

## NON-TAX COMPULSORY PAYMENTS (NTCPs) AS AN ADDITIONAL BURDEN ON LABOUR INCOME

### 1. Introduction

1. This paper reports on the presence and magnitude in OECD countries of NTCPs that do not qualify as taxes and social security contributions (SSCs) in relation to the labour activity of employees. These payments are not modelled in the *Taxing Wages* publication simply because they are not defined as taxes. However, some OECD member countries have indicated an interest in measures that show the combined impact of taxes and NTCPs. As a result, Working Party No. 2 of the OECD Committee on Fiscal Affairs decided in 2009 to start calculating “*compulsory payment wedges*” which combine taxes, NTCPs and benefits<sup>1</sup> into overall “*compulsory payment indicators*” in addition to the well-established “*tax wedges*”. These new indicators which were introduced in a Special Feature in the 2010 edition of *Taxing Wages* are now published on an annual basis on the OECD online tax database [www.oecd.org/ctp/tax-database](http://www.oecd.org/ctp/tax-database).

2. The utilisation of these NTCPs in OECD countries in 2015 can be summarised as follows:

- In total, there were 23 OECD member countries where such payments existed for either employers or employees.
- In 21 of these, there were payments applying to employers on behalf of their employees.
- In 12 countries, the payments applied to employees.

3. Section 2 of this note presents the main tax and NTCP 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 NTCPs which were levied on labour income in OECD member countries in 2015. 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 NTCP definitions

4. *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. In-work benefits that are generally available to such families are also modelled.

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1. Cash payments received from general government in respect of dependent spouse and children (between the ages of six to eleven inclusive).

## *Taxes*

5. The OECD defines taxes as *compulsory unrequited payments to general government* (OECD Revenue Statistics (2015)).

- Taxes are *compulsory* in the sense that governments impose an obligation on taxpayers to pay particular amounts. Governments set 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 governments 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 a *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.

6. Compulsory SSCs paid to general governments are also treated as taxes. Being compulsory to general governments 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. However, the size of the benefits is not necessarily related to the amount of the contributions, which implies that SSCs are unrequited payments.

## *NTCPs*

7. 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 governments and to public enterprises.*

The following bodies are considered to be outside general government:

- public enterprises, which are defined as “corporations, quasi-corporations<sup>2</sup>, 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”.
- welfare agencies and social insurance funds/schemes outside general government.
- trade unions or trade associations (even where such levies are compulsory).

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<sup>2</sup> Quasi-corporations are unincorporated enterprises that function as if they were corporations, and which have complete sets of accounts, including balance sheets.

- non-government bodies including private insurance companies, pension funds, friendly societies and provident funds<sup>3</sup>.

NTCPs include:

- payments to general governments earmarked for bodies outside general government where the government is simply acting in an agency capacity.
  - contributions to schemes that are not institutions of general government even in cases where the schemes have actually been imposed by government.
- *Required compulsory payments to general government made by employees or employers.*

Payments are considered to be required 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 required payments have to accumulate at a market-based return.

8. Note that *compulsory*<sup>4</sup> in the NTCP definition does not necessarily imply that government sets the rate that has to be paid. For example, in the case of work-related private insurance, government might oblige the employer to insure its employees against work-related accidents with a private insurance company but the insurance premium or rate could be set by the private company.

#### ***Borderline issues regarding the definition of taxes and NTCPs***

9. Although the dividing line between taxes and NTCPs is clearly defined, it is not always straightforward in practice to decide whether specific payments are either taxes or NTCPs. For example, 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 categorised as taxes. However, these payments might still be ‘unrequired’ and therefore classify as taxes instead of NTCPs (for example if these pension savings are not paid out if the taxpayer dies before reaching the pension age and the funds are then used to provide a minimum pension to all taxpayers that are insured).

10. This analysis (see Table 7) finds that Poland is the only OECD country where compulsory *required* payments are made to general government. This means that in the other countries all types of compulsory payments to general government are judged to some extent to have a re-distributional element, implying they are taxes rather than NTCPs. It should be noted, however, that this conclusion is based on a typically broad interpretation of the term ‘unrequired’ in the tax definition.

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<sup>3</sup> 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.

<sup>4</sup> 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 ‘NTCPs’ is left for future work.

11. Borderline issues arise not only because of the ‘unrequited’ definition but 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 could result in the opposite conclusion.

### ***Standard personal income tax reliefs***

12. Even though NTCPs are not modelled in the tax equations that underlie the *Taxing Wages* results, these payments can 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*.<sup>5</sup>

13. Standard tax reliefs are those which are unrelated to any actual expenditure incurred by the taxpayer and are automatically available to all taxpayers who satisfy the eligibility rules specified in the legislation. These reliefs are usually in the form of 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 “Calculation of personal income taxes” on page 545 in the Annex Methodology and Limitations of the *Taxing Wages* Report)<sup>6</sup>.

14. Tax reliefs allowed against compulsory SSCs are also considered as standard reliefs since they apply to all wage earners. In this case, the amount of tax relief is related to the 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. In the same way NTCPs can be included as standard (personal income) tax reliefs even though they are not taxes themselves. However, these tax reliefs do have to be generally available to taxpayers within at least one of the particular family types considered in the Report to be included in the *Taxing Wages* calculations.

### **3. Why calculate compulsory payment indicators?**

15. *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

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<sup>5</sup> 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 NTCPs 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.

<sup>6</sup> 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.

employee's net-take home pay in a similar way to taxes. It, therefore, follows that both taxes and NTCPs might be included in the same compulsory payment indicators.

- Employer decisions on demand for labour are dependant on total labour costs. The distinction between compulsory social security payments that are paid to general government and those paid to privately-managed social insurance funds, for example, 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.
- The inclusion of NTCPs and taxes in compulsory payment indicators could avoid discrete changes in the tax burden which can arise in the *Taxing Wages* 'tax wedge' measures where contributions no longer have to be made to a public (private) fund but to a private (public) fund instead or vice versa.
- These arguments in favour of compulsory payment indicators gain in importance if we observe increasing shifts either towards or away from NTCPs in OECD member countries in the future.

16. There are also arguments for not combining taxes and NTCPs in the same tax burden measure as they could have different impacts on taxpayer behaviour. One example is the case of contributions to privately-managed pension funds which are more likely to be required than corresponding payments to general government that are treated as taxes. Of course, compulsory SSCs across countries can 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 closer to that. The separate calculation of tax burden indicators and compulsory payment indicators will help researchers to establish whether taxes and NTCPs have different behavioural effects.

#### 4. Compulsory payment indicators

17. This section introduces the "compulsory payment indicators" that are calculated in Section 6. The compulsory payment indicators include the taxes and 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.
- for which a representative rate can be constructed, if necessary.

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

*Average net personal compulsory payment rate* =

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

*Average compulsory payment wedge* =

$$\frac{\left( \text{income tax} + \text{employee SSC} + \text{employer SSC} + \right. \\ \left. \text{employee NTCPs} + \text{employer NTCPs} - \text{cash benefits} \right)}{\text{gross wage earnings} + \text{employer SSC} + \text{payroll taxes} + \text{employer NTCPs}}$$

**Marginal net personal compulsory payment rate =**

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

**Marginal compulsory payment wedge =**

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

**Adjusted net take-home pay =**

$$\text{gross wage earnings} - \text{income tax} - \text{employee SSC} - \text{employee NTCPs} + \text{cash benefits}$$

**Augmented total labour costs =**

$$\text{gross wage earnings} + \text{employer SSC} + \text{payroll taxes} + \text{employer NTCPs}$$

19. The sum of total labour costs and employer NTCPs is denoted by the ‘*augmented total labour costs*’ in order to avoid confusion with the definition of ‘total labour costs’ in the *Taxing Wages* Report. The take-home pay net of employee NTCPs is defined as ‘*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 2015.

- 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 income 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 income taxes, employee SSC, employee NTCPs and benefits.

## **5. NTCPs in OECD countries in 2015**

### **a. NTCPs that are included in the calculations**

20. This first section presents the details of the NTCPs that are levied in OECD countries in 2015 and that are modelled in the calculations underlying the results presented in Tables 1 to 3. In some cases, certain NTCPs have not been included in the calculations and these are considered in sections b, c and d below.

21. 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. In 2014-15 for employees earning above a threshold of AUD 450 or more in a month,<sup>7</sup> the Superannuation Guarantee requires employers to pay 9.5% on top of each eligible employee's ordinary time earnings to a complying superannuation fund. Employers may also choose to make contributions for workers earning less than this threshold which is not indexed. An upper earnings limit also applies. For each quarter, earnings beyond an upper threshold are not covered by the Superannuation Guarantee. In the 2014-15 tax year, this threshold which is indexed to a measure of average earnings was AUD 49 430 per quarter. The rate of the Superannuation Guarantee will remain at 9.5% until 2020-21, then increase by 0.5 percentage points each year until it reaches 12% in 2025-26, as presented in the table below.

| Year    | Rate   |
|---------|--------|
| 2013-14 | 9.25%  |
| 2014-15 | 9.50%  |
| 2015-16 | 9.50%  |
| 2016-17 | 9.50%  |
| 2017-18 | 9.50%  |
| 2018-19 | 9.50%  |
| 2019-20 | 9.50%  |
| 2020-21 | 9.50%  |
| 2021-22 | 10.00% |
| 2022-23 | 10.50% |
| 2023-24 | 11.00% |
| 2024-25 | 11.50% |
| 2025-26 | 12.00% |

22. In *Chile*, it is compulsory for employees to make pension and unemployment insurance payments to privately-managed pension and insurance funds.

a. The pension contributions amount to 10% of gross earnings, with an upper earnings limit of CLP 22 012 186 (73.2 UF<sup>8</sup>). Added to that is an amount (averaging 1.16% of income) that covers the management of each pension fund account and varies depending on the managing company. In case of high risk jobs, the employer and the employee also have to make an additional contribution of 2 per cent (heavy work) or 1 per cent (less heavy work) of the employee's gross income to the pension fund manager.

b. The monthly unemployment insurance premium paid by the employee is 0.6 per cent of the employee's gross wage earnings, with an upper earnings limit of CLP 33 018 279 (109.8 UF). Employees do not pay the monthly unemployment insurance premium when they have a fixed-term contract or after 11 years of labour relationship.

c. Employers make mandatory payments of 0.95% of their employees' gross income for an occupational accident and disease insurance policy subject to an upper earnings limit. The employers

<sup>7</sup> 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> .

