

Spain

Tax System

Tax Unit

Since 1989 couples can choose to present individual or joint income returns, according to their interest. Sole earners, either married or single, can choose only individual taxation. For joint taxation, all members of the family have to choose joint taxation. Children younger than 18 years obtaining income can be included as well.

Generally it is the case that individual taxation is better for the couple, except when the income is unevenly distributed and some low income couples. In 1996 the proportion of joint or individual income returns was 61% individual and of 39% joint.

Tax bands

In 1996, the minimum threshold was established at Pta 1,100,00 for individual income tax return, and in Pta 1,200,000 for joint income tax returns. This means that those who do not get to those minimum are not obliged to pass this legal obligation¹

The „Tax Base” is the gross income of the worker. If the gross income is between one of these figures, the rest of the base over the lower figure is taxed applying the tax rate in the last column (the marginal tax rate). Since sole earners can only choose individual taxation, the tax free allowance is Pta 430,000 in any case, either married or single workers.

The table below shows the tax to be paid in individual and join taxation.

¹ This does not mean that no fiscal pressure is levied, as there exists the legal obligation to employers to retain a fraction of the wage, as a prepayment of income tax.

Individual Income Tax Return			
Base	Payable Tax	Rest of the base	Tax Rate
0	0	430000	0
430000	0	642000	20
1072000	128400	610000	22
1682000	262600	610000	24,5
2292000	412050	610000	27
2902000	576750	610000	30
3512000	759750	610000	32
4122000	954950	610000	34
4732000	1162350	610000	36
5342000	1381950	610000	38
5952000	1613750	610000	40
6562000	1857750	610000	42,5
7172000	2117000	610000	45
7782000	2391500	610000	47
8392000	2678200	610000	49
9002000	2977100	610000	51
9612000	3288200	610000	53,5
10222000	3614550		56
Joint Income Tax Return			
Base	Payable Tax	Rest of base	Tax Rate
0	0	857000	0
857000	0	1285000	20
2142000	257000	670000	24,5
2812000	421150	670000	27
3482000	602050	670000	30
4152000	803050	670000	32
4822000	1017450	670000	34
5492000	1245250	670000	36
6162000	1486450	670000	38
6832000	1741050	670000	40
7502000	2009050	670000	42,5
8172000	2293800	670000	45
8842000	2595300	670000	47
9512000	2910200	670000	49
10182000	3238500	670000	51
10852000	3580200	938000	53,5
11790000	4082030		56

Main Tax Allowances in the Income Tax²

Type	Allowance	Limit
Children or grandchildren*	<ul style="list-style-type: none"> • 21,500 for the first two • 26,000 for the third • 31,000 from the fourth 	Child under 30 (single), with yearly income lower than Pta 908,880.
Parents, Grandparents under 75*	Pta 16,000 each	Income below Pta 908,880.
Parents, Grandparents over 75*	Pta 32,000 each	
Handicapped*	Pta 56,000 each	Income of the handicapped below Pta 908,880. Compatible with the allowances above.
Individuals over 65	Pta 16,000. In joint taxation, the allowance is also for the spouse.	
Rent of home ³	15% of the expenses	Pta 100,000 per year
Expenses for illness or medical insurance.	15% of the expenses	
Expenses for childcare ⁴	15% of the expenses	Pta 25,000
Expenses for life insurance	10%	30% of gross income
Investment in housing (purchase or repairs)	15% of the investment or of the amount saved for this. ⁵	30% of gross income
Dependent work	between 27,000 and 72,000**	

*They must live with the individual. They are relatives of any member of the couple. If they live with the couple, the allowance is split between both partners.

**In individual taxation, this allowance depends on the non-wage income of the individual: Above Pta 2,000,000, the allowance is 27,000. Below 2,000,000, the allowance depends on net wages. For net wage under 1,071,000, the allowance is 72,000. For net wages between 1,071,000 and 1,971,000, the allowance equals $72,000 - (0.5(\text{net wage} - 1,071,000))$. For net wages above 1,971,000, the allowance is 27,000. In joint taxation the allowance is 27,000 per member, independently of the wage or any other income.

The Spanish Income Tax has been recently reformed. The new Law will apply next year (1999, in the income tax returns of 2000). The system of allowances is different from the one existing so far.

