

# Familienbonus Plus

The New Tax Relief for Families in Austria based on different model assumptions

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Marian Fink & Silvia Rocha-Akis

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## ■ WIFO-Micromod

- static model that maps the Austrian income tax, social security and transfer system for the years 2003-2019
- based on EU-SILC waves 2004-2016
- builds on earlier WIFO models which date back to 2008
- applied in projects with funding from ministries and other public institutions, as well as other research grants<sup>1</sup>
- output also used for evaluation of macroeconomic reform effects (connection between WIFO-Micromod and WIFO-Macromod)
- linked to other models at WIFO (dynamic microsimulation, sectoral model)
- uses information from HFCS, HBS (indirect taxes)

- EUROMOD is currently also in use for projects with an international dimension
- Dynamic MS model MicroWELT (comparing welfare state regimes) and a dynamic model for Austria are currently being developed at WIFO

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<sup>1</sup>See list of publications and projects below

- One of the major early reform moves planned by current federal government
- Introduction: 1 January 2019
- Aim: provide financial relief for parents who are employed while bringing up children

## Abolition of two tax allowance instruments

- Child Tax Allowance (Kinderfreibetrag)
  - Up to 440 EUR per year and child if only one parent claims
  - Up to 300 EUR per year and child if both parents claim
- Tax deductibility of child care cost
  - Up to 2,300 EUR per year and child up to age 10 (can be freely shared between parents)

## Introduction of

- Familienbonus – a tax credit
  - Reduction of tax burden of up to 1,500 EUR per year and child up to age 18
  - Up to 500 EUR per year and child over age 18 entitled to family allowance (Familienbeihilfe)
  - Parents may share up to half of the amount each
- Supplementary Child Benefit (Kindermehrbetrag)
  - Up to 250 EUR per year and child for low-income single parents and sole-earner families (when tax liability before deduction of Familienbonus < 250 EUR)

- EU-SILC wave 2016
- Extrapolation of incomes to 2018 via observed and projected CPI (assumption of unchanged demographic, labour force participation and income structures)
- Simulation of equivalised disposable household income taking into account the Austrian tax, social security and transfer system in 2018 (WIFO-Micromod)
- Comparison of incomes with and without reform in 2018, by deciles

- Social security contributions by occupational group
- Income tax and cash benefits taking into account household context
- Simulated family-related cash transfers and tax benefits:  
Family allowance, Child Tax Credit, School Start Allowance,  
Multiple-Child Supplement, Child Tax Allowance, SESP Tax Credit,  
deductibility of child care cost
- Other direct monetary benefits are taken directly from SILC  
(small adjustment made in the case of means-tested minimum  
income)



**Model A**

All persons subject to income tax assessment

**Model B**

Only persons with a payment of tax arrears or with tax reimbursement and their partners claim tax credits and allowances (beyond those automatically taken into account)

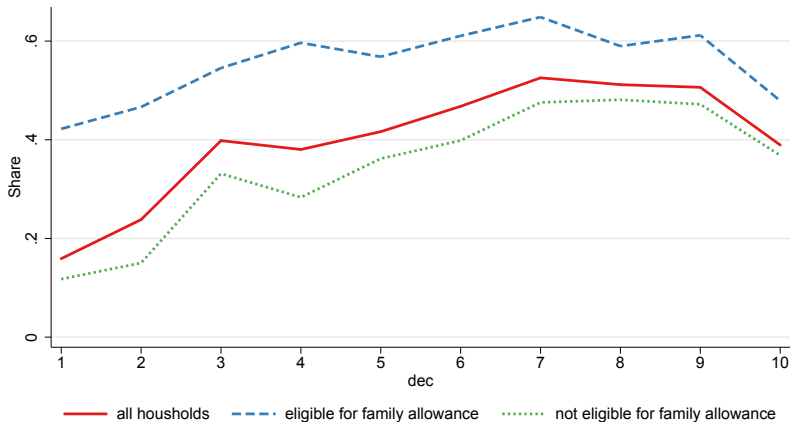
Full exploitation of tax benefits

Optimal splitting between eligible partners: Minimisation of joint tax liability at each stage of the tax assessment

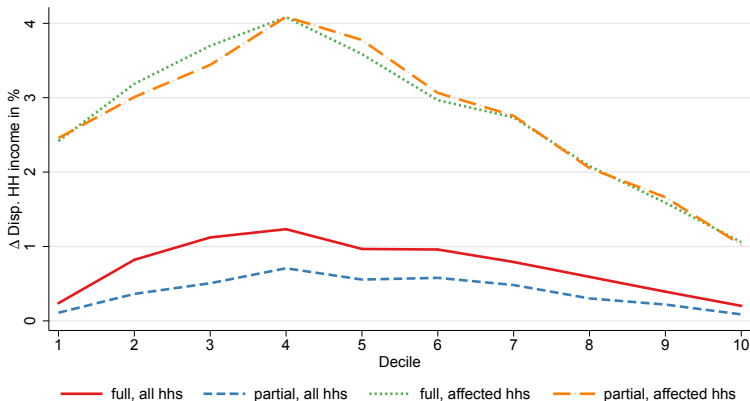
Simulation of family benefits only in cases where parents and children share the same household

No tax-related differentiation between children within a family

Share of tax filing households by decile



## Average change in disposable household income by decile



full/partial ... full/partial exploitation of tax benefits

### Taking into account tax filing behaviour

- does not change the relative effect on income of affected hhs
- changes the relative effect on income when considering all hhs

Moreover, the simulated drop in tax revenue drops from 1,455 million to 787 million if tax filing behaviour is considered.

