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**Title:** The Spanish Personal Income Tax Microsimulation Model (MICROSIM-IEF Renta 1.0): an application to 2007 Tax Reform

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**ABSTRACT**

This paper describes the new Personal Income Tax Microsimulation model and software, developed at the Institute for Fiscal Studies of Spain. This software uses a high quality fiscal data set (one million tax forms, representing the whole population of tax payers) to perform a wide range of static and dynamic (evolution of the different sources of income and the number of tax payers by regions) simulations. The model offers the possibility of changing nearly all the characteristics of the tax (definition of the tax base, dual taxation, tax brackets and rates, deductions, tax credits, etc.) and the output includes detailed information on revenue effects, marginal and average rates, losers and winners, progressivity and redistribution indices (Kakwani, Reynolds-Smolensky; Pfähler decomposition; etc.) for the whole population and for specific groups (classified by their income level –centiles-; main source of income –labour, capital, economic activity-; family size; region; etc). In order to illustrate it all, the paper offers the results of the simulation of the recently passed (2007) reform of the Spanish Personal Income Tax.