

ACTION PLAN FOR GENERAL
GOVERNMENT SPENDING REVIEW
(PHASE II)



Independent Authority
for Fiscal Responsibility

CONTENTS

1. Introduction	3
2. Scope of the Action Plan (Phase II), participating agencies and information needs	6
2.1. Methodology and assessment criteria	6
2.2. Project 1. Tax benefits	8
2.2.1. Context.....	8
2.2.2. Project scope	9
2.3. Project 2. Hospital expenditure of the NHS: drugs and investment in capital goods.....	13
2.3.1. Context:.....	13
2.3.2. Project scope	15
2.4. Project 3. Recruitment incentives	19
2.4.1. Context:.....	19
2.4.2. Project scope:	20
2.5. Project 4. Transport infrastructure	22
2.5.1. Context:.....	22
2.5.2. Project scope:	26
3. Budget and calendar	29
4. Review and modification of the Action Plan.	31
ANNEX 1. DETAIL TAX BENEFITS	32
ANNEX 2. DETAIL OF RECRUITMENT INCENTIVES	37

1. INTRODUCTION

The Budgetary Plan update sent to the European Commission on 9 December 2016 included the commitment to perform a Spending Review (SR) on the General Government (GG) sector, in order to improve its efficiency. The Independent Authority for Fiscal Responsibility (AIReF) would be entrusted with carrying out this analysis, contracting, in all aspects where it is necessary, the collaboration of external resources.

Subsequently, in the 2017-2020 Stability Programme Update sent in April, it was specified that this comprehensive analysis of public expenditure would be carried out in several phases in order to ensure that it was exhaustive. The first phase would cover the subsidies and public aid provided by the different Public Administrations (PAs). Likewise, it was noted that the AIReF would work jointly with the Ministry of Finance and the other Spanish Ministries and Public Administrations. This collaboration is considered fundamental given the current high degree of decentralisation of expenditure in Spain.

Finally, the commissioning of the Spending Review¹ process was finalised, making it a multi-year process, covering the next three years. The first task identified was to review the expenditure on subsidies. Subsequent agreements shall identify new areas of action.

The Ministry of Finance and Public Function would finance the expenses that may be required for the exercise of the entrusted functions.

On 1 August 2017, AIReF presented an Action Plan for this first phase, which was approved through a new Agreement of the Council of Ministers of 26 January 2018. This agreement reflected the obligation for all ministerial departments and institutional public-sector entities to provide, at the request of AIReF, all information and documentation available that would be needed to carry out the study.

The Action Plan² reflected the commitment to undertake seven projects:

- Project 1. Evaluation of Strategy and Procedure
- Project 2. Medication dispensed through prescription
- Project 3. Active labour market policies
- Project 4. University education scholarships
- Project 5. Promotion of talent and employability in R&D

¹ Agreement of the Council of Ministers of 2 June 2017.

² The detailed content of the Action Plan can be accessed at the following link: <http://www.airef.es/es/spending-review/>

- Project 6. Strengthening business competitiveness
- Project 7. Sociedad Estatal Correos y Telégrafos, S.A.

Currently, AIRcF is finalising the work related to the first stage of the Spending Review, which will be presented during the first quarter of 2019³.

In the final reports, AIRcF may include specific recommendations for using the data transferred and processed in order to complement the work already carried out, or use them as inputs for the second phase of the Spending Review.

On 14 December 2018, the commissioning of this second phase of the Spending Review⁴ was finalised, identifying the areas of study as tax benefits, hospital expenditure of the National Health System, recruitment incentives and transport infrastructure.

During the past month, AIRcF has been working on this second action plan that includes 4 particularly ambitious review projects.

First, project 1 of this second phase will analyse tax benefits. Being aware of their effectiveness is especially significant as their existence entails a decline in the State's tax revenues.

Second, projects 2 and 3 seek to give continuity to the work already undertaken in the previous phase, allowing the use of the knowledge acquired on healthcare expenditure and active labour market policies. On the one hand, it will continue with the analysis of drug expenditure, this time addressing hospital expenditure, which was left out of the previous action plan. On the other hand, as a continuation of the project on active labour market policies, the analysis of contribution benefits, also left out in the first phase, will be covered.

Finally, project 4 will focus on transport infrastructure and more specifically the socio-economic aspects related to this, considering both the context and the needs of the current network in Spain.

Finally, it should be noted that the design of this new Action Plan once again took into account the shared Eurogroup principles for Spending Reviews:⁵

³ Except for the results corresponding to Project 2, which began later with additional support from the European Commission. The results of this project will be presented in the second quarter of 2019.

⁴ Agreement of the Council of Ministers of 14 December 2018.

⁵ https://www.consilium.europa.eu/media/23582/eg-15-june-2017_note-on-spending-reviews.pdf

Eurogroup: Common Principles of the Spending Review
Firming and lasting political commitment
Design and Implementation: <ul style="list-style-type: none"> ▪ Clear strategic mandate specifying the objectives (potentially including quantified objectives), the scope (a significant part of the expenditure in various policies) and a coordination center. ▪ Use of pilot programs to gain experience. ▪ Supply of adequate resources and access to data. ▪ Guidelines for consistency in the preparation of diagnoses, baselines, possible reforms and implementation of roadmaps. ▪ Use of fact-based analysis linking spending to policy results.
Periodic and transparent monitoring and communication to the public (progress and results of the reviews)
Coherence with budget planning

Find below a brief description of the methodology and evaluation criteria that guide the work of the SR and each of the 4 projects included in the scope of this second phase detailing the context, scope, agencies involved, as well as a concise description of the content of the analysis and the necessary information.

2. SCOPE OF THE ACTION PLAN (PHASE II), PARTICIPATING AGENCIES AND INFORMATION NEEDS

2.1. Methodology and assessment criteria

A special feature of AIReF's Spending Review is that, as long as the data permit and are relevant to the policy evaluation, 3 types of evaluations are covered.

First, evaluations of strategy and procedure, in order to evaluate the adequacy and suitability of the instruments provided for in the current regulations, the institutional environment and the information systems, among others, for planning, monitoring and decision-making.

Second, efficiency evaluations intended to measure both the "average cost" of a public intervention and the "average expenditure" per beneficiary. These evaluations may also include the calculation of efficient production boundaries, which determine benchmarking.

Finally, the effectiveness evaluations which seek to identify whether a programme has had the impact or outcome initially sought. In these cases, the outcome variable that the programme's participants present is compared to the outcome they would have had, had they not been beneficiaries of the programme. In these cases, it will be necessary to have information from a control group in order to isolate the impact of the project⁶.

Various methodologies are used to address the evaluations. To mention some of the most relevant:

- Impact assessment techniques⁷. They enable analysis of the causal relationship between participation in a public policy and the degree to which the objective pursued is achieved. These techniques have gained special importance within the evaluation of public policies due to their clear focus on the results of the public intervention. In this sense, the impact assessment techniques using a

⁶ A control group is a similar group to the group of beneficiaries in all its characteristics and conditions except the fact of not having received the intervention

⁷ There are a number of manuals that describe these techniques. Some can be found in the bibliography: Evalued (EC), or Impact Evaluation (World Bank).

control group⁸, where applicable, and the cost-benefit analysis are particularly relevant.

- Cost-benefit analysis (CBA). Allow for a comprehensive evaluation of the costs and benefits of a programme, intervention or policy measure, to determine whether it is desirable from a social point of view, and to what extent. To do this, the costs and benefits of the execution of the project are quantified in monetary units. It can be used for both ex ante assessments (for selection between alternative projects or to decide if a specific project is socially desirable) and for ex-post evaluations (to quantify the net social value of a project previously executed).
- Micro simulation models. Allow for ex-ante evaluation of the effect of different reform scenarios of a policy or programme on certain variables (whose path is simulated on the basis of the proposed changes). In recent years, the development of technology and the availability of large databases have favoured the use of micro simulation models for the analysis of public policies. Ex-ante evaluation has made this technique a crucial tool to determine who wins and who loses with a reform (increase in collection, cost to the State, distributional impact or change in the number of beneficiaries).

In Spain micro simulation models have been used both for assessing fiscal reforms in each of the different taxes and to determine the effect of the taxation on equity. These models can also be used to simulate changes in drug consumption patterns under certain price policy changes, assuming certain demographic scenarios and price elasticities of demand, as well as to simulate progress and travel times between two points. In any case, the participating agencies in the different administrations involved in the planned evaluations and AIReF are knowledgeable about these techniques and may agree on which will be the most relevant to carry out the analyses described below.

- Benchmarking techniques. These enable knowledge to be gained on the actions carried out in the context to be analysed and to compare the success (or otherwise) of the interventions evaluated with respect to a standard to be determined. Both internal (Autonomous Regions) and external benchmarking (international) is used to extract evidence oriented towards the (re-)design of the programmes evaluated.

⁸ These impact assessment techniques use a control group, with characteristics very similar to those of the participants in the programme analysed, in order to infer from them what would have occurred with the outcome of the intervention in its absence.

