



Agencia Tributaria

Business Activities Income Statistics

Methodology

Subdirectorato General



FOREWORD

The Stat '**Business Activities Income**' is a release based upon the businesses information submitted within the annual return by persons subject to Personal Income Tax.

Its main target is to deepen the knowledge on businesses' activities carried out by individuals. It will help to analyse non-societal small businesses, their territorial distribution, the gender of the entrepreneur, his/her nationality and the importance of the business' receipts compared to his/her total income. This will allow a complete prospect on the Spanish Economy. Previously, the main vision was related to societal businesses data only.

There is a novelty in this Stat: the net tax liability, which lets the users know the tax burden borne by businesses' income.



DOCUMENTS PROVIDED

METHODOLOGY

Overview

A new release based upon the businesses information submitted within the annual return is now included in the Tax Statistics series published by the Spanish Tax Agency. The information is provided by all entrepreneurs and professionals subject to Personal Income Tax (PIT)

Its main aim, as a complement of the PIT Stat, is to make available a release in which the description of the most remarkable features of Spanish non-societal small businesses can be found. This will allow the completion of the Economy outlook, which is usually focused on societal businesses. The information from tax sources, especially from the data reported through PIT forms, as an essential tool.

PIT regulation about business activities provides for three assessment schemes: Normal Direct Assessment, Simplified Direct Assessment and Objective Assessment, depending on the activity it has to do with, i.e. farming, livestock and forestry or not.

Business activities net income is the entrepreneur income subject to PIT taxation. Therefore, it is his/her profit before taxation, though within the document this figure will be called as follows: 'income assessed through direct scheme' or 'income assessed through objective scheme' (this last one either from farming or from non-farming activities).

Furthermore, given the importance of PIT for the Autonomous Communities (it is the main financial source for all of them) the stat offers and displays information about each Community as broadly as possible, while protecting the statistical secrecy.



Aim and Contents of this release

1.1 Aim

The stat '**Business Activities Income of Self-Employed Entrepreneurs or Natural Persons**' is a customized release related to a PIT annual return submitters' subgroup defined by the cluster of annual returns containing information within the Form items (boxes) referred to individual business activities income (BAI). Therefore, the group studied includes all the taxpayers carrying out business activities in the terms provided for by PIT regulation (PIT Law, art. 27).

Article 27 of PIT Law defines business activities income by the combination of two requirements:

-The existence of an independent organisation comprising production assets and human resources.

-A purpose of taking part in the production and supply of goods and services.

The law considers that business activities income is obtained by those individuals who carry out such activities personally, directly and continuously. These requirements are supposed to be met by the persons listed as owners.

Natural persons report through each PIT annual return every income flow received in the fiscal year. The fiscal year matches with the natural year except for some special cases. PIT levies the total income of taxpayers and, in this sense, the business activities income is included in the Taxable Base as income as well as earned income, real estate rents and savings income (savings yields, dividends and capital gains).

Commonly, PIT refers to one person and the business activities income will belong to the submitter, as entrepreneur. Yet, there is a family aggregate taxation mode in PIT, so in this option one annual return will include the total income obtained by every family member. In such case, more than one person could report income from business activities and therefore could be qualified as entrepreneur in this release.

Three annual return boxes summarize the business income, understood as the entrepreneur or professional yield for every activity of the family members included in the return. Different items are needed because of the three assessment schemes stated by law, which bring about very different formal obligations.

The final aim of this release is to complete the general statistic of the Personal Income Tax. For this purpose, the set of the annual returns with reported business activities income is the target cluster. Every detail concerning economic activities is considered in order to know their profitability: the weight of that income compared with the total income reported; the number of activities reported; the failure rate per activity and, which is particularly important and available for the first time, the part of the annual return final outcome attributable to the economic activity and the effective tax rate of the business/professional activity.



1.2. Contents

The publication includes the present methodology and the statistical tables. Methodology provides the territorial scope, the temporal scope and the population scope to which the information is related and defines the variables used and how they are classified in order to achieve a better use of the information displayed.

Stat tables are shown in three blocks. The first of them relates to the studied cluster with the total number of PIT annual return submitters. The second one focuses on the universe of submitters which are the target cluster in this stat. Lastly, in the third one the set of business individuals and professionals with a sole activity reported (called 'unique activity' in this release) is analysed.

The blocks are:

- Module of mainstreaming PIT-BAI
- Entrepreneurs doing economic activities
- Entrepreneurs with a sole economic activity

The first block includes a display of the PIT submitters groups and a PIT annual return summary for those groups. The clusters studied are:

- Business framework: individual entrepreneurs
- Business framework: Entrepreneurs with allocated income
- Non-Business framework

The two latter show, in the first place, description tables about entrepreneurs/professionals' demography, with a classification per Autonomous Community and kind of activity, through their main features: gender, nationality and age.

The stat tables of entrepreneurs with economic activities display the information from two viewpoints: annual return prospect and activity prospect. An annual return can include income from one or more persons, so each kind of income, business activities income in this case, can be related to one or more than one family members in the aggregate mode. On the other hand, each business income reported can be related to one or more than one different economic activities carried out by the submitters. In other words, the stat distinguish the number of annual returns, number of entrepreneurs and number of activities. Obviously, the number of entrepreneurs and activities will be higher than the number of annual returns.



1.2.1. Annual Return Prospect

As stated before, for tax purposes each annual return includes income either from one or more than one persons. Regarding the economic activity, income can stem from one or more activities carried out by one or more persons. PIT procedures force to report separately the activities according to the assessment scheme used. There are three assessment schemes provided to work out the net income or profit: normal direct assessment scheme; simplified direct assessment scheme and objective assessment scheme. In the latter there are two different methods, one provided for non-farming business activities and other one for farming activities. Inside each of the modes, up to six different activities can be included. From the annual return viewpoint, information is studied considering each return as a data unit. The classifying criteria following the annual return features are used together with other related to the submitters census or to further fiscal sources (e.g. number of salaried persons). Here, it needs to be reminded that some classifications and operating variables shown in the tables have been obtained using computer processes and algorithms, more or less complex. Some instances are the main income source, the tax liability and effective tax rate attributable to the economic activity, the inclusion of the annual return in one of the income assessment schemes, the working out of the income related to all the business activities and the addition, within the figure obtained, of the allocated income obtained from economic activities. All these issues are detailed in the variables description sections.

This approach, which allows focusing on the studied cluster inside the wider framework of Personal Income Tax (PIT), shows different summaries of the main PIT variables seen from different points of view. Specifically, business activities income, deductions and payments on account stand out.

1.2.2. Activity Prospect

From the activity viewpoint, each business included in the annual return is considered as a data unit and classifications and activity features or entrepreneur features related are studied.

Activity prospect comprises a general analysis of the main variables related to the reported businesses (number of activities, positive income, attributable effective tax rate and failure rate) with the maximum detail level per activity, according to the codes provided for by the Tax on Business Activities (TBA). Depending on the assessment scheme, the annual return form includes a specific breakdown of information. Furthermore, profit and loss accounts, according to the different assessment schemes are shown following some interesting classifications (TBA items, Autonomous Community, nationality and gender). Information related to direct assessment scheme shows a complete profit and loss account.

Annual return prospect and Activity prospect connect each other in the annual returns with a sole economic activity. In this section, common features for both prospects are studied due to the bi-univocal relationship between them (one return – one entrepreneur



– one activity). Stat tables for **entrepreneurs with a unique activity** also display the information into these two viewpoints: annual return and activity.

- **Annual return Prospect:** it shows a summary of the main PIT items, highlighting those related to business activities income. They all are displayed discriminating the data related to entrepreneurs with employees from the entrepreneurs without employees, following different interesting classifications (Autonomous Community, nationality, age and gender).
- **Activity Prospect:** Variables referred to economic/fiscal issues, to the activity carried out by the taxpayer, as well as to the total PIT fiscal burden borne by the entrepreneur are displayed with a detail that comprises up to 30 different activities (number of activities, number of salaried persons, positive income, activity attributable effective tax rate, net tax liability attributable to the activity and total base, tax rate and total PIT tax liability). They are classified following different relevant criteria (Autonomous Community, income source, number of salaried persons and base bands). Moreover, profit and loss account per income assessment scheme is displayed according to the different classifications (TBA items, Autonomous Community, nationality and gender).

Reference scope

2.1. Population Scope

Population Scope is made up of all the PIT annual return submitters reporting business activities income in any of the assessment schemes provided for by PIT regulation.

Article 27 of PIT Law defines business activities' income by the combination of two requirements:

- Existence of an autonomous organisation comprising production assets/human resources.
- Purpose of taking part in the production/supply of goods and services.

It is worth mentioning that the submission of annual returns when the taxpayer obtains income from business activities is a requirement of PIT Law. Art. 96 of PIT Law does, however, provide an exclusion if the sum of earned income, capital income, business activities income and capital gains is not higher than €1,000 per year. In other words, every owner of economic activities, including farming and livestock, are compelled to send annual returns, whatever the assessment scheme used is, with the only the one exception, previously mentioned.

