housing benefit, but simulated housing benefit 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 2007, regardless of the amount of paid PIT. There are also a certain number of taxpayers who filled in their own tax return but paid no PIT due to claimed tax allowances. Therefore number of taxpayers in EUROMOD does not refer to taxpayers who actually paid some PIT but to persons who were obliged to fill in tax return. EUROMOD data almost matches (98%) the actual number of taxpayers.

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.

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 (except in 2011).

Employee and employer social contributions are well estimated as simulated revenues exceed actually collected employee social contributions only by 8% or 7% respectively. This divergence is entirely explained by the fact that the SILC contains in relative terms too much income from employment (taxable income).

Revenues from self-employed social contributions are over-estimated too, unsurprisingly. Moreover, from the observation that self-employment income in EUROMOD is 45% higher compared to the administrative sources, we would even expect a higher overestimation of total self-employed social insurance contributions. This can be explained by 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.



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

	EUROMOD (I)					Original data (II)	Ratio (I/II)	External source (III)					Ratio (I/III)				
	2007	2008	2009	2010	2011	2007	2007	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Benefits																	
Unemployment wage compensation	28	28	28	28	28	34	82%	15	14	27	30	38	186%	198%	103%	92%	73%
Birth grant	17	17	17	17	17	17	100%	20	21	20	21	20	86%	82%	86%	82%	86%
Large family supplement	30	30	30	30	30	32	96%	28	29	29	30	29	109%	105%	105%	102%	105%
Child benefit (means tested)	456	457	458	458	458	456	100%	379	377	378	374	367	120%	121%	121%	123%	125%
Parental allowance	1	1	1	1	1	3	25%	3	3	3	3	3	23%	23%	23%	23%	23%
Housing benefit	14	13	13	13	12	6	228%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Social assistance	24	24	25	27	26	70	34%	47	40	47	54	53	51%	59%	54%	49%	50%
Social contributions up to full working time for parents (part-time work)	8	8	8	8	8	0	n.a.	5	6	8	9	9	159%	133%	99%	88%	88%
Social contributions up to full working time for parents (not working)	1	1	1	1	1	0	n.a.	1	1	1	1	1	n.a.	116%	116%	116%	116%
Taxes																	
Personal income tax	1,029	1,039	1,038	1,040	1,040	0	n.a.	1,048	1,075	1,068	n.a.	n.a.	98%	97%	97%	n.a.	n.a.
Tax on investment income	424	424	424	424	424	0	n.a.	462	n.a.	n.a.	n.a.	n.a.	92%	n.a.	n.a.	n.a.	n.a.



	EUROMOD (I)					Original data (II)	Ratio (I/II)	External source (III)					Ratio (I/III)					
	2007	2008	2009	2010	2011			2007	2007	2007	2008	2009	2010	2011	2007	2008	2009	2010
Social insurance contributions																		
Employee contributions	797	797	797	797	797	0	n.a.	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	214	214	214	214	214	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Employer contributions	847	847	847	847	847	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other contributions	105	105	105	105	105	0	n.a.	n.a.	n.a.	n.a.	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.

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.

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/uvcljavljnje_pravic/statistika/druzinski_prejemki/); for unemployment benefits: Employment service of Slovenia, Annual reports 2007-2010 (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 2007, 2008 in 2009; Ministry of Finance (internal documentation); for social contributions: Ministry of Finance, Consolidated General government 1992-2011, http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/tekgib/Bilten_javnih_financ/Konsolidirana_bilanca_javnega_financiranja_1992-2011.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)				
	2007	2008	2009	2010	2011	2007	2007	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
	Benefits																
Unemployment wage compensation	60	64	69	75	77	81	74%	100	99	192	234	n.a.	60%	65%	36%	32%	n.a.
Birth grant	4	5	5	5	5	4	100%	4	6	6	6	6	109%	76%	79%	81%	81%
Large family supplement	11	11	12	12	12	12	96%	11	11	11	12	12	101%	104%	108%	102%	103%
Child benefit (means tested)	245	279	293	300	304	243	101%	245	276	287	290	292	100%	101%	102%	104%	104%
Parental allowance	1	2	2	2	2	6	25%	1	6	6	6	6	147%	25%	27%	27%	27%
Housing benefit	14	13	14	14	13	6	243%	14	4	3	n.a.	n.a.	103%	331%	451%	n.a.	n.a.
Social assistance	55	57	63	67	68	102	54%	116	107	127	148	149	47%	53%	49%	45%	45%
Social contributions up to full working time for parents (part-time work)	8	8	8	9	11	0	n.a.	5	5	7	10	11	168%	160%	114%	90%	100%
Social contributions up to full working time for parents (not working)	3	2	2	2	3	0	n.a.	n.a.	3	3	4	5	n.a.	67%	67%	50%	60%
Taxes																	
Personal income tax	1,648	1,705	1,734	1,885	1,778	0	n.a.	1,709	2,012	1,961	2,039	n.a.	96%	85%	88%	92%	n.a.
Tax on investment income	30	29	18	19	19	0	n.a.	94	172	129	98	n.a.	32%	17%	14%	19%	n.a.



