Special Feature: Non-tax Compulsory Payments as an Additional Burden on Labour income

This Special Feature has been prepared by Bert Brys; it has benefited from comments by Maurice Nettley, Stéphane Buydens and Alastair Thomas. The modelling of the NTCPs in the Taxing Wages country calculation files was undertaken by Bert Brys and Alastair Thomas. This Special Feature also draws on input from Delegates to the Working Party No. 2 on Tax Policy Analysis and Tax Statistics of the Committee on Fiscal Affairs.

1. Introduction

It is compulsory for employers in 19 OECD member countries to make payments for their employees which do not qualify as taxes and social security contributions. Also employees might have to pay additional contributions – mainly social insurance contributions – that are not taxes; this is the case in 8 OECD member countries. These "*non-tax compulsory payments*" (NTCPs) will either increase the employer's labour costs or reduce the employee's net take-home pay in a similar way to taxes. There are in total 21 OECD member countries where it is compulsory for employers and/or employees to make non-tax compulsory payments in relation to the employee's labour activity.

Non-tax compulsory payments are not modelled in *Taxing Wages* simply because they are not defined as taxes. However, some OECD member countries indicated an interest in measures that show the combined impact of taxes and non-tax compulsory payments. In addition to the well-known "tax wedges", Working Party 2 of the OECD Committee of Fiscal Affairs therefore decided in 2009 to start calculating "*compulsory payment wedges*" which combine taxes, non-tax compulsory payments and benefits into overall "*compulsory payment indicators*". These new indicators will not be presented in the *Taxing Wages Report* (except for this Special Feature). Instead, the compulsory payment indicators will be included in the OECD online tax database *www.oecd.org/ctp/taxdatabase* as from the 2010 edition of the *Taxing Wages Report* onwards.

Section 2 of this Special Feature presents the main tax and non-tax compulsory payment definitions. Section 3 then discusses the reasons for calculating the compulsory payment indicators. Section 4 presents the compulsory payment indicators in more detail. Section 5 then provides an overview of the non-tax compulsory contributions which are levied on labour income in OECD member countries in 2009. Section 6 presents the empirical results; the analysis focuses on average and marginal compulsory payment wedges and rates as well as the change in total labour costs and net take-home pay as a result of NTCPs.

2. Tax and non-tax compulsory payment definitions

Taxing Wages models *taxes* that are levied on wage earnings and which are *generally applicable* to taxpayers within at least one of the family types that are considered in the publication. These family types are distinguished by income level, marital status and number of children. Benefits that are generally available to such families are also modelled.

Taxes

The OECD defines taxes as *compulsory unrequited payments to general government* (OECD *Revenue Statistics* (2009)).

- Taxes are *compulsory* in the sense that government imposes an obligation on taxpayers to pay a particular amount (in cash). Government sets the rules that determine the tax base and the rates that are applied to this tax base;

- Taxes are *unrequited* in the sense that benefits provided by government to taxpayers are not normally in proportion to the payments made by taxpayers. This means that there has to be a redistributive element – implying redistribution across households – in order for a payment to be considered a tax;
- Taxes are paid to *general government*, which is defined to include:
  - the central administration and agencies whose operations are under its effective control;
  - state and local governments and their administrations;
  - social security funds/schemes;
  - autonomous government entities.

Compulsory social security contributions paid to general government are also treated as taxes. Being compulsory to general government they clearly resemble taxes. They may, however, differ from other taxes in that the receipt of social security benefits depends, in most countries, upon appropriate contributions having been made, although the size of the benefits is not necessarily related to the amount of the contributions, which implies that social security contributions are unrequited payments.

Non-tax compulsory payments

Non-tax compulsory payments (NTCPs) refer to the following compulsory payments made by employers or employees in connection with the employees' labour activity:

- *Requited and unrequited compulsory payments to privately-managed funds, welfare agencies or social insurance schemes outside general government and to public enterprises.*

  The following bodies are considered to be outside general government:

  - public enterprises, which are defined as "corporations, quasi-corporations,[1] non-profit institutions or unincorporated businesses that are subject to control by government units, with control over the enterprise being defined as the ability to determine general enterprise policy by choosing appropriate directors, if necessary";
  - non-government bodies;
  - welfare agencies and social insurance funds/schemes outside general government;
  - trade unions or trade associations (even where such levies are compulsory).

  Compulsory payments to general government earmarked for bodies outside general government are also excluded if the government is simply acting in an agency capacity.

  Compulsory contributions to social insurance schemes that are not institutions of general government, even though these schemes might have been imposed by government, private insurance companies, provident funds,[2] pension funds, friendly societies or other private saving schemes are therefore not social security contributions/taxes but NTCPs.

- *Requited compulsory payments to general government made by employees or employers.*

  Payments are considered to be requited if the value of the benefits is (normally) in proportion to the payments (entitling individuals to receive the benefits) that are made. Compulsory payments to publicly-managed pension funds that entitle individuals to a pension that is an actuarially fair reflection of the contributions made are therefore NTCPs rather than taxes. However, this definition does not imply that requited payments have to accumulate at a market-based return.

Note that *compulsory*[3] in the non-tax compulsory payment definition does not necessarily imply that government sets the rate that has to be paid. In the case of work-related private insurance, for instance, government might oblige the employer to insure its employees against work-related accidents with a private insurance company. The premium/rate of this insurance, however, could be set by the private insurance company.

Borderline issues regarding the definition of taxes and NTCPs

Although the dividing line between taxes and non-tax compulsory payments is clearly defined, in practice, however, it is not always straightforward to decide whether specific payments are taxes or NTCPs. For instance, compulsory pension savings that are controlled by general government and that accumulate on an individual account earning a market return or a rate that compensates for inflation would at first sight not be categorized as taxes. However, these payments might still be 'unrequited' and therefore classify as taxes instead of NTCPs (for example if these pension savings are not paid out if the taxpayer dies before (s)he reaches the pension age and the funds are then used to provide a minimum pension to all taxpayers that are insured).

The analysis in this Special Feature (see Table S.6) suggests there are currently no compulsory *requited* payments to general government levied on labour income in OECD countries. This means that all types of compulsory payments to general government to some extent have a redistributional element, implying they are taxes rather than NTCPs. Note however that this conclusion is also the result of the typically broad interpretation of the term "unrequited" in the tax definition.

Borderline issues not only arise because of the "unrequited" definition but complexity arises also with respect to the definition of "general government". Compulsory unrequited payments to funds that are largely controlled by general government, especially with respect to the most important characteristics of these payments, are typically classified as taxes and not as NTCPs, even though a strict interpretation of the "general government" definition would result in the opposite conclusion.

Standard personal income tax reliefs

Standard tax reliefs are reliefs which are unrelated to actual expenditure incurred by the taxpayer and are automatically available to all taxpayers who satisfy the eligibility rules specified in the legislation. Standard tax reliefs are usually fixed amounts or fixed percentages of income and are typically the most important set of reliefs in the determination of the income tax paid by workers (see also Section 6 in Part IV Methodology and Limitations of the *Taxing Wages Report*).[4] Tax reliefs allowed for compulsory social security contributions are also considered as standard reliefs since they apply to all wage earners. In this case, the amount of tax relief is related to actual social security contributions paid by the employee – thus in this respect this item deviates from the general definition of standard tax relief under which relief is unrelated to actual expenses incurred.

Contributions can be included as standard (personal income) tax reliefs in the *Taxing Wages* calculations whether or not they are taxes themselves. However, these tax reliefs do have to be generally available to taxpayers within at least one of the particular family types that are considered in the Report.