<sup>8</sup> CPI-indexed unit.

pay an additional contribution which depends on the activity and risk associated to the enterprise (it cannot exceed 3.4% of the employees' gross earnings). This additional contribution could be reduced, down to 0%, depending on the safety measures the employer implements in the enterprise. If health and safety conditions at work are not satisfactory, this additional contribution could be applied with a surcharge of up to 100%. For the majority of employees the payments are made to employers' associations of labour security which are private non-profit institutions. The remaining contributions are made to the Social Security Regularisation Unit (ISL). Although this latter organisation is controlled by the government, the funds are invested on the private institutions market.

d. In addition, employers make payments of 2.4% of each employee's income (0.8% after the labour relationship has been in place for 11 years and 3% for fixed-term contracts) to finance unemployment insurance. These funds are managed privately.

e. From July 2011 onwards, employers have made compulsory disability insurance payments to privately-managed pension and insurance funds. The contribution rate is 1.15% of the employee's income

23. In the case of health contributions, an employee can choose to make payments to the private insurers<sup>9</sup> (Isapres), instead of the government-managed National Health Fund, the compulsory contribution amounts to 7% of the gross earnings with an upper limit of CLP 22 012 186 (73.2 UF). These contributions are treated as taxes in the *Taxing Wages* calculations.

24. In *Denmark*, it is compulsory for employees who work more than 39 hours per month to pay a fixed contribution to a general Labour Market Supplementary Pension Scheme (ATP). These contributions are made to an employee's personal account within the Scheme and qualify as a standard personal income tax relief. The payment depends on the number of hours worked in the following way:

Between 39 and 78 hours - DKK 360.

Between 78 and 117 hours - DKK 720.

117 hours or more - DKK 1080.

25. The employer makes a contribution that is double the amount paid by the employee.

26. Also, all private sector employers contribute to Financing Contribution (DKK 644) and barsel.dk (DKK 750). Both of the payments are paid to privately managed funds. The Financing Contribution covers part of the Danish state's expenses to ATP-contributions as well as expenses to Employees' Guarantee Fund for the unemployed. Barsel.dk is a statutory scheme covering the part of the private sector labour market that is not covered by other approved maternity/paternity compensation schemes.

27. At the beginning of 2009, *Estonia* had an NTCP in the form of II pillar pension contributions. These represented compulsory payments to private funds for employees born in 1983 or after at a rate of 2% of earnings. They could also at the same time be paid on a voluntary basis by older workers. At the end of May 2009, these payments became wholly voluntary and remained so till the end of 2010. In 2011 the II pillar payments were compulsory for everyone who had joined the system. The payments were 2% of earnings for those who chose to continue payments in 2010 and 1% of earnings for those who did not. Between 2014 and 2017, 2 or 3% of earnings can be paid and in 2015 about 70% of resident employees made II pillar payments.

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<sup>9</sup> Enrolment in the private health system during 2013 amounted to 18.2% of all beneficiaries.

28. 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% of wages. Employers are also required to contribute 8% of the employees' wages. Both employees and employers may make larger contributions. Employees can make an optional additional payment of up to 4% of wages which goes into an individual retirement account. The employer may match the employee's optional additional payments. Both employee and employer mandatory contributions are deductible from income before tax. Additional contributions are deductible up to 4% in each case.

29. In *Israel*, non-tax compulsory pension contributions apply to paid employees – males aged above 21 and females aged over 20 – who have been working for at least 6 months with the same employer or have held an account with a pension fund for 3 months. Foreign workers are excluded. The contributions are based on a percentage of the employee's gross wage subject to an upper limit. In 2015, employee contributions are 5.5% of salary and employer contributions 12.0% subject to an earnings limit of ILS 111 120.

30. 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% (1/13.5) of the annual gross wage earnings of the employee in 2015. 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 private pensions' sector 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. Since 2007, the TFR contribution has been 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 considered to be required payments and are therefore modelled as NTCPs instead of taxes.<sup>10</sup>

31. 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 0.51 to 3.04%. A representative rate of 2.03% is used in the NTCP calculations.

32. All employees and retirees in *Luxembourg* (with the exception of public officials) have to belong to the Chamber of Employees ("Chambre des salaries") regardless of their nationality or place of residence. Annual dues are automatically withheld by the employer or by the Pension Insurance which allow the Chamber to carry out its various activities and missions. The contributions were fixed at EUR 31 between 2009 and 2015 for every employee who earns a gross monthly salary of EUR 300 or more and this contribution is included in the calculations. There is a reduced contribution of EUR 10 for employees with lower levels of earnings. This employee NTCP is withheld by the employers jointly with the withholding tax on salaries.

33. 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

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<sup>10</sup> 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 of Taxing Wages.

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 639 663 in 2015). 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%, and is not deductible. The employer discharge and old age insurance rate is 3.15%, while the retirement pension rate is 2%, and the housing fund rate is 5%. These payments are deductible for the employer.

34. 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<sup>11</sup> are obliged to have a pension arrangement for their employees. Capital is built up and invested to create an acceptable rate of return. The pension premiums vary between companies. On average employees working in the private sector pay a pension premium of 7.03%<sup>12</sup> of gross earnings net of the pension franchise of EUR 13 548 in 2015. These pension premiums are not considered as SSCs but as employee NTCPs instead. The pension franchise is built into the pension scheme to prevent an employee whose wage is too low to obtain a second pillar pension (and so receives only the first pillar pension) from having 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 payments will eventually be taxed when the employee retires. The premiums of the employee qualify as a standard tax relief. On average employers in the private sector pay a pension premium of 14.73% of gross earnings of their employees exclusive of the pension-franchise of EUR 13 548 in 2015. The compulsory pension premiums of employers to privately-managed funds are NTCPs.

35. Each adult in the *Netherlands* makes a payment for basic health insurance to a privately-managed health insurance company. The average payment in 2015 was EUR 1 158. Employees might obtain compensation for this nominal contribution, depending on their family situation and taxable income through the health care benefit. Both this benefit and the basic insurance premium are included in the NTCP calculations. In addition a payment of 6.95% of gross earnings net of employees' pension premiums and unemployment social security contributions is paid to the Health Care Fund up to a maximum of net earnings of EUR 51 976 in 2015. Until 2012, this payment was made by the employee and reimbursed by the employer. From 2013, it has been paid by the employer. This is modelled as a NTCP. The expenditure of this fund mainly compensates private insurance companies for their (public) obligation to insure individuals with a high health risk.

36. 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% of a full-time position. Employers can offer a defined contribution, a defined benefit pension scheme or a mixed scheme (combining elements of defined contribution and defined benefit schemes). 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% of the employee's earnings

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<sup>11</sup> 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.

<sup>12</sup> Final information regarding the pension premium contributions for employees and employers in Sectors B-N (ISIC Rev. 4), as a percentage of average earnings, becomes definitive only after three years. This implies that currently definitive information regarding the contribution rates is only available for 2012 and prior years. An estimated non-tax compulsory employees' and employers' pension contribution rate for 2015 has been used in the 2015 NTCP calculations.

between 1 G and 12 G (G is the National Insurance basic amount and the average for 2015 was NOK 89 502) to the pension scheme. These payments are modelled as NTCPs. There are some additional payments that are not included in the NTCP calculations. 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 if certain criteria are met also contribute to their own pension.

37. 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% of gross wage earnings) and are deductible from taxable personal income. The equivalent amount is paid by the employer. Those amounts (19.52% of gross wage earnings) are collected by the Social Insurance Institution (Zakład Ubezpieczeń Społecznych – ZUS), which is a government agency. The earnings ceiling for contributions is PLN 118 770 in 2015.

38. The Agency files (records) the amounts paid on an individual account for each insured person. Part of the pension contributions (62.60%, hence 12.22% of gross wage earnings) consist of the traditional first pillar, where the savings are not paid out if the taxpayer dies before reaching pension age. These pension entitlements are indexed by a rate that reflects the growth of the total inflow of nominal contributions. Up to May 2011, all of the Pillar II part of the contribution (37.40%, hence about 7.3% of gross wage earnings) was transferred by ZUS to a privately-managed pension fund, which is called an “open pension fund (OPF)”. These contributions were considered as NTCPs. The pension contributions controlled by OPF were accumulated at market rates. The pension savings were paid out if the taxpayer died before reaching the pension age (i.e. as long as the taxpayer was a member of OPF). The insured person could choose the private pension fund through which (s)he saved for a pension. If the individual did not make a choice between one of the privately-managed funds that were on the market in Poland, (s)he was assigned to an OPF.<sup>13</sup>

39. From May 2011, the OPF was retained but a new subaccount controlled by ZUS was set up as part of the second pillar. The accumulated funds are subject to inheritance. They are not accumulated at market rates, but are annually indexed by the average rate of economic growth for the last 5 years. These payments are treated as compulsory required payments to general government and are modelled as NTCPs. The total second pillar contribution rates continued to be 7.3%, but the breakdown of this between the payments to the OPF and the new subaccount in ZUS varied over time as is shown in the table below.

| <b>SSC: Pension contribution sharing</b> |                                     |                  |                                  |              |
|--|-------------------------------------|------------------|----------------------------------|--------------|
| <b>Period</b>                            | <b>Percentage of gross earnings</b> |                  |                                  |              |
|  | <b>I Pillar<br/>[ZUS]</b>           | <b>II Pillar</b> |                                  | <b>Total</b> |
|  |                                     | <b>OPF</b>       | <b>New subaccount<br/>in ZUS</b> |              |
|  |                                     |                  |                                  |              |

<sup>13</sup> 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 contributions filed (recorded) by ZUS.