It could be useful to note that the data related to businesses adopting the form referred in art. 35.4 of Taxation General Law, that are taxed according to income allocation scheme (arts. 86 to 90 of PIT Law), are not included in the objective scope of the Stat. Nevertheless, while it is not included as a selection criterion for the target cluster of entrepreneurs, it is reflected, in the sum of the allocated income gained in business activities, when the taxpayer has been selected as the result of carrying out economic activities on his/her own as an individual entrepreneur.



In short, this stat studies a subgroup of the annual PIT Statistic population: The Self-Employed Entrepreneurs or the Natural Persons Entrepreneurs.

2.2. Geographic Scope

The existence of independent taxations in the territories of Basque Country and the autonomous community of Navarre limits the geographic scope of the stat to the so-called Common Tax System Territory, which does not include those regions.

2.3. Temporal Scope

In general, the tax period matches with the calendar year and the tax is considered officially accrued on December 31st of each year. Only in the case of a taxpayer's death, may the tax period be shorter than a calendar year and the tax will be accrued in such date.

To sum up, the stat includes the total number of annual returns submitted in a fiscal year, in due time or not, that are part of the statistical file closed on December 31st of the year following to the accrual year.

Operating and Classifying Variables

The stat shows the data under two viewpoints, compelling us to define the operating and classifying variables according to the features related to the prospect studied.

Before explaining the stat operating and classifying variables, it will be useful to approach some issues in order to make it easier to understand the tabulations and classifications used in it.

The annual return is a file that provides complete and aggregate information about every income, every activity and every holder signing it. This file provides, directly or indirectly (generated), classifications such as the Autonomous Community; the taxable base band; the economic activity, the main or secondary income source; the sign of the sum of every net income coming from the economic activities in every annual return mode; and the assessment scheme used for working out the business activities' net income, which is considered to be the most important classification as regards to the file.

Each of the relationships return/holder/scheme/activity-code are independent issues that could be considered as sub-files, inside the annual return, and that become the target unit under the ACTIVITY prospect. In this information module, the number of activities, the working out of the net income coming from the economic activities in every scheme and, most importantly, the classification by activity codes are available.

At the same time, information coming from taxpayers census or from the own annual return (age, nationality and gender) is added to the complete list of business activities holders obtained from the so called *sub-files*. Finally, the variable 'salaried persons' is not included neither in the annual return file nor in the activity file, so it is necessary to go



to the PIT withholders census in order to know the number of salaried persons employed by each entrepreneur. In this way, we can obtain an additional classification for entrepreneurs with a sole activity, dividing them into those who have salaried persons or not. It is not possible to know the number of salaried persons working for them in each particular business when entrepreneurs are carrying out several activities.

Lastly, when an entrepreneur carries out several activities, the variable 'number of entrepreneurs' is linked to each of those activities according to a weight, so that the sum for such variable is the total number of entrepreneurs when data are studied at the highest level of detail, which is to say when the breakdown per activities code is shown.

Summarizing, some entrepreneurs' features can be shown, as gender, age and nationality. When displaying the file/annual return information, the features are other: the taxable base band; the economic activity, as main or secondary income source; the sign of the sum of every net income coming from the economic activities; the main assessment scheme used for working out the business activities net income; and the size of the file according to the number of activities and the number of salaried persons.

- 3.1. CALCULATION METHODOLOGY FOR THE NET TAX LIABILITY ATTRIBUTABLE TO THE BUSINESS ACTIVITY INCOME
 - 3.1.1 Individual Measure of the contribution to the gross tax liability
 - 3.1.2 Individual Measure of the contribution to the net tax liability
 - 3.1.2.1 Distribution of the Net Tax Liability attributed to business activities according to the assessment scheme of the different activities reported by each holder within the same taxation mode
- 3.2. OPERATING VARIABLES
 - 3.2.1 Entrepreneurs reporting business activities
 - 3.2.1.1 Entrepreneurs Demography
 - 3.2.1.2 Annual Return Prospect
 - 3.2.1.2.1 PIT Annual Return Summary
 - 3.2.1.2.2 Business activity taxation per sign of the income (+/-)
 - 3.2.1.3 Activity Prospect
 - 3.2.1.3.1 Tables per TAB codes
 - 3.2.1.3.2 Calculation of the business activities income
 - 3.2.2 Entrepreneurs with a sole economic activity
 - 3.2.2.1 Entrepreneurs Demography
 - 3.2.2.2 Annual Return Prospect for entrepreneurs with a sole activity
 - 3.2.2.3 Activity Prospect for entrepreneurs with a sole activity
 - 3.2.2.3.1 Tables per TAB codes
 - 3.2.2.3.2 Calculation of the business income for entrepreneurs with a sole activity
- 3.3 CLASSIFYING VARIABLES



3.1. CALCULATION METHODOLOGY FOR THE NET TAX LIABILITY ATTRIBUTABLE TO THE BUSINESS ACTIVITY INCOME

This stat includes a new element that allows us to know the tax burden borne by the business/professional activity income.

The aim is to typify income so as to approach the items of bases subject to tax and match them with gross and net tax liabilities, for each kind of income and annual return, by means of micro-simulation modelling.

The method stages are the following:

1. Income subject to tax is associated to a particular source. The following are the classes of income to which an 'attributed net tax liability' of business activities is connected:
 - **R4:** Business activities direct scheme and allocated business activities income.
 - **R5:** Business activities in objective non-farming scheme income.
 - **R6:** Farming and livestock activities in objective scheme income.
2. In a second stage, reliefs and allowances are defined splitting apart those that reduce a particular kind of income, earned income reliefs for instance, from the rest of allowances affecting to the whole income in a homogeneous way. The general reliefs are:
 - For families with joint taxation option
 - For contributions to social welfare systems
 - For spouses' pensions and alimonies.
3. After the calculation of the gross tax liability and before working out the net tax liability, there are several deductions and, again, some are general and some of them specific. Those specific for business activities income are:
 - Tax incentives for business investments
 - Allowances for profit allocations within the Canary Islands investments reserve
 - Allowances for gains from sales of tangible goods produced in the Canary Islands.

The rest of deductions are considered independent from the groups of income reported by the taxpayer and they are allocated to each class according to the weight of that income.

3.1.1. INDIVIDUAL MEASURE OF THE CONTRIBUTION TO THE GROSS TAX LIABILITY

For each submitter "j" (single or family joint option annual return) a gross tax liability vector (CI) is worked out.

$$(CI_j)_{1-s}^s = (CI_{j1}, CI_{j2}, \dots, CI_{js})$$



"i" is each of the regular income constituents belonging to submitter "j" and each CI_{ji} is worked out as follows:

$$CI_{ji} = W_{ji} * CI_j$$

- R_{ji} is the income "i" of submitter "j" who the associated gross tax liability is being calculated for
- W_{ji} is the weight of income constituent "i" on the whole income of the taxpayer "j"

$$w_{ji} = \frac{R_{ji}}{\sum_i R_{ji}}$$

Obviously:

$$\sum_{i=1}^s CI_{ji} = CI_j$$

has to be verified

3.1.2. INDIVIDUAL MEASURE OF THE CONTRIBUTION TO THE NET TAX LIABILITY

For each submitter "j" a net tax liability vector (CL) is worked out.

$$(CL_{ji})_{i=1}^s = (CL_{j1}, CL_{j2}, \dots, CL_{js})$$

"i" is each of the regular income constituents belonging to submitter "j" and each CI_{ji} is worked out as follows:

$$CL_{ji} = (CI_{ji} - D_{ji}^E) - w_{ji} D_j^G$$

- CI_{ji} is the gross tax liability of submitter "j" linked to income "i"
- D_{ji}^E are the specific deductions used by submitter "j" related to income "i"
- w_{ji} is the 'weight' of income "i" on the total amount of income reported by submitter j

$$w_{ji} = \frac{R_{ji}}{\sum_i R_{ji}}$$

- D_j^G are the general deductions not related to any particular kind of income applied by submitter "j".

Here is also verified that

$$\sum_{i=1}^s CL_{ji} = CL_j$$

Net Tax Liability of each taxpayer is a function of the different constituents of his/her Net Taxable Base and of the different deductions from which he/she can benefit, depending



on the kinds of income and on the features relating to his/her personal and family situation, which affects to the assessment. Therefore, the Net Tax Liability can be seen as a sum of partial net tax liabilities, each of them linked to each kind of income received by the taxpayer. Given the sliding scale of the tax fare, the income accumulation per taxpayer has a decisive impact on the resulting effective tax rate, that will be bigger the bigger the total sum of income included in the Taxable Base.

The Net Tax Liability attributable to the business activity is worked out following this method. The attributable effective tax rate (T) is obtained as the quotient between the Net Tax Liability attributable to business activity and the own business activity income, expressed as a percentage.

$$T_i = \frac{CL_i}{R_i} \times 100$$

3.1.2.1. Distribution of the Net Tax Liability attributable to each activity included inside the same net income assessment scheme and inside the same taxation mode of the taxpayer.