This implies that even though non-tax compulsory payments are not modelled in the tax equations that underlie the *Taxing Wages* results, these payments can be included as amounts that reduce the personal income tax burden if they qualify as standard personal income tax reliefs. Compulsory pension contributions to privately-managed funds, for instance, might be deductible from taxable personal income and would then qualify as a standard tax relief in *Taxing Wages*.[5]

3. Why calculate compulsory payment indicators?

Taxing Wages does not model NTCPs levied on wage earnings because these payments are not taxes. There are however good reasons to construct "*compulsory payment indicators*" that combine the burden of taxes and NTCPs:

- One of the objectives of the OECD is to provide comparable data across OECD countries. Employee and employer NTCPs either increase the employer's total labour costs or decrease the employee's net-take home pay in a similar way to taxes. It therefore follows that taxes and NTCPs might be included in the same compulsory payment indicators.
- Employers' labour demand decisions will depend on total labour costs. Whether compulsory social security payments are paid to general government or to privately-managed social insurance funds, for instance, will often not be relevant. Also the employees' labour supply decisions might be independent of whether the social security/insurance contributions have to be paid to general government or to a privately-managed social insurance fund instead. This seems especially the case for compulsory unrequited payments to privately-managed health funds.[6]
- The inclusion of NTCPs and taxes in compulsory payment indicators might avoid discrete jumps in the tax burden which arise if contributions no longer have to be made to a public (private) fund but to a private (public) fund instead.
- These arguments in favour of compulsory payment indicators gain in importance if we expect to observe an increased shift of tax to NTCPs (or the other way around) in OECD member countries in the future. It is especially the shift of public pension savings towards pension savings through privately-managed funds that might be observed in the future as more and more countries implement (at least partially) a fully-funded pension system.
- On the other hand, however, some of the NTCPs, especially the contributions to privately-managed pension funds, are more likely to be requited than taxes. They might therefore have a different impact on taxpayers' behaviour than taxes. Of course, compulsory social security contributions differ in the extent to which the resulting benefit deviates from what is actuarially fair. However, it can be expected in general that privately-managed funds will provide a return that is more nearly actuarially fair. This argument then implies that taxes and NTCPs should not be combined in the same tax burden measure, as they may have different effects on behaviour. However, the separate calculation of tax burden indicators and compulsory payment indicators will make it possible for researchers to establish whether taxes and NTCPs do have different behavioural effects.

4. Compulsory payment indicators

This section introduces the "compulsory payment indicators" that are calculated in Section 6. The compulsory payment indicators include the taxes and the NTCPs that:

- have to be made by employees and employers as a result of the taxpayer's labour activity;

- that are generally applicable to taxpayers within at least one of the family types included in the *Taxing Wages* methodology; and
- for which a representative rate can be constructed, if necessary.

The following indicators will be calculated (the symbol "Δ" means "change in"):

Average net personal compulsory payment rate =

$$\frac{\textit{income tax + employee SSC + employee NTCPs – cash benefits}}{\textit{gross wage earnings}}$$

Average compulsory payment wedge =

$$\frac{\textit{(income tax + employee SSC + employer SSC + employee NTCPs + employer NTCPs + payroll taxes – cash benefits)}}{\textit{(gross wage earnings + employer SSC + payroll taxes + employer NTCPs)}}$$

Marginal net personal compulsory payment rate =

$$\frac{\Delta(\textit{income tax + employee SSC + employee NTCPs – cash benefits})}{\Delta(\textit{gross wage earnings})}$$

Marginal compulsory payment wedge =

$$\frac{\Delta\textit{(income tax + employee SSC + employer SSC + employee NTCPs + employer NTCPs + payroll taxes – cash benefits)}}{\Delta\textit{(gross wage earnings + employer SSC + payroll taxes + employer NTCPs)}}$$

Adjusted net take-home pay =

gross wage earnings – income tax – employee SSC – employee NTCPs + cash benefits

Augmented total labour costs =

gross wage earnings + employer SSC + payroll taxes + employer NTCPs

The sum of total labour costs and employer NTCPs is denoted by the "*augmented total labour costs*" in order to avoid confusion with the meaning of "total labour costs" in the *Taxing Wages Report*. The net take-home pay net of employee NTCPs is denoted by "*adjusted net take-home pay*". Section 6 presents the decrease in the net take-home pay and the increase in the total labour costs, as a result of the NTCPs, in dollars with equal purchasing power in 2009.

The average/marginal compulsory payment wedge measures the average/marginal wedge between augmented total labour costs and adjusted net take-home pay as a result of taxes, SSC, NTCPs and benefits. The net personal average/marginal compulsory payment rate measures the average/marginal wedge between gross wage earnings and adjusted net take-home pay as a result of taxes, employee SSC, employee NTCPs and benefits.

5. Non-tax compulsory payments in OECD countries

This section presents the details of the NTCPs that are levied in OECD countries in 2009 and that are modelled in the calculations underlying the results presented in this Special Feature. In some cases, the NTCPs have not been included in the calculations. This is the case for work-related private insurance to cover accidents and occupational diseases. The details of these and other payments that are not included in the compulsory payment calculations are presented at the end of this section.

NTCPs that are included in the calculations

In *Australia*, employers are required to make contributions to the private pension plans of their employees under the Superannuation Guarantee scheme. While the Superannuation Guarantee scheme is mandated by the Australian Government, superannuation is provided through private superannuation funds subject to Government regulation. The Superannuation Guarantee requires employers to pay 9 per cent on top of each eligible employee's ordinary time earnings to a complying superannuation fund, where they earn AUD 450 or more in a month.[7] However, employers may also choose to make contributions for workers earning less than this threshold. This threshold is not indexed. An upper earnings limit also applies. For each quarter, earnings beyond a threshold are not covered by the Superannuation Guarantee. This threshold is indexed to a measure of average earnings. In the 2008-09 tax year this threshold was AUD 38 180 per quarter.

In *Denmark*, it is compulsory for employees who work at least 117 hours per month to pay a fixed contribution to a general Labour Market Supplementary Pension Scheme of DKK 1 080; this contribution also qualifies as a standard personal income tax relief. For workers who work less than 117 hours but not less than 78 hours, the contribution is DKK 720; for workers who work less than 78 hours but not less than 39 hours, the contribution is DKK 360. The employer makes a contribution that is double to the amount paid by the employee. The contributions are made to the employee's personal account within the Labour Market Supplementary Pension Scheme. These fixed employee and employer contributions are therefore NTCPs.

In *Iceland*, employees are required to make contributions to a private pension fund, which is generally linked to a labour union or another employee association. The employee contribution is generally 4 per cent of wages. Employers are also required to contribute 8 per cent of the employees' wages. Both contributions are deductible from income before tax. Employees and employers may make larger contributions, but the employee deduction is limited to a maximum of 8 per cent of gross wages. An optional additional payment from employees of up to 4 per cent of wages is also tax deductible and goes into an individual retirement account. The employer may match the employee's optional additional payments, but only extra contributions up to 2 per cent of wages are deductible from the employer's taxable income.

The Trattamento di Fine Rapporte (TFR) in *Italy* is a severance pay. This postponed wage is paid to the employee at the end of the working relationship. Contributions to the TFR consist of the yearly employer contributions equal to 7.4074 per cent (1/13.5) of the annual gross wage earnings of the employee in 2009. These payments accumulate at a rate that is linked to the inflation rate. This total amount will be paid to the employee at the end of the labour contract. In 1993, a reform was introduced that attempted to stimulate the sector of private pensions in Italy. Workers could now ask their employer to pay the TFR contribution to a private pension fund and save for an additional pension instead of a severance pay. As from 2007, the TFR contribution will be managed either by the company or by a government social security institution (depending on the size of the firm); also the pension fund can be either private or public. These contributions are requited payments and are therefore modelled as NTCPs instead of taxes.[8]

In *Luxembourg*, employers must make payments to the Employers' Mutual Insurance Scheme. This scheme provides insurance for employers against the financial cost of continued payment of salaries or wages to workers who become incapacitated. (Employers are required to pay the remuneration of an employee who is unable to work until the end of the month in which the seventy-seventh day of incapacitation occurs within a reference period of twelve successive calendar months). The Scheme is administered by a Board of Directors which is mainly composed of employer representatives (Chamber of Commerce, Chamber of Trade, Chamber of Agriculture and Federation of Independent Intellectual Workers). Employer contributions depend on the rate of "financial absenteeism" within the company, and range from 0.35 to 2.29 per cent. A representative rate of 1.44 per cent is used in the NTCP calculations.

In *Mexico*, employees and employers must make discharge and old age insurance contributions to a privately-managed fund, while employers are also required to make retirement pension contributions to a privately-managed fund. Employers must additionally make contributions to the INFONAVIT housing fund, a government-owned home loan provider. The base for all these payments is the worker's "base salary", with a ceiling equivalent to 25 times the minimum wage applicable in Mexico City (MXN 500 050 in 2009). The "base salary" includes cash payments of daily fees, premiums, non-cash benefits and any other fringe benefits (subject to some exceptions). The employee discharge and old age insurance rate is 1.125 per cent, and is not deductible. The employer discharge and old age insurance rate is 3.15 per cent, while the retirement pension rate is 2 per cent, and the housing fund rate is 5 per cent. These payments are deductible for the employer.

In *The Netherlands* compulsory contributions under collective labour agreements are paid by employees and employers to privately-managed pension funds (*i.e.* the second pillar). All company sectors[9] are obliged to have a pension arrangement for their employees. Capital will be built up and will be invested to create an acceptable rate of return on capital. The pension premiums differ per company. On average employees working in the market sector pay a pension premium in 2009 of 3.76 per cent[10] of gross earnings net of the pension franchise of EUR 12 952 in 2009. These pension premiums are not considered as SSC but as employee NTCPs instead. The pension franchise is built in the pension scheme to prevent that an employee whose wage is too low to obtain a second pillar pension (and so receives only the first pillar pension) would have to pay pension premiums in the second pillar. The employee does not have to pay personal income tax on the pension premiums that are paid but the pension will be taxed when the employee retires. The premiums of the employee qualify as a standard tax relief. On average employers in the market sector pay an pension premium in 2009 of 17.10 per cent of gross earnings of their employees exclusive the pension-franchise of EUR 12 952 in 2009. The compulsory pension premiums of employers to privately-managed funds are NTCPs.