The total amount of indexed contributions 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 880.45 after March 1, 2015).

|                            |        |               |                 |        |
|----------------------------|--------|---------------|-----------------|--------|
| Up to April, 30 2011       | 12.22% | 7.3%          | -               | 19.52% |
| May 2011 to December 2012  | 12.22% | 2.3%          | 5.0%            | 19.52% |
| 2013                       | 12.22% | 2.8%          | 4.5%            | 19.52% |
| January 2014               | 12.22% | 3.1%          | 4.2%            | 19.52% |
| February 2014 to June 2014 | 12.22% | 2.92%         | 4.38%           | 19.52% |
| July 2014 and on           | 12.22% | 0% or 2.92%** | 7.3% or 4.38%** | 19.52% |

\* Accumulated capital to be indexed annually by the rate of economic growth (5 year period); Capital subject to inheritance (just like in OPF)

\*\* The amount of the payment depends on a choice made by the payer (see paragraph 38).

40. From July 2014, ZUS only transfers the part of the contributions to OPF if the insured persons decide to, and then up to 2.92% of earnings. Otherwise 7.3% of the gross wage earnings are passed to the subaccount in ZUS. Furthermore, from November 2014, for all the persons who are less than 10 years from the retirement age all assets gathered in OPF will be gradually transferred to the subaccount in ZUS and all the new contributions will be passed to the subaccount in ZUS as well.

41. In January 2005, the *Slovak Republic* introduced a privately-managed fully-funded pension pillar. From 2008 onward, employees entering the labour market have the option of whether to join the private pension scheme or not. If the employee joins the scheme, the employer will pay contributions of 9% of earnings to the privately-managed pension fund. The employer will also pay contributions of 5% of earnings to the Social Insurance Agency within the general government. If the employee decides not to join the private pension scheme, the employer will pay contributions of 14% of earnings to the Social Insurance Agency. As employers are not obliged to pay the 9% 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<sup>14</sup> participate in the private pension scheme – these pension contributions are considered to be NTCPs instead. The NTCPs are levied on the same tax base as the pension SSCs.

42. As from September 2012, the pension sharing scheme was changed. The employer's retirement contribution rate to the fully funded Pillar (II. Pillar) was reduced from 9% to 4% (see the following pension contribution sharing table for more details).

| <b>SSC: Pension - contribution sharing in case of II. pillar participation</b> |   |                            |              |
|--|---|----------------------------|--------------|
| <b>Period</b>  | <b>Percentage of gross earnings</b>           |                            |              |
|  | <b>I Pillar</b>                               | <b>II Pillar</b>           | <b>Total</b> |
| Previous system (up to September 2012)   | 9% (5% employer + 4% employee contribution)   | 9% (employer contribution) | 18%          |
| Current system (from September 2012)*  | 14% (10% employer + 4% employee contribution) | 4% (employer contribution) | 18%          |

\* As from 2017 the contribution rate to the II. pillar will automatically increase by 0.25 percentage points. per year (i.e. contribution rate to the I. pillar will decrease in the same volume), stopping at 6% in 2024.

43. 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% of all gross wages payable to employees during the calendar year. The exact rate depends on the employer's profit in the

<sup>14</sup> The share of employees within the second pillar varies every year (due to one-off possibility to opt-out and regular inflow of new employees).

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 utilised 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.

44. 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 are NTCPs. The calculations assume a rate of 0.6%.

45. In *Sweden*, employees must pay a burial fee to the Church of Sweden. This fee is levied as an additional 0.22% (weighted average across municipalities) 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. In Stockholm and Tranås, however, the fee has to be paid to the municipality that is responsible for the burials.

46. In *Switzerland* the following NTCPs have to be paid:

- *Contributions to the second pillar of the pension system (occupational pension funds)*: Occupational pension funds are mandatory for salaried persons earning at least CHF 21 150 annually and at most CHF 84 600 in 2015, although typically further contributions are paid out of income exceeding the cap for legally required contributions. Contributions are taken from income above the lower threshold, initially with a fixed minimum and then subsequently (from CHF 24 675) through proportional contributions.<sup>15</sup> Old age insurance is based on individual savings. The savings assets accumulated by the insured person on their individual savings account over the years serve to finance the old age pension. The constituted capital is converted into an annual old age pension on the basis of a conversion factor. Contribution rates depend on the occupation and age of the employee, and the pension fund involved.<sup>16</sup> The estimated representative rates were 7.75% for employees and 10.27% for employers in 2015.
- *Health insurance* is compulsory for all persons domiciled in Switzerland. Every family member is insured individually, regardless of age. The contributions are lump sum contributions per capita depending on age, sex, canton of residence and insurer. The national average rates for the year 2015 are CHF 4 942 for adults and CHF 1 140 for children. Health insurance premiums can be reduced depending on the contributor's income level and the family situation. Each canton has

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<sup>15</sup> In not taking contributions out of income below the lower threshold level (and thus not building up any pension covering this income level), pillar 2 is coordinated with pillar 1.

<sup>16</sup> Moreover, contribution rates tend to vary positively with income, especially beyond the legally required income levels.

its own definition of the income thresholds and the reduction regime. The health insurance premium and reduction rates of the Canton of Zurich are used in NTCP calculations.

- *Family allowance*: Employers have to make family allowance contributions. The contribution rates vary between cantons and family contribution funds. A representative rate of 1.1% has been estimated for 2015.
- *Accident insurance*: Accident insurance is compulsory for every employee. Employees are automatically insured by their employers, who are generally automatically assigned to a particular insurance company depending on their branch of trade. The risk and associated costs of the respective business activity determines the insurance premiums.

#### ***b. Employer work-related private insurances to cover accidents and occupational diseases that are not modelled***

47. In 12 OECD countries (Australia, Belgium, Chile, the Czech Republic, Denmark, Germany, New Zealand<sup>17</sup>, 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 7). 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.

48. 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 B-N in ISIC Rev. 4) 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. The calculated premium/rate would then depend on the country's actual industry structure.

49. 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 7) 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.

#### ***c. Other NTCPs that are not modelled***

50. 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 dismissed or retired. As of 1 January 2001, employers have been required to pay 1.53% 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 when the employee leaves. These contributions are not generally applicable to all taxpayers since those who started working before 2001 are not obliged to enter the new system so these NTCPs are not included in the calculations.

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<sup>17</sup> 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.

51. In **Denmark**, It is mandatory for all private and public sector employers to contribute to AES (the Labour Market Occupational Diseases Fund). AES collects contributions and pays compensation to employees suffering from occupational diseases. In 2015, the yearly contribution is DKK 855 (for the manufacturing industry), but the contribution differs among industries. Therefore, it is not included in the modelling.

52. In **Hungary**, prior to November 2010, workers were required to either join a private pension fund, or contribute to the public social security scheme, while labour market entrants had to join a private pension fund. Either way they were required to make the same total payment of 9.5% of wages. For taxpayers choosing to join a private pension scheme, 8% of wages is paid to the pension fund while the remaining 1.5% went to the public social security scheme. For non-members the entire 9.5% went to the public scheme. Neither payment was deductible against personal income tax. The *Taxing Wages* publication assumes workers contributed to the public scheme and therefore includes the 9.5% as SSCs (taxes) in the calculations. As of November 2010, both members and non-members of a private pension scheme (2<sup>nd</sup> pillar) are obliged to pay the 9.5% compulsory pension contribution to the public social security system and it is no longer mandatory to make contributions to the private pension scheme. There are therefore no NTCPs in Hungary from that date onwards.

#### ***d. Other payments that do not qualify as NTCPs***

53. In **Korea**, it is compulsory for employers to pay a retirement payment or make a contribution to the retirement pension system (Defined Benefit or Defined Contribution) for an employee who is either dismissed or retires. The retirement pension system requires employers to accumulate funds in advance as other occupational pensions, but more than 90% of companies opt not to accumulate the funds in advance. As a result, any contributions that employers may make during the period that the employee is hired – for example, to a privately-managed pension fund or an internal fund within the firm – in order to pay for the retirement payment at the end of the working relationship are not modelled as NTCPs.

54. KiwiSaver is a Government initiated retirement savings scheme administered directly through the tax system in **New Zealand**. Where an employee is a member of KiwiSaver, and is contributing to the scheme, compulsory employer contributions are made at 3% 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). Employees join the scheme on a voluntary basis and so the payments are not considered to be NTCPs

## **6. Empirical findings**

55. There are 23 OECD member countries that have NTCPs that are levied on wage earnings. 15 OECD countries (Australia, Chile, Denmark, Estonia, Iceland, Israel, Italy, Luxembourg, Mexico, the Netherlands, Norway, Poland, the Slovak Republic, Sweden and Switzerland) levy NTCPs that are generally applicable to taxpayers. There are also a further 7 OECD countries (Belgium, the Czech Republic, Germany, New Zealand, Portugal, Spain, 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 7). Finally, there are also the NTCPs in Austria that are not generally applicable to taxpayers.

56. Employers pay NTCPs in 21 of the 23 countries, the exceptions being Estonia and Sweden. Employees pay them in 12 countries of which 11 are listed in paragraph 62, the other one being New Zealand.

57. The following analyses display measures of the compulsory payment wedges only on the basis of those NTCPs that can be modelled. They therefore exclude the effect of compulsory payments relating to the employer work-related private insurance to cover accidents and occupational diseases. It is not possible to model the latter for the reasons set out in paragraphs 47 to 49 above. This limits the extent of the comparability between the estimates for the different countries and has the following specific implications for the tables 1 to 6, figures 1 and 2 and the text set out in paragraphs 58 to 64 below:

- The compulsory payments wedges for 12 countries are lower than they would have been if it had been possible to model these payments in the calculations.
- The 12 countries are Australia, Belgium, Chile, the Czech Republic, Denmark, Germany, New Zealand, Poland, Portugal, Spain, Switzerland and the United States.
- The ordering of countries by size of average compulsory payment wedge (Figure 1) and marginal compulsory payment wedge (Figure 2) would be different if these payments were to be included.
- This is also the case for the list of countries with employer NTCPs by order of magnitude (paragraph 62) and the corresponding list for countries with employee NTCPs (paragraph 63).