² Other allowances are for: acquisition of house or flat before 1990, investment in cultural goods, incentives to employers, investments in the Canary Islands, donations, participations in firms, local taxes and income obtained in Ceuta or Melilla.

³ This allowance is applied under a level of income, which is Pta 3,500,000 for individual income tax returns and 5,000,000 for joint income tax returns.

⁴ The children must be under 3. This allowance is only applied when the total level of income is under Pta 2,000,000 for individual tax returns and Pta 3,000,000 in joint tax returns.

⁵ The money saved with the intention of buying the accommodation of the family (min accommodation) in a special account.

Social Security System

Structure and contributions

The Constitution (art 41) establishes that the government has the obligation of protecting the citizens by maintaining a system of social security to guarantee the welfare in the event of necessity. The main regulation is the General Law of the Social Security (LGSS) (Royal Decree-Law 1/1994 and Decree 2065/1974) and several by laws as the one of Contribution and Liquidation (Royal Decree 2064/1995).

The resources to finance the Social Security system come from three sources:

- a) Contributions of entrepreneurs and workers: both entrepreneurs and workers pay contributions to finance the Social Security system.
- b) Permanent contributions from the State, established in the National Budget, and other agreed occasional contributions.
- c) Other rents, interests and incomes

The Spanish Social Security system is divided into two regimes:

A. The General Regime: affiliation to the General Regime is compulsory for all the employees (working for others, or put on a level with them), older than 16 years, independently of the type of contract, except for the employees included in the Special Regimes.⁶

Benefits obtained after paying contributions (*prestaciones contributivas*): these benefits are directed to all the Spanish citizens living in the country and working (employees or self-employed), independently of the type of contract, professional category and remuneration. These benefits protect the following situations: retirement, permanent disability, death and survival, temporary disability, protection of the family and health insurance.

B. The Special Regimes: they cover the following activities, due to their special nature: agriculture, forestry and cattle raising, workers of the sea, self-employed workers, domestic service, students, civil and military servants and employees of military institutions.⁷ Affiliation is also compulsory.

The payment of the Social Security contributions is compulsory. The obligation starts when the worker starts working (including the trial period) and gets affiliated. The obligation continues for all the period in which the individual is working and in the following situations: temporary disability, maternity leave, public duties (which do not involve leave of absence), Special Agreement and unemployment. Both workers and employers have to pay contributions.

The total contribution can be divided in the contributions for the following concepts (Royal Decree 1637/1995; Ministerial Order 22-2-1996):

A. Contributions for “common contingencies”: contribution to cover the benefits included in the Social Security General Regime. This contribution is compulsory for workers and employers.

⁶ The staff (both civil servants and contracted people) of the Local Administration is also included.

⁷ There are other special regimes, integrated in the General Regime, that cover artists, railwaymen, soccer players, etc.

B. Contributions for “professional contingencies”: they cover the professional illness and accidents of the employees. It consists of:

- contributions for temporary disability.
- contributions for disability, death and survival.

These contributions are compulsory for employers.

C. Other contributions:

- Unemployment insurance
- Wage Guarantee Fund
- Vocational training

D. Contributions for overtime work.

Observe that the Spanish system does not differentiate the contributions for pensions and for health care. Unemployment insurance is financed by different contributions.

The amount of the contribution is determined by the application of a percentage (rate of contribution) established by the government and different for each contingency, over the worker's remuneration (base of contribution). Both the limits of the base of contribution (the upper and the lower base) and the rates of contribution are established every year in the National Budget (for 1996, Royal Decree-Law 12/1995).

The general rates of contribution for 1996 (which were identical in 1995) are:

Rates of Contribution 1996

		Employer	Worker	Total
Common Contingencies		23.6	4.7	28.3
Unemployment		6.2	1.6	7.8
Wage Guarantee Fund		0.4	-	0.4
Vocational Training		0.6	0.1	0.7
Structural overtime		12	2	14
Normal overtime		23.6	4.7	28.3

If the base is lower than the lower limit, the contribution is calculated on the lower limit, independently of the working time (this is different for the part-time contract, as explained below).⁸

Due to its nature, some situations have their own regulation for Social Security contributions, as temporary disability, maternity leave, unemployment, suspension of contract or short-time working.⁹ (Also part-time contracts have a different regulation, as described below).