For basic health insurance, each adult in *the Netherlands* pays an average amount of EUR 1 064 a year to a privately-managed health insurance company. Employees might obtain compensation for this nominal contribution, depending on the family situation and taxable income. This is called the health care benefit. This benefit and the basic insurance premium are included in the NTCP calculations. The health care benefit compensates for the basic insurance premium of on average EUR 1 064. Also 6.9 per cent of gross earnings net of employees' pension premiums and unemployment social security contributions is paid for health care up to a maximum of net earnings of EUR 32 369. For the last contribution, an employee receives mandatory compensation of his employer for the same amount. This amount is included in the taxpayer's taxable income. This amount is included in the *Taxing Wages* calculations in order to calculate the taxpayer's personal income tax liabilities. The income dependent health contribution itself, however, is not modelled (either as an employee or employer SSC) in *Taxing Wages*. Instead it is modelled as a NTCP from the employer to a publicly-managed health insurance fund. The spending of this fund mainly compensates private insurance companies for their (public) obligation to insure individuals with a high health risk.

Since January 2006, companies in *Norway* must have an occupational pension scheme for their employees. It is, however, permitted to exclude employees under the age of 20 and those in part-time employment of less than 20 per cent of a full-time position. Employers can have either a defined contribution or a defined benefit pension scheme. Defined contribution schemes are offered by banks, life insurance companies, pension funds and companies that manage securities funds. Defined benefit schemes are offered by life insurance companies and pension funds. Employers pay contributions of at least 2 per cent of the employee's earnings between 1 G and 12 G (G is the National Insurance basic amount and the average for 2009 was NOK 72 006) to the pension scheme. Employers are also obliged to cover the costs of administering the pension scheme. In addition to the pension contribution, the pension scheme also contains an insurance element that ensures that employees continue to earn pension entitlements in the event of disability. Employees may be required to also contribute to their own pension; these contributions are however not included in the NTCP calculations.

Individuals in *Poland* that are subject to social insurance (*i.e.* due to employment) are obliged to pay pension contributions. Half of these contributions are paid by the employee (9.76 per cent of gross wage earnings) and are deductible from taxable personal income. The equivalent amount is paid by the employer. Those amounts (19.52 per cent of gross wage earnings) are collected by the Social Insurance Institution (Zaklad Ubezpieczen Spolecznych – ZUS), which is a government agency. The earnings ceiling for contributions was PLN 95 790 in 2009.

Part of the pension contributions (62.60 per cent, hence about 12.22 per cent of gross wage earnings) is controlled by ZUS. The amount of paid pension contributions is filed (recorded) on an individual account for each insured person by ZUS. These pension contributions do not accumulate at market conform rates but increase at a return that reflects the increase in prices of goods and services (annual indexation). These savings are not paid out if the taxpayer dies before reaching the pension age; these funds are then used to finance the minimum amount of pension that is guaranteed by ZUS. This redistributional element implies that these payments are taxes.

The other part of the contribution (37.40 per cent, hence about 7.3 per cent of gross wage earnings) is transferred by ZUS to a privately-managed pension fund, which is called an "open pension fund (OPF)". These contributions are NTCPs. The pension contributions controlled by OPF do accumulate at market conform rates. The pension savings are paid out if the taxpayer dies before reaching the pension age (*i.e.* as long as the taxpayer is a member of OPF). Capital accumulated by the taxpayer in OPF is transferred to the Pension Institution (ZUS) when the taxpayer reaches the pension age (65 years for men and 60 for women). The insured person can choose the private pension fund through which (s)he saves for a pension. If the individual does not make a choice between one of the privately-managed funds that are currently on the market in Poland, ZUS will choose instead.[11]

Since January 2005, the *Slovak Republic* has introduced a privately-managed fully-funded pension pillar. In 2009, employees that enter the labour market have the option to either join the private pension scheme or not. If the employee joins the scheme, the employer will pay contributions of 9 per cent of earnings to the privately-managed pension fund. The employer will also pay contributions of 5 per cent of earnings to the Social Insurance Agency within general government. If the employee decides not to join the private pension scheme, the employer will pay contributions of 14 per cent of earnings to the Social Insurance Agency. As employers are not obliged to pay the 9 per cent of earnings to the general government (depending on whether the employee decides to participate in the privately-managed fully funded pension scheme or not), these payments are not considered to be taxes. Because these payments are compulsory – in fact, most employees (60 per cent) participate in the private pension scheme – these pension contributions are considered to be NTCPs instead. The non-tax compulsory pension payments are levied on the same tax base as the pension social security contributions.

Employers in the *Slovak Republic* are obliged to create Social Funds (SFs) as a social policy tool for their employees. The compulsory contribution rate to the SF ranges from 0.6 to 1.0 per cent of all gross wages payable to employees during the calendar year. The exact rate depends on the employer's profit in the previous year. All resources in the SFs have to be distributed to the employees. Employers have to provide the employees with a benefit from the SFs in cash or in kind with respect to:

- catering for the employees beyond the scope specified in the special regulations;
- travel to work and back;
- participation in cultural and sports events;
- recreation and services utilized to regenerate the labour force;
- healthcare;
- social aid and money loans;
- supplementary pension savings excluding the contribution to the supplementary pension savings for which the employer is obliged to pay pursuant to a special regulation;
- further implementation of the corporate social policy in the area of employee care.

These contributions to SFs increase total labour costs for employers in the *Slovak Republic*. There is no financial link with general government because SFs are managed by employers, so these compulsory payments can be qualified as NTCPs. The calculations assume a rate of 0.6 per cent.

In *Sweden*, employees must pay a burial fee to the Church of Sweden. This fee is levied as an additional 0.22 per cent on top of the local tax rate. If the taxpayer is a member of the Church of Sweden then this burial fee is included in the higher membership fee.

Employer work-related private insurance to cover accidents and occupational diseases are not modelled

In 11 OECD countries (Australia, Belgium, the Czech Republic, Denmark, Germany, New Zealand,[12] Poland, Portugal, Spain, Switzerland and the United States), it is compulsory for employers to insure their employees against work-related accidents and occupational diseases with a private insurance company (see Table S.6). Governments typically do not impose a premium/rate that has to be paid. Instead, the premium/rate that insurance companies charge typically depends on the risk characteristics of the insured jobs involved.

These insurance premiums/rates are NTCPs. However, in order to present data that is comparable across countries, NTCPs have been included in the compulsory payment calculations and indicators only if they are generally applicable to taxpayers within at least one of the family types that are included in the Report or if these payments are representative of the actual payments that these taxpayers or their employers make on average.

An ideal representative insurance rate would be obtained by calculating a weighted average premium/rate where the weights depend on the share of workers in the total labour force (in sectors C-K in ISIC Rev. 3.1) whose employer pays that particular premium/rate. This requires the availability of detailed information on the labour force (number and types of insured workers within each country) and the work-related insurance premium/rate that their employer pays. Note that this premium/rate would then depend on the country's actual industry structure.

In practice, most OECD countries face difficulties in calculating this representative insurance premium/rate. In order to ensure data comparability across OECD countries, it was therefore decided not to include compulsory work-related private insurance to cover accidents and occupational diseases in the NTCP calculations. The overview table (Table S.6) included at the end of the text does however provide information on the countries that have compulsory work-related private insurance to cover accidents and occupational diseases.

Other NTCPs that are not modelled

In *Austria*, a new program was introduced in 2001 that replaced the system of severance payments ("Abfertigung") which the employer had to pay when an employee was fired or retired. As of 1 January 2001, employers are required to pay 1.53 per cent of gross wages to the Social Health Security Fund ("Krankenkassen") for those whose employment started after that date. It can also apply to taxpayers who started working before 2001 if the employer and employee opt to participate in the new program. The Social Health Security Fund then transfers the contributions to a privately-managed fund, which is now responsible to distribute the severance payments in case the employee is fired or retires. Because these contributions are not generally applicable to all taxpayers – taxpayers who started working before 2001 are not obliged to enter the new system – these NTCPs are not included in the calculations.