- Distributional effects depend on (known) distribution of
  - households eligible for family allowance
  - number and age of children per household entitled to the measures under consideration
  - size of taxable income of parents qualifying for the measures
- Moreover the effects depend on unknown
  - **tax-filing behaviour**: information on whether and to what extent eligible persons claim tax credits and allowances
  - **splitting behaviour** between partners as regards tax relief options
  - amount of tax actually paid (e.g. size of income-related expenses)
  - measurements errors, behavioural responses, . . . )

## What is the purpose of the evaluation?

Different purposes may demand different assumptions:

- Impact of the reform considering the way the system is *supposed to work* (full take-up)
- *Effective impact* of the reform considering behavioural aspects

Compromise solution consists of covering a range of scenarios in order to provide a bandwidth of possible outcomes

# Appendix

## Status quo

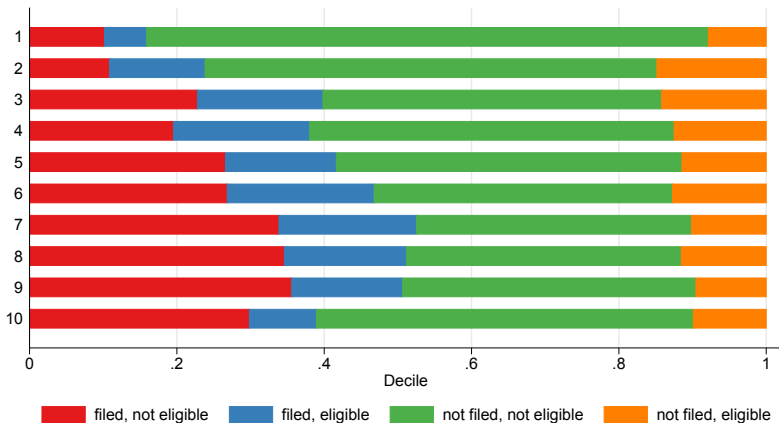
- Gross earnings after SSC
- Income-related expenses
- Special expenses
- Extraordinary expenses  
(incl. child care cost)
- Child Tax Allowance
- = Taxable income
- SESP Tax Credit
- Tax Credit for Maintenance Payments-
- (augmented) Commuter or  
Retirees Tax Credit
- Commuter Euro

## After Reform

- Gross earnings after SSC
- Income-related expenses
- Special expenses
- Extraordinary expenses
- = Taxable income
- Familienbonus Plus
- Supplementary Child Benefit
- SESP Tax Credit
- Tax Credit for Maintenance Payments
- (augmented) Commuter or  
Retirees Tax Credit
- Commuter Euro



## Share of household types by tax filing and eligibility for family allowance



S. Ederer, J. Baumgartner, J. Bierbaumer-Polly, S. Kaniovski, S. Rocha-Akis, and G. Streicher. ***Österreich 2025 – Privater Konsum und öffentliche Investitionen in Österreich.*** WIFO, Vienna, 2016.

S. Ederer, J. Baumgartner, M. Fink, S. Kaniovski, C. Mayrhuber, and S. Rocha-Akis. ***Effekte der Einführung eines flächendeckenden Mindestlohnes in Österreich.*** WIFO, Vienna, 2017.

M. Fink and S. Rocha-Akis. **Effects of the Introduction of 'Familienbonus' and 'Kindermehrbetrag', the New Tax Relief for Families in Austria.** *WIFO Bulletin*, forthcoming.

C. Mayrhuber, S. Rocha-Akis, and C. Zulehner. **Distribution Effects to be Expected in Austria if the Tax Regime for Low Incomes from Work is Alleviated. Results of a Microsimulation.** *WIFO-Monatsberichte*, 87(11):767–781, 2014.

S. Rocha-Akis. **The Distributional Effects of the 2015-16 Tax Reform.** *WIFO Bulletin*, 20(21):238–249, 2015.

S. Rocha-Akis. ***Ein Vergleich der monetären Einkommensverteilung und -umverteilung 2010 und 2015. WIFO-Beitrag zum Sozialbericht 2015-2016.*** WIFO, Vienna, 2017.

S. Rocha-Akis, V. Steiner, and C. Zulehner. **Verteilungswirkungen des österreichischen Steuer- und Sozialabgabensystems 2007-2016.** *WIFO-Monatsberichte*, 89(5):347–359, 2016.

- Tax-benefit systems, in-work poverty and the reconciliation of work and family life (WIFO-Micromod)
- Redistribution by the state in Austria and the effects of the tax reform 2015/16 using an extended income concept (WIFO-Micromod)
- FairTax - Revisioning the 'Fiscal EU': Fair, Sustainable, and Coordinated Tax and Social Policy (EUROMOD)
- WELTRANSIM - Demographic change and intra and intergenerational distribution: Modelling the impact of different welfare models (MicroWELT)
- Long-term integration of immigrants in Austria: a dynamic Microsimulation Model

- CPI** Consumer price index
- EU-SILC** European Union Statistics on Income and Living Conditions
- HBS** Household budget survey
- HFCS** Household Finance and Consumption Survey
- HH(s)** Household(s)
- MS** Microsimulation
- SSC** Social security contributions
- SESP** Sole earner/single parent