	EUROMOD (I)					Original data (II)	Ratio (I/II)	External source (III)					Ratio (I/III)				
	2007	2008	2009	2010	2011	2007	2007	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Social insurance contributions																	
Employee contributions	2,666	2,888	2,986	3,102	3,133	0	n.a.	2,465	2,731	2,743	2,771	2,285	108%	106%	109%	112%	137%
Self-employed contributions	228	238	238	281	286	0	n.a.	225	248	269	275	236	101%	96%	88%	102%	121%
Employer contributions	1,958	2,119	2,191	2,276	2,299	0	n.a.	1,831	2,028	2,037	2,058	1,695	107%	104%	108%	111%	136%
Other contributions	81	85	89	92	93	0	n.a.	81	88	112	130	125	100%	97%	79%	71%	74%

Notes: As ratios are calculated with precise figures, there might be some differences due to rounding.

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 2007-2010 (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 2007, 2008 in 2009; Ministry of Finance (internal documentation); for social contributions: Ministry of Finance, Consolidated General government 1992-2011, http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/tekzib/Bilten_javnih_financ/Konsolidirana_bilanca_javnega_financiranja_1992-2011.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 2007 and 2008. However it does not perform so well for the following years, but results are still good. The Gini coefficient is also well simulated.

Detailed analysis of disposable income levels of different income deciles shows that we undersimulate the share of equalised income in the lower deciles by 1-3% and slightly oversimulate it in upper deciles (up to 2%).



Table 4.9 Income distribution

Indicator	EUROMOD (I)				External Source (II)				Ratio (I/II)			
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
Decile shares												
1	4.0	4.0	4.0	3.9	4.1	4.0	4.1	4.0	98%	99%	97%	97%
2	5.8	5.9	5.8	5.8	6.0	6.0	6.1	5.9	97%	98%	95%	98%
3	7.0	7.1	7.1	7.0	7.1	7.1	7.2	7.0	99%	99%	98%	100%
4	7.9	8.0	8.0	8.0	8.1	8.0	8.1	7.9	98%	100%	99%	101%
5	8.8	8.9	8.9	8.9	8.8	8.9	8.9	8.8	100%	100%	100%	101%
6	9.7	9.8	9.8	9.8	9.7	9.8	9.8	9.8	100%	100%	100%	100%
7	10.7	10.7	10.8	10.8	10.8	10.7	10.8	10.8	99%	100%	100%	100%
8	12.1	12.1	12.1	12.2	12.0	12.0	11.9	12.1	101%	101%	102%	100%
9	14.0	14.0	14.0	14.1	13.9	13.9	13.8	14.0	101%	101%	101%	100%
10	19.9	19.6	19.6	19.7	19.5	19.6	19.3	19.7	102%	100%	101%	100%
Median	871	945	970	992	894	976	1,062	1,054	97%	97%	91%	94%
Mean	944	1,019	1,043	1,068	826	908	989	978	114%	112%	105%	109%
Gini	0.239	0.237	0.237	0.24	0.232	0.234	0.227	0.238	103%	101%	104%	101%
S80/S20	3.2	3.2	3.2	3.2	3.3	3.4	3.2	3.4	96%	93%	99%	93%

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.



4.2.2 Poverty rates

Table 4.10 compares EUROMOD income poverty rates and the external source poverty figures (Eurostat). The poverty rate is overestimated when poverty line is set at 40%, 50% or 60% of median income. The gap narrows only when the poverty line increases to 50%. Obviously net disposable incomes are underestimated at the lowest part of the income distribution, which might be the consequence of undersimulated benefits: social assistance and child benefit in particular.

