

## Table of Contents

<b>Overview</b> .....	11
1. Introduction .....	11
2. Review of results for 2006 .....	12
<b>Special Feature: The Tax Treatment of Minimum Wages</b> .....	22
1. Introduction .....	22
2. Minimum-wage levels .....	24
3. After-tax values of minimum wages .....	26
4. Minimum labour costs .....	28
5. Summary and concluding remarks .....	32

### Part I

### International Comparisons

<b>Tax Burdens, 2006 Estimates</b> .....	36
I.1. Income tax plus employee and employer contributions less cash benefits (as % of labour costs), 2006	
Table. By family-type and wage level .....	42
Figure. By family-type .....	43
I.2. Income tax plus employee contributions (as % of gross wage earnings), 2006	
Table. By family-type and wage level .....	44
Figure. By family-type .....	45
I.3. Income tax plus employee contributions less cash benefits (as % of gross wage earnings), 2006	
Table. By family-type and wage level .....	46
Figure. By family-type .....	47
I.4. Income tax (as % of gross wage earnings), 2006	
Table. By family-type and wage level .....	48
Figure. By family-type .....	49
I.5. Employee contributions (as % of gross wage earnings), 2006	
Table. By family-type and wage levels .....	50
Figure. By family-type .....	51
I.6. Marginal rate of income tax plus employee and employer contributions less cash benefits (as % of labour costs), 2006	
Table. By family-type and wage level .....	52
Figure. By family-type .....	53
I.7. Marginal rate of income tax plus employee contributions less cash benefits (as % of gross wage earnings), 2006	
Table. By family-type and wage level .....	54
Figure. By family-type .....	55

I.8. Increase in net income after 1% increase in gross wage (%), 2006 Table. By family-type and wage level . . . . .	56
I.9. Increase in net income after 1% increase in labour costs (%), 2006 Table. By family-type and wage level . . . . .	57
I.10. Annual gross wage and net income (in US dollars using PPP), 2006 Table. By family-type and wage level . . . . .	58
I.11. Annual labour costs and net income (in US dollars using PPP), 2006 Table. By family-type and wage level . . . . .	60
<b>Tax Burdens, 2005 Definitive Results (Tables)</b> . . . . .	62
I.12. Income tax plus employee and employer contributions less cash benefits, by family-type and wage level (as % of labour costs), 2005. . . . .	65
I.13. Income tax plus employee contributions, by family-type and wage level (as % of gross wage earnings), 2005 . . . . .	66
I.14. Income tax plus employee contributions less cash benefits, by family-type and wage level (as % of gross wage earnings), 2005. . . . .	67
I.15. Income tax, by family-type and wage level (as % of gross wage earnings), 2005 .	68
I.16. Employee contributions, by family-type and wage levels (as % of gross wage earnings), 2005 . . . . .	69
I.17. Marginal rate of income tax plus employee and employer contributions less cash benefits, by family-type and wage level (as % of labour costs), 2005 . . .	70
I.18. Marginal rate of income tax plus employee contributions less cash benefits, by family-type and wage level (as % of gross wage earnings), 2005 . . . . .	71
I.19. Increase in net income after 1% increase in gross wage, by family-type and wage level (%), 2005. . . . .	72
I.20. Increase in net income after 1% increase in labour costs, by family-type and wage level (%), 2005. . . . .	73
I.21. Annual gross wage and net income , by family-type and wage level (in US dollars using PPP), 2005 . . . . .	74
I.22. Annual labour costs and net income , by family-type and wage level (in US dollars using PPP), 2005 . . . . .	76

## Part II

**Tax Burden Trends 2000-2006**

Important trends . . . . .	80
Tax wedge . . . . .	80
Personal income tax . . . . .	81
Net personal income tax. . . . .	82
Progressivity . . . . .	82
Families . . . . .	83
II.1.a. Evolution of the tax burden, 2000-2006. Single persons without children at 67% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of labour costs . . . . .	84
II.1.b. Evolution of the tax burden, 2000-2006. Single persons without children at 67% of average earnings. Income Tax as a % of gross wage earnings . . . . .	85
II.1.c. Evolution of the tax burden, 2000-2006. Single persons without children at 67% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross wage earnings . . . . .	86