Find below a proposal for the areas that will be subject to analysis in this second phase, including a concise description of the different evaluations planned, which will be detailed further in work plans. A list of the agencies involved and a non-exhaustive list of the information expected to be needed to carry out the evaluations is also included⁹.

In accordance with the provisions of Article 4.4 of the Organic Law 6/2013, of 14 November, creating AIRcF, information received by AIRcF must be treated in respect of the limits that govern access to confidential information. AIRcF will demand respect for said confidentiality from any third party that assists with the preparation of the study.

2.2. Project 1. Tax benefits

2.2.1. Context

Tax Benefits (TB) are fiscal policy instruments that entails savings or improvements in the income of a person or entity resulting from reductions in their tax payments resulting from any type of exemption, deduction or tax credit that have the intention of achieving certain economic and social objectives. There are numerous taxes that have TBs to offset the tax burden on certain taxpayers, thereby strengthening the State's action in the field of social services, healthcare, education, access to housing, trade and R+D+i, among others.

Knowing their effectiveness is especially relevant as their existence entails a decline in the State's tax revenues, but not all have the same effects on the policy objectives that they pursue.

The TBs are incorporated annually into the budgetary cycle through the Tax Benefits Budget (TBB), whose main objective is to quantify the TBs of taxes affecting the State.

The TBB has been prepared since 1979 in Spain, but it was not until 1996 when the legal obligation was established to incorporate an explanatory memorandum, produced by a working group led by the Directorate General for Taxes, in the GSB that defines the concept of TBs, quantifies their volume and specifies the regulatory changes that determine them.

According to the TB Report (TBR) that accompanies the GSB for 2018 State TBs are estimated at approximately 35,000 million euros, to which the TBs of the Regions should

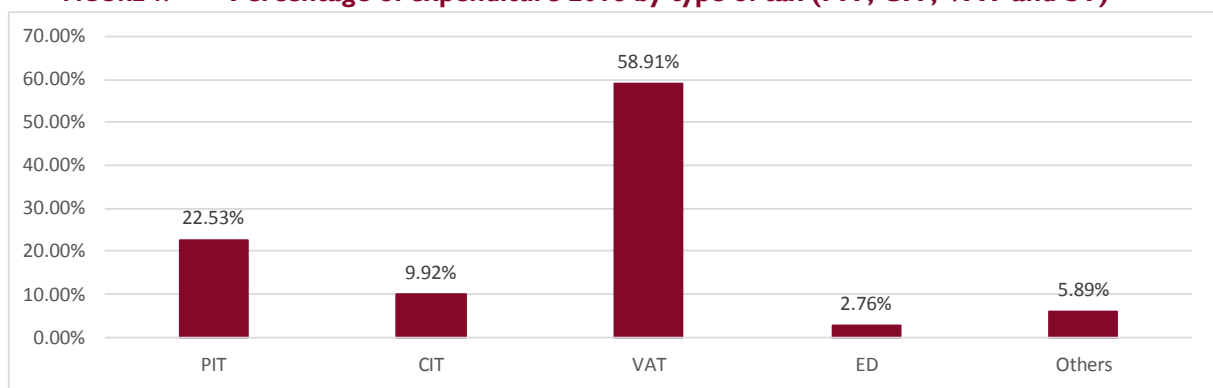
⁹ It should be noted that as work progresses, access to new information or data that may be of interest for the analysis may be required.

be added, which represent around 6,000 million euros, as well as of certain Local Governments (LGs).

If we look at the distribution of expenditure by taxes, for this year, the TBs of indirect taxation account for more than 60% of expenditure, while the distribution by expenditure policy to which they are linked allocates over 50% to trade, tourism and SMEs, agriculture, fisheries and food, social services and healthcare.

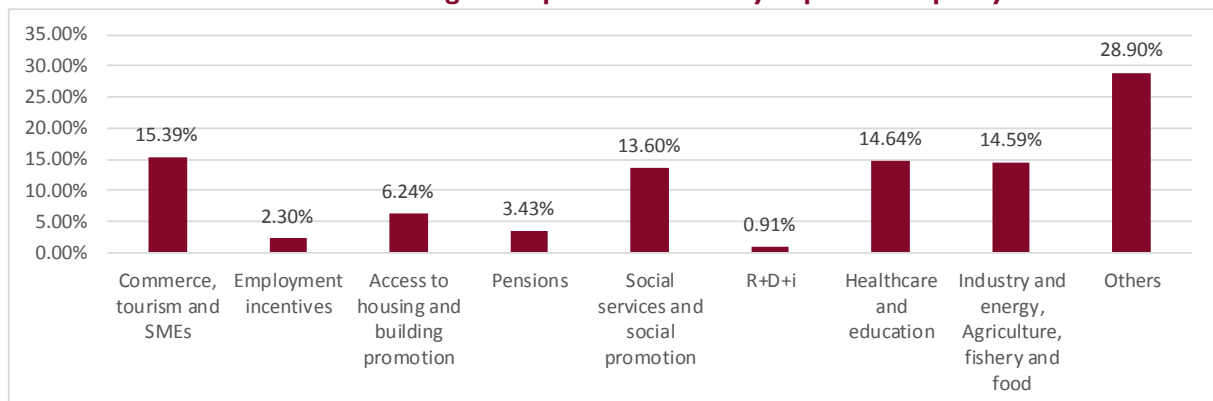
Figures 1 and 2 show the expenditure distribution for 2018 by the main taxes PIT, CIT, VAT and ST) and by the main expenditure policies, respectively.

FIGURE 1. Percentage of expenditure 2018 by type of tax (PIT, CIT, VAT and ST)



Source: Tax Benefits Report 2018

FIGURE 2. Percentage of expenditure 2018 by expenditure policy



Source: Tax Benefits Report 2018

2.2.2. Project scope

The main objective of this evaluation project is to know the effectiveness of the TBs (over 23,500 million euros) based on the evidence in order to guide an institutional design of the tax system that achieves its objectives in the optimal manner. Specifically, in the evaluation of the TBs it will be determined whether these achieve

their objective. In addition, their effects, desired or not, on other economic and social aspects on which they may have an impact will be quantified.

On the other hand, they will be compared with other government expenditure programs with which they share economic and social policy objectives. In this case, it will be relevant to determine which financing instrument is the most efficient¹⁰. By way of example, when deciding how to encourage investment in R+D+i in companies it would be useful to know whether it is more cost-effective to implement an expenditure programme focused on achieving this or a tax benefit implemented through a deduction in Corporate Income Tax for companies that declare expenditure in R+D+i.

To respond to the issues previously raised and identify the cost-effectiveness of each of the TBs selected, AIRcF will rely on national and international empirical evidence, as well as on the realisation of several simulation exercises. The time period for which the analysis will be conducted shall be limited to the last economic cycle (2003 - 2018).

a. Agencies participating in the evaluation

This project for the evaluation of tax benefits will be carried out with the collaboration of the AEAT (Spanish Tax Agency), IEF (Institute for Fiscal Studies) and the Directorate General for Taxes of the Ministry of Finance¹¹.

In addition, it is foreseeable that the collaboration of both the Ministry of Finance and the rest of ministries or agencies related to the subject of evaluation will be required, for the purpose of providing the information necessary for undertaking the work.

b. Content of analysis¹²

With the aim of evaluating the TB expenditure for 2018, thirteen TBs (six linked to Personal Income Tax (PIT), three in the field of Corporate Income Tax (CIT), three in the field of Value Added Tax (VAT) and one in Excise Duties (ED)) will be evaluated.

¹⁰ Optional analysis that could only be carried out when the circumstances are suitable (in terms of time, resources and available information).

¹¹ Their participation is key to the implementation and field work of this Action Plan.

¹² ANNEX 1 details the general characteristics of each one of the TBs, the associated expenditure policy objective, the expenditure according to the TBR 2018 and, where possible, the number of beneficiaries.

