



Taxing Wages - Germany

Tax on labour income

The **tax wedge** is a measure of the tax on labour income, which includes the tax paid by both the employee and the employer.

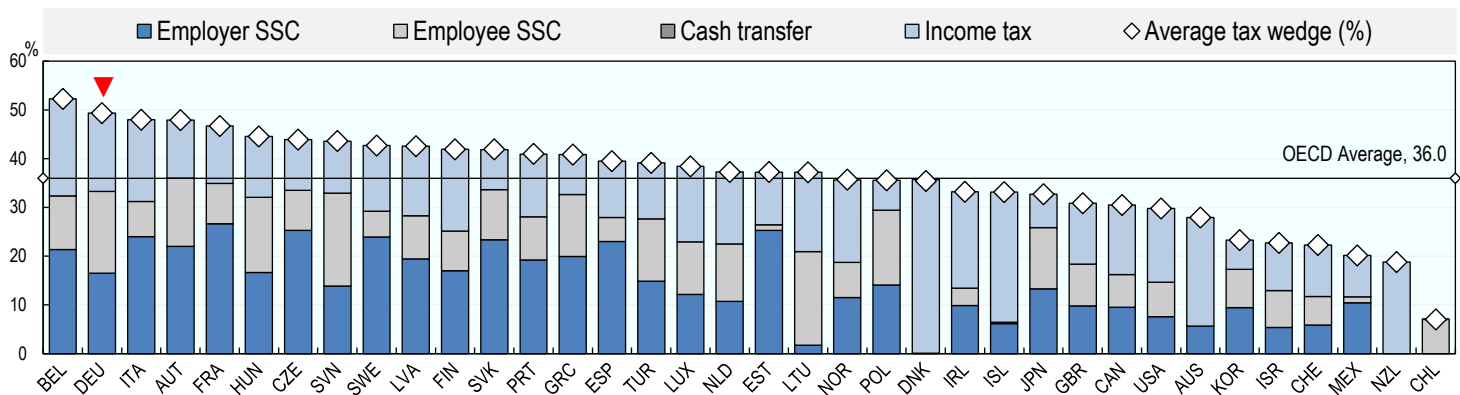
$$\text{TAX WEDGE ON LABOUR INCOME} = \frac{((\text{Personal income tax} + \text{employee and employer social security contributions (SSCs)}) - \text{Family Benefits})}{(\text{Total labour costs (gross wages} + \text{employer SSCs)})}$$

Single worker

The tax wedge for the average single worker in Germany decreased by 0.1 percentage points from 49.5 in 2018 to 49.4 in 2019. The » OECD average tax wedge in 2019 was 36.0 (2018, 36.1). In 2019 Germany had the 2nd highest tax wedge among the 36 OECD member countries, occupying the same position in 2018.

» In Germany, income tax and employer social security contributions combine to account for 66% of the total tax wedge, compared with 76% of the total OECD average tax wedge.

Average tax wedge: average single worker, no children



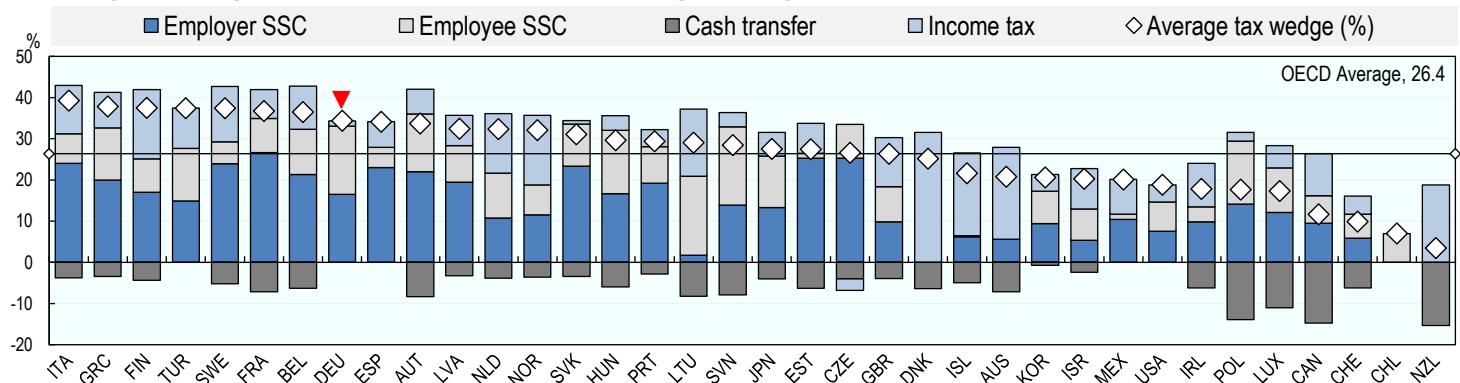
One-earner married couple with two children

The tax wedge for a worker with children may be lower than for a worker on the same income without children, since most OECD countries provide benefits to families with children through cash transfers and preferential tax provisions.

» Germany had the 8th highest tax wedge in the OECD for an average married worker with two children at 34.3% in 2019, which compares with the OECD average of 26.4%. The country occupied the 9th highest position in 2018.

» Child related benefits and tax provisions tend to reduce the tax wedge for workers with children compared with the average single worker. In Germany in 2019, this reduction (15 percentage points) was greater than the OECD average (9.6 percentage points).