⁸ The bases of contribution must be normalised: the daily base is the nearest multiple of 10 of the calculated base. The daily base is multiplied by the days of the month. This result is approximated to the nearest multiple of 300.

⁹ There is also a specific regulation when a worker has more than one job.

Benefits

The workers affiliated and registered with the Social Security are entitled to benefits in the following situations:

- Illness (health care)
- Temporary disability
- Maternity
- Disability
- Retirement
- Unemployment
- Death
- Dependent children

The social security benefits also include social assistance and social services, and assistance for professional recovery.

These benefits are the minimum, and can be improved voluntarily.

Assumptions for the model calculations

Data of the used average income come from the Wages in Industry and Services Survey (*Encuesta de salarios en la industria y los servicios*), 1996, published by the INE (*Instituto Nacional de Estadística*). The calculation of the "average income" is based on "total payments", including the normal salary, over-time payments, extraordinary payments (i.e. *pagas extraordinarias*) and delayed payments.

"Male Average Income": monthly average earnings of the last quarter for full-time male employees (Pta 251,083), multiplied by 12 months. "Female Average Income": monthly average earnings of the last quarter for full-time female employees (Pta 187,992), multiplied by 12 months. "Female Average Income in the case of part time": monthly average earnings of the last quarter for part-time female employees (Pta 57,612), multiplied by 12 months. "Female Average Income in the case of marginal part time": average hourly earnings in the last quarter for part-time female employees (Pta 708), multiplied by 48 hours a month and 12 months a year. Hence, we assume that the marginal part-time contracts are of 12 hours per week.

The paid tax is calculated through the following steps :

1. The gross income is used as a basis for taxable income, because tax allowances are not considered. (In general, these allowances are considered in the calculation of the income tax to take into account the personal characteristics of the individual or the couple, except children allowance).
2. The gross amount of tax to pay is calculated applying in the following examples:

Example 1.

Single person, with gross earnings of Pta 4,560,000 per year.

Up to Pta 4,122,000 pays a tax of Pta 954,950. For the residual $(4,560,000 - 4,122,000) = 438,000$ pays a tax rate of 34%, e.g. $438,000 \times 34\% = 148,920$

Hence total income tax is $954,950 + 148,920 = 1,103,870$ pta. which represents

$(1,103,870 / 4,560,000) \times 100 = 24.20\%$ of gross income.

Example 2:

Couple with joint income equal to Pta 5,340,000.

Up to 4,822,000 pay a tax of 1,017,450. For the residual 518,000 a tax rate of 34% is applied. Hence, $518,000 \times 34\% = 176,120$ Pta.

Total income tax is $1,017,450 + 176,120 = 1,193,240$ which represents a 22.34% of gross income.

Example 3:

Couple with joint income equal to Pta 5,340,000 and two children.

Up to 4,822,000 pay a tax of 1,017,450. For the residual 518,000 a tax rate of 34% is applied. Hence, $518,000 \times 34\% =$ Pta 176,120.

The tax children allowance is equal to Pta 21,500 for each children, which can be deduced from the payable tax. Hence in this case, total income tax is equal to $1,017,450 + 176,120 - (21,500 \times 2) = 1,150,570$, which represents a 21.54% of gross income.

Note that if the couple chooses individual income returns, the children allowance may be split between both parents.

Since it is possible for the couple to choose between individual and joint taxation, we make the calculation of net income when the male and the female choose individual taxation ($M(i) + F(i)$) and when the couple chooses joint taxation ($M + F$). We assume that the couple will choose the taxation that provides the higher net income. In all the tables, the figure that represents the higher net income is underlined.

In all the tables we offer a figure for "net income after taxes". Since it is possible for the couple to choose between individual and joint taxation, we make the calculation of net income when the male and the female choose individual taxation ($M(i) + F(i)$) and when the couple chooses joint taxation ($M + F$). We assume that the couple will choose the taxation that provides the higher net income. In all the tables, the figure that represents the higher net income is underlined.

For income tax, a married sole earner is equal to a single earner.

There are upper and lower limits for the base of contribution. In the case of full time/marginal part time, the base of contribution is within the limits (i.e. for Engineers and University degrees, the upper limit is Pta 374,880 and the lower limit is Pta 113,070)

In the rate of contribution for “pensions and health”, we consider the rate of contribution for “common contingencies” (the Spanish Social Security system does not distinguish between the contribution for pensions, health, maternity benefits, temporary disability for nonprofessional contingencies, etc. See the description of the Social Security). Although the base of contribution for common contingencies does not include overtime payments, we have to include them since the data on earnings include overtime earnings.