58. Tables 1 and 3 present, respectively, average and marginal compulsory payment wedges by family-type and wage level as a percentage of augmented total labour costs in 2015. Tables 2 and 4 present corresponding figures for average and marginal net personal compulsory payment rates respectively.

59. Figure 1 compares average compulsory payment wedges and average tax wedges for single taxpayers at average earnings without children in 2015. Figure 2 compares marginal compulsory payment wedges and marginal tax wedges for single taxpayers without children at average earnings in 2015. 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 NTCPs net of benefits received as a percentage of ‘augmented’ total labour costs, which equals total labour costs plus the employer NTCPs.

60. Figure 1 shows that, for single taxpayers at average earnings without children, the impact of NTCPs on average wedges is the strongest in Switzerland (+15.5 percentage points), Chile and the Netherlands (both +14.5 percentage points). There are also significant impacts (increases of more than 1 percentage point) in 8 other countries; (in decreasing order) Israel, Iceland, Mexico, Australia, Poland, Italy, the Slovak Republic, Estonia and Luxembourg. For this family type, Figure 2 shows that the impact of NTCPs on the marginal wedges is the strongest in Chile (+14.5 percentage points), the Netherlands (+13.9 percentage points), Switzerland (+13.2 percentage points), Iceland and Mexico (both +7.4 percentage points). These graphs also indicate that the inclusion of NTCPs has a considerable impact on the respective country rankings.

61. Table 5 presents the increase in total labour costs as a result of NTCPs by family-type and wage level in 2015. The amounts are expressed in US dollars using Purchasing Power Parities in order to ensure comparability. The highest amount of employer NTCPs (i.e. the increase in total labour costs) has to be paid in (in decreasing order):

- The Netherlands;
- Switzerland;
- Australia;
- Iceland;
- Israel;
- Italy;
- Mexico;
- Luxembourg;

- The Slovak Republic;
- Norway;
- Poland;
- Chile;
- Denmark.

62. Table 6 presents the reduction in net take-home pay as a result of NTCPs by family-type and wage level in 2015. The highest amount of employee NTCPs (i.e. reduction in net take-home pay) has to be paid in (in decreasing order):

- Switzerland;
- The Netherlands;
- Chile;
- Iceland;
- Israel;
- Poland;
- Estonia;
- Mexico;
- Denmark;
- Sweden;
- Luxembourg.

63. NTCPs are relatively small in Denmark, Estonia, Norway, the Slovak Republic and Sweden. The other countries levy larger amounts of NTCPs (combined employee and employer NTCPs exceeding US dollars 1000 using PPP for most family types). This is the case for Australia, Chile, Iceland, Israel, Italy, Luxembourg, Mexico, the Netherlands, Poland and Switzerland. In most of these countries, the NTCPs are mainly pension contributions.

64. The results also confirm that NTCPs are mostly paid by employers – thereby increasing total labour costs – rather than by employees.<sup>18</sup> Only in Chile, Iceland, Israel, the Netherlands and Switzerland do employees pay a considerable amount of NTCPs.

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<sup>18</sup> This conclusion ignores the possible incidence effects; employer NTCPs could be borne by employees through lower gross wage earnings.

**Table 1. Average compulsory payment wedge<sup>1</sup>**  
By family-type and wage level (as % of augmented total labour costs), 2015

| Family-type:               | single<br>no ch | single<br>no ch | single<br>no ch | single<br>2 ch | married<br>2 ch | married<br>2 ch            | married<br>2 ch            | married<br>no ch           |
|----------------------------|-----------------|-----------------|-----------------|----------------|-----------------|----------------------------|----------------------------|----------------------------|
| Wage level (% of AW):      | 67<br>(1)       | 100<br>(2)      | 167<br>(3)      | 67<br>(4)      | 100-0<br>(5)    | 100-33 <sup>2</sup><br>(6) | 100-67 <sup>2</sup><br>(7) | 100-33 <sup>2</sup><br>(8) |
| Australia                  | 29.4            | 34.2            | 39.4            | 7.0            | 24.6            | 29.1                       | 32.3                       | 30.4                       |
| Austria                    | 45.0            | 49.5            | 52.2            | 29.3           | 39.0            | 38.4                       | 42.1                       | 45.4                       |
| Belgium                    | 49.5            | 55.3            | 60.7            | 35.8           | 40.4            | 41.4                       | 48.1                       | 47.7                       |
| Canada                     | 26.6            | 31.6            | 33.4            | -5.9           | 18.8            | 23.7                       | 26.9                       | 28.5                       |
| Chile                      | 21.5            | 21.5            | 22.5            | 20.7           | 21.5            | 19.3                       | 21.2                       | 21.5                       |
| Czech Republic             | 39.9            | 42.8            | 45.1            | 24.5           | 26.6            | 32.7                       | 35.4                       | 40.5                       |
| Denmark                    | 35.4            | 37.2            | 42.8            | 9.1            | 26.8            | 31.0                       | 32.7                       | 35.6                       |
| Estonia                    | 39.2            | 40.2            | 41.1            | 22.7           | 29.7            | 32.8                       | 34.8                       | 39.1                       |
| Finland                    | 38.3            | 43.9            | 49.7            | 28.3           | 39.3            | 36.5                       | 38.9                       | 39.9                       |
| France                     | 43.5            | 48.5            | 54.3            | 35.9           | 40.5            | 37.9                       | 43.1                       | 43.7                       |
| Germany                    | 45.3            | 49.4            | 51.3            | 30.8           | 34.0            | 38.7                       | 42.3                       | 45.2                       |
| Greece                     | 34.7            | 39.3            | 46.8            | 30.9           | 38.1            | 37.5                       | 38.0                       | 38.3                       |
| Hungary                    | 49.0            | 49.0            | 49.0            | 27.2           | 35.3            | 38.7                       | 40.8                       | 49.0                       |
| Iceland                    | 38.2            | 42.1            | 46.1            | 28.6           | 31.2            | 37.0                       | 40.4                       | 38.4                       |
| Ireland                    | 21.6            | 27.5            | 38.8            | -18.6          | 9.5             | 14.0                       | 19.8                       | 20.3                       |
| Israel                     | 28.1            | 32.0            | 36.5            | 17.5           | 29.6            | 27.5                       | 27.3                       | 29.3                       |
| Italy                      | 45.1            | 51.7            | 57.0            | 30.4           | 43.1            | 42.7                       | 45.7                       | 46.8                       |
| Japan                      | 30.8            | 32.2            | 34.9            | 24.6           | 26.8            | 28.3                       | 29.2                       | 31.4                       |
| Korea                      | 18.6            | 21.9            | 24.0            | 17.0           | 19.6            | 19.3                       | 19.5                       | 20.7                       |
| Luxembourg                 | 32.4            | 39.4            | 46.2            | 8.8            | 17.4            | 21.8                       | 27.4                       | 30.7                       |
| Mexico                     | 22.9            | 27.3            | 30.2            | 22.9           | 27.3            | 25.2                       | 25.5                       | 25.2                       |
| Netherlands                | 45.6            | 50.7            | 55.3            | 26.1           | 47.7            | 42.6                       | 44.9                       | 46.7                       |
| New Zealand                | 13.5            | 17.6            | 23.3            | -14.4          | 4.9             | 12.0                       | 16.5                       | 16.2                       |
| Norway                     | 34.5            | 37.6            | 43.3            | 23.2           | 32.9            | 32.0                       | 34.1                       | 34.8                       |
| Poland                     | 38.5            | 39.7            | 40.7            | 29.4           | 33.6            | 35.4                       | 36.8                       | 38.4                       |
| Portugal                   | 36.2            | 42.1            | 48.0            | 25.2           | 30.7            | 31.1                       | 35.6                       | 36.1                       |
| Slovak Republic            | 40.9            | 43.3            | 45.3            | 29.7           | 30.8            | 34.0                       | 37.9                       | 39.7                       |
| Slovenia                   | 38.6            | 42.6            | 46.5            | 10.1           | 23.7            | 30.8                       | 34.6                       | 40.2                       |
| Spain                      | 36.0            | 39.6            | 44.2            | 24.1           | 33.8            | 35.6                       | 36.4                       | 36.7                       |
| Sweden                     | 40.8            | 42.8            | 51.1            | 33.6           | 38.0            | 37.4                       | 39.1                       | 41.1                       |
| Switzerland                | 35.8            | 37.7            | 41.3            | 20.9           | 32.0            | 31.4                       | 33.6                       | 36.3                       |
| Turkey                     | 36.1            | 38.3            | 41.9            | 34.8           | 36.9            | 35.7                       | 36.9                       | 36.4                       |
| United Kingdom             | 26.0            | 30.8            | 37.3            | 5.4            | 26.3            | 22.4                       | 26.2                       | 25.9                       |
| United States              | 29.5            | 31.7            | 36.4            | 12.1           | 20.7            | 24.7                       | 26.6                       | 29.5                       |
| <i>Unweighted average:</i> |                 |                 |                 |                |                 |                            |                            |                            |
| OECD                       | 34.9            | 38.6            | 42.8            | 20.2           | 29.7            | 31.1                       | 33.8                       | 35.5                       |
| EU-21                      | 39.1            | 43.1            | 47.8            | 22.8           | 32.6            | 34.0                       | 37.2                       | 39.4                       |