II.2.a.	Evolution of the tax burden, 2000-2006. Single persons without children at 100% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of labour costs . . . . .	87
II.2.b.	Evolution of the tax burden, 2000-2006. Single persons without children at 100% of average earnings. Income Tax as a % of gross wage earnings . . . . .	88
II.2.c.	Evolution of the tax burden, 2000-2006. Single persons without children at 100% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross wage earnings . . . . .	89
II.3.a.	Evolution of the tax burden, 2000-2006. Single persons without children at 167% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of labour costs . . . . .	90
II.3.b.	Evolution of the tax burden, 2000-2006. Single persons without children at 167% of average earnings. Income Tax as a % of gross wage earnings . . . . .	91
II.3.c.	Evolution of the tax burden, 2000-2006. Single persons without children at 167% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross wage earnings . . . . .	92
II.4.a.	Evolution of the tax burden, 2000-2006. Single parent with two children at 67% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of labour costs . . . . .	93
II.4.b.	Evolution of the tax burden, 2000-2006. Single parent with two children at 67% of average earnings. Income Tax as a % of gross wage earnings . . . . .	94
II.4.c.	Evolution of the tax burden, 2000-2006. Single parent with two children at 67% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross wage earnings . . . . .	95
II.5.a.	Evolution of the tax burden, 2000-2006. One-earner married couple with two children at 100% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of labour costs . . . . .	96
II.5.b.	Evolution of the tax burden, 2000-2006. One-earner married couple with two children at 100% of average earnings. Income Tax as a % of gross wage earnings . . . . .	97
II.5.c.	Evolution of the tax burden, 2000-2006. One-earner married couple with two children at 100% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross wage earnings . . . . .	98
II.6.a.	Evolution of the tax burden, 2000-2006. Two-earner married couple with two children, one at 100% average earnings and the other at 33%. Income tax plus employee and employer contributions less cash benefits as a % of labour costs . . . . .	99
II.6.b.	Evolution of the tax burden, 2000-2006. Two-earner married couple with two children, one at 100% average earnings and the other at 33%. Income Tax as a % of gross wage earnings . . . . .	100
II.6.c.	Evolution of the tax burden, 2000-2006. Two-earner married couple with two children, one at 100% average earnings and the other at 33%. Income tax plus employee contributions less cash benefits as a % of gross wage earnings . . . . .	101
II.7.a.	Evolution of the tax burden, 2000-2006. Two-earner married couple with two children, one at 100% average earnings and the other at 67%. Income tax plus employee and employer contributions less cash benefits as a % of labour costs . . . . .	102

II.7.b. Evolution of the tax burden, 2000-2006. Two-earner married couple with two children, one at 100% average earnings and the other at 67%. Income Tax as a % of gross wage earnings .....	103
II.7.c. Evolution of the tax burden, 2000-2006. Two-earner married couple with two children, one at 100% average earnings and the other at 67%. Income tax plus employee contributions less cash benefits as a % of gross wage earnings .....	104
II.8.a. Evolution of the tax burden, 2000-2006. Two-earner married couple with no children, one at 100% average earnings and the other at 33%. Income tax plus employee and employer contributions less cash benefits as a % of labour costs .....	105
II.8.b. Evolution of the tax burden, 2000-2006. Two-earner married couple with no children, one at 100% average earnings and the other at 33%. Income Tax as a % of gross wage earnings .....	106
II.8.c. Evolution of the tax burden, 2000-2006. Two-earner married couple with no children, one at 100% average earnings and the other at 33%. Income tax plus employee contributions less cash benefits as a % of gross wage earnings .....	107
II.9. Annual average gross wage earnings, single persons without children, 2000-2006 (US Dollars using PPP).....	108
II.10. Annual average gross wage earnings, single persons without children, 2000-2006 (national currency) .....	109

## Part III

**Country Details, 2006**

Australia (2005-2006 Income tax year) .....	113
Austria .....	127
Belgium .....	139
Canada .....	151
Czech Republic .....	169
Denmark .....	179
Finland .....	189
France .....	197
Germany .....	209
Greece .....	221
Hungary .....	233
Iceland .....	243
Ireland .....	253
Italy .....	263
Japan .....	273
Korea .....	285
Luxembourg .....	295
Mexico .....	305
Netherlands .....	315
New Zealand (2006-2007 Income tax year).....	327
Norway .....	335
Poland .....	343

Portugal .....	353
Slovak Republic .....	363
Spain .....	373
Sweden .....	383
Switzerland .....	393
Turkey .....	405
United Kingdom (2006-2007 Income tax year) .....	413
United States .....	421

## Part IV

**Methodology and Limitations**

<b>Methodology</b> .....	432
1. Introduction .....	432
2. Calculation of gross wage earnings .....	432
3. Estimating gross wage earnings in 2006 .....	436
4. Coverage of taxes and benefits .....	438
5. Taxpayer characteristics .....	439
6. Calculation of personal income taxes .....	439
7. State and local income taxes .....	444
8. Social security contributions .....	444
9. Payroll taxes .....	446
10. Church tax .....	446
11. Family cash benefits from general government .....	447
12. Payable tax credits .....	447
13. The calculation of marginal tax rates .....	448
<b>Limitations</b> .....	450
1. General limitations .....	450
2. Some specific limitations on the income tax calculation .....	451
3. Limitations to time-series comparisons .....	451
<b>A note on the tax equations</b> .....	454
<i>Annex A. Tax Levels and Tax Structures, 1990-2004</i> .....	458
<i>Annex B. Source of Earnings Data</i> .....	460
<i>Annex C. Exchange Rates and Purchasing Power Parities of National Currencies, 2006</i> .....	461
<i>Annex D. Historical Series under the Old Definition of Average Worker, 1979-2004</i> ...	462