Being 'K' each one of the activities carried out by submitter 'j' inside the same assessment scheme 'i', whose receipts are aggregate in the variables R_{ji} for $i=(4,5,6)$, the net tax liability attributed to each activity 'K' is worked out as follows:

$$CL_{j,i,k} = \frac{R_{j,i,k}}{\sum_{k=1}^n R_{j,i,k}} \times CL_{j,i}$$

where $CL_{j,i} > 0$ has to be verified.

If $CL_{j,i}$ is lower or equal to 0, then $CL_{j,i,k} = 0$ for every activity "K" of submitter "j" who is working out the income in scheme "i".

3.2. OPERATING VARIABLES

3.2.1. Entrepreneurs (taxpayers reporting business activities)

3.2.1.1. Businesses Demography

As they are descriptive tables, they only include the number of entrepreneurs according to their sociodemographic features (gender, nationality, age, address and activity). When entrepreneurs' number is shown per kind of business, in case the submitter carries out more than one activity, a weight is assigned to each of them according to the absolute value of each income regarding the total sum.

3.2.1.2. Annual return prospect

Articles 28 to 32 of Personal Income Tax Law lay down the rules about business activities income and provide for two net income assessment schemes: direct assessment (art. 30) and objective assessment (art. 31). In turn, the direct scheme can be standard or simplified.

The rules on objective assessment scheme are contained in article 95 of PIT Regulation and the associated Ministerial instructions. Yet, PIT annual return Form shows some



singularities relating to the information requested and to the sheets to be filled in. Three separate blocks of information are displayed:

- Direct taxation scheme income
- Objective taxation scheme for non-farming activities income
- Objective taxation scheme for farming activities income

In the case of direct scheme, there is a box to be checked when simplified mode is applicable (simplified amortization table and expenditure hard to justify).

Objective income assessment scheme is split into two blocks due to the differences in the methods applicable according to the kind of income.

The income attributed by allocation, as that coming from real properties or inheritances in abeyance..., is included as net income without further breakdown in the income allocation section.

As explained earlier, the available information determines the stat classifications by income assessment schemes:

- DIRECT TAXATION SCHEME: with available variation between STANDARD and SIMPLIFIED methods
- OBJECTIVE TAXATION SCHEME for non-farming activities
- OBJECTIVE TAXATION SCHEME for farming activities

3.2.1.2.1 PIT annual return summary

Entrepreneurs submit a PIT annual return including every income obtained, whatever the source is.

Summary tables show the main variables of PIT self-assessments and remark those related to business activities that match with the returns submitted by the whole number of entrepreneurs that are the target of this release. At the same time, summary tables show the tax burden borne by this group.

- **Number of Entrepreneurs:** is the 'number of persons' submitting PIT annual returns and who undertake one or more economic activities.
- **Number of Salaried persons:** is the number of salary earners, in key A, reported by entrepreneurs with economic activities.
- **Number of annual returns:** is the PIT "number of returns" containing business activities income.
- **Number of activities:** is the total number of activities contained in the total number of returns.

From this point on, the values of the following PIT annual return items, related to those taxpayers reporting economic activities, are shown in a schematic way. The number, figure and PIT annual return items average are shown only in the option 'table per income sign'.



TAX BASE CONSTITUENTS

Economic Activities: sum of reduced net income coming from economic activities plus the attributable net income linked to economic activities in income allocation system (income obtained as partaker of an entity that is taxed under the income allocation system).

- **Reduced Net Income:** is the sum of income declared in direct assessment, non-farming assessment and objective farming schemes, explained as follows. It has to be reminded that the income in objective scheme is worked out using indirect procedures in order to approach the actual income of a personal business.

The units or modules used in the non-farming scheme are related to the business staff (salaried and non-salaried persons) and to other specific issues linked to the activity. These are electric energy consumption, building surface, vehicles' cubic capacity, tables and machines (hotels and catering), number of places (hostels), number of seats (passengers transport), loading capacity of vehicles (goods transport and courier)... A value, equivalent to the income of an element that is presumed to be generated in each activity, is assigned to each module. Some fiscal benefits, such as the employment incentives and other specific benefits, are deducted from the initial income. These allowances are applied actually as coefficients, but in the stat they are included in monetary terms so as to determine the reduced net income of the activity.

In the case of the farming assessment scheme, some indexes per products are used (there are three products/indexes lists corresponding each to agricultural farms, livestock farms or forestry farms). Indexes are applied to the gross income per product (turnover) in order to determine the first net income figure. This one is lowered or incremented by corrective indexes that appear in the stat in monetary terms. They are always the same for every kind of farming activity.

- **Direct assessment scheme income:** Regulation on Corporation Tax is applied, except the capital gains or losses arising from transfers of assets used for the activity. The net income has to be equal to receipts less deductible expenses, which is to say that it is equivalent to accounting profit or loss in societal businesses.
- **Objective assessment scheme income (non-farming):** Reduced Net Income to be integrated into the tax base as a result of the application of signs, indexes or general/specific modules less the fiscal benefits, as employment incentives and investment incentives, and once applied the corrective indexes and the reductions provided for by art. 32 of PIT Law.
- **Farming Objective assessment scheme income:** Reduced Net Income to be integrated into the tax base as a result of the application of modules less the provision for depreciation of tangible and intangible assets and once applied the corrective indexes, the expenses linked to extraordinary situations and the reductions provided for by art. 32 and the Sixth Additional Rule of PIT Law.
- **Attributable net income linked to economic activities in income allocation system:** Reduced Net Income to be integrated into the tax base as a result of taking



the net income attributed by the entity in the income allocation system, according to the share percentage, less the applicable reductions and allowances.

Other income to be integrated into the General Tax Base: sum of income from earnings, movable capital and properties.

- **Earned Income:** Reduced net income coming from employments, in the chosen files.
- **Movable Capital Income:** Reduced net income coming from movable capital, in the chosen files: savings yields, dividends and income from redemption operations and life and disability insurance contracts, except if it has to be taxed as earned income according to art. 17.2 of PIT Law.
- **Real Estate Income:** Reduced net income coming from real estate, in the annual return chosen files: income obtained as the result either of owning real estate (main residence and properties used in businesses excluded) or of cashing in from lease/transfer of use of the properties (not qualified as business).

General Tax Base: Sum of the explained income and income allocations balances plus capital gains and losses balances, when they have to be qualified as general income in the terms provided for by the integration and compensation rules included in art. 48 of PIT Law.

Savings Tax Base: Sum of movable capital income, qualified as savings income, plus the balances of capital gains and losses from transfers of assets used in business, according to the integration and compensation rules provided for by art. 49 of PIT Law.

Total Tax Base: Sum of General Tax Base plus the Savings Tax Base.

Net General Taxable Base: The result of subtracting the reliefs provided for by PIT Law from the general tax base, in the terms stated in the art. 50.1 & 3. The outcome is the Net General Base subject to taxation.

Net Savings Taxable Base: The result of subtracting the reliefs provided for by PIT Law from the general savings base, in the terms stated in the art. 50.2.

Total Net Taxable Base: Sum of the Net General Taxable Base plus the Net Savings Taxable Base.

Personal and Family Minimum: Portion of income intended to be supporting personal and family basic needs. This income is not subject to PIT taxation and is worked out in the terms provided for by art. 56 of PIT Law. It is then the personal and family minimum applied by the taxpayer.

Gross Tax Liability: Sum of State Gross Tax Liability (General and Savings) plus Regional Gross Tax Liability (General and Savings), which are the result of applying the respective State and Regional fares to the Net Taxable Base (they are different for the general base and for the savings base).



Allowances to Deduct from Gross Tax Liabilities: Sum of general and regional deductions linked to economic activities plus the rest of general and regional deductions.

- **General deductions linked to economic activities:** Amounts subtracted from State and Regional Gross Tax Liabilities in order to obtain the part of the State and Regional Net Tax Liabilities linked to economic activities. The following are the three PIT incentives used for this purpose:
 - Business investments incentives art. 68.2 of PIT Law 35/06.
 - Allowances for profit allocations within the Canary Islands investments reserve (Law 19/94).
 - Allowances for gains from sales of tangible goods produced in the Canary Islands (Law 19/94).
- **Other general deductions:** Rest of deductions applied on gross tax liabilities in order to work out the net tax liabilities not related to economic activities (art. 68 of Law 35/06).
- **Regional deductions linked to economic activities:** Allowances applied on gross regional tax liabilities in order to work out the net regional tax liabilities related to economic activities. They are, in general, incentives for entrepreneurs or for self-employment. They are generated regional deductions.
- **Other regional deductions:** Rest of deductions applied on gross regional tax liabilities in order to work out the net regional tax liabilities not related to economic activities (art. 77 of Law 35/06). They are generated regional deductions.