The Social Security contribution for part-time workers is calculated in a hourly basis, with a minimum base for Engineers and University Degrees of Pta 565 per hour. The hourly wage of a marginal part-time worker is Pta 708, greater than the minimum base. For the other part time combinations considered we do not know the number of hours effectively worked, but we have the earnings. We assume that the earnings coincide with the monthly base of contribution, and the number of worked hours is such that hourly earnings are greater than the lower base.

Marginal part-time workers have a different rate of contribution: 1.41% for common contingencies

If both workers were wage earners, calculations would be slightly different, since there is an allowance on dependent work (maximum amount Pta 72,000 to be subtracted from net income)

The minimum threshold is established at Pta 1,100,000 for individual income tax payment. It is assumed that since the female has low earnings, she does not declare these, as there is no legal obligation. We are living aside the fact that usually the Treasury retains a proportion of the income as a pre-payment for income tax; if the pre-payment is above the tax obligation, the Treasury reimburses the difference, although it is necessary to present the tax declaration. In that case, since nontaxable income for individual taxation is 430,000, the worker would pay a small amount (in this case, 4,75%).

Average male incomes for men and women

Income After Taxes and Social Security Contributions: Average Income

	Gross Earnings			Income Tax in %			Social Security Contributions in %						Net Income					
							Total		Ps+hilth		unemp:							
	M	F	M+F	M(i)	F(i)	(M+F)	M	F	M	F	M	F	M(i)	F(i)	M(i)+F(i)	(M+F)	% of M(i)+F(i)	% of (M+F)
Single	3012996			20.25			6.4		4.7		1.6		2210116	0	2210116		73.35	
Sole Earner	3012996			20.25			6.4		4.7		1.6		2210116	0	2210116		73.35	
FT/Pt. Time	3012996	542016	3555012	20.25	0	17.47	6.4	1.41	4.7	1.41	1.6		2210116	534373.6	2744490	<u>2769011</u>	77.2	<u>77.89</u>
	3012996	753249	3766245	20.25	0	18.25	6.4	6.4	4.7	4.7	1.6	1.6	2210116	705041.1	<u>2915157</u>	2837882	<u>77.4</u>	75.35
	3012996	1506498	4519494	20.25	14.86	20.37	6.4	6.4	4.7	4.7	1.6	1.6	2210116	1186148	<u>3396264</u>	3309598	<u>75.15</u>	73.23
	3012996	2259747	5272743	20.25	17.88	22.2	6.4	6.4	4.7	4.7	1.6	1.6	2210116	1710975	<u>3921091</u>	3764585	<u>74.37</u>	71.4
Both Full time	3012996	3012996	6025992	20.25	20.25	23.85	6.4	6.4	4.7	4.7	1.6	1.6	2210116	2210116	<u>4420233</u>	4202842	<u>73.35</u>	69.75

Average male incomes for men and women

Income After Taxes and Social Security Contributions: High Income Income

	Gross Earnings			Income Tax in %			Social Security Contributions in %						Net Income					
							Total		Ps+hlth		Unemp:							
	M	F	M+F	M(i)	F(i)	(M+F)	M	F	M	F	M	F	M(i)	F(i)	M(i)+F(i)	(M+F)	% of M(i)+F(i)	% of (M+F)
Single	6025992			27.27			4.7		3.5		1.2		4094738					
Sole Earner	6025992			27.27			4.7		3.5		1.2		4094738					
FT/Pt. Time	6025992	542016	6568008	27.27	0	24.98	4.7	1.41	3.5	1.4	1.2		4094738	534373.6	4629112	4631725	70.48	70.52
	6025992	753249	6779241	27.27	0	25.39	4.7	6.4	3.5	4.7	1.2	1.6	4094738	705041.1	4799779	4722124	70.8	69.66
	6025992	1506498	7532490	27.27	14.87	26.84	4.7	6.4	3.5	4.7	1.2	1.6	4094738	1186093	5280831	5126158	70.11	68.05
	6025992	2259747	8285739	27.27	17.88	28.3	4.7	6.4	3.5	4.7	1.2	1.6	4094738	1710975	5805713	5508225	70.07	66.48
	6025992	3012996	9038988	27.27	20.25	29.74	4.7	6.4	3.5	4.7	1.2	1.6	4094738	2210116	6304854	5870364	69.75	64.94
Both Full time	6025992	4519494	10545486	27.27	24.12	32.47	4.7	6.4	3.5	4.7	1.2	1.6	4094738	3141489	7236227	6545793	68.62	62.07
	6025992	6025992	12051984	27.27	27.27	35.09	4.7	4.7	3.5	3.5	1.2	1.2	4094738	4094738	8189476	7247427	67.95	60.13