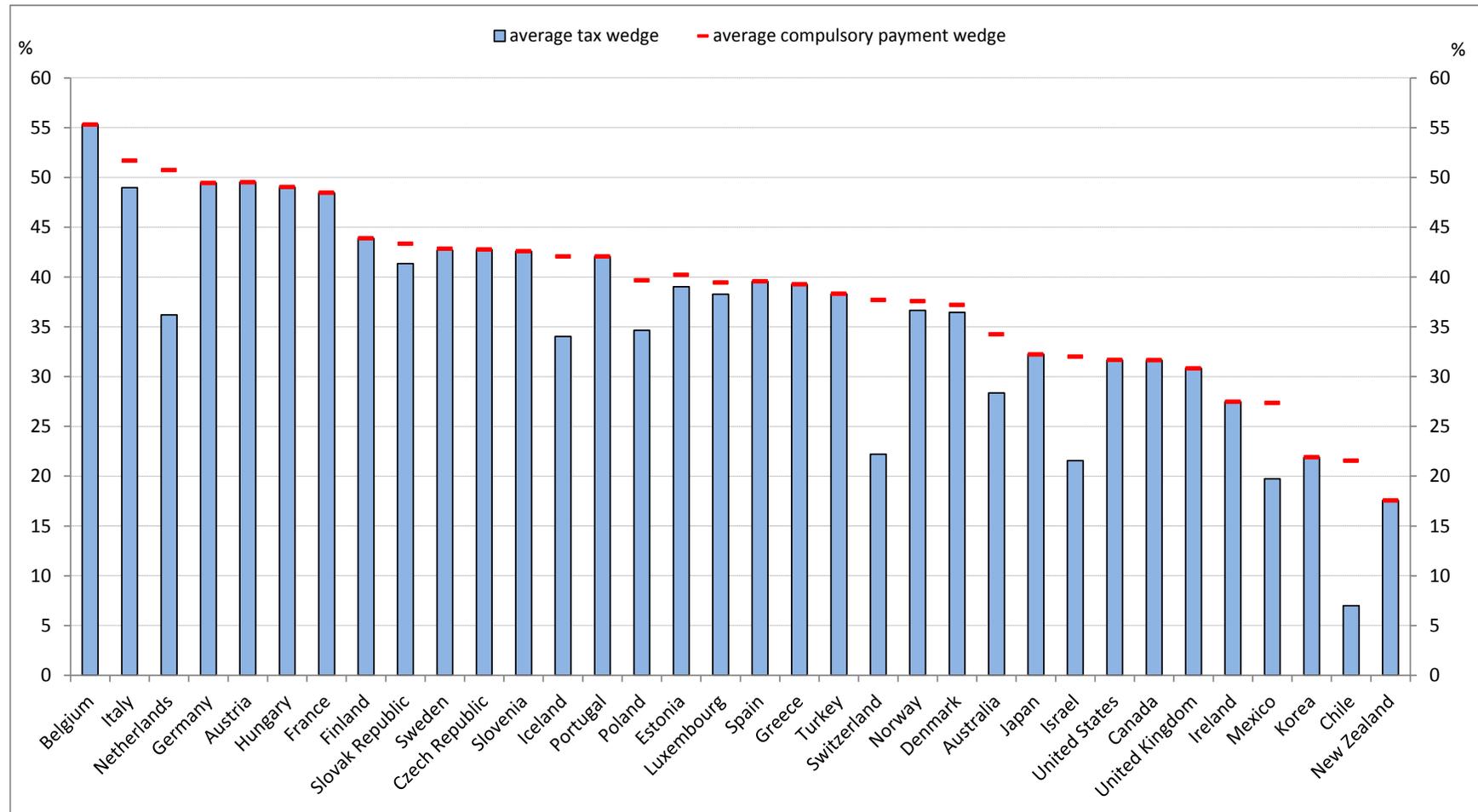
Note : ch = children.

1. Excludes the effect of work-related private insurance to cover accidents and occupational diseases. See paragraph 57 for further details.

2. Two-earner family.

**Figure 1. Average compulsory payment wedge and average tax wedge**

For single taxpayers without children at average earnings, 2015<sup>1, 2</sup>



1. Countries are ranked by decreasing average compulsory payment wedge.

2. Excludes the effect of work-related private insurance to cover accidents and occupational diseases. See paragraph 57 for further details.

**Table 2. Average net personal compulsory payment rate<sup>1</sup>**  
By family-type and wage level (as % of gross wage earnings), 2015

| Family-type:               | single<br>no ch | single<br>no ch | single<br>no ch | single<br>2 ch | married<br>2 ch | married<br>2 ch            | married<br>2 ch            | married<br>no ch           |
|----------------------------|-----------------|-----------------|-----------------|----------------|-----------------|----------------------------|----------------------------|----------------------------|
| Wage level (% of AW):      | 67<br>(1)       | 100<br>(2)      | 167<br>(3)      | 67<br>(4)      | 100-0<br>(5)    | 100-33 <sup>2</sup><br>(6) | 100-67 <sup>2</sup><br>(7) | 100-33 <sup>2</sup><br>(8) |
| Australia                  | 18.5            | 24.1            | 30.1            | -7.4           | 12.9            | 18.1                       | 21.9                       | 19.7                       |
| Austria                    | 29.0            | 34.9            | 39.4            | 8.9            | 21.4            | 20.6                       | 25.3                       | 29.6                       |
| Belgium                    | 35.4            | 42.0            | 49.1            | 18.0           | 22.7            | 26.2                       | 33.1                       | 34.1                       |
| Canada                     | 17.8            | 23.4            | 27.1            | -18.6          | 9.0             | 14.6                       | 18.1                       | 20.0                       |
| Chile                      | 18.8            | 18.8            | 19.7            | 17.9           | 18.8            | 16.5                       | 18.4                       | 18.8                       |
| Czech Republic             | 19.4            | 23.3            | 26.4            | -1.1           | 1.7             | 9.9                        | 13.5                       | 20.2                       |
| Denmark                    | 33.7            | 36.1            | 42.2            | 6.7            | 25.5            | 29.2                       | 31.4                       | 33.9                       |
| Estonia                    | 18.6            | 20.0            | 21.2            | -3.4           | 5.9             | 10.1                       | 12.7                       | 18.6                       |
| Finland                    | 24.1            | 30.9            | 38.1            | 11.8           | 25.2            | 21.8                       | 24.8                       | 26.1                       |
| France                     | 25.9            | 28.9            | 34.4            | 15.9           | 18.0            | 19.0                       | 23.1                       | 26.6                       |
| Germany                    | 34.7            | 39.7            | 43.8            | 17.5           | 21.2            | 26.9                       | 31.2                       | 34.6                       |
| Greece                     | 18.6            | 24.3            | 33.7            | 13.9           | 22.9            | 22.1                       | 22.8                       | 23.2                       |
| Hungary                    | 34.5            | 34.5            | 34.5            | 6.5            | 16.9            | 21.2                       | 23.9                       | 34.5                       |
| Iceland                    | 28.6            | 33.1            | 37.7            | 17.5           | 20.5            | 27.3                       | 31.2                       | 28.9                       |
| Ireland                    | 13.2            | 19.7            | 32.2            | -31.4          | -0.3            | 5.2                        | 11.2                       | 12.2                       |
| Israel                     | 16.3            | 21.7            | 29.0            | 3.9            | 19.0            | 16.5                       | 15.9                       | 18.6                       |
| Italy                      | 23.4            | 32.6            | 40.0            | 3.0            | 20.6            | 20.0                       | 24.3                       | 25.8                       |
| Japan                      | 20.4            | 22.0            | 25.8            | 13.3           | 15.8            | 17.5                       | 18.5                       | 21.1                       |
| Korea                      | 10.2            | 13.8            | 17.2            | 8.4            | 11.3            | 11.0                       | 11.1                       | 12.5                       |
| Luxembourg                 | 22.7            | 30.8            | 38.5            | -4.3           | 5.6             | 10.6                       | 17.0                       | 20.8                       |
| Mexico                     | 4.3             | 11.4            | 16.1            | 4.3            | 11.4            | 7.0                        | 8.6                        | 7.0                        |
| Netherlands                | 32.0            | 37.4            | 44.9            | 7.7            | 33.6            | 28.3                       | 30.4                       | 33.4                       |
| New Zealand                | 13.5            | 17.6            | 23.3            | -14.4          | 4.9             | 12.0                       | 16.5                       | 16.2                       |
| Norway                     | 25.0            | 28.4            | 34.9            | 12.0           | 23.0            | 22.2                       | 24.5                       | 25.4                       |
| Poland                     | 25.9            | 27.3            | 28.5            | 14.9           | 20.0            | 22.2                       | 23.8                       | 25.9                       |
| Portugal                   | 21.1            | 28.3            | 35.6            | 7.5            | 14.2            | 14.7                       | 20.3                       | 20.9                       |
| Slovak Republic            | 19.7            | 23.0            | 25.8            | 4.5            | 6.1             | 12.0                       | 15.6                       | 19.7                       |
| Slovenia                   | 28.7            | 33.3            | 37.9            | -4.4           | 11.4            | 19.6                       | 24.1                       | 30.5                       |
| Spain                      | 16.8            | 21.5            | 27.7            | 1.4            | 14.0            | 16.3                       | 17.3                       | 17.7                       |
| Sweden                     | 22.2            | 24.9            | 35.7            | 12.7           | 18.5            | 17.8                       | 20.0                       | 22.6                       |
| Switzerland                | 27.2            | 28.5            | 32.0            | 10.3           | 21.9            | 22.2                       | 24.1                       | 27.8                       |
| Turkey                     | 24.9            | 27.5            | 31.8            | 23.4           | 25.8            | 24.5                       | 25.9                       | 25.2                       |
| United Kingdom             | 19.2            | 23.4            | 29.8            | -3.3           | 18.4            | 15.4                       | 18.7                       | 19.1                       |
| United States              | 22.9            | 25.6            | 31.1            | 3.9            | 13.7            | 17.6                       | 20.0                       | 22.8                       |
| <i>Unweighted average:</i> |                 |                 |                 |                |                 |                            |                            |                            |
| OECD                       | 22.6            | 26.8            | 32.2            | 5.2            | 16.2            | 18.1                       | 21.2                       | 23.3                       |
| EU-21                      | 24.7            | 29.4            | 35.2            | 4.9            | 16.4            | 18.5                       | 22.1                       | 25.2                       |

Note : ch = children.