Total Net Tax Liability: Sum of Net State Tax Liability plus Net Regional Tax Liability.

Self-Assessment resulting Tax Liability: The result of reducing the total net tax liability by the credit for double taxation and other adjustments.

Withholdings and Payments on Account: Amount of withholdings, payments on account and Non-Residents Income Tax liabilities paid by taxpayers who moved abroad.

Tax Difference: The result of reducing the Self-Assessment Tax Liability by the amount of Withholdings and Payments on Account.

Detail of the items included in each concept can be seen in Annex I.

3.2.1.2.2 Economic Activity Taxation per income sign

- **Sign of 'Total' Income**

The following are the operating variables shown in Tables:

Number of entrepreneurs: Defined as the number of PIT annual return submitters that report as business holders and fill in the boxes related to business activities income.



Total Attributable Income: Defined as the sum of the total reduced net income assessed in direct scheme, non-farming objective scheme and farming objective scheme, as well as the net income allocated from business activities income. The total attributable income is the portion of the tax base attributable to the carrying out of economic activities, as income source.

Attributable Total Net Tax Liability: Defined as the net tax liability generated by the income linked to economic activities.

- **Income 'Profit' sign**

For those annual returns reporting a positive total attributable income, the following operating variables are worked out:

Number of Entrepreneurs: Defined as the number of PIT annual return submitters that report as business holders and fill in the boxes related to business activities income with positive outcome (profit).

Economic Activities Average Profit: Defined as the quotient between the amount of the positive total attributable income and the number of annual returns.

Attributable Effective Tax Rate: Defined as the quotient between the attributable to businesses total net tax liability, regarding to profitable businesses, and the positive total attributable income.

- **Income 'Loss' sign**

For those annual returns reporting a negative total attributable income, the following operating variables are worked out:

Number of entrepreneurs: Defined as the number of PIT annual return submitters that report as business holders and fill in the boxes related to business activities income with aggregate negative outcome (losses).

Economic Activities Average Losses: Defined as the quotient between the amount of the negative total attributable income and the number of annual returns.

Failure Rate: Defined as the quotient between the number of annual returns whose total attributable income is negative or zero and the total number of annual returns.

3.2.1.3. Prospect per Activity

3.2.1.3.1 Tables per Tax on Economic Activities (IAE) items.

Number of activities: The number of activities matching with Table classifications.

Positive income: The positive income generated by the economic activity.



Attributable effective rate: Defined as the quotient between the attributable to businesses total net tax liability, regarding to profitable businesses, and the positive total attributable income obtained in those activities.

Failure rate: Defined as the quotient between the number of annual returns whose total attributable income is negative or zero and the total number of annual returns.

3.2.1.3.2 Calculating income from economic activities

The number of activities, number of entrepreneurs and the figures included in the boxes related to business activities income items, in each assessment scheme, are shown with two aggregation levels: the total number of activities and those activities in which the reduced net income is positive.

See the annual return items in Annex II, which includes the following forms:

- **Form A:** Direct Assessment Scheme
- **Form B:** Non-Farming Objective Assessment Scheme
- **Form C:** Farming Objective Assessment Scheme

3.2.2. Entrepreneurs with a sole economic activity

This block aggregates the data from a more specific group. It comprises the PIT annual return submitters who are considered entrepreneurs carrying out a sole activity: only files with just one entrepreneur carrying out a sole activity are included.

This filter relates unequivocally to the features linked to the file (annual return) and to the entrepreneur with the activity. Therefore, the tax burden borne by the entrepreneur as a consequence of the business activities income can be compared to the total burden derived from his/her global income subject to PIT.

It is also possible to apportion the number of salaried persons to each activity. This information is obtained from payroll withholdings returns, in which the submitter matches with the withholder. In the case of personal entrepreneurs with a sole activity, every salaried person is linked to that activity and, thus, a tabulation can be built up comprising the number of workers employed in the business.

3.2.2.1. Businesses Demography

As they are descriptive tables, they only contain businesses owners population classified under different variables: gender, age, nationality, Autonomous Community, etc.

3.2.2.2. Annual Return Prospect for entrepreneurs with a sole economic activity.

The operating variables seen in the tables of this section are those defined in the 'Annual Return Summary' of section 3.2.1.2., inside the block 'Entrepreneurs with economic activities'. This block includes the breaking down of data into those of entrepreneurs with salaried persons and those of entrepreneurs without salaried persons.

See Annex I



3.2.2.3. Activity Prospect for entrepreneurs with a sole economic activity.

3.2.2.3.1 Tables per IAE (Tax on Economic Activities) classification.

Number of entrepreneurs: Defined as the number of PIT annual return submitters that report as performers of an economic activity and fill in the boxes related to business activities income.

Number of salaried persons: Defined as the number of salary earners, in key A, reported by entrepreneurs with economic activities.

Reduced Net Income: Defined as the income produced directly (not attributed) by the economic activity, when positive.

Attributable effective rate: Defined as the quotient between the net tax liability generated by the economic activities and the positive income obtained by performing such activities.

Attributable Net Tax Liability: The sum of net tax liabilities generated by the economic activities, as positive income sources.

Total Net Income: Total net income reported in the annual return referred only to positive figures.

Rate: The quotient between the annual return net tax liability and the total positive net income.

Net Tax Liability: Total net tax liability reported with PIT annual return, referred to positive income.

3.2.2.3.2 Calculating the positive net income obtained by entrepreneurs with a sole business.

From the economic activities income items included in PIT annual return, the number of entrepreneurs, number of salaried persons, the net income and the positive net income will be shown depending on the chosen scheme.

See annual return items in Annex II

3.3. CLASSIFYING VARIABLE

Methods for calculating the net income from business activities (they can be seen in Annex III under the acronyms **MDRAE & MDRAE ppal**): According to the rules provided for by art. 16 of PIT Law, the schemes that can be used to assess the net income from business activities (mercantile or not and professional) are:

- Normal Direct Scheme
- Simplified Direct Scheme
- Objective Scheme:
 - Objective: activities different from farming, livestock and forestry.
 - Farming: agricultural farms, livestock and forestry activities.



From the annual return prospect (**MDRAE ppal**), each activity is classified in a sole scheme - there could be several activities under different schemes in the same annual return. For this purpose, the file or annual return tax base scheme chosen is that of the activity with higher net income, in absolute value.

From the activity prospect (**MDRAE**), the scheme used for calculating the net income matches with the scheme used to assess the net income of the economic activity.

Main Income Source (included in Annex III, under the acronym **FR**): In order to comply with PIT rules, earned income, savings income, properties income, business activities income and other income from capital investments must be reported by taxpayers. When business activities income is higher than that stemming from earned income, savings income and properties income, it will be considered as the main source. When not, it will be reflected as a secondary source. Thus, the main income source is classified as follows:

- Main
- Secondary

Number of activities (it is included in Annex III, under the acronym **NACT**): In each annual return, income from one or several individuals is reported and from one or more economic activities. Business activities must be reported following the different income assessment schemes. For each scheme up to six different activities can be reported. Thus, classification per number of activities is done as follows:

- Unique activity: Only one activity is reported
- Several activities: More than one activity is reported

Number of salaried persons (included in Annex III, under the acronyms **DASAL & ASAL**): Each activity reported can include salaried people, therefore this variable (ASAL) classify each activity per number of salaried persons as follows:

- Classification by number of salaried persons:
 - No salaried persons
 - With salaried persons
- Classification per salaried persons bands (size):
 - Total
 - No salaried persons
 - From 1 to 2 salaried persons
 - From 3 to 5 salaried persons
 - From 6 to 9 salaried persons
 - From 10 to 20 salaried persons
 - More than 20 salaried persons

Inside the sole business activities core information, the variable number of salaried people discriminates two situations: No salaried persons/With salaried persons (DASAL).



Tax Base Bands (included in Annex III, under the acronym **BI**). Annual returns are assigned to each Tax Base bands as follows (Euros):

- Under 1,502
- 1,502-6,010
- 6,010-12,020
- 12,020-21,035
- 21,035-30,050
- 30,050-60,101
- Higher than 60,101

Income sign (included in Annex III, under the acronyms **SIGR & SIGRT**): According to the sign of the total net attributable income, two classifications are done:

- Classification under the acronym SIGR
 - Total
 - Sign of the positive attributable income: Positive
- Classification under the acronym SIGRT
 - Total
 - Sign of the positive attributable income: Profit
 - Sign of the negative attributable income: Loss

Sign of the business activity net income (it is included in Annex III, under the acronym **SIGRA**): According to the sign of the income obtained from the economic activity it is classified as:

- Income: independent of the sign
- Positive income: the sign of the activity net income is positive

Autonomous Community (included in Annex III, under the acronym **CC.AA.**): The highest geographic classification is done at the level of Autonomous Communities:

- Total (including Ceuta and Melilla, and the returns from taxpayers with a fiscal address in Basque Country or Navarre but taxed in the Common Fiscal Territory)
- Andalusia
- Aragon
- Asturias
- Balearic Islands
- Canary Islands
- Cantabria
- Castile-La Mancha
- Castile-León
- Catalonia
- Extremadura
- Galicia
- Madrid Community



- Murcia
- Rioja
- Valencian Community

Nationality (included in Annex III, under the acronym **NAC**): Activities are classified according to the nationality of the taxpayer: Spaniard or Foreigner.