In *Hungary*, workers are required to either join a private pension fund, or contribute to the public social security scheme. Either way they are required to make the same total payment of 9.5 per cent of wages. For taxpayers choosing to join a private pension scheme, 8 per cent of wages is paid to the pension fund while the remaining 1.5 per cent goes to the public social security scheme. For non-members the entire 9.5 per cent goes to the public scheme. Neither payment is deductible against personal income tax. The *Taxing Wages* publication assumes workers are not members of a private pension fund and therefore includes the 9.5 per cent as social security contributions (taxes) in the *Taxing Wages* calculations.

Other payments that do not qualify as NTCPs

In *Korea*, it is compulsory for employers to pay an additional payment or pension to an employee who is fired or retires, but it is not compulsory for employers to accumulate funds to pay for these future pensions or severance payments. As a result, any contributions that employers may make during the period that the employee is hired – for instance to a privately-managed pension fund or an internal fund within the firm – in order to pay for the severance payments or pension at the end of the working relationship are not modelled as NTCPs.

Employers in *New Zealand* will also be required to make KiwiSaver payments where the employee has joined the KiwiSaver scheme. KiwiSaver is a government initiated retirement savings scheme. Given that KiwiSaver is voluntary for employees to join, the payments are not considered to be NTCPs. Where an employee is a member of KiwiSaver, and is contributing to the scheme, compulsory employer contributions are 2 per cent of an employee's gross wage. However, employers are exempt from contributions if they are already paying into another eligible registered superannuation scheme for an employee, the employee is under 18 or over 65, or the employee is not contributing themselves (*e.g.* on a payments holiday). KiwiSaver is administered directly through the tax system.

6. Empirical findings

There are 21 OECD member countries that have NTCPs that are levied on wage earnings. 11 OECD countries (Australia, Denmark, Iceland, Italy, Luxembourg, Mexico, the Netherlands, Norway, Poland, the Slovak Republic and Sweden) levy NTCPs that are generally applicable to taxpayers; these NTCPs have been included in the calculations underlying the compulsory payment indicators. There are also 11 OECD countries (Australia, Belgium, the Czech Republic, Denmark, Germany, New Zealand, Poland, Portugal, Spain, Switzerland and the United States) where it is compulsory for employers to insure their employees against work-related accidents and occupational diseases with a private insurance company (Table S.6). These NTCPs have not been included in the compulsory payment indicators as most of these countries face difficulties in calculating a representative insurance premium/rate. Also the NTCPs in Austria, Hungary and the employee contributions to the Accident Compensation Corporation in New Zealand have not been modelled.

Tables S.1 and S.3 present, respectively, average and marginal compulsory payment wedges by family-type and wage level as a percentage of augmented total labour costs in 2009. Tables S.2 and S.4 present corresponding figures for average and marginal net personal compulsory payment rates respectively.

Figure S.1 compares average compulsory payment wedges and average tax wedges for single taxpayers without children at average earnings in 2009. Figure S.2 compares marginal compulsory payment wedges and marginal tax wedges for single taxpayers without children at average earnings in 2009.

Note that the average and marginal compulsory payment wedges and tax wedges included in Figures S.1 and S.2 are not additive because of the differences in the denominators of the different ratios. The tax wedge shows all taxes paid net of benefits received as a percentage of total labour costs. The compulsory payment wedge shows all taxes and non-tax compulsory payments net of benefits received as a percentage of "augmented" total labour costs, which equals total labour costs plus the employer NTCPs.[13]

Figure S.1 shows that, for single taxpayers at average earnings without children, the impact of NTCPs on average wedges is the strongest in the Netherlands, Iceland, Mexico, Australia, Poland, the Slovak Republic, Italy and Norway. For this family type, Figure S.2 shows that the impact of NTCPs on the marginal wedges is the strongest in the Netherlands, Mexico and Iceland. These Figures also indicate that the inclusion of NTCPs has a considerable impact on the respective country rankings.

Table S.5 presents the increase in total labour costs and the reduction in net take-home pay as a result of NTCPs by family-type and wage level in 2009. The amounts are expressed in US dollars using PPP in order to ensure comparability. The highest amount of employer NTCPs has to be paid in (in decreasing order):

- The Netherlands;
- Australia;
- Iceland;
- Italy;
- The Slovak Republic;
- Mexico;
- Norway;
- Luxembourg;
- Poland;
- Denmark.

The highest amount of employee NTCPs has to be paid in (in decreasing order); the amounts are very small in Mexico, Denmark and Sweden:

- The Netherlands;
- Iceland;
- Poland;
- Mexico;
- Denmark;
- Sweden.

NTCPs are relatively small in Denmark, Luxembourg and Sweden. The other countries levy larger amounts of NTCPs (combined employee and employer NTCPs exceeding US dollars 1 000 using PPP for most family types). This is the case for Australia, Iceland, Italy, Mexico, the Netherlands, Norway, Poland and the Slovak Republic. In all of these countries, the NTCPs are mainly pension contributions.

The results also show that NTCPs are mostly paid by employers – thereby increasing total labour costs – and not by employees.[14] Only in Iceland, the Netherlands and Poland do employees pay a considerable amount of non-tax compulsory payments.

Finally, the analysis suggests there are currently no compulsory requited payments to general government levied on labour income in OECD countries. This means that all types of compulsory payments to general government to some extent have a re-distributional element, implying they are taxes rather than NTCPs.

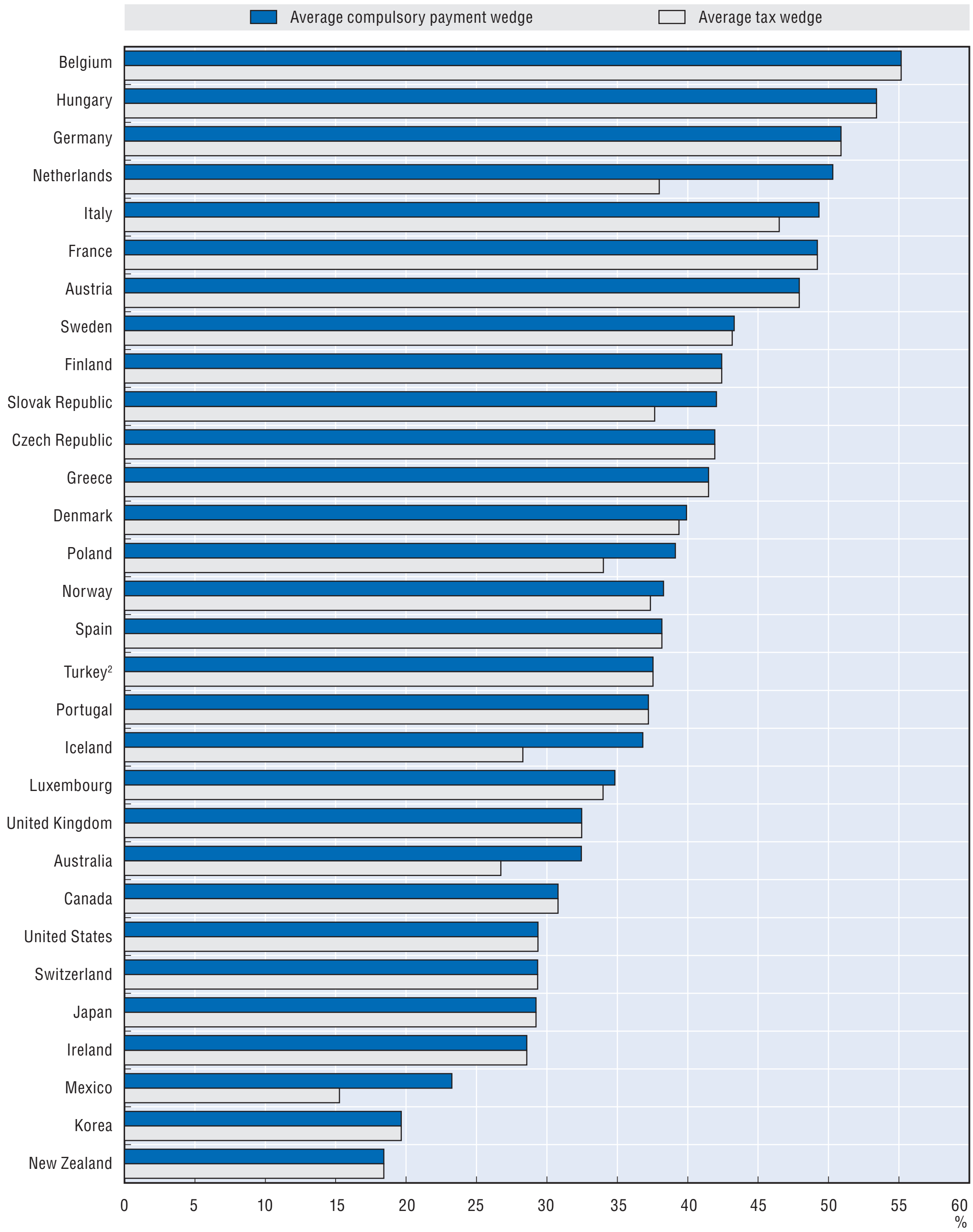
Table S.1. **Average compulsory payment wedge by family-type and wage level (as % of augmented total labour costs), 2009**