1. Excludes the effect of work-related private insurance to cover accidents and occupational diseases. See paragraph 57 for further details.

2. Two-earner family.

**Table 3. Marginal compulsory payment wedge**By family-type and wage level (as % of augmented total labour costs), 2015<sup>1,2</sup>

| Family-type:               | single<br>no ch | single<br>no ch | single<br>no ch | single<br>2 ch | married<br>2 ch | married<br>2 ch            | married<br>2 ch            | married<br>no ch           |
|----------------------------|-----------------|-----------------|-----------------|----------------|-----------------|----------------------------|----------------------------|----------------------------|
| Wage level (% of AW):      | 67<br>(1)       | 100<br>(2)      | 167<br>(3)      | 67<br>(4)      | 100-0<br>(5)    | 100-33 <sup>3</sup><br>(6) | 100-67 <sup>3</sup><br>(7) | 100-33 <sup>3</sup><br>(8) |
| Australia                  | 44.6            | 47.2            | 47.2            | 61.9           | 64.5            | 73.2                       | 47.2                       | 47.2                       |
| Austria                    | 56.8            | 60.5            | 42.2            | 56.8           | 60.5            | 60.5                       | 60.5                       | 60.5                       |
| Belgium                    | 66.3            | 66.3            | 68.5            | 66.3           | 66.3            | 66.3                       | 65.5                       | 66.3                       |
| Canada                     | 33.8            | 40.9            | 38.4            | 60.7           | 61.8            | 38.2                       | 38.2                       | 40.9                       |
| Chile                      | 21.5            | 21.5            | 24.7            | 21.5           | 21.5            | 21.5                       | 21.5                       | 21.5                       |
| Czech Republic             | 48.6            | 48.6            | 48.6            | 48.6           | 48.6            | 48.6                       | 48.6                       | 48.6                       |
| Denmark                    | 39.7            | 42.0            | 55.8            | 38.1           | 42.0            | 42.0                       | 42.0                       | 42.0                       |
| Estonia                    | 42.4            | 42.4            | 42.4            | 42.4           | 42.4            | 42.4                       | 42.4                       | 42.4                       |
| Finland                    | 54.5            | 55.5            | 58.5            | 54.5           | 56.2            | 56.2                       | 56.2                       | 55.5                       |
| France                     | 67.2            | 59.3            | 59.8            | 57.5           | 43.5            | 43.5                       | 56.4                       | 56.4                       |
| Germany                    | 55.6            | 60.2            | 44.3            | 53.6           | 52.3            | 55.3                       | 57.7                       | 55.6                       |
| Greece                     | 47.1            | 47.6            | 54.8            | 47.1           | 47.6            | 47.6                       | 47.6                       | 47.6                       |
| Hungary                    | 49.0            | 49.0            | 49.0            | 49.0           | 49.0            | 49.0                       | 49.0                       | 49.0                       |
| Iceland                    | 49.9            | 49.9            | 55.3            | 58.2           | 58.2            | 54.9                       | 54.9                       | 49.9                       |
| Ireland                    | 37.7            | 55.8            | 55.8            | 67.9           | 37.7            | 37.7                       | 37.7                       | 37.7                       |
| Israel                     | 42.6            | 37.5            | 46.9            | 30.8           | 37.5            | 37.5                       | 37.5                       | 37.5                       |
| Italy                      | 58.3            | 58.3            | 65.3            | 59.4           | 59.4            | 59.4                       | 58.9                       | 58.3                       |
| Japan                      | 32.8            | 37.0            | 35.3            | 32.8           | 37.0            | 37.0                       | 37.0                       | 37.0                       |
| Korea                      | 25.4            | 29.2            | 31.9            | 17.0           | 29.2            | 29.2                       | 29.2                       | 29.2                       |
| Luxembourg                 | 47.2            | 56.3            | 56.3            | 51.3           | 40.5            | 45.5                       | 53.8                       | 45.5                       |
| Mexico                     | 25.6            | 32.6            | 35.5            | 25.6           | 32.6            | 32.6                       | 32.6                       | 32.6                       |
| Netherlands                | 60.6            | 60.6            | 64.3            | 62.6           | 60.6            | 60.6                       | 60.6                       | 60.6                       |
| New Zealand                | 17.5            | 30.0            | 33.0            | 38.7           | 51.2            | 51.2                       | 30.0                       | 30.0                       |
| Norway                     | 43.7            | 51.5            | 54.1            | 43.7           | 51.5            | 51.5                       | 51.5                       | 51.5                       |
| Poland                     | 42.1            | 42.1            | 42.1            | 42.1           | 42.1            | 42.1                       | 42.1                       | 42.1                       |
| Portugal                   | 53.9            | 53.9            | 60.8            | 39.8           | 39.8            | 39.8                       | 51.1                       | 53.9                       |
| Slovak Republic            | 48.3            | 48.3            | 48.3            | 48.3           | 48.3            | 48.3                       | 48.3                       | 48.3                       |
| Slovenia                   | 43.6            | 51.0            | 60.4            | 32.9           | 43.6            | 43.6                       | 43.6                       | 51.0                       |
| Spain                      | 45.6            | 49.9            | 38.0            | 42.0           | 45.6            | 49.9                       | 49.9                       | 49.9                       |
| Sweden                     | 45.7            | 48.4            | 67.4            | 45.7           | 48.4            | 48.4                       | 48.4                       | 48.4                       |
| Switzerland                | 40.0            | 45.0            | 48.7            | 33.3           | 36.2            | 39.8                       | 42.8                       | 40.6                       |
| Turkey                     | 42.8            | 42.8            | 47.8            | 42.8           | 42.8            | 42.8                       | 42.8                       | 42.8                       |
| United Kingdom             | 40.2            | 40.2            | 49.0            | 76.3           | 40.2            | 40.2                       | 40.2                       | 40.2                       |
| United States              | 34.3            | 43.6            | 43.6            | 50.4           | 34.3            | 34.3                       | 34.3                       | 34.3                       |
| <i>Unweighted average:</i> |                 |                 |                 |                |                 |                            |                            |                            |
| OECD                       | 44.3            | 47.2            | 49.2            | 47.1           | 46.3            | 46.2                       | 45.9                       | 45.7                       |
| EU-21                      | 50.0            | 52.2            | 53.9            | 51.5           | 48.3            | 48.9                       | 50.5                       | 50.5                       |

Note : ch = children.

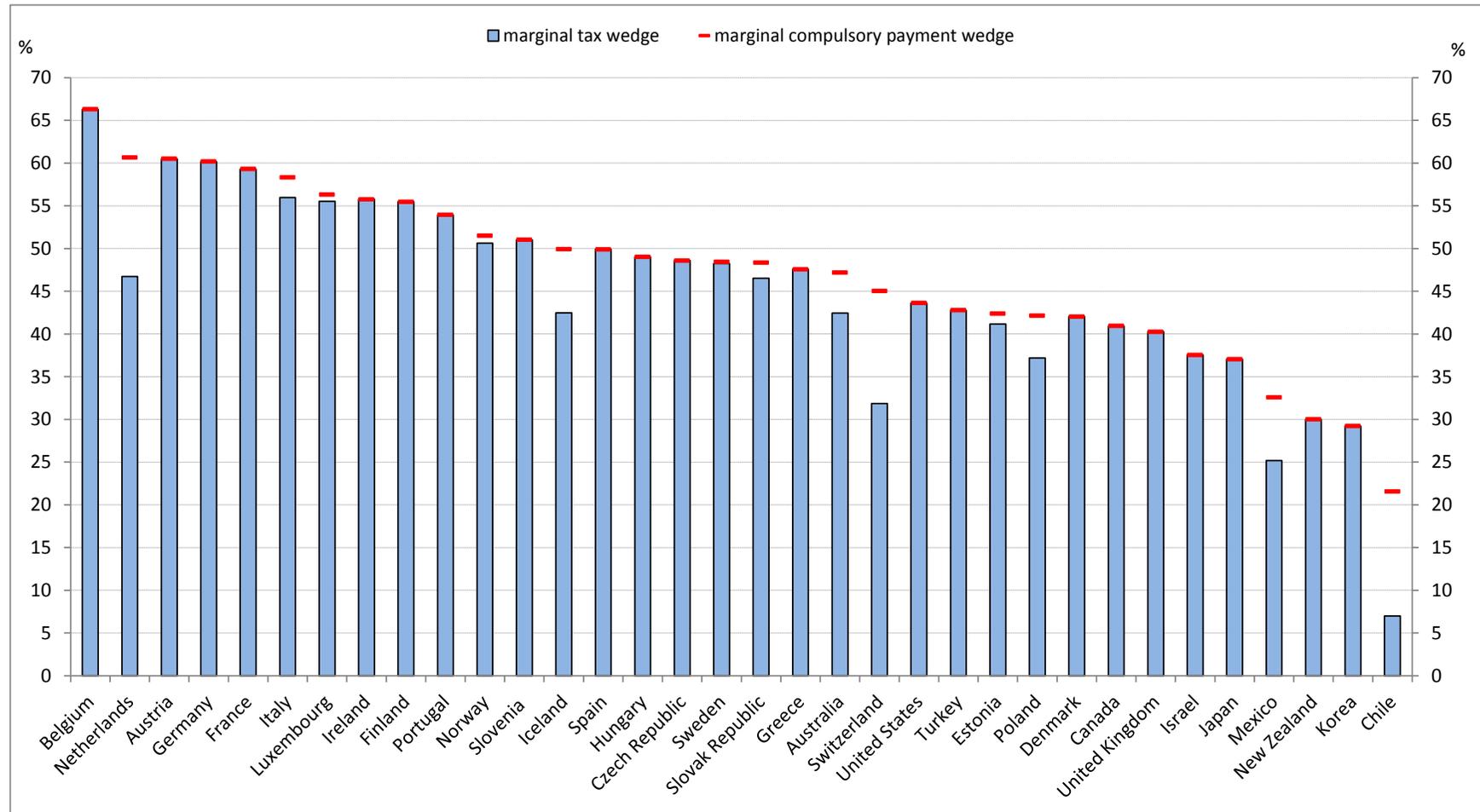
1. Assumes a rise in gross earnings of the principal earner in the household. The outcome may differ if the wage of the spouse increases, especially if partners are taxed individually.