Age Bands (included in Annex III, under the acronym **EDAD**): The bands used to classify the entrepreneurs according to their ages are:

- Younger than 26 years old
- from 26 to 35 years old
- from 36 to 45 years old
- from 46 to 55 years old
- older than 55 years

Gender (included in Annex III, under the letter **G**): Activities are classified according to the gender of the entrepreneur:

- Man
- Woman

Heading (included in Annex III, under the acronym **IAE**): Activities are classified according to the heading of the Tax on Economic Activities used. Each heading disaggregates up to four digits. See Annex IV of Activities classification.

IAE (Tax on Economic Activities) heading (yes, this could be mentioned included in Annex III, under the acronym **IAE2**): Following the heading used to fill the Tax on Economic Activities return, the businesses are classified as follows:

- Business Activities (entrepreneurs in general)
- Professionals
- Artists, athletes and other
- Farmers and cattle breeders

See Annex IV of activity classification. In case of economic activity grouping, the disaggregation reaches up to two digits.



Results Tabulation

As stated before, business activities income tabulations are displayed into two blocks. The first one shows information related to the whole cluster of entrepreneurs and to every PIT annual return comprising business activities: 'Entrepreneurs which report economic activities'. Two viewpoints are shown in this block: 'Annual return prospect' and 'Activity prospect'. The second block refers to a subset of the cluster 'Entrepreneurs which report economic activities' and is defined by the feature 'Entrepreneurs with a sole activity'. Every classifying variable can be found here, whether it is related to the annual returns or to the activities carried out.

4.1. ENTREPRENEURS REPORTING BUSINESS ACTIVITIES

4.1.1. Businesses Demography

Statistics Map

- **Business activities income statistics**
 - **Entrepreneurs reporting business activities**
 - Businesses Demography
 - Business demography of the activity per gender, nationality, age bands and Autonomous Community: TABLE 1
 - Business demography of the activity per gender, nationality, age bands and TBA (IAE) item: TABLE 2

Tables shown include an entrepreneurs reckoning with a classification per:

- Nationality, age bands, gender and Autonomous Community.
- Nationality, age bands, gender and TBA (IAE) item.

Details about classifying variables included in each table can be found in ANNEX III.

4.1.2. Annual Return Prospect

Statistics Map (continued)

- Annual Return Prospect
 - PIT annual return summary
 - PIT summary by income sign: TABLE 3
 - PIT summary per business activities assessment scheme: TABLE 4
 - PIT summary per income source: TABLE 5
 - PIT summary per number of businesses: TABLE 6



-
- PIT summary per salaried persons bands: TABLE 7
 - Economic activity taxation per income sign
 - Business activity income assessment scheme
 - Activity taxation per income assessment scheme and per Autonomous Community: TABLE 8
 - Activity taxation per income assessment scheme and per base bands: TABLE 9
 - Income Source
 - Activity taxation per income source and per Community: TABLE 10
 - Activity taxation per income source and per base bands: TABLE 11
 - Number of activities
 - Activity taxation per number of businesses and per Community: TABLE 12
 - Activity taxation per number of businesses and per base bands: TABLE 13
 - Salaried persons bands
 - Activity taxation per salaried persons bands and per Community: TABLE 14
 - Activity taxation per salaried persons and base bands: TABLE 15

4.1.2.1. PIT Annual Return Summary

The information is examined considering each annual return as one study unit. The Summary comprises five tables showing the same classifying variables (see ANNEX I).

Table 3 shows PIT annual return operating variables for the whole cluster of entrepreneurs and for every annual return reporting positive income from business activities, including details about number, amount and average. This allows this release to be connected to PIT annual statistics.

Table 4 shows PIT annual return entrepreneurs variables according either to the main business income assessment scheme or, more relevant, to the amount of income reported (absolute value) related to every income assessment scheme.

Table 5 shows PIT annual return operating variables of entrepreneurs classified by the magnitude of business income in relation to the whole income reported by submitters. This criterion allows the use of business income as a main or secondary source inside the annual return data.

Table 7 shows PIT annual return operating variables of entrepreneurs classified by the number of activities reported.



Table 7 shows PIT annual return operating variables of entrepreneurs classified by the number of salaried persons bands. Six bands (brackets) are used and each of them is placed in one column of the table.

Table 3 is displayed per Autonomous Community and per business activity income assessment scheme.

Tables 4 and 7 include breakdown per Community and business activities positive income.

The 'Summary Table pattern' is explained in ANNEX I.

Classifying variables detail, related to each of the tables, is included in ANNEX III.

4.1.2.2. Taxation on economic activities according to the income sign

The information displayed is the number of PIT annual returns, the total attributable income and the attributable net tax liability, and it is available in blocks of tables :

The territorial breakdown can be found in tables 8, 10, 12 and 14, and the breakdown by taxable base bands in tables 9, 11, 13 and 15. Moreover, information about income sign, sorted by sign, is included in each set of tables.

Tables 8 and 9 show the territorial breakdown per Autonomous Community and per taxable base bands of the following information:

- 'Total' income sign: the number of entrepreneurs, the attributable income and the net tax liability attributable to the economic activities income are shown per assessment scheme.
- Income sign, 'Profit': the average profit and the effective tax rate attributable to the business, per assessment scheme, are shown.
- Income sign, 'Loss': the average loss and the failure rate attributable to the activity, per assessment scheme, are shown.

Tables 10 & 11, 12 & 13, and 14 & 15 are equivalent to tables 8 & 9 and include the same income sign breakdown, but they show classifications in columns per income source, number of activities and salaried persons' bands (one table per band, in this case, given the number of classifications).

Specific information on classification variables included in each table can be found in ANNEX III.



4.1.3. Activity Prospect

From this point of view, the studied unit is each of the businesses reported. Only the information sent by entrepreneurs about the activities carried out by them is considered, without any connexion to other information contained in the annual return.

The information is displayed into two blocks of tables':

- Tables per TBA items.
- Business activities income assessment.
 - Tables per TBA items
 - Business activities income per TBA items. Direct assessment scheme: TABLE 16
 - Business activities income per TBA items. Objective assessment scheme (non-farming activities): TABLE 17
 - Business activities income per TBA items. Objective assessment scheme (farming, livestock and forestry): TABLE 18
 - Business activities income assessment
 - Direct assessment scheme: profit and loss account
 - Direct assessment scheme per Community/Nationality: TABLE 19
 - Direct assessment scheme per Community and gender: TABLE 20
 - Direct assessment scheme per TBA item and gender: TABLE 21
 - Objective assessment scheme (non-farming activities): net income assessment
 - Objective assessment scheme (non-farming activities) per Community, Nationality and gender: TABLE 22
 - Objective assessment scheme (non-farming activities) per Community and gender: TABLE 23
 - Objective assessment scheme (non-farming activities) per TBA item and gender: TABLE 24
 - Objective assessment scheme (farming, livestock and forestry): net income assessment
 - Objective assessment scheme (farming, livestock and forestry) per Community, Nationality and gender: TABLE 25
 - Objective assessment scheme (farming, livestock and forestry) per Community and gender: TABLE 26



- Objective assessment scheme (farming, livestock and forestry) per TBA item and gender: TABLE 27

4.1.3.1. Tables per TBA (IAE) items

Information can be found in three summary tables, one for each business income assessment scheme: direct and direct-simplified (TABLE 16), objective scheme for non-farming activities (TABLE 17) and objective scheme for farming, livestock and forestry activities (TABLE 18). The relevant information about business and professional activities in the direct or objective schemes is shown at the most disaggregated level of the activity TBA item. This significant information is about the number of activities reported, the profit or the positive income reported, the effective tax rate attributable to the business activities income and the failure rate per activity.

Maximum breakdown level, up to the fourth digit, can be found in the tables according to the Tax on Business Activities classification (see ANNEX IV).

Comprehensive information on classification variables included in each table can be checked in ANNEX III.

4.1.3.2. Business Activities Income Assessment

The tables of this Stat block show the most relevant variables concerning the calculation of the outcome in each of the three business income assessment schemes. Given the different ways of income calculation linked to the schemes, there are three different table models: A, B and C.

Model A, used for direct and direct-simplified schemes (TABLES 19, 20 and 21), shows the profit-loss account of the activities. It has been formulated according to an analytical/cascade account model and, in this way, it has been built up following the framework used by non-financial companies in the 'Corporations Accounts' statistics. Thus, there are equivalent basics in both statistics, as the items 'Value Added', 'Gross Operating Outcome', 'Net Operating Outcome' and 'Common Business Income'. Moreover, information on the number of entrepreneurs/number of activities, reduced net income (after subtracting some fiscal benefits), business activity structure ratios, other economic ratios and one ratio related to taxation are added. These variables are shown in the table for the whole number of businesses assessing the positive income (profit) obtained through the direct scheme (standard and simplified modes).