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. Obviously poverty rates of young children (up to 15 years) are underestimated, while poverty rates among youth (16-24 years) are overestimated. We also oversimulate the poverty rates of adults, while the poverty rates of elderly come closest to the official rates. But there is no clear pattern over the years. The main reason is that our uprating does not take into account changing labour market status in the population during that period.



Table 4.10 At risk of poverty rates by gender and age

Indicator	EUROMOD (I)				External Source (II)				Ratio (I/II)			
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
40% median HDI												
Total	3.0	3.6	3.7	3.9	2.8	2.8	3.2	2.7	107%	129%	116%	144%
Males	3.1	3.4	3.5	3.7	2.8	2.8	3.3	2.8	111%	121%	106%	132%
Females	2.9	3.7	3.8	4.0	2.8	2.8	3.1	2.7	104%	132%	123%	148%
50% median HDI												
Total	7.0	7.3	7.4	7.7	6.3	6.3	6.8	6.5	111%	116%	109%	118%
Males	6.6	6.6	6.7	7.0	5.4	5.4	6.2	5.6	122%	122%	108%	125%
Females	7.3	8.0	8.1	8.5	7.2	7.2	7.4	7.5	101%	111%	109%	113%
60% median HDI												
Total	12.6	12.8	13.1	13.7	11.5	11.5	12.3	11.3	110%	111%	107%	121%
Males	11.7	11.6	11.8	12.4	10.0	10.0	11.0	9.8	117%	116%	107%	127%
Females	13.6	14.1	14.4	15.0	12.9	12.9	13.6	12.8	105%	109%	106%	117%
70% median HDI												
Total	19.4	19.5	19.6	20.1	18.8	18.8	18.8	18.2	103%	104%	104%	110%
Males	17.7	17.5	17.7	18.1	16.9	16.9	17.0	16.2	105%	104%	104%	112%
Females	21.1	21.3	21.4	22.0	20.5	20.5	20.4	20.1	103%	104%	105%	109%
60% median HDI												
0 – 15 years	11.0	11.8	12.2	12.5	11.7	11.4	11.2	12.6	94%	104%	109%	99%
16 – 24 years	11.3	11.0	11.4	11.8	9.2	10.3	8.4	10.5	123%	107%	136%	112%
25 – 49 years	10.4	10.5	10.7	11.2	9.1	9.6	8.4	10.0	114%	109%	127%	112%
50 – 64 years	12.8	12.4	12.6	13.2	11.4	12.4	11.7	13.3	112%	100%	108%	99%
65+ years	20.6	21.7	22.2	23.5	19.4	21.3	20.0	20.2	106%	102%	111%	116%

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



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 0.3% in 2007-2009 and 0.5% in 2010-2011 (see the following table). Income tax and social contributions are increased slightly more. Disposable income is increased by 0.14%.

Social assistance expenditure is decreased by 0.7% in 2007. Consequently, inequality (measured by the Gini coefficient) is reduced by 0.2% and poverty rate by 0.4%.



Table 4.11 Impact of minimum wage

	Baseline (I)					Minimum wage included (II)					Ratio (I/II)				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Disposable income (total)	14,244	15,366	15,728	16,089	16,402	14,264	15,387	15,750	16,134	16,450	99.9%	99.9%	99.9%	99.7%	99.7%
Gross employee earnings (total)	12,421	13,452	13,912	14,452	14,595	12,454	13,488	13,950	14,528	14,675	99.7%	99.7%	99.7%	99.5%	99.5%
Income tax (total)	1,678	1,734	1,752	1,904	1,797	1,683	1,740	1,758	1,915	1,808	99.7%	99.7%	99.7%	99.5%	99.4%
Employee SICs (total)	2,666	2,888	2,986	3,102	3,133	2,674	2,896	2,995	3,119	3,151	99.7%	99.7%	99.7%	99.5%	99.4%
Social assistance (total)	55	57	63	67	68	55	57	62	66	67	100.7%	100.7%	100.7%	101.2%	101.2%
Gini (Eq HDI)	0.239	0.237	0.237	0.24	0.238	0.239	0.236	0.236	0.239	0.237	100.2%	100.2%	100.3%	100.4%	100.6%
At poverty risk (60% median HDI)	12.6	12.8	13.1	13.7	13.6	12.5	12.8	13.2	13.4	13.4	100.4%	100.0%	99.5%	102.6%	101.8%



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.
- There is a shortfall in children aged less than one year. Consequently, birth related benefits (birth grant, parental allowance, parental (maternity) payment, and paternal payment) are seriously underestimated.
- 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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