Family-type:	Single no ch	Single no ch	Single no ch	Single 2 ch	Married 2 ch	Married 2 ch	Married 2 ch	Married no ch
Wage level (% of AW):	67 (1)	100 (2)	167 (3)	67 (4)	100-0 (5)	100-33[1] (6)	100-67[1] (7)	100-33[1] (8)
Australia	26.9	32.4	37.8	0.9	20.8	24.3	28.3	29.1
Austria	43.3	47.9	50.1	26.4	36.6	36.8	40.0	44.3
Belgium	48.9	55.2	60.5	33.7	38.8	40.3	47.4	47.3
Canada	26.3	30.8	32.9	–7.7	18.3	23.5	26.9	27.6
Czech Republic	38.6	41.9	44.6	15.0	20.5	30.0	33.9	39.8
Denmark	38.5	39.9	48.9	14.2	29.4	34.1	35.7	38.7
Finland	37.0	42.4	48.2	25.4	37.0	35.1	37.0	39.1
France	45.2	49.2	53.1	36.8	41.7	38.6	44.0	44.0
Germany	46.0	50.9	53.0	31.3	33.7	39.1	43.1	46.0
Greece[2]	36.8	41.5	46.2	36.0	41.7	39.9	40.7	40.4
Hungary	46.3	53.4	58.4	30.1	43.7	42.5	44.7	49.8
Iceland	31.6	36.8	41.0	15.1	18.5	26.9	31.8	31.6
Ireland	22.5	28.6	39.1	-9.5	11.7	13.7	19.8	20.5
Italy	46.0	49.3	54.1	29.0	39.1	41.3	44.4	45.8
Japan	27.8	29.2	32.3	21.5	23.7	24.9	25.9	28.4
Korea	17.0	19.7	21.9	16.4	17.2	17.3	17.4	18.8
Luxembourg	28.4	34.8	42.1	1.6	12.3	16.6	21.9	26.9
Mexico	20.0	23.2	28.4	20.0	23.2	21.4	21.9	21.4
Netherlands	46.3	50.3	53.5	27.2	44.8	42.3	44.9	46.5
New Zealand	15.6	18.4	24.9	–16.5	0.6	8.8	15.3	17.2
Norway	34.9	38.3	43.9	21.6	31.7	32.4	34.3	35.8
Poland	38.1	39.1	39.9	33.7	33.7	34.1	35.5	38.1
Portugal	32.3	37.2	43.0	20.6	26.3	28.4	32.5	32.3
Slovak Republic	38.9	42.1	44.3	26.8	28.1	31.7	35.9	37.8
Spain	34.2	38.2	41.6	28.4	32.3	34.5	34.8	35.6
Sweden	41.3	43.3	51.0	32.9	37.7	37.3	39.1	41.5
Switzerland	26.3	29.3	33.6	11.4	17.2	20.0	23.0	26.9
Turkey[3]	35.2	37.5	40.4	34.0	36.2	37.2	37.7	37.8
United Kingdom	29.2	32.5	37.0	8.9	26.4	24.6	28.2	29.2
United States	26.9	29.4	34.6	4.2	13.7	21.7	24.2	27.6
Unweighted average:								
OECD	34.2	38.1	42.7	19.0	27.9	30.0	33.0	34.9
EU15	38.4	42.7	48.1	22.9	32.6	33.5	36.9	38.5
EU19	38.8	43.0	47.8	23.6	32.4	33.7	37.0	39.1

Note: ch = children.
1. Two-earner family.
2. The AW for Greece overestimates the actual gross earnings because it includes benefits linked to marriage and children which are not available to all families.
3. Turkey wage figures are based on the old definition of average production worker (Sector D in ISIC Rev. 3).

StatLink http://dx.doi.org/10.1787/832833881821

Figure S.1. **Average compulsory payment wedge and average tax wedge for single taxpayers without children at average earnings, 2009**[1]



1. Countries are ranked by decreasing average compulsory payment wedge.
2. Turkey wage figures are based on the old definition of average production worker (Sector D in ISIC Rev. 3).

StatLink http://dx.doi.org/10.1787/830052830737

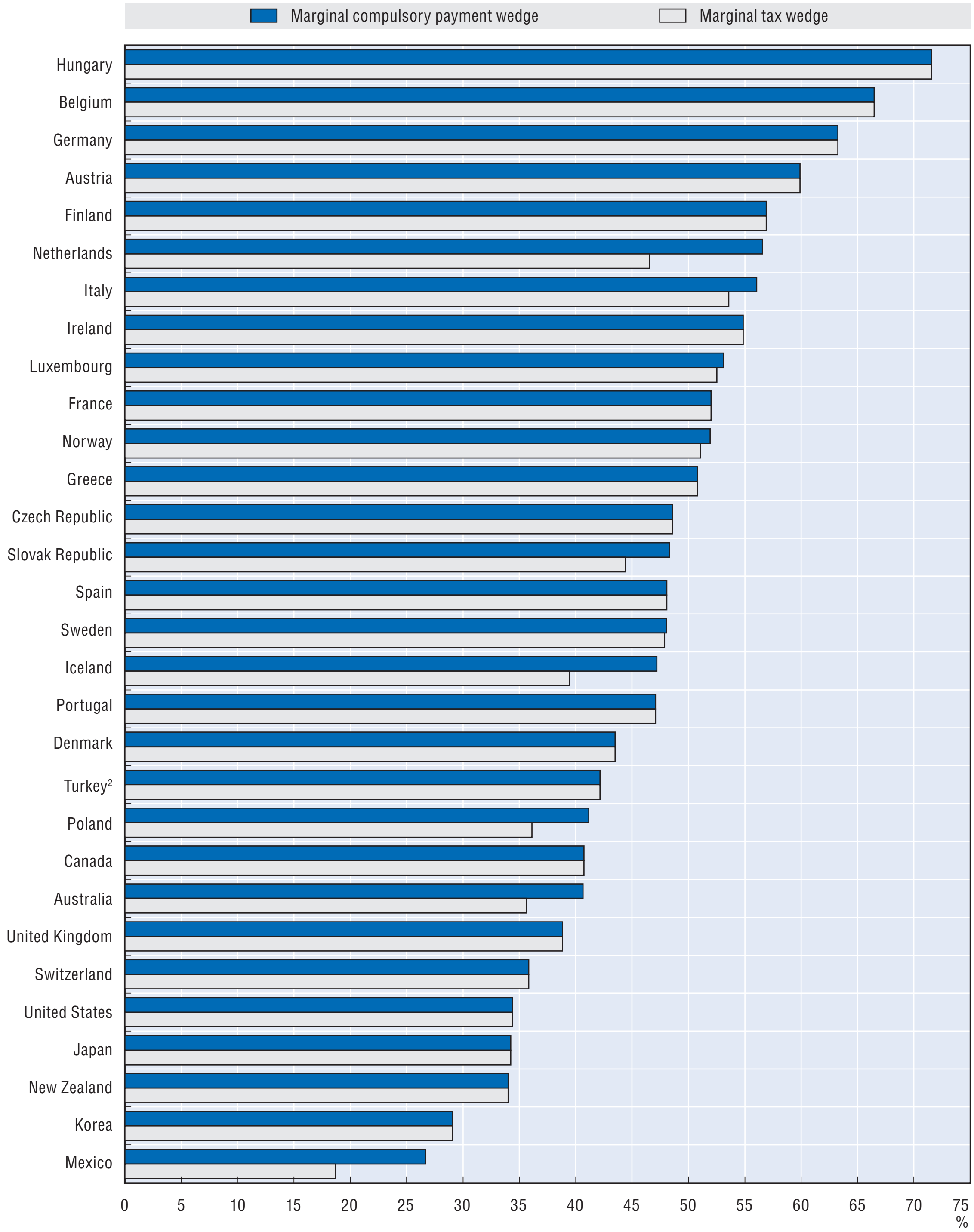
Table S.2. **Average net personal compulsory payment rate by family-type and wage level (as % of gross wage earnings), 2009**

