

Table 1

Tax wedges

(Income tax plus employee and employer social security contributions less cash benefits as a percentage of labour costs)

	Single person at 100% of the APW		Single parent with two children at 67% of the APW		One-earner married couple with two children at 100% of the APW	
	2004	Change since 2003	2004	Change since 2003	2004	Change since 2003
Australia	28.6	0.3	-0.5	6.2	17.7	1.6
Austria	44.9	-0.1	14.4	-2.0	28.8	-0.7
Belgium	54.2	-0.4	31.2	-0.7	35.6	-3.5
Canada	32.3	-0.1	1.8	0.7	23.0	-0.1
Czech Republic	43.6	0.4	19.1	2.6	29.5	2.4
Denmark	41.5	-1.2	14.3	-0.3	29.8	-0.3
Finland	43.8	-0.6	24.6	-1.1	36.8	-0.8
France	47.4	-0.9	23.7	-1.6	39.0	-0.9
Germany	50.7	-1.2	30.1	0.1	32.2	-1.2
Greece	34.9	0.5	34.4	0.0	34.9	0.5
Hungary	45.8	0.2	22.1	0.9	31.3	1.0
Íceland	29.7	0.3	5.8	1.7	11.7	1.3
Ireland	23.8	-0.4	-20.2	-1.9	5.9	-0.5
Italy	45.7	0.3	26.6	0.7	36.2	0.5
Japan	26.6	-0.1	23.0	0.0	23.8	0.9
Korea	16.6	0.3	14.7	0.1	15.8	0.0
Luxembourg	31.9	0.4	2.1	0.1	9.3	0.1
Mexico	15.4	-1.8	10.6	-1.7	15.4	-1.8
Netherlands ¹	43.6	8.4	17.3	-1.2	34.3	9.8
New Zealand	20.7	0.4	4.0	1.5	20.7	1.3
Norway	36.9	0.1	15.3	0.7	27.8	0.3
Poland	43.1	0.2	35.4	-1.3	41.5	3.6
Portugal	32.6	0.0	17.5	-1.6	22.5	-1.2
Slovak Republic	42.0	0.6	25.4	-2.4	27.2	-5.1
Spain	38.0	0.3	28.3	0.0	31.6	0.7
Sweden	48.0	0.1	36.0	0.5	41.2	0.4
Switzerland	28.8	-0.2	11.5	-0.3	17.2	-0.3
Turkey	42.7	0.5	41.8	0.8	42.7	0.5
United Kingdom	31.2	0.2	-11.2	1.1	18.0	0.6
United States	29.6	0.1	4.0	0.5	16.4	0.8
OECD Average	36.5	0.2	16.8	0.1	26.6	0.3

1. The large increase in the tax wedge observed in the Netherlands is due to the fact that earnings of an average production worker in 2004 was just below the ceiling for a state health insurance scheme for lower-paid workers whereby mandatory contributions are made by both the employee and employer with the latter being treated as a taxable benefit for the employee, increasing both the income tax as well as social security contributions. However, in 2003, the average earnings of a production worker exceeded this threshold and employees at this level of earnings would have been expected to pay for private health insurance.