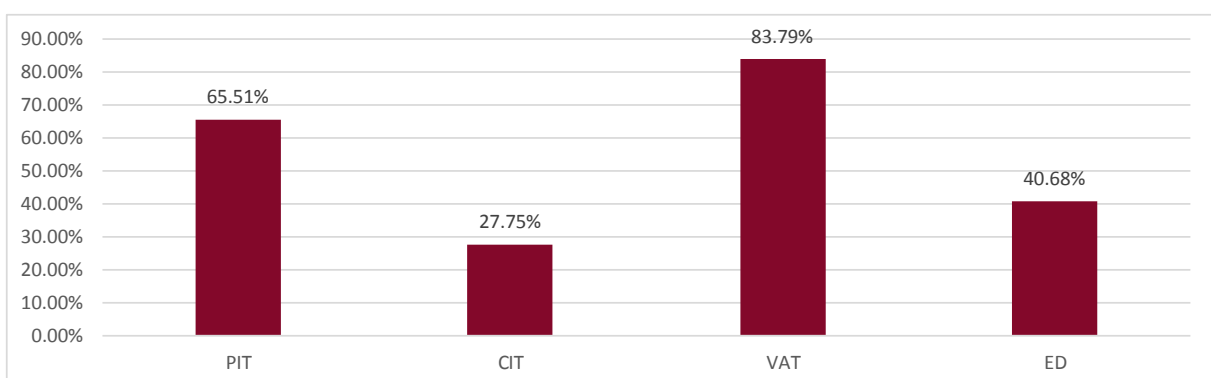
Evaluation number	Beneficio Fiscal	Tipo de Impuesto	Gasto (millones de €)
1	Reduction for earnings from work	PIT	731.16
2	Reduction for leasing of houses (owner) together with the deduction for renting (tenant)	PIT	405.39
3	Reduction for contributions to welfare systems	PIT	770.88
4	Joint taxation	PIT	1,117.44
5	Deductions for donations	PIT	231.24
6	Deductions of asocial nature (maternity, large family or persons with disabilities)	PIT	1,883.91
7	Incentives for R+D+i	CIT	224.36
8	Reduced rates	CIT	618.07
9	Donations	CIT	115.74
10	Reduced rates in VAT (10%)	VAT	8,668.29
11	Social exemptions of Article 20 of the VAT Law: healthcare and education	VAT	4,574.46
12	Exemption of financial services	VAT	3,946.00
13	Reduced rates for Tax on hydrocarbons (diesel/petrol)	ED	390.91

The assessment of these 13 TBs will mean considering two thirds of the total expenditure for 2018, that is, about 23,500 million euros¹³.

If we look at the distribution of expenditure by type of tax and expenditure policy, VAT will be the tax with the most expenditure analysed and the main focus will be placed on the expenditure areas of policies for healthcare and education, social services and social promotion.

The percentage of expenditure analysed in the SR 2019 over total expenditure by type of tax can be seen in the following figure¹⁴.

FIGURE 3. Percentage of expenditure analysed in the SR 2019 over total expenditure by type of tax



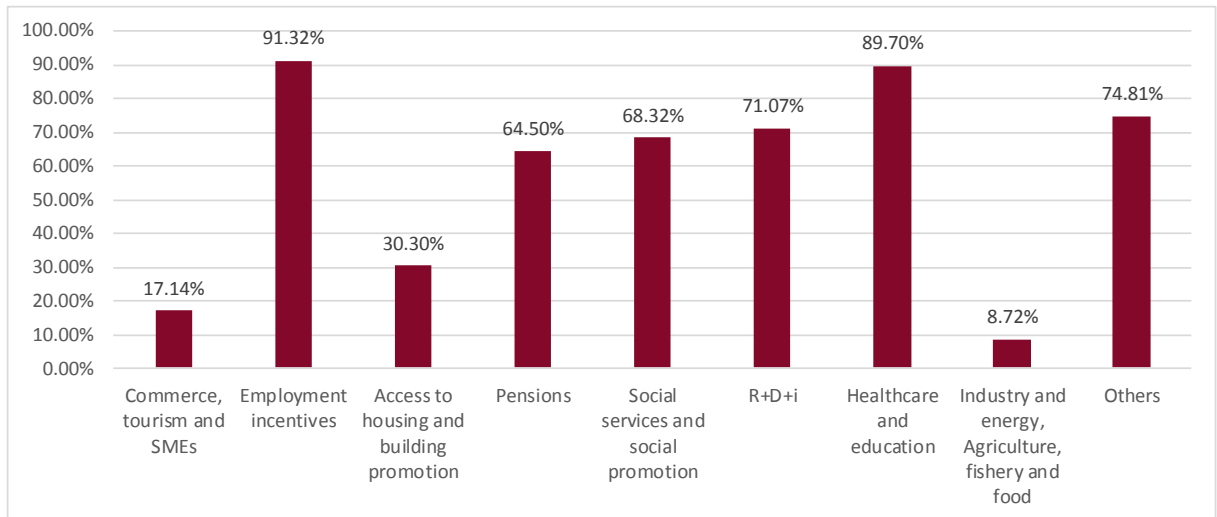
Source: Own calculations based on TBR 2018

¹³ The expenditure allocated to the exemption of financial services has been obtained from the total expenditure on insurance and other financial services of INE's National Accounts assuming that said amount is exempt.

¹⁴ Some of the TBs that we will analyse are not assigned to a specific expenditure policy.

In the same way, the percentage of expenditure analysed in the SR 2019 over total expenditure by expenditure policy can be seen in the following figure:

FIGURE 4. Percentage of expenditure analysed in the SR 2019 over total expenditure by expenditure policy¹⁵



Source: Own calculations based on TBR 2018

c. Information needed for the analysis and methodologies

Necessary information:

To evaluate the TBs databases from administrative registers and surveys will be used.

In most cases it will be necessary to process both types of data using the combination¹⁶ of at least two different information sources. The TBs are applied on the taxes that individuals and/or companies pay, therefore, the databases of fiscal data (AEAT) will be essential for the analysis. On the other hand, the TBs are geared towards the achievement of certain economic and social policy objectives, therefore it will be necessary to have information on how these objectives have evolved in relation to these agents.

By way of example, among the planned evaluations of TBs to evaluate the effects that the reduction in PIT for contributions to private pension plans has had on saving, it is necessary to know, on the one hand, the tax information of individuals with contributions to private pension plans¹⁷, and, on the other hand, know how the savings

¹⁵ In the section "unspecified" the exemption from VAT granted to financial services has been included

¹⁶ Register with register, register with survey and survey with survey.

¹⁷ Data from the PIT declarations of the AEAT.

of these people has evolved over time. For this reason, collaboration with other agencies with competence in this area may be necessary.

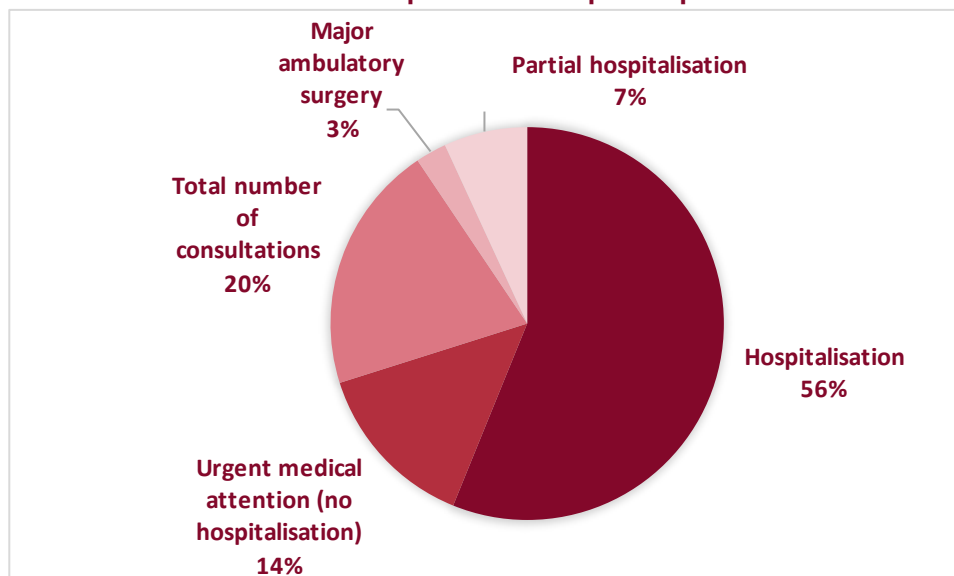
2.3. Project 2. Hospital expenditure of the NHS: drugs and investment in capital goods

2.3.1. Context:

Public healthcare expenditure in Spain amounted to around 67,000 million euros in 2016 (6% GDP), with expenditure on hospitals representing greatest percentage of this amount (62.4%), with about 41,500¹⁸ million euros according to the Statistics on Public Healthcare Expenditure (EGOSINTÓNICA 2016).

According to the Statistics on Specialised Healthcare Centres, hospitals' drug expenditure amounted, in 2016, to 6,200 million euros, which represents around 14.9% of hospital expenditure and approximately 30% of the total pharmaceutical expenditure. The forecasts of entry of innovative drugs, the prescription and dispensing of which occurs mainly in the hospital setting, indicate that this weight will not only be maintained, but that could increase significantly in the future.

FIGURE 5. Composition of hospital expenditure



Source. Statistics on Specialised Healthcare Centres (2016). Ministry of Health, Consumer Affairs and Social Welfare

¹⁸ The health care provided in hospitals includes partial hospitalisation and outpatient surgery, while 90% of its total amount is linked to hospitalisation, consultations and non-admitted casualties

The evolution of hospital drug expenditure is explained by factors such as the increase in care, the larger number of patients treated, the use of drugs in new indications or pharmaceutical forms and the introduction of high-cost drugs that offer therapeutic innovations.

In relation to this type of drugs, the fact that from 1992 they are dispensed to outpatients mainly with the aim of improving care for patients with chronic diseases is especially relevant. This situation has evolved toward the dispensing of high-cost drugs and/or those that require special monitoring in their use, causing a reorientation of the clinical action of the hospital pharmacist¹⁹.