Average male incomes for men and women

Income After Taxes and Social Security Contributions: Low Income

	Gross Earnings			Income Tax in %			Social Security Contributions in %						Net Income					
							Total		Ps+hlth		unemp:							
	M	F	M+F	M(i)	F(i)	(M+F)	M	F	M	F	M	F	M(i)	F(i)	M(i)+F(i)	(M+F)	% of M(i)+F(i)	% of (M+F)
Single	2259747			17.88			6.4		4.7		1.6		1710975					
Sole Earner	2259747			17.88			6.4		4.7		1.6		1710975					
FT/Pt. Time	2259747	542016	2801763	17.88	0	14.94	6.4	1.41	4.7	1.4	1.6		1710975	534373.6	2245349	2230856	80.14	79.62
	2259747	753249	3012996	17.88	0	15.78	6.4	6.4	4.7	4.7	1.6	1.6	1710975	705041.1	2416016	2344746	80.19	77.82
	2259747	1506498	3766245	17.88	14.87	18.25	6.4	6.4	4.7	4.7	1.6	1.6	1710975	1186093	2897068	2837882	76.92	75.35
Both Full time	2259747	2259747	4519494	17.88	17.88	20.37	6.4	6.4	4.7	4.7	1.6	1.6	1710975	1710975	3421950	3309598	75.72	73.23

Gender specific incomes:

Income after Taxes and Social Security Contributions: Average Income

	Gross Earnings			Income Tax in %		Social Security Contributions in % ¹⁰						Net Income			
						Total ¹¹		Pns+Hlth		Unemployment.					
	M	F	M+F	M	F	M	F	M	F	M	F	M	F	M+F	% of M+F
Single	3,012,996	--	--	20.24%	--	6.4%	--	4.7%	--	1.6%	--	2,210,116	--	--	--
Sole Earner	3,012,996	0	--	20.24%	--	6.4%	--	4.7%	--	1.6%	--	2,210,116	0	--	--
Married															
F/Pt. Time ¹²	3,012,996	407,808	3,420,804	20.24%	0	6.4%	1.41% ¹³	4.7%	1.41%	1.6%	--	2,210,116	402,055	2,636,692	77.07%
	3,012,996	563,976	3,576,972	20.24%	0	6.4%	6.4%	4.7%	4.7%	1.6%	1.6%	2,210,116	527,880	2,717,503	75.97%
	3,012,996	1,127,952	4,140,948	20.24%	12.47%	6.4%	6.4%	4.7%	4.7%	1.6%	1.6%	2,210,116	915,051	3,076,190	74.28%
Both. F.time	3,012,996	1,691,928	4,704,924	20.24%	15.66%	6.4%	6.4%	4.7%	4.7%	1.6%	1.6%	2,210,116	1,318,612	3,423,823	72.77%
	3,012,996	2,255,904	5,268,900	20.24%	17.87%	6.4%	6.4%	4.7%	4.7%	1.6%	1.6%	2,210,116	1,708,320	3,762,294	71.40%

¹⁰ In the rate of contribution for “pensions and health”, we consider the rate of contribution for “common contingencies” (the Spanish Social Security system does not distinguish between the contribution for pensions, health, maternity benefits, temporary disability for nonprofessional contingencies, etc. See the description of the Social Security). Although the base of contribution for common contingencies does not include overtime payments, we have to include them since the data on earnings include overtime earnings.

¹¹ In addition to pensions, health and unemployment, in the total rate of contribution we also include “vocational training” (see the description of the Social Security system).