Model A Table format is shown in ANNEX II.

Model B (TABLES 22, 23 and 24) shows the elements used to determine the business activity income subject to taxation through objective assessment scheme for non-farming activities (units of 'modules'). As stated in the explanatory variables section, an economic equivalence or virtual annual income is set for each activity through units of modules referring to the employees or the technical/physical features of the business. A previous net income is drawn from such modules. Afterwards, some allowances intended to



enhance jobs creation and investment have to be subtracted to obtain the reduced net income. This figure is also modified (upwards or downwards) by some amending indexes (in monetary terms) in order to get the modules' net income. Fiscal regulation allows reducing this last figure when extraordinary expenses due to unusual circumstances have been borne by the entrepreneur. At the same time, rules may compel to add other revenue not provided by the modules. This final figure can even be reduced if the income has been obtained in a more than two years period or unevenly in time.

Model B Table format is shown in ANNEX II.

Lastly, **Model C** (TABLES 25, 26 and 27) is referred to income assessment in objective scheme for farming, livestock and forestry activities. It is alike to non-farming modules scheme except that it works out the previous net income multiplying the turnover of the product (there are 13 classes of products or services) by an index representing the presumptive income by monetary unit of the actual turnover. This estimate is lowered by depreciation costs in order to get a reduced net income. Amending indexes (in monetary terms) are also applied here in order to get the modules' net income. The reduction of the income by a fiscal benefit intended for young farmers and by extraordinary expenses allows obtaining the net income of the activity. The final reduced net income will be the figure worked out after subtracting revenue that has been obtained in a more than two years period or unevenly in time.

Model C Table format is shown in ANNEX II.

Every table included in this section (A, B and C) is available with the following three independent classifications:

- Autonomous Community, nationality and gender
- TBA item and nationality
- TBA item and gender

The list of headings of TBA in these crossings or classifications are available at two-digit level for business and professional activities in direct and objective schemes and in nine classifications of those of farming activities in the case of tables referred to model C, which are not obtained by linking them with TBA items.

Comprehensive information on classification variables included in each table can be checked in ANNEX III.

Activities classification can be found in ANNEX IV.

4.2. ENTREPRENEURS WITH A SOLE ECONOMIC ACTIVITY

The relevant statistical data on entrepreneurs with a sole business are shown in this section. The conditions chosen to build up the selection are:



One annual return. Only one entrepreneur reported. A sole business.

4.2.1. Businesses Demography

Stat Map (continued)

- **Entrepreneurs with a sole economic activity**
 - **Businesses Demography**
 - Activity demography per gender, nationality, age bands and Autonomous Community: TABLE 28
 - Activity demography per gender, nationality, age bands and TBA item: TABLE 29

Tables reckon entrepreneurs with a sole activity classified per:

- Nationality, age bands, gender and Autonomous Community
- Nationality, age bands, gender and TBA item

These tables are alike to those of TOTAL ACTIVITIES demography.

Comprehensive data about the tables can be found in ANNEX III.

4.2.2. Annual Return Prospect

Stat Map (continued)

- Annual return prospect of entrepreneurs per number of salaried persons
 - PIT summary per income sign: TABLE 30
 - PIT summary per Community and nationality: TABLE 31
 - PIT summary per Community and age: TABLE 32
 - PIT summary per Community and gender: TABLE 33

Tables show a PIT summary of annual returns with a sole business, distinguishing between those that have salaried persons and those that do not.

The Summary table model can be seen in ANNEX I.

The preceding tables are available classified per:

- Autonomous Community and nationality
- Community and age
- Community and gender

Comprehensive data about the tables' classifications can be found in ANNEX III.



4.2.3. Activity Prospect

Stat Map (continued)

- Activity prospect
 - Tables per TBA item
 - Taxation of entrepreneurs reporting profit per TBA item, Community and income source: TABLE 34
 - Taxation of entrepreneurs reporting profit per TBA item, Community and number of salaried persons: TABLE 35
 - Taxation of entrepreneurs reporting profit per TBA item, Community and tax base bands: TABLE 36
 - Income assessment referred to entrepreneurs with a sole activity
 - Direct assessment scheme: profit-loss account
 - Direct assessment scheme per Community and nationality: TABLE 37
 - Direct assessment scheme per Community and gender: TABLE 38
 - Direct assessment scheme per TBA item and gender: TABLE 39
 - Objective assessment scheme (non-farming activities): net income assessment
 - Objective assessment scheme (non-farming activities) per Community and nationality: TABLE 40
 - Objective assessment scheme (non-farming activities) per Community and gender: TABLE 41
 - Objective assessment scheme (non-farming activities) per TBA item and gender: TABLE 42
 - Objective assessment scheme (farming, livestock and forestry activities): net income assessment
 - Objective assessment scheme (farming, livestock and forestry) per Community and nationality: TABLE 43
 - Objective assessment scheme (farming, livestock and forestry) per Community and gender: TABLE 44
 - Objective assessment scheme (farming, livestock and forestry) per TBA item and gender: TABLE 45

Information is displayed in two blocks:

4.2.3.1. Tables per TBA items.

This block (TABLES 34, 35 & 36) is more comprehensive than that shown in total activities section because it matches annual return own classifications with other referring to the economic activity, providing a wider and richer set of tables.



The number of entrepreneurs and salaried persons reporting a sole activity emerge in these tables. The business positive income amount, obtained as a personal entrepreneur (positive income from direct activities), the tax effective rate attributable to the economic activity income, the net tax liability attributable to that income and the total PIT income. The PIT effective rate and the PIT total liability are reflected as well. All these data are classified per TBA items (two digits) and per Community, main income source, number of salaried persons and tax base bands.

TBA classification breakdown reaches two digits (group), following the disaggregation per items included in ANNEX IV.

Further details on classifying variables included in each table can be checked out in ANNEX III.

4.2.3.2. Income assessment of entrepreneurs with a sole activity

This block, which is structured in three parts according to the income assessment scheme, is exactly the same as the one included in the section on total activities. It has a model table of activity income assessment that is different according to the scheme used, adapted to the annual return available items, with detail about total income and positive income in each case. Direct assessment scheme (**Model A**) is shown in TABLES 37, 38 & 39, non-farming objective assessment scheme (**Model B**) is included in TABLES 40, 41 & 42, and farming objective assessment scheme (**Model C**) is comprised in TABLES 43, 44 & 45. Besides, in the case of direct assessment scheme, the two allowed modes are included: direct standard and direct simplified. Classification criteria for these tables is also alike to those shown in the several activities section:

- Community, nationality and gender
- TBA item and nationality
- TBA item and gender

Further details on classifying variables included in each table can be checked out in ANNEX III.



ANNEX I: SUMMARY TABLE

SUMMARY TABLE	
ITEMS	ANNUAL RETURN BOXES (YEAR 2017)
Number of entrepreneurs	
Number of salaried persons	
Number of annual returns	
Number of activities	
Economic Activities	140 + 165 + 194 + 236
Reduced Net Income	140 + 165 + 194
DIRECT ASSESSMENT (*)	140
Direct assessment income	140
Direct assessment income before reliefs/allowances	134
OBJECTIVE ASSESSMENT (*)	165
Objective assessment income	165
Objective assessment income before reliefs/allowances	161
FARMING ACTIVITIES ASSESSMENT (*)	194
Farming activities assessment income	194
Farming activities assessment income before reliefs/allowances	190
Income allocation: Attributable net income	236
Other income to be included in Tax Base	23 + 39 + 54 + 84 + 85



Earned income	23
Savings income	39 + 54
Real properties income	84 + 85
GENERAL TAX BASE	415
SAVINGS TAX BASE	435
TOTAL TAX BASE	415 + 435
GENERAL NET TAXABLE BASE	475
SAVINGS NET TAXABLE BASE	480
TOTAL NET TAXABLE BASE	475 + 480
Personal and family minimum	489
TOTAL TAX LIABILITY	514 + 515
AMOUNTS TO DEDUCT FROM TAX LIABILITIES	General economic activities deductions + Rest of general deductions + Autonomic economic activities deductions + Rest of autonomic deductions
General economic activities deductions	518 + 523 + 524 + 525 + 526 + 527 + 528
Rest of general deductions	516 + 517 + 519 + 520 + 521 + 522 + 529 + 530 + 531 + 532
Autonomic economic activities deductions	896 + 960
Rest of autonomic deductions	Rest
NET TAX LIABILITY	557
Withholdings and payments on account	569
Related to Economic activities income	561
Payments on account	566



Other withholdings and payments o account	558 + 559 + 560 + 562 + 563 + 564 + 565 + 567 + 568
Annual Return outcome	570

(*) The number of annual returns includes those in which the total reduced net income equals to zero due to reliefs impact.