Prospects do not seem to indicate a decrease in expenditure on drugs in hospitals in the short term. The existence of innovative drugs and drugs of high economic and health impact, the introduction of individualised treatments, the ageing of the population and some citizens who are becoming more knowledgeable and participating in the decision-making that affects their healthcare process, suggest the need to implement measures to meet the growing demand and, at the same time, ensure the sustainability of the national health system (NHS).

On the other hand, investment in technologies, diagnostic and therapeutic equipment, auxiliary healthcare technology, as well as in surgical robotics technology, that is to say investment in healthcare capital goods, are an increasingly important factor in the provision of health services. Although the availability of new and better health technologies represents a potential source of improvement for the diagnosis and treatment of diseases, at the same time it is a decisive factor for the growth of public expenditure on healthcare.

Investment in the healthcare sector fluctuates significantly with the cycle and is strongly influenced by budgetary restrictions, because the very nature of healthcare expenditure implies the existence of an investment, for which the availability of resources is limited by the prior coverage of current expenditure.

¹⁹ Currently the treatments of multiple sclerosis, amyotrophic lateral sclerosis and treatments associated with oncological pathology are some of the most common. Antiviral drugs, antineoplastics, interferons, antibiotics, epoetin and radiocontrast dyes or, more recently, the combined treatment of chronic hepatitis C, are the drugs that make up most of the expenditure. In particular, in 2017 oncological medicines belonging to group L of the antineoplastic and immunomodulating agents accounted for 24% of the total expenditure.

2.3.2. Project scope

The main objective of the project is to analyse the evolution of public healthcare expenditure in relation to two specific items linked to the hospital setting: hospital drugs, which accounts for about 14.9% of the 41,500 million hospital expenditure (about 6,200 million euros), and investments in capital goods in hospitals that represent around 1.8% of the hospital expenditure²⁰ (879 million euros).

Given the relevance of both items -investment in healthcare capital goods and expenditure on hospital drugs- for the quality of the healthcare service provided, it seems necessary to review public expenditure in this area, analysing the decision-making, planning and procurement procedures, with the aim of identifying levers that allow the efficiency and quality of expenditure to be improved, as well as to ensure the sustainability of the NHS.

a. Agencies participating in the evaluation

It will be necessary to have the participation of:

- Ministry of Health, Consumer Affairs and Social Welfare
- The Autonomous Regions, to the extent that they have transferred the specialised healthcare functions and services in their respective territorial areas.

b. Content of the analysis

Evaluations will be carried out on the strategy and procedure, efficiency and effectiveness in the management of pharmaceutical expenditure and hospital equipment. This will include, among others:

- (i) An evaluation of the information management systems of hospitals and interconnection between the different units, within the Autonomous Regions and throughout the territory, to identify opportunities for improvement in the pharmaceutical service and investment in hospital equipment. To this end, it will first be necessary to collect information of the hospitals that make up the NHS.
- (ii) Description of the hospital expenditure and the headings that comprise it, considering the trend, by territory and by type of hospital²¹ (2002-2018) in relation to macroeconomic variables. The differences in expenditure and the average duration of treatments will be identified. Number of prescriptions/year and average expenditure per prescription. In addition, to better understand the

²⁰ Ratio of gross fixed capital formation over non-financial expenditure and capital expenditure. It also includes expenditure on outpatients (COFOG sub-functions 7.2+7.3).

²¹ Detailing differences in drug consumption by large therapeutic groups.

expenditure situation in Spain, it will be necessary to perform a comparison with the situation of the hospital pharmaceutical service in neighbouring countries (benchmarking).

- (iii) Projection of pharmaceutical expenditure and investment in hospital equipment. Short-term trends and prospects 2020-2025. Description by territory, by functional dependence and by care purpose of the hospital. A projection will be provided of the evolution of drug expenditure and the prospects for investment in capital goods, considering 2025 as the time horizon. Expected medium term trends in public pharmaceutical expenditure in hospitals will be identified, while maintaining the policies at national and regional levels unchanged.
- (iv) Analysis of the different management models of the hospital pharmaceutical service in Spain, with a comparative advantage in the international context, in those areas where applicable. The extent to which the hospital management model is a decisive factor for explaining the differences identified in the management of the hospital pharmacy and in the purchase dynamics that are derived from the decisions of the Pharmacy and Therapeutics Committees of the hospitals will be taken into account. In particular:
 - ✓ Analysis of the different measures and hospital management models implemented at regional level, evaluation procedures, selection and incorporation of drugs in the Therapeutic Drug Guides in the hospital setting. The evaluation and selection of drugs is one of the basic activities carried out in the Regions and hospitals, in the field of Regional Pharmacy and Therapeutics Committees or those of hospitals, operational for many years in practically the entire hospital network. The performance of the Regions and the hospital pharmacy services will be analysed, with regard to decision-making in the procedures for the evaluation of drugs and the introduction of therapeutic innovations, as well as the management of the pharmaceutical service: Common patterns and differentials in the territories and between hospitals will be identified, as well as best practices.
 - ✓ Analysis of the procurement procedures. This section will analyse the procedures for the public procurement of drugs and will assess the impact of their use in the total volume of expenditure. There are multiple possibilities: legal procedures, adjudication, and minor contracts (<15,000 euros), procurement on an exclusive basis, framework agreements, other procedures (central purchasing and dynamic procurement procedures, joint venture agreements, etc.). On the other hand, the purchasing procedures used will be linked with models for the management of the hospital pharmaceutical service.

Based on the results of the two previous sections the results in terms of hospital pharmaceutical and health expenditure will be compared, taking into account the differences detected.

- (v) Management of the hospital pharmaceutical service vs in the pharmacy, effects on public healthcare expenditure (hospital). The differences in the management of hospital pharmaceutical service at national and international level will be analysed. At the same time, the impact of Resolution of 10 September 2013, of the Directorate General for the Basic Portfolio of Services of the National Health and Pharmacy System will be evaluated, which amends the financing conditions of drugs included in the pharmaceutical service of the National Health System through the assignment of user contribution, which affects hospital dispensation.
- (vi) Analysis of the different management models for technological assets in Spanish hospitals and evaluation of their equipment plans and their asset management strategy, considering their care needs. Analysis of the evaluation processes for the purchase of new technologies (CBA). Purchasing models. Estimation of potential advantages arising from the implementation of the best practices observed.
- (vii) Results of the Spanish hospitals, considering the differences in the management of the pharmaceutical service (analysis of stochastic production boundaries) and the management of their capital goods. Indicators of results linked to quality of care, adequacy and efficiency (average pharmaceutical cost by pathology treated) will be considered. A static and dynamic efficiency analysis (*Data Envelopment Analysis - DEA*) will be carried out to assess whether the units subject to evaluation (which in this case would be the hospitals) move away from or approach their corresponding efficiency boundary in two periods.

Based on the results obtained in previous sections, policy recommendations will be made in the field of hospital pharmacy and investment in capital goods, and the potential impacts of implementing the proposals in terms of expenditure and health outcomes of NHS hospitals will be quantified.

c. Necessary information -

Find below a non-exhaustive list of the information necessary to carry out the analysis.

(i) Basic information about the hospital:

- Purpose of care
- Level of complexity
- Ownership structure. Location. Functional structure
- Characteristics of population served
- Healthcare activity. Beds installed. Level of complexity
- Management model
- Budget. Detail of healthcare personnel. Detail of healthcare technologies. Distribution of hospital expenditure by areas of activity. Detail of pharmacy budget

(ii) Information relating to the Pharmacy and Therapeutics Committees (Regional and hospital).

- Composition
- Procedures for the evaluation and selection of drugs
- Criteria for the inclusion of drugs in the Therapeutic Drug Guide (TDG). List of drugs included in the hospital TDG, and type of access: centralised (Prescription subject to approval by the Regional Commission and inclusion in the TDG. Existence of extraordinary procedures to request individualised treatments prior to approval by the Regional Commission), decentralised (prescription subject to approval by the Therapeutic Drug Commission of each hospital and inclusion in TDG) or mixed (Mixed access. Prescription subject to approval in the Regional Therapeutic Drug Commission (Region), linked to the decision of each hospital TDG
- Procedures for special situations²². Others

(iii) Information on the management of drug and capital goods purchases in the hospital:

²² Royal Decree 1015/2009, of 19 June, regulating the availability of drugs in special situations.

- Procurement procedures
- Expenditure on drugs
- Expenditure on capital goods: procurement and maintenance
- Procurement prices
- Others

(iv) Information on the management of drug and capital goods purchases in the Autonomous Region.

(v) Indicators of hospital outcomes and costs by processes.

2.4. Project 3. Recruitment incentives

2.4.1. Context:

Contribution benefits²³ are Active Labour Market Policies that aim to improve the employability of individuals.

Private employment incentives in the form of benefits to permanent jobs' social contributions have been the programmes with the greatest allocation of funds for active policies (40%) since the mid-1990s²⁴, although it is true that their efficacy has not been clear. On the one hand, they have limitations, such as the "deadweight loss" or "substitution effect" although, on the other, there are groups who encounter greater difficulty in reinsertion into the labour market for which they can be effective.