¹² The Social Security contribution for part-time workers is calculated in a hourly basis, with a minimum base for Engineers and University Degrees of Pta 565 per hour. The hourly wage of a marginal part-time worker is Pta 708, greater than the minimum base. For the other part time combinations considered we do not know the number of hours effectively worked, but we have the earnings. We assume that the earnings coincide with the monthly base of contribution, and the number of worked hours is such that hourly earnings are greater than the lower base.

¹³ Marginal part-time workers have a different rate of contribution: 1.14% for common contingencies

Gender specific incomes:

Income after Taxes and Social Security Contributions: High Income

	Gross Earnings			Income Tax in %		Social Security Contributions in %						Net Income			
						Total		Pns+Hlth		Unemployment.					
	M	F	M+F	M	F	M	F	M	F	M	F	M	F	M+F	% of (M+F)
Single	6,025,992	--	--	27.27%	--	4.77% ¹⁴	--	3.5%	--	1.2%	--	4,094,738	--	--	--
Sole Earner	6,025,992	0	--	27.27%	--	4.77%	--	3.5%	--	1.2%	--	4,094,738	0	--	--
Married															
F/Pt. Time	6,025,992	407,808	6,433,800	27.27%	0	4.77%	1.41%	3.5%	1.41%	1.2%	--	4,094,738	402,055	4,550,405	70.72
	6,025,992	563,976	6,589,968	27.27%	0	4.77%	6.4%	3.5%	4.7%	1.2%	1.6%	4,094,738	527,880	4,616,887	70.72
	6,025,992	1,127,952	7,153,944	27.27%	12.47%	4.77%	6.4%	3.5%	4.7%	1.2%	1.6%	4,094,738	915,051	4,924,017	68.82
Both. F.time	6,025,992	1,691,928	7,717,920	27.27%	15.66%	4.77%	6.4%	3.5%	4.7%	1.2%	1.6%	4,094,738	1,318,613	5,220,912	67.64
	6,025,992	2,255,904	8,281,896	27.27%	17.87%	4.77%	6.4%	3.5%	4.7%	1.2%	1.6%	4,094,738	1,708,320	5,506,357	66.48
	6,025,992	3,383,856	9,409,848	27.27%	21.31	4.77%	6.4%	3.5%	4.7%	1.2%	1.6%	4,094,738	2,445,983	6,043,185	64.22
	6,025,992	4,511,808	10,537,800	27.27%	24.10	4.77%	6.4%	3.5%	4.7%	1.2%	1.6%	4,094,738	3,135,568	6,541,178	62.07

¹⁴ Male monthly earnings are Pta 502,166, which are greater than the upper limit of the base of contribution. Hence we consider for the calculation of the contribution the upper limit, Pta 374,880. Thus, the total percentage that total contributions to Social Security represent with respect to gross income is 4.77% instead 6.4%. The same happens with Pension+Health. This also applies to table 8A.

Gender specific incomes:

Income After Taxes and Social Security contributions: Low Income

	Gross Earnings			Income Tax in %		Social Security Contributions in %						Net Income			
						total ¹⁵		Pns+h/lt.		Unemplt.					
	M	F	M+F	M	F	M	F	M	F	M	F	M	F	M+F	% of (M+F)
Single	2,259,747	--	--	17.88%	--	6.4%	--	4.7%	--	1.6%	--	1,710,975	--	--	--
Sole earner	2,259,747	0	--	17.88%	--	6.4%	--	4.7%	--	1.6%	--	1,710,975	0	--	--
Married															
Full/Pt.Time	2,259,747	407,808	2,667,555	17.88%	0	6.4%	1.41%	4.7%	1.41%	1.6%	--	1,710,975	402,055	2,131,418	79.90%
	2,259,747	563,976	2,823,723	17.88%	0	6.4%	6.4%	4.7%	4.7%	1.6%	1.6%	1,710,975	527,880	2,218,688	78.57%
	2,259,747	1,127,952	3,387,699	17.88%	12.47%	6.4%	6.4%	4.7%	4.7%	1.6%	1.6%	1,710,975	915,051	2,594,295	76.57%
Both F. time	2,259,747	1,691,928	3,951,675	17.88%	15.66%	6.4%	6.4%	4.7%	4.7%	1.6%	1.6%	1,710,975	1,318,612	2,955,815	74.79%

¹⁵ The monthly wage is Pta 188,312, which lies in between upper and lower bases. We take this figure as the base of contribution.