2. Excludes the effect of work-related private insurance to cover accidents and occupational diseases. See paragraph 57 for further details.

3. Two-earner family.

**Figure 2. Marginal compulsory payment wedge and marginal tax wedge**

For single taxpayers without children at average earnings, 2015<sup>1,2</sup>



1. Countries are ranked by decreasing marginal compulsory payment wedge.

2. Excludes the effect of work-related private insurance to cover accidents and occupational diseases. See paragraph 57 for further details.

**Table 4. Marginal net personal compulsory payment rate**  
By family-type and wage level (as % of gross wage earnings), 2015<sup>1, 2</sup>

| 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     | 100    | 167    | 67     | 100-0   | 100-33 <sup>3</sup> | 100-67 <sup>3</sup> | 100-33 <sup>3</sup> |
|                            | (1)    | (2)    | (3)    | (4)    | (5)     | (6)                 | (7)                 | (8)                 |
| Australia                  | 36.0   | 39.0   | 39.0   | 56.0   | 59.0    | 69.0                | 39.0                | 39.0                |
| Austria                    | 44.4   | 49.1   | 37.9   | 44.4   | 49.1    | 49.1                | 49.1                | 49.1                |
| Belgium                    | 55.0   | 55.0   | 59.8   | 55.0   | 55.0    | 55.0                | 53.9                | 55.0                |
| Canada                     | 25.5   | 35.1   | 35.4   | 55.8   | 58.0    | 32.1                | 32.1                | 35.1                |
| Chile                      | 18.8   | 18.8   | 22.0   | 18.8   | 18.8    | 18.8                | 18.8                | 18.8                |
| Czech Republic             | 31.1   | 31.1   | 31.1   | 31.1   | 31.1    | 31.1                | 31.1                | 31.1                |
| Denmark                    | 39.7   | 42.0   | 55.8   | 38.1   | 42.0    | 42.0                | 42.0                | 42.0                |
| Estonia                    | 22.9   | 22.9   | 22.9   | 22.9   | 22.9    | 22.9                | 22.9                | 22.9                |
| Finland                    | 44.0   | 45.2   | 48.9   | 44.0   | 46.1    | 46.1                | 46.1                | 45.2                |
| France                     | 39.9   | 43.9   | 42.6   | 22.1   | 22.1    | 22.1                | 39.9                | 39.9                |
| Germany                    | 47.1   | 52.5   | 44.3   | 44.7   | 43.1    | 46.7                | 49.5                | 47.0                |
| Greece                     | 34.1   | 34.7   | 43.7   | 34.1   | 34.7    | 34.7                | 34.7                | 34.7                |
| Hungary                    | 34.5   | 34.5   | 34.5   | 34.5   | 34.5    | 34.5                | 34.5                | 34.5                |
| Iceland                    | 42.2   | 42.2   | 48.4   | 51.8   | 51.8    | 47.9                | 47.9                | 42.2                |
| Ireland                    | 31.0   | 51.0   | 51.0   | 64.4   | 31.0    | 31.0                | 31.0                | 31.0                |
| Israel                     | 31.5   | 33.0   | 43.0   | 17.5   | 33.0    | 33.0                | 33.0                | 33.0                |
| Italy                      | 41.8   | 41.8   | 51.5   | 43.4   | 43.4    | 43.4                | 42.6                | 41.8                |
| Japan                      | 22.7   | 27.6   | 31.2   | 22.7   | 27.6    | 27.6                | 27.6                | 27.6                |
| Korea                      | 17.7   | 21.9   | 27.9   | 8.4    | 21.9    | 21.9                | 21.9                | 21.9                |
| Luxembourg                 | 39.6   | 50.1   | 50.1   | 44.4   | 32.0    | 37.7                | 47.2                | 37.7                |
| Mexico                     | 13.2   | 20.6   | 24.0   | 13.2   | 20.6    | 20.6                | 20.6                | 20.6                |
| Netherlands                | 48.2   | 48.2   | 59.1   | 50.8   | 48.2    | 48.2                | 48.2                | 48.2                |
| New Zealand                | 17.5   | 30.0   | 33.0   | 38.7   | 51.2    | 51.2                | 30.0                | 30.0                |
| Norway                     | 35.2   | 44.2   | 47.2   | 35.2   | 44.2    | 44.2                | 44.2                | 44.2                |
| Poland                     | 30.3   | 30.3   | 30.3   | 30.3   | 30.3    | 30.3                | 30.3                | 30.3                |
| Portugal                   | 43.0   | 43.0   | 51.5   | 25.5   | 25.5    | 25.5                | 39.5                | 43.0                |
| Slovak Republic            | 29.9   | 29.9   | 29.9   | 29.9   | 29.9    | 29.9                | 29.9                | 29.9                |
| Slovenia                   | 34.6   | 43.1   | 54.0   | 22.1   | 34.6    | 34.6                | 34.6                | 43.1                |
| Spain                      | 29.3   | 34.9   | 38.0   | 24.6   | 29.3    | 34.9                | 34.9                | 34.9                |
| Sweden                     | 28.6   | 32.2   | 57.2   | 28.6   | 32.2    | 32.2                | 32.2                | 32.2                |
| Switzerland                | 29.5   | 35.3   | 40.0   | 21.5   | 24.9    | 29.2                | 32.7                | 30.1                |
| Turkey                     | 32.8   | 32.8   | 38.7   | 32.8   | 32.8    | 32.8                | 32.8                | 32.8                |
| United Kingdom             | 32.0   | 32.0   | 42.0   | 73.0   | 32.0    | 32.0                | 32.0                | 32.0                |
| United States              | 29.3   | 39.3   | 39.3   | 46.6   | 29.3    | 29.3                | 29.3                | 29.3                |
| <i>Unweighted average:</i> |        |        |        |        |         |                     |                     |                     |
| OECD                       | 33.3   | 37.3   | 41.3   | 36.1   | 35.9    | 35.9                | 35.8                | 35.6                |
| EU-21                      | 37.2   | 40.3   | 44.6   | 38.5   | 35.7    | 36.4                | 38.4                | 38.4                |

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 increases, especially if partners are taxed individually.

2. Excludes the effect of work-related private insurance to cover accidents and occupational diseases. See paragraph 57 for further details.

3. Two-earner family.

**Table 5. Increase in total labour costs as a result of NTCPs<sup>1</sup>**

By family-type and wage level (in US dollars using PPP), 2015

| 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     | 100    | 167    | 67     | 100-0   | 100-33 <sup>2</sup> | 100-67 <sup>2</sup> | 100-33 <sup>2</sup> |
|                            | (1)    | (2)    | (3)    | (4)    | (5)     | (6)                 | (7)                 | (8)                 |
| Australia                  | 3559   | 5313   | 8872   | 3559   | 5313    | 7066                | 8872                | 7066                |
| 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                   |
| Chile                      | 460    | 686    | 1146   | 460    | 686     | 913                 | 1146                | 913                 |
| Czech Republic             | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Denmark                    | 473    | 473    | 473    | 473    | 473     | 946                 | 946                 | 946                 |
| Estonia                    | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| 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                     | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Hungary                    | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Iceland                    | 2743   | 4094   | 6838   | 2743   | 4094    | 5446                | 6838                | 5446                |
| Ireland                    | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Israel                     | 2753   | 3310   | 3310   | 2753   | 3310    | 4665                | 6062                | 4665                |
| Italy                      | 2047   | 3056   | 5103   | 2047   | 3056    | 4064                | 5103                | 4064                |
| Japan                      | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Korea                      | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Luxembourg                 | 827    | 1234   | 2062   | 827    | 1234    | 1642                | 2062                | 1642                |
| Mexico                     | 875    | 1306   | 2181   | 875    | 1306    | 1737                | 2181                | 1737                |
| Netherlands                | 6257   | 10513  | 16971  | 6257   | 10513   | 12385               | 16770               | 12385               |
| New Zealand                | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Norway                     | 612    | 1009   | 1816   | 612    | 1009    | 1211                | 1620                | 1211                |
| Poland                     | 627    | 936    | 1563   | 627    | 936     | 1245                | 1563                | 1245                |
| Portugal                   | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Slovak Republic            | 671    | 1001   | 1672   | 671    | 1001    | 1332                | 1672                | 1332                |
| Slovenia                   | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Spain                      | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Sweden                     | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Switzerland                | 3362   | 5985   | 11308  | 3362   | 5985    | 6645                | 9347                | 6645                |
| Turkey                     | 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                   |
| <i>Unweighted average:</i> |        |        |        |        |         |                     |                     |                     |
| OECD                       | 743    | 1145   | 1862   | 743    | 1145    | 1450                | 1888                | 1450                |
| EU-21                      | 519    | 820    | 1326   | 519    | 820     | 1029                | 1339                | 1029                |

Note : ch = children.

1. Excludes the effect of work-related private insurance to cover accidents and occupational diseases. See paragraph 57 for further details.