In the first Spending Review (SR), which is nearing completion, AIReF evaluated, among other subsidies, Active Labour Market Policies without including contribution benefits.

However, both due to their value, 1,546 million euros in 2017²⁵, as well as due to the economic studies that have been previously carried out at national and international level, it is especially relevant to evaluate certain items.

²³ Subventions and reductions.

²⁴ "Active Employment Policies: An overview". Sara de la Rica. FEDEA Policy Papers - 2015/01.

²⁵ 1,569 million euros in November 2018.

2.4.2. Project scope:

The main objective of this evaluation project is to determine the effectiveness of contribution benefits based on the evidence, which mainly happens by assessing the improvement in terms of employability of beneficiaries of such incentives.

In particular the evaluation questions to which answers are sought are as follows:

- What effects have contribution benefits had in other countries? And in Spain over the last few years?
- What results have been achieved with the benefits selected?
- Have they been determinants of the probability of finding employment/converting the temporary contract into permanent in the year in which have been employed or later? Have they increased the wages of the beneficiaries? Has entrepreneurship increased (flat rates)?
- Have their effects lasted over time (two years) from the time of the achievement of employment/improvement of the employment contract?

The temporal scope corresponds to the 2012-2018 period, continuing with what was taken into account in the first SR for the Active Labour Market Policies (2012-2017) project for the following reasons:

- It coincides with the beginning of the recovery of the economy and employment, which enables us to control for the economic context within which the impact estimate falls
- This period also shares the last major reform of the labour market adopted at the beginning of 2012 (Royal Decree-law 3/2012), which would also enable the impact estimate to be controlled for the regulatory context, shortly after the adoption of the reforms and with enough time to check their possible decline in effectiveness over time
- Most of the incentives selected have been approved recently (in particular, in Law 3/2012, except for the one for those over the age of 45 years and the flat rate for self-employed²⁶), so the impacts that we wish to quantify will be observed from the year 2012

²⁶ Most of benefits approved since 2012 are in the form of reductions in the contribution, not subventions

a. Agencies participating in the evaluation

This project will be carried out with the collaboration of the SEPE (State Public Employment Service), the TGSS (General Social Security Treasury) and the Secretariat General of Statistics and Analysis of the MTMSS (Ministry of Labour, Migration and Social Security), as had been implemented in the project for the evaluation of Active Employment Policies in the first SR.

b. Content of analysis

The analysis will include a review of the literature on recruitment incentives and a set of evaluations that are detailed in the following table:

Evaluation number	Contribution benefit
1	Young people under the age of 30
2	People aged over 45 years
3	Women underrepresented in certain professions and trades
4	Transformation of temporary contracts into permanent ones
5	Flat rate for self-employed workers
6	Reductions to self-employment with general and specific character
7	Recruitment of people with disabilities

Within these contribution benefits there are several subventions and reductions, so it will be necessary to take into account various aspects in selecting which ones are going to be evaluated:

- 1) Relevance and desired impact: taking into account the labour market situation, those that are considered most relevant in relation to the desired impact on recruitment will be selected.
- 2) Availability of information: those that are applied in time in order to have the necessary data will be selected.
- 3) Overlaps: it will be necessary to take into account the possible overlaps that occur between the different groups selected to avoid duplication.

Incentives for the recruitment of people with disabilities represent almost 50% of the total annual amount. The special difficulties faced by the group to which they are addressed when entering the labour market could entail a different approach in their analysis, as well as a specific assessment, since these are incentives to maintain employment, rather than to improve their employability.

c. Information needed for the analysis

To evaluate the contribution benefits databases from administrative registers and surveys will be used (when necessary).

In particular administrative data will be required from:

- 1) SEPE: it will be necessary to have information that appears in the tables of claimants, contracts and bonuses.
- 2) TGSS: we will need variables relating to the labour market, such as those presented in the Continuous Professional Life Sample (CPLS). Data on wages (Remuneration concepts paid, RCP²⁷)

On the other hand, survey data will be used, such as the Labour Force Survey (LFS) prepared by the National Statistics Institute.

2.5. Project 4. Transport infrastructure

2.5.1. Context:

In the last 25 years investments in infrastructure have been a priority. The main criterion that has guided the decision-making process has been to improve territorial cohesion and promote the economic development of the country. In the case of transport infrastructure, the focus is primarily on the direct consequences arising from the construction process, without a systematic evaluation of:

- the economic and social opportunity cost of investments - compared with other alternative uses of that budget-,
- the marginal benefit of providing new transport infrastructures to the territories in relation to their marginal cost,
- the benefit that would be offered by improving the provision in other existing infrastructures in relation to their marginal cost,
- the impact of the construction of transport infrastructures over the territorial distribution of the population in the long term and its economic consequences

²⁷ This is a collection of fields that the SS records and that correspond to the different components of the compensation of employees (base salary, various supplements...)

- who pays for the investment: the taxpayer or users
- whether it is possible to recover part or all of the construction costs, and whether the State has to add maintenance costs to the construction costs
- all the infrastructures together

It is expected that in the next few years investments in infrastructure will continue to grow, which makes it necessary to develop a solid evaluation methodology to determine their rationality and establish criteria that take into account economic and social considerations for prioritising the decision-making process in relation to the aspects mentioned above.

Spain currently has a State Road Network²⁸ with 26,392.56 km of roads, the length of its Rail Network is 15,327 km, and it has 1,498 railway stations, 46 airports, 2 heliports and 47 ports of general interest²⁹.

Mobility plays a key role in the well-being of citizens. The participation of the transport sector in the Gross Value Added in 2016 was 4.8%. In 2016 around 8.9 million people were classified as active population employed in the public transport sector.

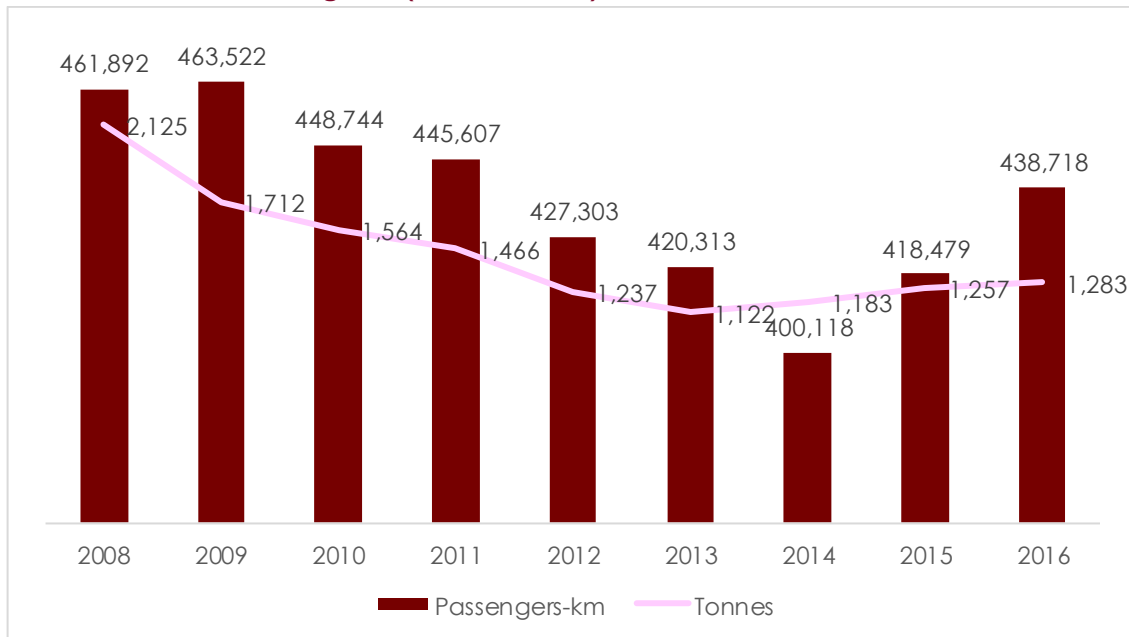
According to the INE's Households Budget Continuous Survey the average annual expenditure per household was 28,200 euros in 2016, of which 3,264 euros went on transport. This represents 2.7% more than in the previous year. Specifically, each Spaniard spent an average of 14.5 euros per month on transportation services in 2016 compared to 12.3 euros per month in the previous year.

The number of travellers in all modes of transport fell between 2012 and 2015, although in the last year it has experienced an upturn to stand at 438,718 m travellers, although still lower than in 2008. On the other hand, in 2016 1,283 million tonnes were transported and 439 billion passenger-km of domestic mobility were travelled. These figures represent an increase of 4.84% compared to 2015 for passenger transport (without taking into account urban and metropolitan transport) and an increase of 2.12% for the transport of goods, although it has not been possible to recover the mobility levels of 2007.