ANNEX II: NET INCOME ASSESSMENT SCHEMES TABLES

MODEL A: DIRECT ASSESSMENT SCHEME	
ITEMS	ANNUAL RETURN BOXES (Year 2017)
Number of entrepreneurs	
Number of activities	
TAXABLE INCOME	109
Turnover	105
Other receipts	106 + 107
Deducted depreciation surplus	108
INTERMEDIATE CONSUMPTION	110 + 114 + 115 + 116 + 117 + 118 + 122 + 123 + 124
Operating consumption	110
Other operating consumption	114 + 115 + 116 + 117 + 122 + 123 + 124
Leases and charges	114
Repairs and maintenance	115
Independent professional services	116
Other external services	117
Other deductible costs	124
Patronage incentives	122 + 123



Other taxes	118
VALUE ADDED	TAXABLE INCOME – INTERMEDIATE CONSUMPTION = 109 - (110 + 114 + 115 + 116 + 117 + 118 + 122 + 123 + 124)
STAFF COSTS	111 + 112 + 113
Wages and salaries	111
Social Security entrepreneur contribution	112
Other personnel expenses	113
GROSS OPERATING SURPLUS	VALUE ADDED – STAFF COSTS = 109 - (110 + 114 + 115 +116 + 117 + 118 + 122 + 123 + 124) - (111 + 112 + 113)
Depreciations and provisions	120 + 121 + 126 + 129
NET OPERATING SURPLUS	GROSS OPERATING SURPLUS – Depreciations and provisions = 109 - (110 + 114 + 115 + 116 + 117 + 118 + 122 + 123 +124) - (111 + 112 + 113) - (120 + 121 + 126 + 129)
Financial expenses	119
COMMON BUSINESS SURPLUS	NET OPERATING SURPLUS – Financial expenses = 109 - (110 + 114 + 115 + 116 + 117 + 118 + 122 + 123 + 124) - (111 + 112 + 113) - (120 + 121 + 126 + 129) - 119
REDUCED NET INCOME	133
RATIOS	
STRUCTURE	
Number of activities per entrepreneur	Number of activities/Number of entrepreneurs
ECONOMIC	
Value Added rate	(Value Added/Taxable income)*100
Staff costs rate	(Staff costs/Value added)*100



EBITDA	(Gross operating surplus/Taxable income)*100
FISCAL	
Net income/taxation rate	(Reduced net income/Taxable income)*100
MODEL B: OBJECTIVE ASSESSMENT SCHEME	
ITEMS	ANNUAL RETURN BOXES (Year 2017)
Number of entrepreneurs	
Number of activities	
PREVIOUS NET RETURN	144
Reduction for jobs creation	145
Reduction for investment incentive	146
REDUCED NET RETURN (1)	147
CORRECTIVE INDEXES	
Special corrective index (2)	148
For small businesses (3)	149
Seasonal corrective index (4)	150
Excess corrective index (5)	151
For taking up new activities (6)	152
Modules net income (7) = (1)-(2)-(3)+(4)+(5)-(6)	153
General Tax Relief	154
Tax Relief for activities in Lorca municipality (Murcia)	155



- Extraordinary expenses	156
+ Other receipts	157
Activities Net Income	158
Reduced net income	160
RATIO	
Number of activities per entrepreneur	Number of activities/Number of entrepreneurs

MODEL C: FARMING ACTIVITIES OBJECTIVE ASSESSMENT SCHEME

ITEMS	ANNUAL RETURN BOXES (year 2017)
Number of entrepreneurs	
Number of activities	
Total income	169
PREVIOUS NET RETURN	170
Tangible and intangible assets	172
REDUCED NET RETURN (1)	173
CORRECTIVE INDEXES	
For the use of external production resources (2)	174
For recruiting personnel (3)	175
For crops grown on leased land (4)	176
For animal feed from third parties in more than 50% (5)	177
For ecological agriculture activities (6)	178
For crops on irrigated land, using electric energy for this	179



purpose (7)	
For businesses whose net income is not higher than € 9,447.9 (8)	180
Corrective index for some forestry activities (9)	181
Modules Net income (10) = (1)-(2)-(3)-(4)-(5)-(6)-(7)-(8)-(9)	182
General Tax Relief	183
Tax Relief for Young Farmers	185
Extraordinary expenses	186
Activities Net Income	187
Reduced Net income	189
RATIOS	
STRUCTURE	
Number of activities per entrepreneur	Number of activities/Number of entrepreneurs
FISCAL	
Net income/taxation rate	(Reduced net income/Total taxable income)*100



ANNEX III: CONTENT LINKS TABLE

STAT CONTENT		MAP	CLASSIFICATIONS COLUMN			CLASSIFICATIONS SELECTION			
ENTREPRENEURS REPORTING ECONOMIC ACTIVITIES									
Businesses Demography per gender and nationality		map 1							
	Businesses demography per Autonomous Community	Table 1	Community	Nation	Gen	Age			
	Businesses demography per TBA item	Table 2	TBA2	Nation		Age			
					Gen				
Annual return prospect									
PIT annual return summary		map 2							
	PIT annual return summary per income sign	Table 3	SIGN			SCHEME main	Community		



	Summary per income assessment scheme	Table 4	SCHEME main				Community	SIGN	
	Summary per income source	Table 5	Source				Community	SIGN	
	Summary per number of activities	Table 6	Number				Community	SIGN	
	Summary per salaried persons bands	Table 7	salaried				Community	SIGN	
Economic activity taxation per income sign		map 3							
	Activity taxation per income assessment scheme and per Community	Table 8							
	Total (T)	Table 8T	Scheme main	Community		SignTotal			
	Profit (B)	Table 8B	Scheme main	Community		SignTotal			
	Loss (P)	Table 8P	Scheme main	Community		SignTotal			



	Activity taxation per scheme and tax base bands	Table 9							
	Total (T)	Table 9T	Scheme main	Tax base		SignTotal			
	Profit (B)	Table 9B	Scheme main	Tax base		SignTotal			
	Loss (P)	Table 9P	Scheme main	Tax base		SignTotal			
	Activity taxation per income source and Community (T/B/P)	Table 10	Source	Community		SignTotal			
	Activity taxation per income source and tax base bands (T/B/P)	Table 11	Source	Tax base		SignTotal			
	Activity taxation per number of businesses and Autonomous Community (T/B/P)	Table 12	Number	Community		SignTotal			
	Activity taxation per number of businesses and tax base bands (T/B/P)	Table 13	Number	Tax base		SignTotal			
	Activity taxation per salaried persons bands	Table 14	Community			Salaried persons	SignTotal		



	and Community (T/B/P)								
	Activity taxation per salaried persons and tax base bands (T/B/P)	Table 15	Tax base			Salaried persons	SignTotal		
Activity prospect									
Tables per TBA (IAE) items									
	Economic activities income. Direct assessment scheme	Table 16	TBA						
	Economic activities income. Objective assessment scheme (non-farming)	Table 17	TBA						
	Economic activities income. Objective assessment scheme (farming, livestock and forestry activities)	Table 18	TBA						
Economic Activities Income Assessment		map 4							
map 4.ED	Direct assessment scheme: profit-loss account	Model A							



	Direct assessment scheme per Community and nationality	Table 19	Scheme	SignActivity		Community		NAT	
	Direct assessment scheme per Community and gender	Table 20	Scheme	SignActivity		Community			G
	Direct assessment scheme per TBA item and gender	Table 21	Scheme	SignActivity	TBA2				G
map 4.EONA	Objective non-farming assessment scheme: Net income assessment	Model B							
	Objective non-farming assessment scheme per Community and nationality	Table 22		SignActivity		Community		NAT	
	Objective non-farming assessment scheme per Community and gender	Table 23		SignActivity		Community			G
	Objective non-farming assessment scheme per TBA item and gender	Table 24		SignActivity			TBA2		G



map 4.EOA	Objective farming assessment scheme: net income assessment	Model C							
	Objective farming assessment scheme per Community and nationality	Table 25		SignActivity	Community			NAT	
	Objective farming assessment scheme per Community and gender	Table 26		SignActivity	Community				G
	Objective farming assessment scheme per TBA items and gender	Table 27		SignActivity		TBA2			G
SOLE ACTIVITY ENTREPRENEURS									
Businesses demography per gender and nationality		map 1 (sole activity)							



	Businesses demography per Community	Table 28	Community	NAT	G	AGE			
	Business demography per TBA items	Table 29	TBA2	NAT		AGE			
					G				
Annual return prospect per number of salaried persons		map 2 (sole activity)							
	PIT Summary per income sign	Table 30	SignIncome			Community	Salaried persons number		
	PIT Summary per Community/ nationality	Table 31	Salaried persons number			Community	NAT		
	PIT Summary per Community and age	Table 32	Salaried persons number			Community	age		
	PIT Summary per Community and gender	Table 33	Salaried persons number			Community	Gender		