Family-type:	Single no ch	Single no ch	Single no ch	Single 2 ch	Married 2 ch	Married 2 ch	Married 2 ch	Married no ch
Wage level (% of AW):	67 (1)	100 (2)	167 (3)	67 (4)	100-0 (5)	100-33[1] (6)	100-67[1] (7)	100-33[1] (8)
Australia	15.6	22.0	28.3	–14.4	8.6	12.7	17.2	18.2
Austria	26.8	32.7	37.2	5.0	18.1	18.4	22.6	28.1
Belgium	34.4	41.5	48.5	14.9	20.2	25.2	31.8	34.0
Canada	17.9	22.8	26.8	–20.0	8.8	14.8	18.5	19.4
Czech Republic	17.7	22.2	25.8	–13.9	–6.5	6.2	11.5	19.4
Denmark	38.0	39.6	48.8	13.5	29.0	33.5	35.2	38.2
Finland	22.5	29.2	36.3	8.2	22.6	20.2	22.5	25.1
France	25.7	27.7	33.1	14.4	17.1	16.7	21.9	23.9
Germany	35.5	41.3	45.5	17.9	20.8	27.3	32.1	35.5
Greece[2]	19.1	25.1	31.1	18.0	25.4	23.1	24.1	23.6
Hungary	28.9	38.2	44.7	7.4	25.3	23.6	26.7	33.2
Iceland	21.9	27.9	32.6	3.0	7.0	16.5	22.1	21.9
Ireland	14.2	20.9	32.5	–21.3	2.2	4.9	11.1	12.4
Italy	24.7	29.3	36.0	1.0	15.1	18.1	22.5	24.4
Japan	18.5	20.1	24.0	11.4	13.8	15.3	16.3	19.1
Korea	8.9	11.8	15.2	8.2	9.1	9.2	9.3	10.8
Luxembourg	19.1	26.4	34.6	–11.2	0.9	5.8	11.7	17.5
Mexico	0.7	6.4	13.9	0.7	6.4	2.3	4.2	2.3
Netherlands	32.4	36.8	42.4	8.4	29.8	28.2	30.3	33.3
New Zealand	15.6	18.4	24.9	–16.5	0.6	8.8	15.3	17.2
Norway	25.6	29.3	35.7	10.4	21.8	22.7	24.8	26.6
Poland	26.7	27.9	28.9	21.5	21.5	22.0	23.7	26.7
Portugal	16.2	22.3	29.5	1.7	8.7	11.4	16.4	16.2
Slovak Republic	17.0	21.3	24.5	0.6	2.4	7.3	13.0	15.5
Spain	14.6	19.7	25.0	6.9	12.0	14.9	15.3	16.3
Sweden	22.9	25.5	35.7	11.8	18.1	17.6	20.0	23.1
Switzerland	18.2	21.5	26.4	1.6	8.1	11.1	14.5	18.9
Turkey[3]	24.5	27.2	30.5	23.1	25.7	26.8	27.4	27.5
United Kingdom	22.4	25.3	29.8	0.2	18.5	17.4	20.8	22.4
United States	18.9	22.4	28.7	–6.3	5.2	13.1	16.4	19.7
Unweighted average:								
OECD	21.5	26.1	31.9	3.5	13.9	16.5	20.0	22.3
EU15	24.6	29.6	36.4	6.0	17.2	18.8	22.5	24.9
EU19	24.2	29.1	35.3	5.5	15.9	18.0	21.7	24.7

Note: ch = children.
1. Two-earner family.
2. The AW for Greece overestimates the actual gross earnings because it includes benefits linked to marriage and children which are not available to all families.
3. Turkey wage figures are based on the old definition of average production worker (Sector D in ISIC Rev. 3).

StatLink http://dx.doi.org/10.1787/832837633704

Figure S.2. **Marginal compulsory payment wedge and marginal tax wedge for single taxpayers without children at average earnings, 2009**[1]



1. Countries are ranked by decreasing marginal compulsory payment wedge.
2. Turkey wage figures are based on the old definition of average production worker (Sector D in ISIC Rev. 3).

StatLink http://dx.doi.org/10.1787/830055181834

Table S.3. **Marginal compulsory payment wedge by family-type and wage level (as % of augmented total labour costs), 2009**[1]

Family-type:	Single no ch	Single no ch	Single no ch	Single 2 ch	Married 2 ch	Married 2 ch	Married 2 ch	Married no ch
Wage level (% of AW):	67 (1)	100 (2)	167 (3)	67 (4)	100-0 (5)	100-33[2] (6)	100-67[2] (7)	100-33[2] (8)
Australia	44.1	40.6	49.3	44.1	58.0	40.6	66.6	40.6
Austria	56.3	59.9	41.4	56.3	59.9	59.9	59.9	59.9
Belgium	71.3	66.5	68.4	71.3	66.5	66.5	66.5	66.5
Canada	34.2	40.7	35.9	60.4	68.0	44.4	44.4	40.7
Czech Republic	48.6	48.6	48.6	55.7	54.0	54.0	54.0	48.6
Denmark	42.1	43.5	62.8	42.1	43.5	43.5	43.5	43.5
Finland	52.8	56.9	56.9	52.8	56.9	56.9	56.9	56.9
France	63.2	52.0	59.7	57.7	46.2	46.2	52.0	52.0
Germany	58.1	63.3	44.3	56.2	54.4	57.8	60.4	58.1
Greece[3]	50.8	50.8	57.4	50.8	50.8	50.8	50.8	50.8
Hungary	57.3	71.5	64.8	57.3	71.5	71.5	71.5	71.5
Iceland	47.2	47.2	47.2	51.4	51.4	51.4	51.4	47.2
Ireland	35.9	54.8	54.8	67.1	35.9	35.9	35.9	35.9
Italy	56.0	56.1	63.6	56.5	57.0	57.0	56.5	56.1
Japan	29.9	34.2	33.6	29.9	31.2	31.2	31.2	34.2
Korea	19.3	29.1	23.4	18.0	25.1	25.1	25.1	29.1
Luxembourg	41.8	53.1	53.1	39.4	37.0	40.2	46.7	40.2
Mexico	25.6	26.7	34.3	25.6	26.7	26.7	26.7	26.7
Netherlands	64.6	56.6	60.6	66.2	65.2	56.6	56.6	56.6
New Zealand	21.0	34.0	38.0	21.0	41.0	41.0	41.0	34.0
Norway	44.1	51.9	54.5	44.1	51.9	51.9	51.9	51.9
Poland	41.2	41.2	41.2	33.7	33.7	41.2	41.2	41.2
Portugal	47.1	47.1	55.6	47.1	38.6	47.1	47.1	47.1
Slovak Republic	48.3	48.3	46.9	48.3	36.2	48.3	48.3	48.3
Spain	45.2	48.1	37.0	33.9	45.2	48.1	48.1	48.1
Sweden	46.5	48.1	67.1	46.5	48.1	48.1	48.1	48.1
Switzerland	32.5	35.8	42.6	27.7	31.7	34.1	36.6	34.1
Turkey[4]	42.1	42.1	47.3	42.1	42.1	42.1	42.1	42.1
United Kingdom	38.8	38.8	47.7	73.4	38.8	38.8	44.7	38.8
United States	34.4	34.4	43.7	49.3	49.3	34.4	34.4	34.4
Unweighted average:								
OECD	44.7	47.4	49.4	47.5	47.2	46.4	48.0	46.1
EU15	51.4	53.0	55.4	54.5	49.6	50.2	51.6	50.6
EU19	50.8	52.9	54.3	53.3	49.4	51.0	52.0	51.0

Note: ch = children.

1. Assumes a rise in gross earnings of the principal earner in the household. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.
2. Two-earner family.
3. The AW for Greece overestimates the actual gross earnings because it includes benefits linked to marriage and children which are not available to all families.
4. Turkey wage figures are based on the old definition of average production worker (Sector D in ISIC Rev. 3).