²⁸ Red de Carreteras del Estado

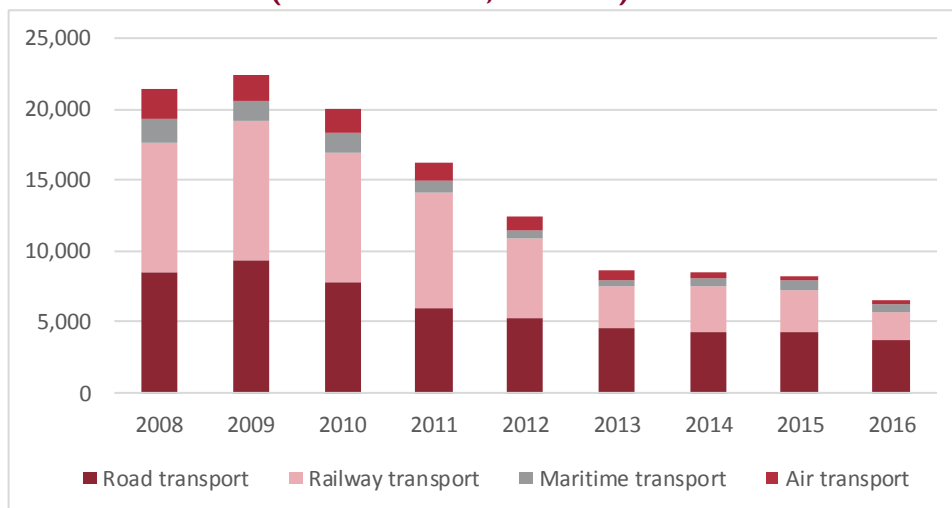
²⁹ <https://www.fomento.gob.es/ministerio>

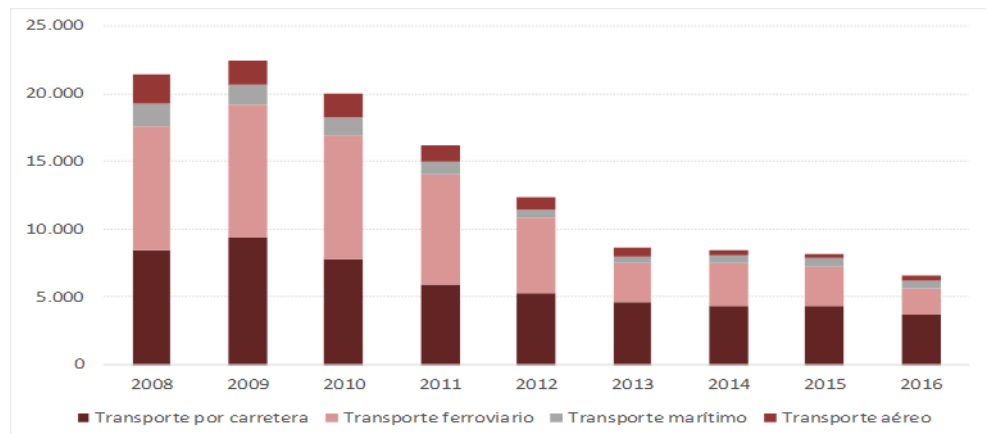
FIGURE 6. Evolution of total domestic passenger transport (million passenger-km) and goods (million tonnes). 2007-2016



Source: Report of the Observatory of Transport and Logistics in Spain 2017 (hereinafter OTLE 2017)

FIGURE 7. Investments made in the various modes of transport and infrastructure (millions of euros, 2005=100)





Source: Own calculations from Transport and Infrastructure Report 2012 and 2016. Ministry of development.

In relation to investments made between 2005 and 2009, there is a high growth of investment in transport infrastructure, both in highways and motorways as well as in high-speed trains and airports, with positive externalities for the Spanish business sector. As of that date, investment fell. In 2016, investment in infrastructure remained significantly lower than that observed in 2010 for all areas of transport.

These figures may be interpreted as an indicator not only of the depth of the economic crisis and its impact on economic activity in our country, but also as a symptom of the over-investment in transport infrastructure. Currently, Spain has the third most extensive network of high capacity highways in the world and in terms of high-speed railways it is second in the world after China.

Relating the investments made with the volume of travellers, there is excess capacity that is especially relevant in the case of railway transport infrastructure, Engel et al (2018), with some deficiencies in the standards of mobility and interconnection between different transportation alternatives. In the case of the AVE (high speed railway), not only the profitability of most of the lines, but also their sustainability are called into question. In the case of airports, the development of some high-speed lines that connected the same destinations has led to a deterioration of the balance of the installed capacity and use of their facilities, which adversely affects their profitability and sustainability. (Re) Evaluating the expenditure on transport infrastructure in our country is therefore necessary. In addition, the design of an efficient policy for investment in transport infrastructure also implies a review of subsidy policies affecting the sector.

2.5.2. Project scope:

In 2017, the total budget in infrastructure amounted to approximately 4,900 million euros. In the field of high speed (up to 2018) 72,800 million euros have been budgeted, of which some 48,000 million euros have been executed, with some 24,800 million euros pending execution. In addition, the new lines currently being studied would entail approximately 20,000 million euros. On the other hand, the transport subsidies of residents in non-peninsular territories (air and maritime) ³⁰ in 2018 was estimated at around 597 million euros (more than 15 million journeys subsidised). The total amount to meet the subsidies to residents (air) amounts to 410.7 million euros in 2018 for the Canary Islands, the Balearic Islands, Ceuta and Melilla.

AIRcF's proposal is to assess the rationality of investments in transport infrastructure carried out in Spain during the last 25 years and provide recommendations for improvement.

a. Agencies participating in the evaluation

The financing of transport infrastructures involves multiple agents:

- Ministry of Development
- ADIF, ADIF-AV; RENFE Operadora and its affiliates; Railroads of the Basque Government; Railroads of the Regional Government of Catalonia; Railroads of the Regional Government of Valencia; Railroads of the Government of Balearic Islands
- AENA aeropuertos S.A; ENAIRE
- SEITT, SA
- Autonomous Regions
- Municipalities and Councils
- Private sector (concession companies for highways, roads, ports...)

The collaboration of all of these agents will be key to the success of the work.

³⁰ 2018-2021 Strategic Subsidy Plan, Ministry of Development: the figure refers to the forecast at the time of preparation of the Strategic Subsidy Plan.

b. Content of the analysis

The project is divided into 4 sub-projects. A first project, which will frame the evaluation and three additional case studies, where the cost benefit analysis (CBA) methodology will be applied, with special emphasis on the rationality of high-speed infrastructures in the first two case studies. Case study 3 will assess the transportation subsidies for the promotion of insular connectivity, also using CBA methodology.

- (i) General analysis of investments in transport infrastructure and their rationality, conceptual framework for three case studies. An evaluation of the infrastructure model will be carried out, considering the context and the needs of the current transport network in Spain in a holistic manner. Such issues as intermodality between transport centres linked to road, rail terminals and airports will be addressed. The level of integration of the transport infrastructure will also be analysed, with special attention to inter-city and metropolitan transport, the interconnection and integration with the European transport network, the impact in terms of social, environmental, and economic cohesion which is derived from the development of new transport infrastructure and its complementarity with other sectoral policies (industrial, communications, technological).
- (ii) Case study 1. Holistic CBA of the high-speed network in Spain, line by line, to draw general conclusions on the economic sustainability of the investments, their profitability, opportunity cost in terms of alternative infrastructures (roads and airports) and impact of AVE investments on the overall balance of the transport network (drainage of passengers and the effect on the installed capacity). The total investment in AVE budgeted to date is 72,800 million euros. Of this amount, as of 31 December 2017, 48,000 million euros have been executed and some 24,800 million euros are pending execution (which includes construction that has already begun and that which has been budgeted but construction has not begun). Of this, some 8,000 million euros have not yet even begun construction. In addition, there are about 20,000 million euros of new lines under study even without budgeting. On the other hand, it is important to remember that Spain is the main recipient of EU aid for investments in infrastructure (almost half of the total EU aid) and despite this the level of co-financing barely reaches 26%.
- (iii) Case study 2. CBA of the suburban metropolitan transportation network versus the AVE. The Spanish suburban network has some 16,700 million euros budgeted and about 9,000 million euros are pending execution, although the number of passengers on high-speed trains is about 23 times higher (450 million suburban passengers compared to about 20 million a year on the AVE).
- (iv) Case study 3. Subsidies for the promotion of insular connectivity. These subsidies, whose history dates back to 1962, have been increasing gradually in both amount

and the number of territories benefiting. In 2018, with the provision contained in the GSB, the percentage subsidy to residents for connections with the peninsula was raised to 75% (Agreement of the Council of Ministers of 13 July, consolidated through Royal Decree 949/2018, of 27 July). In 2018 the figure estimated by the Ministry of Development³¹ for transport subsidies to residents in non-peninsular territories (air and maritime) was approximately 597 million euros (more than 15 million journeys subsidised), with the total amount to meet the subsidies to residents (air) standing at 410.7 million euros (Canary Islands, the Balearic Islands, Ceuta and Melilla).