Activity prospect									
Tables per TBA items									
	Profitable businesses taxation per TBA items, Community and income source	Table 34	TBA2			Community	Source		
	Profitable businesses taxation per TBA items, Community and salaried persons number	Table 35	TBA2			Community		Salaried	
	Profitable businesses taxation per TBA items, Community and tax base bands	Table 36	TBA2			Community	Tax Base		
Sole activity entrepreneurs income assessment		map 4							
map 4.ED	Direct assessment scheme: profit-loss account	Model A							



	Direct assessment scheme per Community and nationality	Table 37	Scheme	SignActivity		Community		NAT	
	Direct assessment scheme per Community and gender	Table 38	Scheme	SignActivity		Community			G
	Direct assessment scheme per TBA item and gender	Table 39	Scheme	SignActivity			TBA2		G
map 4.EONA	Objective non-farming assessment scheme: net income assessment	Model B							
	Objective non-farming assessment scheme per Community and nationality	Table 40		SignActivity		Community		NAT	
	Objective non-farming assessment scheme per Community and gender	Table 41		SignActivity		Community			G
	Objective non-farming assessment scheme per TBA items and gender	Table 42		SignActivity			TBA2		G



map 4.EOA	Objective farming assessment scheme: net income assessment	Model C							
	Objective farming assessment scheme per Community and nationality	Table 43		SignActivity		Community		NAT	
	Objective farming assessment scheme per Community and gender	Table 44		SignActivity		Community	G		
	Objective non-farming assessment scheme per TBA items and gender	Table 45		SignActivity			TBA2	G	



ANNEX IV (TBA items: see National Classification of Economic Activities, CNAE-2009, in www.ine.es)



FREQUENTLY ASKED QUESTIONS

Why this Stat?

It contains the most remarkable features of Spanish non-societal small businesses. It provides a more comprehensive overview on the economy. Previous studies focused on activities carried out by corporate businesses.

What is the target group in this Stat?

The Stat uses the information obtained from PIT annual returns related to a subpopulation of total PIT submitters that comprises all those taxpayers reporting income from self-employed economic activities. Therefore, the defining feature of the target group of the stat is the carrying out of economic activities matching the terms provided for by art. 27 of PIT Law. From 2016 reform on, the target group includes businesses with total net income equal to zero after applying the reliefs referred in arts. 32.2.1st and 32.2.3rd of PIT Law.

What is new in the Stat?

The following information is added to the economic activities' income figures related to the annual returns cluster:

- data that allow determining the profitability of the business carried out by self-employed persons;
 - relative importance of the business income compared to the rest of income reported;
 - number of activities reported;
 - failure rate per activity
- and, very important and published by the first time...
- the annual return tax liability attributable to the economic activity and the effective tax rate of the business.

How is it designed?

The stat has two main blocks: entrepreneurs with economic activities, which include the whole target group, and entrepreneurs with a sole economic activity, a subpopulation of the first block but with a significant specific weight. Within each block, information can be studied under two viewpoints: PIT annual return prospect and activity prospect.

What is the PIT annual return prospect?

For taxation purposes one annual return comprises the income from one or more individuals. Concerning economic activities, income may come from one or more businesses carried out by one or more persons. The Spanish PIT system requires reporting of the economic activities separately, according to the income assessment scheme chosen: direct standard, direct simplified or objective assessment scheme. Objective scheme comprises two different procedures depending on if the activities have to do with farming or not. Within each scheme, up to six different activities can be reported.

From PIT annual return viewpoint, each return is considered as a study unit. Thus, the classification criteria derived from the annual return features are reflected together with others coming from different fiscal sources (annual return submitters' census, number of salaried persons). Examples of this include the main income source, the tax liability and the effective rate attributable to the economic activity, the annual return classification inside an income assessment scheme, the working out of the total income from all the activities and the inclusion in such calculation of the allocated income related to economic activities.



What is the activity prospect?

From the activity viewpoint, each business reported is taken as a study unit. Therefore, features and classifications related to the activity and to the individual who carry it out are analysed. Activity prospect shows an overall evaluation of the main variables linked to the businesses reported (number of activities, profit, attributable effective tax rate and failure rate), including the maximum breakdown level per activity according to the TBA codes. Depending on the income assessment scheme used, the annual return form contains a specific breakdown of information.

Why the sole activity entrepreneurs block?

Forming a separate block of entrepreneurs with a sole activity allows joining the features that are common to both prospects (annual return and activity), due to the one-to-one relationship that exists (one annual return-one entrepreneur-one business).

What is meant by the Mainstreaming Module with PIT stat?

The evaluation of PIT taxation on entrepreneurs' activities (business framework) is specially relevant when comparing their features to the PIT annual return submitters population who do not report business activities income (non-business framework).

In turn, two clusters are distinguished inside of the business framework. On one hand, the individuals who are entrepreneurs, which form the target group in this release, and, on the other hand, the group of individuals obtaining business income through an entity subject to the income allocation regime. Mainstreaming module includes comparative information about the weight of each cluster, their average income and their average tax liabilities.

This module intends to draw up a progress report of the non-societal business community in Spain (entrepreneurs who are individual persons) and put it inside the frame of the general PIT taxation. Moreover, the differentiated evaluation of this community allows comparison with the taxation of that economic activity carried out by corporate businesses.

How the effective tax rate attributable to business is defined?

It is defined as the quotient between the net tax liability attributable to the economic activities and the income arising from such activities.

In order to work out the tax liability attributable to business, the reliefs for economic activities (art. 32 PIT Law) and the deductions/allowances provided for by art. 68.2 of PIT Law are taken into account as they are specific fiscal measures to this kind of income.

The different income assessment schemes are evaluated separately too, revealing the different taxations that result from each one.

What are the Differences between the effective tax rate attributable to the economic activity and the PIT effective tax rate?

This stat allows separate evaluation of the taxations related to the different income sources, linked to each economic activity, and the taxation on worldwide income earned by PIT taxpayers.

On the basis of previous AEAT studies, the net tax liability can be split into parts, each linked to its income source. To do this, the starting point is the division of the income sources subject to taxation and the specific fiscal benefits operating in each, those that reduce the taxable income (reliefs/reductions) as much as those that reduce the tax liability (deductions/allowances). Besides, the effects produced by general benefits (personal/family) not linked to the income source are distributed proportionally to each kind of income, whether they are reliefs/reductions, minimums or allowances/deductions. The amount of attributable income and the tax liability attributable to each income source are available for each individual.

What is the meaning of the failure rate?

This rate is defined at the level of the different clusters and classifications of the stat. In a specific cluster, the failure rate is the percentage of businesses carrying out an economic activity with negative outcome, which is to say the percentage of businesses which are reporting losses compared to the total number of businesses within the cluster considered.

By definition, businesses reporting losses do not have to pay PIT for this kind of income, so that the net tax liability is zero in these cases. Only profitable businesses will be given a positive net tax liability attributable to economic



activities and the attributable effective tax rate will be referred exclusively to those businesses reporting profit (positive net income in the activity).

How useful is the main income source classification?

The main income source is that whose net income represent more than 50% on total income.

The distinction between entrepreneurs whose main income source is a business from the rest, who carry out an economic activity as a secondary source of income, allows achieving a more accurate evaluation of the activity and its taxation.

Within the group of PIT annual return submitters whose main income source is an economic activity, the entrepreneurs that carry out several activities at the same time and those who hire salaried persons for their activities are concentrated. Besides, in this group the calculation of the effective tax rate attributable to the economic activity and of the global PIT effective rate produces more accurate estimates.

Taxpayers carrying out economic activities as a secondary source of income, report income obtained through salaries or capital rent as the main sources, being more usual the wages and salaries.

Why does the stat include details about economic activities outcome accounts?

Economic activities are reported in PIT under three information blocks related to three different income assessment schemes, which affect the way the results account is reported.

The **Direct income assessment scheme** block shows turnover and expenses data as if it were a profit-loss account, following Corporation Tax regulations, and in this way the pattern used is alike to the profit-loss account provided for by the official General Chart of Accounts.

Turnover and expenses data are not available within the **objective non-farming income assessment scheme**. The outcome is obtained on the basis of the evaluation of objective signs and modules considered relevant for carrying out a specific activity. Some jobs creation and investment incentives are quantified as a measure of the level of use of these output factors and, on the other hand, the impact of each of the general indexes amending measures are also economically assessed (small business, seasonal activity, excess amendment, activity beginning and special amendment index). Yet, extraordinary receipts and expenses that are used to determine the net income are considered.

Regarding **objective farming income assessment scheme**, the turnover is available as a starting point in the outcome account. Depreciation expenses are included too and the rest of costs and expenses work indirectly through the economic assessment of the amendments applied with the indexes (crops in third parties' land, external purchases of animal feed in more than 50%, ecological agriculture...). Extraordinary expenses that are used to determine the net income are also considered.