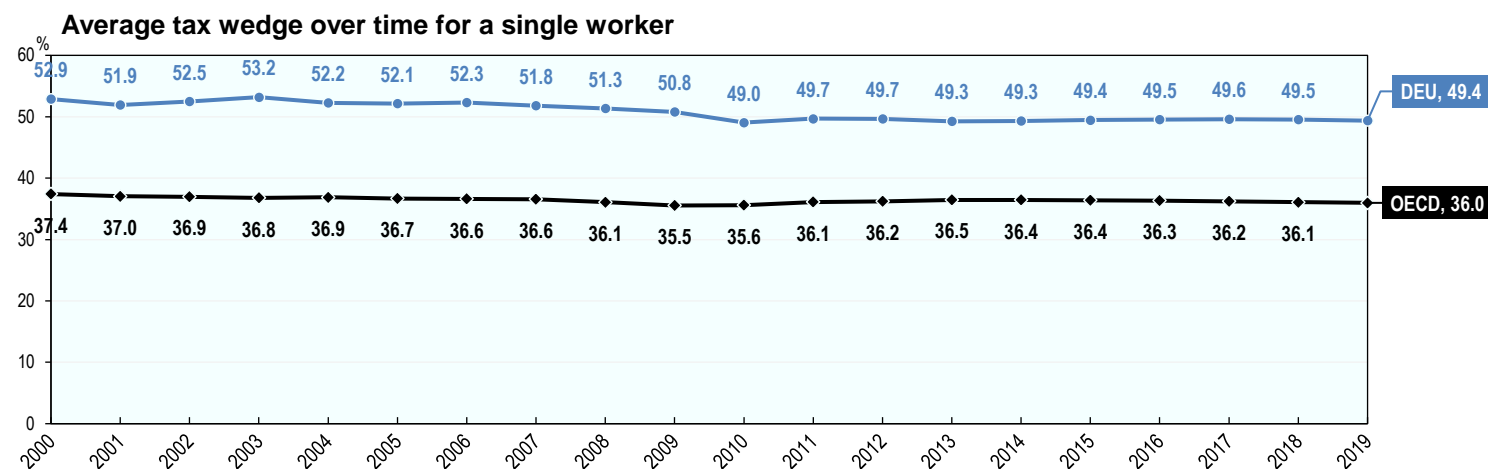
Average tax wedge: One-earner married couple at average earnings, 2 children





Tax wedge trends between 2000 and 2019

- » In Germany, the tax wedge for the average single worker decreased by 3.5 percentage points from 52.9% to 49.4% between 2000 and 2019. During the same period, the average tax wedge across the OECD decreased by 1.4 percentage points from 37.4% to 36.0%.
- » Since 2009, the tax wedge for the average single worker decreased by 1.4 percentage points in Germany. During this same period, the tax wedge for the average single worker across the OECD increased by 0.5 percentage points.



Employee tax on labour income

The employee net average tax rate is a measure of the net tax on labour income paid directly by the employee.

EMPLOYEE NET AVERAGE TAX RATE

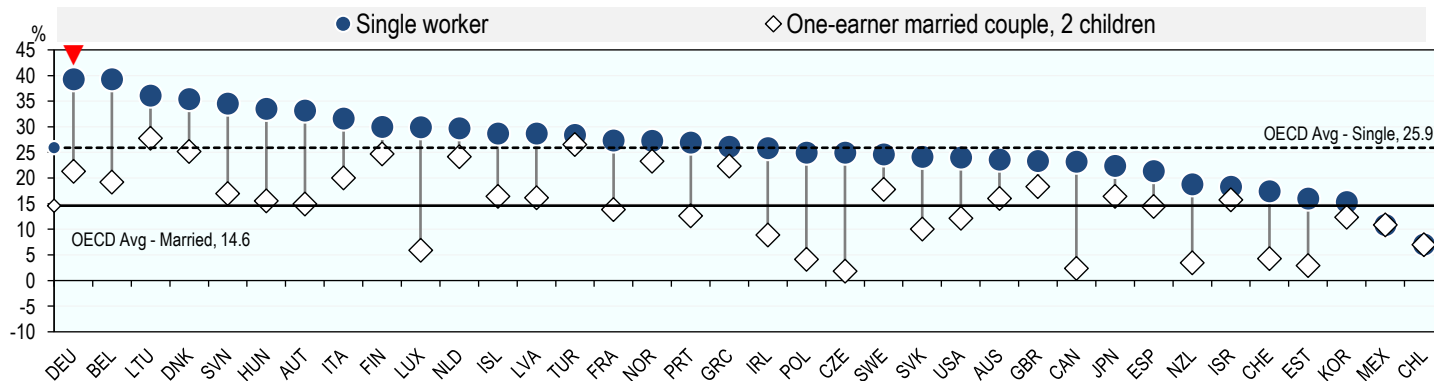
(Employee personal income tax and employee social security contributions) – Family Benefits

Gross wages

- » In Germany, the average single worker faced a net average tax rate of 39.3% in 2019, compared with the OECD average of 25.9%. In other words, in Germany the take-home pay of an average single worker, after tax and benefits, was 60.7% of their gross wage, compared with the OECD average of 74.1%.

- » Taking into account child related benefits and tax provisions, the employee net average tax rate for an average married worker with two children in Germany was reduced to 21.3% in 2019, which is the 8th highest in the OECD, and compares with 14.6% for the OECD average. This means that an average married worker with two children in Germany had a take-home pay, after tax and family benefits, of 78.7% of their gross wage compared to 85.4% for the OECD average.

Employee net average tax rate



Contacts

David Bradbury
 Centre for Tax Policy and Administration
 Head, Tax Policy and Statistics Division
 David.Bradbury@oecd.org

Michelle Harding
 Centre for Tax Policy and Administration
 Head, Tax Data & Statistical Analysis Unit
 Michelle.Harding@oecd.org

Dominique Paturot
 Centre for Tax Policy and Administration
 Statistician/Analyst
 Dominique.Paturot@oecd.org