For this subsidy several evaluation exercises will be planned:

- CBA of the subsidy for the promotion of insular connectivity.
- Evaluation of the impact of changes in the amount of the subsidy in terms of market structure (competition), passenger traffic, connectivity, origin of the journeys and tariff prices. Analysis of the subsidy in the field of goods transport (prices, volumes transported and competition).

c. Necessary information and methodologies

The information necessary for conducting these evaluations can primarily be provided by:

- The Ministry of Development and the rest of the entities of the state public sector linked or dependent on the Ministry itself. In addition, the Ministry of Development provides the Observatory of Transport and Logistics in Spain, which gathers a wide range of indicators on mobility, socio-economic aspects, infrastructure and capital investments.
- Capital stock indicators of the IVIE (Valencian Institute of Economic Studies). The capital stock database offers historical information older than 50 years of capital accumulation in Spain. In particular, the database offers data from the national series from 1964 until 2015 and data by autonomous regions and provinces until 2014. In addition, it updates the estimations on the productive contribution of capital, and details the sectors and the assets in which the investment is made.
- International studies. European Commission, European Court of Auditors, etc.

³¹ 2018-2021 Strategic Subsidy Plan, Ministry of Development

3. BUDGET AND CALENDAR

In accordance with the provisions of article 11.2 of the Organic Law 6/2013, of 14 November, on the creation of AIReF, and in articles 23 and 43.5.b of the Royal Decree 215/2014, of 28 March, approving the Organic Statute of AIReF, studies carried out by this institution shall entail the receipt of the corresponding public prices.

Prior to the preparation of a study, AIReF must prepare a budget and implementation calendar, which it has to submit to the Administration concerned for confirmation.

The budget for this second phase of the Spending Review has been determined in accordance with the provisions of AIReF's Resolution of 16 June 2016, laying down the public prices for the preparation of studies (Official State Gazette of 22 June 2016) and amounts to a total of 1,560,000 euros, at the rate of 20,605 hours of work at 75.71 €/hour.

It is estimated that the hours of work will be distributed equally among each of the four projects, without prejudice to the fact that, during the execution of the same and depending on the needs, this initial distribution can be varied.

The maximum deadline for completion of the work³² shall be 14 months from the effective incorporation of external means, and may not exceed 1 October 2020.

Below is a summary table with the detail of the estimated execution period required for each of the projects:

Evaluation project	Estimated execution period (months)
Project 1. Tax benefits	12
Project 2. Hospital expenditure	14
Project 3. Recruitment incentives	12
Project 4. Transport infrastructure	12
Maximum deadline	October 2020

It should be noted that, in accordance with the indications of the Budgetary Plan submitted by the EC on 9 December 2016, AIReF plans to contract external resources

³² For the start of the calculation of time limits it will be necessary for AIReF to have the information that is indispensable for conducting the evaluations.

in cases where outside collaboration may be necessary. In this regard, AIReF will enter into service contracts to carry out material, technical or service activities necessary for the preparation of the commissioned study.

The actions initiated by AIReF will be conditioned by the type and quality of the information available, as well as by the effective provision of the necessary resources.

The calendar of payments to be made by the Ministry of Finance will be as follows:

- Advance payment of 10% of the total amount of the budget, at the time of provision in accordance with this Action Plan.
- First payment on account of 30% of the total budget, on 28 June 2019, with AIReF's presentation of the first report on the degree of progress.
- Second payment on account of a further 30% of the total budget, on 31 October 2019, with AIReF's presentation by of the second report on the degree of progress.
- Final payment of 30%, with the delivery of the final reports for each of the projects.

Payments shall be made upon submission of the corresponding invoice in accordance with the Royal Decree 1619/2012, of 30 November, regulating invoicing obligations and in the Law 05/2013, of 27 December, on the promotion of electronic invoicing. In the case of the payments on account and final payment linked to the delivery of the documents referred to in this section, the payment will require the corresponding certificate of conformity issued by the responsible body to be determined by the Ministry of Finance.

4. REVIEW AND MODIFICATION OF THE ACTION PLAN.

This Plan should be considered a general framework that may be subject to subsequent modifications when appropriate, in light of the evolution of the work and in terms of new needs that may emerge. Any modification shall be communicated to the Ministry of Finance with due justification.

ANNEX 1. DETAIL TAX BENEFITS

Find below the details of the general characteristics of each one of the TBs, the associated expenditure policy, the expenditure according to the TBR 2018 and, where possible, the number of beneficiaries.

Tax Benefits in PIT

1) Reduction for earnings from work

With the aim of promoting employment, lower incomes can reduce their taxable income corresponding to earnings from work³³.

At present, such a reduction applies to taxpayers with net income of less than 16,825 euros from work as long as they do not have income different than from work exceeding 6,500 euros, excluding exempt income. The maximum amount of the reduction is 5,565 euros per year, if the net earnings from work are equal to or lower than 13,115 euros. From this, the amount of the reduction decreases as the amount of net earnings increases, reaching nil for net earnings from work equal to or greater than 16,825 euros per year.

According to the TBR 2018, the number of beneficiaries amounted to 7,344,895 with an expenditure of 731.16 million euros.

2) Reduction for leasing of houses (owner) together with the deduction for renting (tenant)

With the aim of facilitating access to housing and the promotion of building, the positive net earnings³⁴ obtained by the owner (landlord) as a result of the lease will be reduced by 60%, whatever the age of the tenant. On the other hand, and under a transitional regime³⁵, the tenants may deduct 10.05% of the amounts paid in the tax period for renting their habitual residence, provided that their tax base is less than €24,107.20 per year (without prejudice to the deduction for renting the habitual residence that each Region had approved for 2017).

According to the TBR 2018, the number of beneficiaries amounted to 1,008,465 with an expenditure of 341.01 million euros in the case of the reduction for the landlord and

³³ Article 20 of the PIT Law

³⁴ Calculated as the difference between the total revenue and the necessary expenditure considered as deductibles. Article 23.2 of the PIT Law.

³⁵ Only applies to contracts until 1 January 2015.

401,338 beneficiaries and 64.38 million euros of total expenditure as a result of the deduction for the tenant.

3) Reduction for contributions to welfare systems

(Arts. 51 and 52 of PIT Law and Regulation 49 to 51)

With the aim of encouraging future savings for pensions, taxpayers who made contributions to welfare systems may reduce their taxable income to 30% of the net earnings from work and economic activities with a cap of 8,000 euros.

According to the TBR 2018, the number of beneficiaries amounted to 2,731,237 with an expenditure of 770.88 million euros.

4) Joint taxation

(Art. 84.2. 3° and 4° of PIT Law)

With the aim of supporting social services and social promotion, taxpayers who make a joint declaration may reduce their tax base. The amount varies depending on the type of family unit: 3,400 euros if it is family unit formed by the spouses and children, and 2,150 euros for single-parent families.

According to the TBR 2018, the number of beneficiaries amounted to 3,679.361 with an expenditure of 1,117.44 million euros.

5) Deductions for donations

(Arts. 68.3, 69.1 PIT Law; 69.2 Regulation)

With the aim of supporting social services and social promotion, taxpayers who make certain donations (according to the PIT Law) may deduct up to a 75% of the first 150 euros and 30% of the rest of the deduction bases (35% for repeated donations to a single entity)

According to the TBR 2018, the number of beneficiaries amounted to 3,673,186 with an expenditure of 231.24 million euros.

6) Deductions of a social nature (maternity, large family or persons with disabilities)

With the aim of supporting social services and social promotion there are several deductions related to the family: maternity deductions and deductions for large family or dependent persons with disabilities.

With regard to the former, women who undertake self-employed or employed activities, registered to the corresponding Social Security or Mutual insurance scheme and with children under three years of age can deduct up to 1,200 euros per year

from their contributions (if 1,200 has not been contributed the amount contributed will be deducted).

The amount of the deduction may be increased by up to an additional €1,000 when the taxpayer who is entitled to the same would have paid childcare costs for a child under three years of age, in day care centres or licensed child education centres, in the tax period.

With respect to the deductions for large families and dependent persons with disabilities, those taxpayers may benefit from a maximum of 1,200 euros per year per each descendant or ascendant with disabilities entitled to apply the minimum per descendant or ascendant, respectively, or for being an ascendant, or sibling who has lost both parents, that is part of a large family, or for being an ascendant that is legally separated, or unmarried, with two children without the right to receive annuity payments for food and for which they are entitled to the entirety of the minimum per descendant, up to 1,200 euros per year.

Access to the deduction when the spouse who is not legally separated is a person with a disability economically dependent on the taxpayer is recognised. In addition, the amount of the limits established for deductions for a large family is extended up to 600 euros per year for each of the children that are part of the large family at the date of accrual of this tax in excess of the minimum number of children required for the family to acquire the status of an ordinary or special category large family, as appropriate.

According to the TBR 2018, the number of beneficiaries of the deduction for maternity amounted to 848,262 with an expenditure of 781.81 million euros. On the other hand, the number of beneficiaries of the deduction for large families and people with disabilities was 1,130,333 with an expenditure of 1,102.10 million euros.