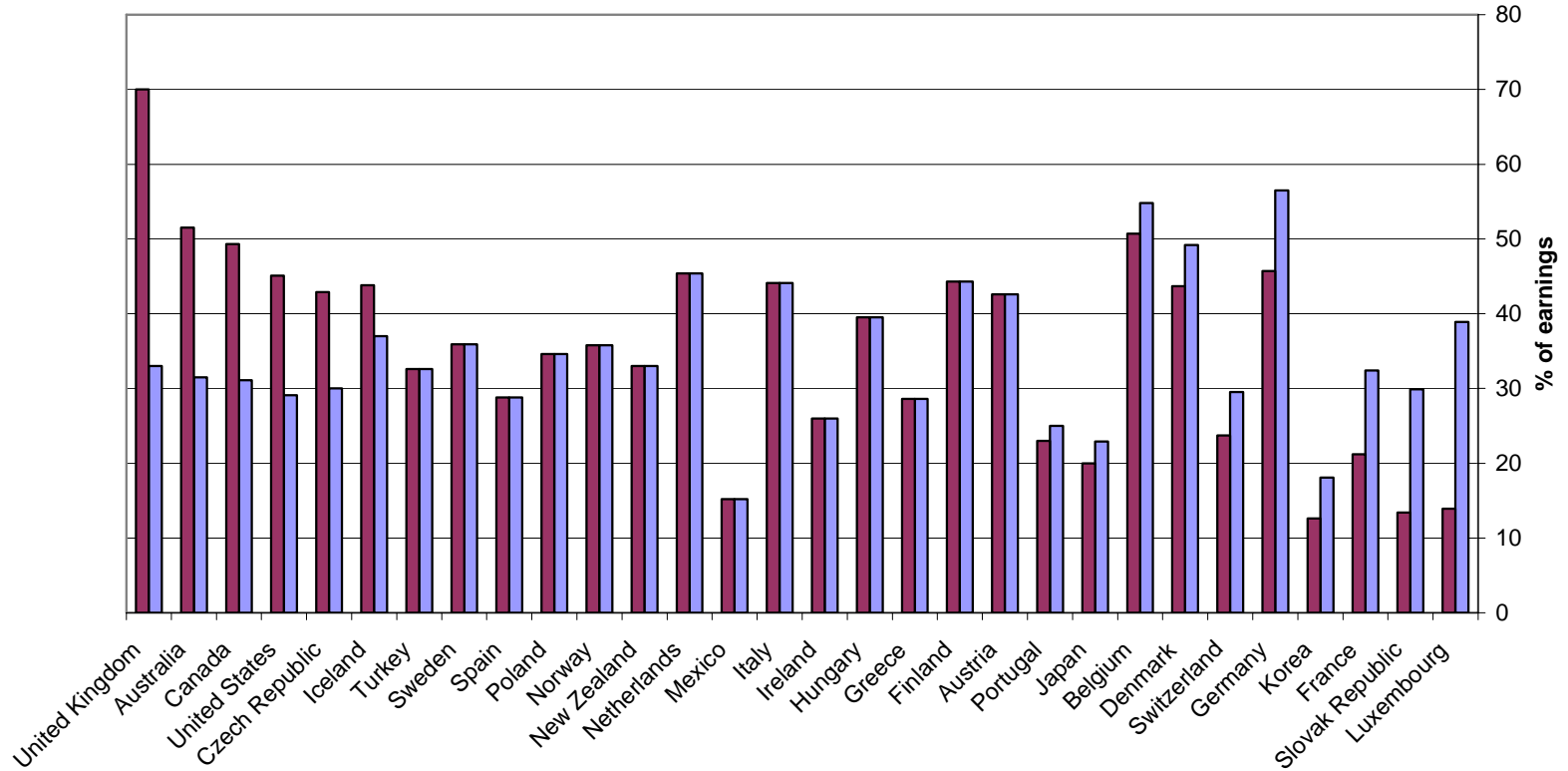
Table 2

Tax treatment of families in 2004

(Net tax burdens of a single person and of a one-earner married couple with two children)

	Single person at 100% of the APW	One-earner married couple with two children at 100% of the APW	Tax Savings as a % of earnings
Australia	24.3	12.8	-11.5
Austria	28.8	8	-20.8
Belgium	40.5	16.4	-24.1
Canada	24.7	14.4	-10.3
Czech Republic	23.9	4.9	-19
Denmark	41.2	29.4	-11.8
Finland	30.3	21.7	-8.6
France	26.7	15.1	-11.6
Germany	40.5	18.1	-22.4
Greece	16.6	16.6	0
Hungary	25.9	6.1	-19.8
Iceland	25.7	6.6	-19.1
Ireland	15.7	-4.2	-19.9
Italy	27.8	15.2	-12.6
Japan	17.4	14.3	-3.1
Korea	9.3	8.4	-0.9
Luxembourg	22.7	-2.9	-25.6
Mexico	4.5	4.5	0
Netherlands	34.4	23.6	-10.8
New Zealand	20.7	20.7	0
Norway	28.7	18.4	-10.3
Poland	31.5	29.5	-2
Portugal	16.6	4.1	-12.5
Slovak Republic	21.3	1.2	-20.1
Spain	19	10.6	-8.4
Sweden	31	21.9	-9.1
Switzerland	20.9	8	-12.9
Turkey	30.4	30.4	0
United Kingdom	24.4	9.8	-14.6
United States	24.2	10	-14.2
OECD Average	25.0	13.1	-11.9

Chart 1
Marginal effective tax rates faced by the average production worker
(Income tax plus employee social security contributions less cash benefits)



Countries ranked by the difference between the marginal effective tax rate faced by a one-earner married couple with two children and a single person

■ Single person with no children ■ One earner married couple with two children