2. Two-earner family.

**Table 6. Reduction in net take-home pay as a result of NTCPs<sup>1</sup>**

By family-type and wage level (in US dollars using PPP), 2015

| Family-type:               | single | single | single | single | married | married             | married             | married             |
|----------------------------|--------|--------|--------|--------|---------|---------------------|---------------------|---------------------|
| Wage level (% of AW):      | no ch  | no ch  | no ch  | 2 ch   | 2 ch    | 2 ch                | 2 ch                | no ch               |
|                            | 67     | 100    | 167    | 67     | 100-0   | 100-33 <sup>2</sup> | 100-67 <sup>2</sup> | 100-33 <sup>2</sup> |
|                            | (1)    | (2)    | (3)    | (4)    | (5)     | (6)                 | (7)                 | (8)                 |
| Australia                  | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 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                   |
| Chile                      | -1524  | -2274  | -3798  | -1524  | -2274   | -3025               | -3798               | -3025               |
| Czech Republic             | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Denmark                    | -102   | -102   | -102   | -102   | -102    | -204                | -204                | -204                |
| Estonia                    | -257   | -384   | -642   | -257   | -384    | -511                | -642                | -511                |
| 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                     | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Hungary                    | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Iceland                    | -1372  | -2047  | -3419  | -1372  | -2047   | -2723               | -3419               | -2723               |
| Ireland                    | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Israel                     | -1262  | -1517  | -1517  | -1262  | -1517   | -2138               | -2779               | -2138               |
| Italy                      | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Japan                      | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Korea                      | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Luxembourg                 | -34    | -34    | -34    | -34    | -34     | -68                 | -68                 | -68                 |
| Mexico                     | -97    | -145   | -242   | -97    | -145    | -192                | -242                | -192                |
| Netherlands                | -3121  | -4533  | -7400  | -3121  | -5965   | -6199               | -7654               | -6199               |
| New Zealand                | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Norway                     | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Poland                     | -627   | -936   | -1563  | -627   | -936    | -1245               | -1563               | -1245               |
| Portugal                   | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Slovak Republic            | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Slovenia                   | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Spain                      | 0      | 0      | 0      | 0      | 0       | 0                   | 0                   | 0                   |
| Sweden                     | -48    | -79    | -148   | -48    | -79     | -96                 | -127                | -96                 |
| Switzerland                | -5973  | -7760  | -11389 | -5420  | -12387  | -13716              | -15558              | -11891              |
| Turkey                     | 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                   |
| <i>Unweighted average:</i> |        |        |        |        |         |                     |                     |                     |
| OECD                       | -424   | -583   | -890   | -408   | -761    | -886                | -1060               | -832                |
| EU-21                      | -199   | -289   | -471   | -199   | -357    | -396                | -488                | -396                |

Note : ch = children.

1. Excludes the effect of work-related private insurance to cover accidents and occupational diseases. See paragraph 57 for further details.

2. Two-earner family.

**Table 7. Non-tax compulsory payments in OECD countries in 2015 (1) (2) (3)**

|                | 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 |   |   |   |
|----------------|--|---|---|---|
|                | <i>employer work-related private insurance (to cover accidents, occupational diseases, etc.) (4)</i>   | <i>compulsory pension payments</i>  |   | <i>other compulsory payments</i>  |
|                |  | <i>employee contributions</i>   | <i>employer contributions</i>   |   |
| Australia      | yes  | -   | 9.5% on ordinary time earnings up to AUD 49 430 per quarter, subject to a minimum threshold of AUD 450 per calendar month (2014-15)       | -   |
| Austria        | -  | -   | -   | -   |
| Belgium        | average rate of 1.1%   | -   | -   | -   |
| Canada         | -  | -   | -   | -   |
| Chile          | 0.95% (an additional contribution of up to 3.4% of the employee's gross earnings is applied depending on activity and risk associated to the enterprise)                                     | 11.16% (average rate) of gross earnings with earnings limit of CLP 22 012 186 (an additional rate of 1% or 2% is applied for activities of higher risk)                                       | 1.15% of gross earning with earning limits of CLP 22 012 186.<br>An additional rate of 1% or 2% is applied for activities of higher risk. | Employees: 0.6% for unemployment insurance with earnings limit of CLP 33 018 279 (no payment after 11 years of labour relationship or for fixed-term contracts). 7% of gross earnings with an upper limit of CLP 22 012 186 for private health plan (5).<br>Employers: 2.4% of gross earnings to finance unemployment insurance (0.8% after 11 years of labour relationship and 3% for fixed-term contracts) with earnings limit of CLP 33 018 279. |
| Czech Republic | 0.28% - 5 % of AW  | -   | -   | -   |
| Denmark        | yes  | DKK 1080 contribution to Labour Market Supplementary Pension Scheme (amount for full-time employees)  | DKK 2160 contribution to Labour Market Supplementary Pension Scheme (amount for full-time employees)                                      | Employers: DKK 855 to the Labour Market Occupational Diseases Fund (AES), DKK 644 to the Financing Contribution and DKK 750 to barsel.dk.   |
| Estonia        | -  | 2% or 1% of gross earnings depending on whether or not the employee made voluntary payments through 2010, in 2012-2013 all paid 2%, in 2014-2017 it is also possible to pay 3%, from 2018 2%. | -   | -   |
| Finland        | -  | -   | -   | -   |
| France         | -  | -   | -   | -   |
| Germany        | yes  | -   | -   | -   |
| Greece         | -  | -   | -   | -   |
| Hungary        | -  | -   | -   | -   |
| Iceland        | -  | 4% of gross earnings  | 8% of gross earnings  | -   |
| Ireland        | -  | -   | -   | -   |
| Israel         | -  | 5.5% of gross earnings subject to earnings limit of ILS 111 120   | 12.0% of gross earnings subject to earnings limit of ILS 111 120  | -   |
| Italy          | -  | -   | TFR contributions equal to 1/13.5 of annual gross wage earnings   | -   |
| Japan          | -  | -   | -   | -   |
| Korea          | -  | -   | -   | -   |

Table 7. (cont'd). **Non-tax compulsory payments in OECD countries in 2015 (1) (2) (3)**

|                        | <b>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</b>   |  |   |   |
|------------------------|---|--|---|---|
|                        | <i>employer work-related private insurance(to cover accidents, occupational diseases, etc.) (4)</i>   | <i>compulsory pension payments</i>   |   | <i>other compulsory payments</i>  |
|                        |   | <i>employee contributions</i>  | <i>employer contributions</i>   |   |
| <b>Luxembourg</b>      | -   | -  | -   | Employees: contributions to the Chamber of Employees: fixed rates of EUR 10 or EUR 31 if gross earnings exceed EUR 3600<br>Employers: contributions to the employers' mutual insurance scheme; rates range from 0.51%-3.04%   |
| <b>Mexico</b>          | -   | -  | 2.0% of AW (earnings ceiling of 25 times minimum wage in Mexico City, which in 2015 is MXN 639 663 )  | Employees: 1.125% of AW for discharge and old age insurance<br>Employers: 3.15% of AW for discharge and old age insurance + 5.0% for housing fund INFONAVIT (earnings ceiling that applies to all contributions separately: 25 times minimum wage in Mexico City, which in 2015 is MXN 639 663) |
| <b>Netherlands</b>     | -   | on average 7.03% of gross earnings net of the pension franchise of EUR 13 548  | 14.73% on gross earnings exceeding EUR 13 548   | Employees: health insurance premium of EUR 1 158; employees possibly receive a corresponding health care benefit<br>Employers: health contribution at a rate of 6.95% up to maximum of net earnings of EUR 51 976   |
| <b>New Zealand</b>     | average employer rate 1.04% levied on "liable payroll"  | -  | -   | Employees: 1.45% of AW for no-fault personal (non-work related) injury insurance  |
| <b>Norway</b>          | -   | -  | 2.0 % of AW for earnings between NOK 89 502 and NOK 1 074 024   | -   |
| <b>Poland (6)</b>      | yes   | 1.46% of the average earnings.   | 1.46% of the average earnings.  | -   |
| <b>Portugal</b>        | yes   | -  | -   | -   |
| <b>Slovak Republic</b> | -   | -  | 9.0% of AW until the end of September 2012 and 4% of AW as from October 2012; earnings ceiling: EUR 49 440  | Employers: contribution to Social Funds; rate ranges from 0.6% - 1% of all gross wages payable  |
| <b>Slovenia</b>        | -   | -  | -   | -   |
| <b>Spain</b>           | 0,9% - 7.15% of AW for gross earnings between EUR 9 079.2 and EUR 43 272 to either public or private firm   | -  | -   | -   |
| <b>Sweden</b>          | -   | -  | -   | Employees: burial fee of 0.22% on top of the local tax rate to the Church of Sweden   |
| <b>Switzerland</b>     | yes: both employees (non-work related accident insurance) and employers (work related accident insurance) have to pay a certain percentage of gross earnings; in 2015, the estimated representative rates were respectively 1.38% and 0.77% | 7.75% of gross earnings (representative rate) over CHF 24 675 or the same percentage of CHF 3 525 if gross earnings are between CHF 21 150 and CHF 24 675. | 10.27% of gross earnings (representative rate) over CHF 24 675 or the same percentage of CHF 3 525 if gross earnings are between CHF 21 150 and CHF 24 675. | Employees: health insurance contribution of CHF 4 942 for each adult and CHF 1 140 for each child (national average rates)<br><br>Employers: family allowance contribution of 1.1% of gross earnings (representative rate)  |
| <b>Turkey</b>          | -   | -  | -   | -   |
| <b>United Kingdom</b>  | -   | -  | -   | -   |
| <b>United States</b>   | yes   | -  | -   | -   |

(1) The table shows information for the 2015 fiscal year except when indicated otherwise.

(2) NTCPs 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) There are no compulsory required payments to central government.
- (4) Accident insurance premiums are not included in the calculations underlying the compulsory payments indicators because no representative rate could be calculated in most countries.
- (5) Only if the employee is not making health contributions to the government-managed National Health Fund (FONASA).
- (6) A premium of 4.38% of gross earnings (total employee and employer contribution rates) is transmitted to a subaccount in the government agency ZUS. They are required compulsory payments made by employees and employers. From July 2014, 2.92% of gross earnings (total employee and employer contribution rates) are transferred by ZUS to the privately-managed fund (OPF) only if the insured persons decide to. Otherwise, total 7.3% of gross earnings are passed to the subaccount in ZUS. From November 2014, for all the persons which are less than 10 years to the retirement age all assets gathered in OPF will be gradually transferred to the subaccount in ZUS and all the new contributions will be passed to the subaccount as well (see paragraph 40)