StatLink http://dx.doi.org/10.1787/832844875487

Table S.4. **Marginal net personal compulsory payment rate by family-type and wage level (as % of gross wage earnings), 2009**[1]

Family-type:	Single	Single	Single	Single	Married	Married	Married	Married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of AW):	67 (1)	100 (2)	167 (3)	67 (4)	100-0 (5)	100-33[2] (6)	100-67[2] (7)	100-33[2] (8)
Australia	35.5	31.5	41.5	35.5	51.5	31.5	61.5	31.5
Austria	43.6	48.2	37.0	43.6	48.2	48.2	48.2	48.2
Belgium	61.4	54.9	59.4	61.4	54.9	54.9	54.9	54.9
Canada	26.3	35.1	33.0	55.7	64.9	39.1	39.1	35.1
Czech Republic	31.1	31.1	31.1	40.7	38.4	38.4	38.4	31.1
Denmark	42.1	43.5	62.8	42.1	43.5	43.5	43.5	43.5
Finland	42.0	47.0	47.0	42.0	47.0	47.0	47.0	47.0
France	31.7	31.7	42.3	21.5	23.5	23.5	31.7	31.7
Germany	50.0	56.1	44.3	47.6	45.5	49.6	52.7	50.0
Greece[3]	37.0	37.0	45.4	37.0	37.0	37.0	37.0	37.0
Hungary	44.0	62.0	53.0	44.0	62.0	62.0	62.0	62.0
Iceland	39.7	39.7	39.7	44.5	44.5	44.5	44.5	39.7
Ireland	29.0	50.0	50.0	63.6	29.0	29.0	29.0	29.0
Italy	38.7	38.7	49.2	39.3	40.0	40.0	39.4	38.7
Japan	20.8	25.7	30.1	20.8	22.3	22.3	22.3	25.7
Korea	11.3	22.1	19.3	10.0	17.8	17.8	17.8	22.1
Luxembourg	34.3	47.0	47.0	31.5	28.8	32.4	39.7	32.4
Mexico	13.2	13.6	22.6	13.2	13.6	13.6	13.6	13.6
Netherlands	52.1	44.2	53.8	54.4	55.2	44.2	44.2	44.2
New Zealand	21.0	34.0	38.0	21.0	41.0	41.0	41.0	34.0
Norway	35.8	44.8	47.8	35.8	44.8	44.8	44.8	44.8
Poland	30.3	30.3	30.3	21.5	21.5	30.3	30.3	30.3
Portugal	34.5	34.5	45.0	34.5	24.0	34.5	34.5	34.5
Slovak Republic	29.9	29.9	28.7	29.9	13.4	29.9	29.9	29.9
Spain	28.8	32.6	37.0	14.2	28.8	32.6	32.6	32.6
Sweden	29.7	31.7	56.7	29.7	31.7	31.7	31.7	31.7
Switzerland	25.1	28.7	36.8	19.7	24.1	26.9	29.6	26.9
Turkey[4]	32.6	32.6	38.6	32.6	32.6	32.6	32.6	32.6
United Kingdom	31.0	31.0	41.0	70.0	31.0	31.0	37.7	31.0
United States	29.4	29.4	39.4	45.4	45.4	29.4	29.4	29.4
Unweighted average:								
OECD	33.7	37.3	41.6	36.8	36.9	36.1	38.0	35.8
EU15	39.1	41.9	47.9	42.2	37.9	38.6	40.2	39.1
EU19	38.0	41.1	45.3	40.4	37.0	38.9	40.2	38.9

Note: ch = children.

1. Assumes a rise in gross earnings of the principal earner in the household. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.
2. Two-earner family.
3. The AW for Greece overestimates the actual gross earnings because it includes benefits linked to marriage and children which are not available to all families.
4. Turkey wage figures are based on the old definition of average production worker (Sector D in ISIC Rev. 3).

StatLink http://dx.doi.org/10.1787/832848325146

Table S.5. **Increase in total labour costs and reduction in net take-home pay as a result of NTCPs by family-type and wage level (in US dollars using PPP), 2009**

Family-type:	Single no ch		Single no ch		Single no ch		Single 2 ch	
Wage level (% of AW):	67		100		167		67	
	Gross (1)	Net (2)	Gross (3)	Net (4)	Gross (5)	Net (6)	Gross (7)	Net (8)
Australia	2 566	0	3 849	0	6 415	0	2 566	0
Austria	0	0	0	0	0	0	0	0
Belgium	0	0	0	0	0	0	0	0
Canada	0	0	0	0	0	0	0	0
Czech Republic	0	0	0	0	0	0	0	0
Denmark	251	–84	251	–84	251	–84	251	–84
Finland	0	0	0	0	0	0	0	0
France	0	0	0	0	0	0	0	0
Germany	0	0	0	0	0	0	0	0
Greece[1]	0	0	0	0	0	0	0	0
Hungary	0	0	0	0	0	0	0	0
Iceland	1 795	–897	2 692	–1 346	4 487	–2 244	1 795	–897
Ireland	0	0	0	0	0	0	0	0
Italy	1 539	0	2 309	0	3 848	0	1 539	0
Japan	0	0	0	0	0	0	0	0
Korea	0	0	0	0	0	0	0	0
Luxembourg	489	0	734	0	1 223	0	489	0
Mexico	723	–80	1 085	–120	1 808	–200	723	–80
Netherlands	5 528	–1 815	8 664	–2 554	14 425	–3 821	5 528	–1 815
New Zealand	0	0	0	0	0	0	0	0
Norway	512	0	848	0	1 518	0	512	0
Poland	447	–447	670	–670	1 117	–1 117	447	–447
Portugal	0	0	0	0	0	0	0	0
Slovak Republic	1 020	0	1 529	0	2 549	0	1 020	0
Spain	0	0	0	0	0	0	0	0
Sweden	0	–41	0	–68	0	–125	0	–41
Switzerland	0	0	0	0	0	0	0	0
Turkey[2]	0	0	0	0	0	0	0	0
United Kingdom	0	0	0	0	0	0	0	0
United States	0	0	0	0	0	0	0	0
Unweighted average:								
OECD	496	–112	754	–161	1 255	–253	496	–112
EU15	521	–129	797	–180	1 316	–269	521	–129
EU19	488	–126	745	–178	1 232	–271	488	–126

Note: ch = children.

1. The AW for Greece overestimates the actual gross earnings because it includes benefits linked to marriage and children which are not available to all families.
2. Turkey wage figures are based on the old definition of average production worker (Sector D in ISIC Rev. 3).

Table S.5. **Increase in total labour costs and reduction in net take-home pay as a result of NTCPs by family-type and wage level (in US dollars using PPP), 2009** *(cont.)*

Family-type:	Married 2 ch		Married 2 ch		married 2 ch		married no ch	
	100-0		100-33[1]		100-67[1]		100-33[1]	
Wage level (% of AW):	Gross (9)	Net (10)	Gross (11)	Net (12)	Gross (13)	Net (14)	Gross (15)	Net (16)
Australia	3 849	0	5 132	0	6 415	0	5 132	0
Austria	0	0	0	0	0	0	0	0
Belgium	0	0	0	0	0	0	0	0
Canada	0	0	0	0	0	0	0	0
Czech Republic	0	0	0	0	0	0	0	0
Denmark	251	–84	503	–167	503	–167	503	–167
Finland	0	0	0	0	0	0	0	0
France	0	0	0	0	0	0	0	0
Germany	0	0	0	0	0	0	0	0
Greece[2]	0	0	0	0	0	0	0	0
Hungary	0	0	0	0	0	0	0	0
Iceland	2 692	–1 346	3 590	–1 795	4 487	–2 244	3 590	–1 795
Ireland	0	0	0	0	0	0	0	0
Italy	2 309	0	3 078	0	3 848	0	3 078	0
Japan	0	0	0	0	0	0	0	0
Korea	0	0	0	0	0	0	0	0
Luxembourg	734	0	978	0	1 223	0	978	0
Mexico	1 085	–120	1 447	–160	1 808	–200	1 447	–160
Netherlands	8 664	–3 606	10 192	–3 841	14 191	–4 475	10 192	–3 841
New Zealand	0	0	0	0	0	0	0	0
Norway	848	0	1 025	0	1 360	0	1 025	0
Poland	670	–670	894	–894	1 117	–1 117	894	–894
Portugal	0	0	0	0	0	0	0	0
Slovak Republic	1 529	0	2 039	0	2 549	0	2 039	0
Spain	0	0	0	0	0	0	0	0
Sweden	0	–68	0	–82	0	–109	0	–82
Switzerland	0	0	0	0	0	0	0	0
Turkey[3]	0	0	0	0	0	0	0	0
United Kingdom	0	0	0	0	0	0	0	0
United States	0	0	0	0	0	0	0	0
Unweighted average:								
OECD	754	–196	963	–231	1 250	–277	963	–231
EU15	797	–251	983	–273	1 318	–317	983	–273
EU19	745	–233	931	–262	1 233	–309	931	–262

Note: ch = children.
1. Two-earner family.
2. The AW for Greece overestimates the actual gross earnings because it includes benefits linked to marriage and children which are not available to all families.
3. Turkey wage figures are based on the old definition of average production worker (Sector D in ISIC Rev. 3).