Tax benefits in CIT

7) Incentives for R+D+i

With the aim of supporting research, development and innovation, CIT allows a series of deductions in the full contribution for a series of costs related to research, development and innovation.

According to the TBR 2018, the number of beneficiaries amounted to 2,396 companies with an expenditure of 224.36 million euros.

8) Reduced rates

Different types of companies benefit from reduced rates in the CIT (cooperatives, REITs, among others).

The expenditure policy objectives are varied, but we can highlight those of "agriculture, fisheries and food", "trade, tourism and SMEs", "social services and social promotion" and "Access to housing and promotion of building".

According to the TBR 2018, the number of beneficiaries amounted to 18,654 companies with an expenditure of 618.07 million euros.

9) Donations

With the aim of promoting social services and social promotion deductions in the full contribution are permitted for gifts, donations and contributions, with a coefficient of 75% on a base of 150 euros and 30% on the excess above that amount, provided that they are made to the beneficiaries of the patronage referred to in Article 16 of the Law 49/2002 (non-profit entities and certain institutions) or in the case of donations to political parties; in other cases (foundations and associations declared to be of public interest not covered in the non-profit entities referred to in the Law 49/2002), the deduction is 10%. The deduction basis may not exceed 10% of the taxpayer's tax base. These coefficients and the limit for the deduction base is increased by five percentage points in the circumstances established in the list of priority patronage activities which is approved annually. If in the two tax periods immediately prior gifts, donations or contributions have been made with right of deduction in favour of the same entity in an amount equal to or greater than, in each of them, than in the previous year, the coefficient of deduction applicable to the amount exceeding 150 euros will be 35% (Articles 68.3(a) and (b) and 69.1 of the PIT Law, article 19 and fourth transitional provision of the Law 49/2002).

According to the TBR 2018, the number of beneficiaries amounted to 10,190 companies with an expenditure of 115.74 million euros.

Tax Benefits of VAT

10) Reduced rates in VAT (10%)

With various expenditure policy objectives all of the supplies of goods and services that are included in article 91. One of the VAT Law apply a reduced rate of 10%.

According to the TBR 2018, expenditure on reduced VAT rates of 10% amounted to 8,668.29 million euros.

11) Social exemptions of Article 20 of the VAT Law: healthcare and education

With the aim of supporting the healthcare and education policies, the VAT allows a series of exemptions to the provision of certain services. With regard to healthcare this

refers to inpatient services or health care provided by public entities or by private entities or establishments under an authorised or communicated price system and other similar operations according to article 20. One, numbers 2, 3, 4, 5 and 15, of the VAT Law.

With regard to education the exemption extends to both formal education, imparted by public or private entities, as well as tutoring provided by individuals (article 20. One, numbers 9 and 10 of the VAT Law).

According to the TBR 2018, the expenditure on exemptions and reduced tax rates attributed to these expenditure policies amounted to 4,574.46 million euros.

12) Exemption of financial services

The realisation of certain financial operations, including those relating to: cash deposits and their transmission, the granting of monetary credit and loans and other related operations, transfers, money orders, cheques, bills of exchange and other payment orders, purchase, sale or exchange of currency, banknotes and coins, services relating to shares, holdings in companies and bonds, the management and deposit of CIUS are exempt in the CIT. This exemption does not extend to the services delivered to the assignor in the framework of "factoring" contracts, with the exception of those relating to advances of funds which, in turn, can be provided in these contracts (Article 20. One, number 18, of the VAT Law).

Tax benefits in Excise Duties (ED)

13) Reduced rates for Tax on Hydrocarbons (diesel/petrol)

With the aim of supporting industrial, energy, agriculture, fishing and food policies, the tax on hydrocarbons has reduced rates.

Diesel oils intended for use as fuel in all engines, except those that are used for the propulsion of objects or devices which have been authorised or are likely to be authorised for circulation on public roads and land, as well as the engines used for propulsion of ships and recreational craft. These engines are mainly those of tractors and agricultural machinery, stationary engines, mining machinery and engines of the machines used in construction, civil engineering, and public works and services (section 1.4 of article 50.1 and Article 54.2 of the ST Law). In accordance with the approach taken in previous budgets, the diesel taxed at the reduced rate intended for heating (diesel C) is not considered to generate a tax benefit, as it is used as a combustible and, therefore, different from fuel.

According to the TBR 2018, expenditure amounted to 390.91 million euros.

ANNEX 2. DETAIL OF RECRUITMENT INCENTIVES

The following are the characteristics of each of these incentives. The document "Subventions/reductions in recruitment" published by the SEPE in September 2018 was used for their description.

14) Young people under the age of 30 years.

There are several types of incentives for young people under the age of 30 years:

- Generally benefits are given for contracts to support entrepreneurs under the age of 30 years³⁶, who are registered as job seekers in companies with less than 50 workers. The duration of the incentive is three years and the percentages vary depending on:
 - o Year of application: it is reduced each year
 - o Territory: a differentiation is made between the Canary Islands and the rest of Spain
 - o Group: the percentage is higher in the case of women in occupations in which the group is less represented
- Part-time recruitment with educational link³⁷ allows a reduction of the employer's contributions, depending on the company's workforce, of 100% when the company has less than 250 workers and 75% otherwise.

The duration is 12 months, which can be extended for a further 12.

- The recruitment of a young person by micro-companies and self-employed entrepreneurs³⁸ allows a reduction of the contribution for common contingencies of 100%.

The duration is 12 months.

³⁶ Law 3/2012

³⁷ Law 11/2013

³⁸ Law 11/2013

- The training and apprenticeship contract³⁹ allows a reduction of the employer's contributions, depending on the company's workforce, of 100% when the company has less than 250 workers and 75% otherwise.

The duration matches the duration of the contract.

The internship contract⁴⁰ consists of a reduction in contributions throughout the term of the contract.

15) People aged over 45 years

There are several types of incentives for those aged over 45 years:

- Generally bonuses are given to contracts to support entrepreneurs⁴¹ through a bonus that varies depending on the territory (the Canary Islands and the rest of Spain) and special groups (women in occupations in which the group is less represented).

The duration is three years.

- For unemployed workers over the age of 52 years benefiting from the subsidies referred to in article 274 of the Royal Legislative Decree 8/2015, full-time and indefinitely⁴², there is a bonus according to the Programme for the Promotion of Employment and depending on the group (Law 43/2006 or Law 3/2012)
- The recruitment in new young entrepreneurship projects⁴³ allows for a reduction in the Social Security contribution of 100%.

The duration is 12 months.

16) Women with under-representation in certain professions and trades

Article 3 of Law 64/1997, of 26 December, establishes a bonus of 60% of the Social Security contribution in new contracts for women to provide services in professions or trades in which women are under-represented.

17) Transformation of temporary contracts into permanent ones

³⁹ Law 3/2012

⁴⁰ Law 11/2013

⁴¹ Law 3/2012

⁴² Law 45/2002

⁴³ Law 11/2013

There are several types of incentives for the transformation of temporary contracts into permanent ones:

- There are subventions or reductions to the employers' social security contributions, differentiating between men and women, and depending on whether the permanent contract created by the company would use workers from a temporary recruitment agency who were recruited under the modality of:
 - o Training and Apprenticeship (Law 11/2013)
 - o Internship (Law 3/2012)
 - o Temporary first youth employment (Law 11/2013)

- There are subventions or reductions to the employers' social security contributions, differentiating between men and women, and depending on whether the conversion of the contract is by:
 - o First youth employment (Law 11/2013)
 - o Internship (Law 3/2012)
 - o Relief (Law 3/2012)
 - o Replacement for retirement (Law 3/2012)
 - o For training and apprenticeship (Law 3/2012)
 - o For training and apprenticeship with accompaniment aid (Law 6/2018)

18) Flat rate for self-employed workers

Measure intended to boost self-employment that consists in establishing the contribution for common contingencies at 50 euros per month.

In principle self-employed workers that register for the first time or had not been registered in the two years immediately preceding, who opt for the minimum contribution base, can opt for this subvention or reduction. And self-employed workers with disabilities, victims of gender-based violence and victims of terrorism that register for the first time or had not been registered in the two years immediately preceding, who opt for the minimum contribution base.

19) Reductions

There are several types of reductions (Law 20/2007):

- There are 50% allowances on the contribution base for common contingencies for Ceuta and Melilla, indefinitely.
- There are allowances of 100% on the contribution rate applied to the average base that the self-employed worker had had in the 12 months prior to the cessation in the case of temporary posting. The duration is the rest period (minimum one month)
- There are allowances on the contribution rate applied to the minimum base of the corresponding type of contribution in force at the time for the category of family associate. The duration is 24 months.
- Allowances on the contribution for common contingencies (under certain conditions) for conciliation of the personal and family life linked to recruitment. The duration is up to 12 months provided that the worker remains employed during the time the bonus is enjoyed.
- Allowance of 50 euros per month for common contingencies including temporary disability for the collective of people who have been reintegrated into society. The duration is 12 months.