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Table S.6. **Non-tax compulsory payments in OECD countries in 2009**[1, 2]

	Compulsory (requited and unrequited) payments to privately-managed funds, to other bodies, welfare agencies or social insurance schemes outside general government and to public enterprises				Compulsory requited payments to general government
	Employer work-related private insurance (to cover accidents, occupational diseases, etc.)[3]	Compulsory pension payments		Other compulsory payments	
		Employee contributions	Employer contributions		
Australia	Yes	–	9% on gross earnings up to AUD 152 720, subject to a minimum threshold of AUD 5 400 (2008-09)	–	–
Austria	–	–	–	–	–
Belgium	Average rate of 1.2%	–	–	–	–
Canada	–	–	–	–	–
Czech Republic	0.28%-5.4% of AW: Until 31 December 2009	–	–	–	–
Denmark	Yes	DKK 1 080 contribution to Labour Market Supplementary Pension Scheme (amount for full-time employees)	DKK 2 160 contribution to Labour Market Supplementary Pension Scheme (amount for full-time employees)		
Finland	–	–	–	–	–
France	–	–	–	–	–
Germany	Yes	–	–	–	–
Greece	–	–	–	–	–
Hungary	–	Employees pay either public pension contributions (tax) at a rate of 9.5% of the AW or combined private/public pension contributions at a rate of 8% for a private pension (NTCP) and a rate of 1.5% of the AW for a public pension (tax)	–	–	–
Iceland	–	4% of gross earnings	8% of gross earnings	–	–
Ireland	–	–	–	–	–
Italy	–	–	TFR contributions equal to 1/13.5 of annual gross wage earnings	–	–
Japan	–	–	–	–	–
Korea	–	–		–	–
Luxembourg	–	–	–	*Employers*: contributions to the employers' mutual insurance scheme; rates range from 0.35%-2.29%	–

Table S.6. **Non-tax compulsory payments in OECD countries in 2009**[1, 2] *(cont.)*

	Compulsory (Requited And Unrequited) Payments To Privately-managed Funds, To Other Bodies, Welfare Agencies Or Social Insurance Schemes Outside General Government And To Public Enterprises				Compulsory Requited Payments To General Government
	Employer Work-related Private Insurance (To Cover Accidents, Occupational Diseases, Etc.)[3]	Compulsory Pension Payments		Other Compulsory Payments	
		Employee contributions	Employer contributions		
Mexico	–	–	2.0% of AW (earnings ceiling that applies to all contributions separately: 25 times minimum wage in Mexico City, which in 2009 is MXN 500 050)	*Employees*: 1.125% of AW for discharge and old age insurance *Employers*: 3.15% of AW for discharge and old age insurance + 5.0% for housing fund INFONAVIT	
Netherlands	–	On average 3.76% of gross earnings net of the pension franchise of EUR 12 952	17.10% on gross earnings exceeding EUR 12 952	*Employees*: health insurance premium of EUR 1 064; employees possibly receive a corresponding health care benefit *Employers*: health contribution at a rate of 6.9% up to maximum of net earnings of EUR 32 369	
New Zealand	Average employer rate 1.26% levied on "liable payroll"	–	–	*Employees*: 1.244% of AW for no-fault personal (non-work related) injury insurance	–
Norway	–	–	2.0 % of AW for earnings between NOK 72 006 and NOK 864 072	–	–
Poland	Yes	3.65% of average earnings	3.65% of average earnings	–	
Portugal	Yes	–	–	–	–
Slovak Republic	–	–	9.0% of AW; earnings ceiling: EUR 33 402	*Employers:* contribution to Social Funds; rate ranges from 0.6% – 1% of all gross wages payable	–
Spain	1%-8.15% of AW for gross earnings between EUR 8 398.48 and EUR 36 889.2 to either public or private firm (2008 information)	–	–	–	–
Sweden	–	–	–	*Employees:* burial fee of 0.22% on top of the local tax rate to the Chuch of Sweden	–
Switzerland	Yes	–	–		–
Turkey	–	–	–	–	–
United Kingdom	–	–	–	–	–
United States	Yes	–	–	–	–

1. The table shows information for the 2009 fiscal year except when indicated otherwise.
2. Non-tax compulsory payments that are not generally applicable to taxpayers within at least one family type included in the *Taxing Wages Report* are NOT included in the table. However, the table does show the NTCPs that are generally applicable but for which no representative rate can be included as, for instance, accident insurance contributions. This table therefore contains information on all NTCPs, including the NTCPs that have not been included in the compulsory payments calculations.
3. Accident insurance premiums are not included in the calculations underlying the compulsory payments indicators because no representative rate could be calculated in most countries.

Notes

1. Quasi-corporations are unincorporated enterprises that function as if they were corporations, and which have complete sets of accounts, including balance sheets.
2. Provident funds are arrangements under which the contributions of each employee and of the corresponding employer on his/her behalf are kept in a separate account earning interest and are withdrawable under specific circumstances.
3. Quasi-compulsory payments – payments that mainly arise by virtue of agreement with professional organisations and union organisations – are not included in the analysis. The same holds for payments that are not compulsory but are made by most employers within a country on a voluntary basis. These assumptions have an impact on the data comparability, especially with respect to non-tax pension contributions that are compulsory in some countries but not in other countries although many employers in the latter might pay similar contributions to privately-managed pension funds. The modelling of these "*non-tax non-compulsory payments*" is left for future work.
4. Non-standard tax reliefs are not included in the Taxing Wages equations. Non-standard tax reliefs are reliefs which are wholly or partially determined by reference to actual expenses incurred. They are neither fixed amounts nor fixed percentages of income. Examples of non-standard tax reliefs include reliefs for interest on qualifying loans (*e.g.* for the purchase of a house), voluntary private insurance premiums, voluntary contributions to private pension schemes and charitable donations.
5. The tax treatment of compulsory pension payments to privately-managed funds differs across countries. In some countries, these non-tax pension payments cannot be deducted from the personal income tax base. However, the pension that will be received in the future might not be taxed again (TEE (taxed-exempt-exempt) treatment). In other countries, the non-tax compulsory pension payments can be deducted from the personal income tax base. However, the pension that will be received in the future might then be taxed under the personal income tax (EET (exempt-exempt-taxed) treatment). Because the *Taxing Wages Report* studies the current tax burden on labour income and does not model the tax burden on pensions that will be received in the future, it has been decided to model the deduction of the non-tax compulsory (pension) payments from the taxable personal income tax base if these payments qualify as standard tax reliefs. This approach ensures that the presented tax burden indicators in the Taxing Wages Report reflect the actual taxes paid as closely as possible.
6. Given the strong resemblance with taxes, one might argue that compulsory "unrequited" payments to privately-managed (health) funds – although these payments are not taxes because they are not paid to general government – could be included in the tax burden indicators presented in *Taxing Wages*. This line of reasoning has not been followed by Working Party 2 of the OECD Committee of Fiscal Affairs, which decided to include only "taxes" into the *Taxing Wages* calculations and *Report*. Although the compulsory unrequited payments to privately-managed (health) funds are redistributive, it was argued that a deviation from the tax definition might lead to even more difficult/arbitrary choices about payments that should or should not be included in the tax burden measures that are presented in the *Taxing Wages Report*.
7. Ordinary time earnings is the total of the employee's earnings in respect of ordinary hours of work, including over-award payments, shift loading or commission but not including most overtime or lump-sum payments made on termination of employment in lieu of unused annual leave, long service leave, or sick leave. See Superannuation Guarantee Ruling SGR 2009/2 for further details: *http://law.ato.gov.au/atolaw/view.htm*.
8. The tax treatment of the severance pay or pension that the employee receives at the end of the working relationship is not considered in the compulsory payments indicators or *Taxing Wages*.
9. Very small companies do not have pension arrangements for their employees. If a company offers a pension arrangement to one of its employees, it has to offer the same arrangement to all of its employees. Nearly all SME's (approximately 95 per cent) have pension arrangements for their employees.
10. Final information regarding the pension premium contributions for employees and employers in Sectors C-K (ISIC Rev. 3.1), as a percentage of average earnings, becomes definitive only after three years. This implies that currently only definitive information regarding the contribution rates for the year 2006 and prior years is available. An estimated non-tax compulsory employees' and employers' pension contribution rate for 2009 has been used in the 2009 NTCP calculations.
11. There is a small group of the insured that are not obliged to save for a pension through an OPF. These are persons that are born before 1949. Also persons that are born between 1949 and 1968 could have

chosen not to enter the new pension system. They pay their contributions exclusively to ZUS and they will receive their pension based only on the indexed savings filed (recorded) by ZUS.

The total amount of indexed savings filed (recorded) by ZUS and capital accumulated in OPF are pooled by the Pension Institution when the taxpayer reaches his/her pension age; the total amount of funds are used to calculate the value of the monthly pension. It is calculated by dividing the amount of pooled savings by the average length of life (after the pension age). A minimum monthly pension is guaranteed (PLN 675.10 in 2009).

12. As part of New Zealand's broader Accident Insurance Scheme, both employer and employee contributions must be made to the Accident Compensation Corporation, a wholly state owned company.
13. This comparison issue could be resolved by dividing the non-tax compulsory payments by total labour costs.
14. This conclusion ignores the possible incidence effects; employer NTCPs could be borne by employees through lower gross wage earnings.