



# Taxing Wages Applications in the Greek Tax System



# Personal Income Tax System in Greece

# Tax schedule for wage-earners and pensioners (income earned in 2007)

			<b>Total</b>	
<b>Income Step (EUR)</b>	<b>Tax Rate %</b>	<b>Tax for the Step</b>	<b>Income (EUR)</b>	<b>Tax (EUR)</b>
12.000	0	0	12.000	0
18.000	29	5.220	30.000	5.220
45.000	39	17.550	75.000	22.770
Above 75.000	40			

# Tax rates will decrease in 2008 and 2009

<b>Income Step</b>	<b>Tax Rate 2007</b>	<b>Tax Rate 2008</b>	<b>Tax Rate 2009</b>
12.000	0	0	0
18.000	29 %	27 %	25 %
45.000	39 %	37 %	35 %
Above 75.000	40 %	40 %	40 %

The tax free amount of income in respect of dependent children is increased :

- by EUR 1.000 if the family comprises one child
- **by EUR 2.000 if the family comprises two children**
- by EUR 10.000 if the family comprises three children
- additional EUR 1.000 for each additional child

# The income tax schedule for the wage-earners with two dependent children

			<b>Total</b>	
<b>Income Step (EUR)</b>	<b>Tax Rate %</b>	<b>Tax for the Step</b>	<b>Income (EUR)</b>	<b>Tax (EUR)</b>
14.000	0	0	13.000	0
16.000	29	4.640	30.000	4.640
45.000	39	17.550	75.000	22.480
Above 75.000	40			

# Taxing Wages Model

- Average Wage
- Standard Tax Reliefs
- Credits in taxable income
- State and Local Tax
- Cash Transfers

# Average Wage

In 2007 Average Wage is **EUR 24.380**

(National Statistical Service of Greece)



# Standard tax reliefs

are the Social Security Contributions (SSC)

	Employer	Employee	Total
1. Social Insurance Organization (IKA)	18.43 %	9.22 %	27.65 %
2. Subsidiary Social Insurance Fund (ETAM)	3.00 %	3.00 %	6.00 %
3. Other Funds	6.63 %	3.78 %	10.41 %
<b>Total</b>	<b>28.06 %</b>	<b>16.00 %</b>	<b>44.06 %</b>

# Cash Transfers

- **10%** of the *gross basic salary* for both spouses (EUR 35 monthly for public servants)
- around **5%** of the *gross basic salary* of each spouse per child (EUR 18 monthly for the first two children for public servants)

# Net Average Tax Rate

(Total Payments – Cash Transfers) /  
Gross Earnings

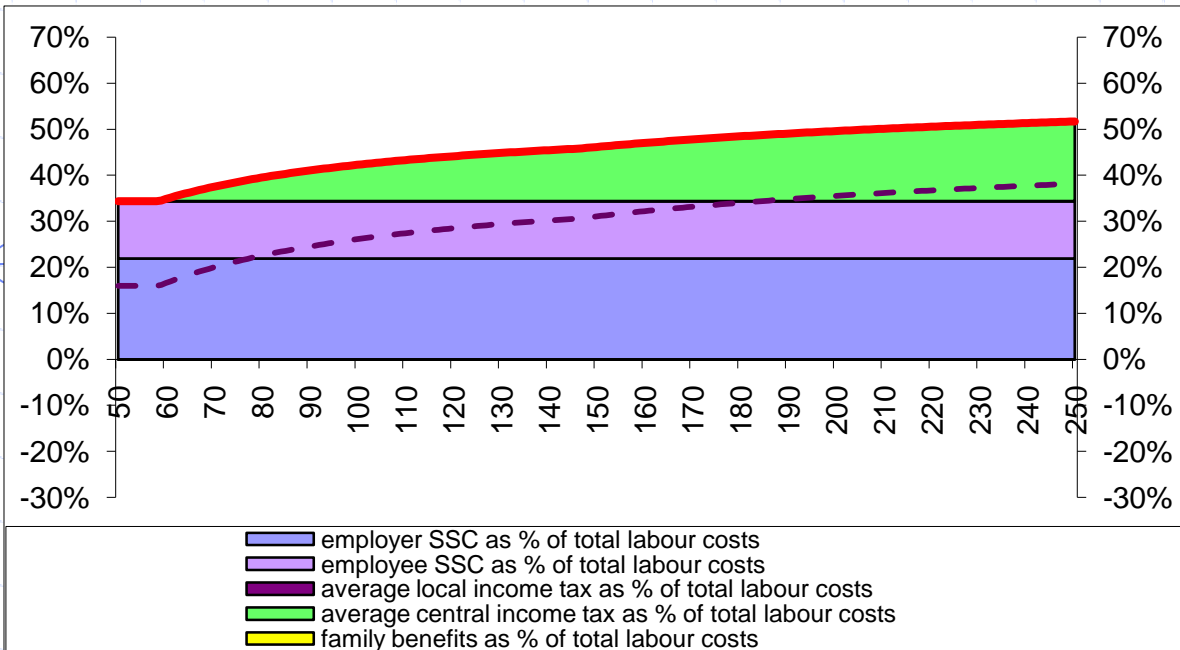
67	no children	18.9%	100-0	2 children	<b>26.5%</b>
100	no children	<b>26.1%</b>	100-33	2 children	23.9%
167	no children	32.8%	100-67	2 children	24.9%
67	2 children	17.7%	100-33	no children	24.5%

# Tax Wedge

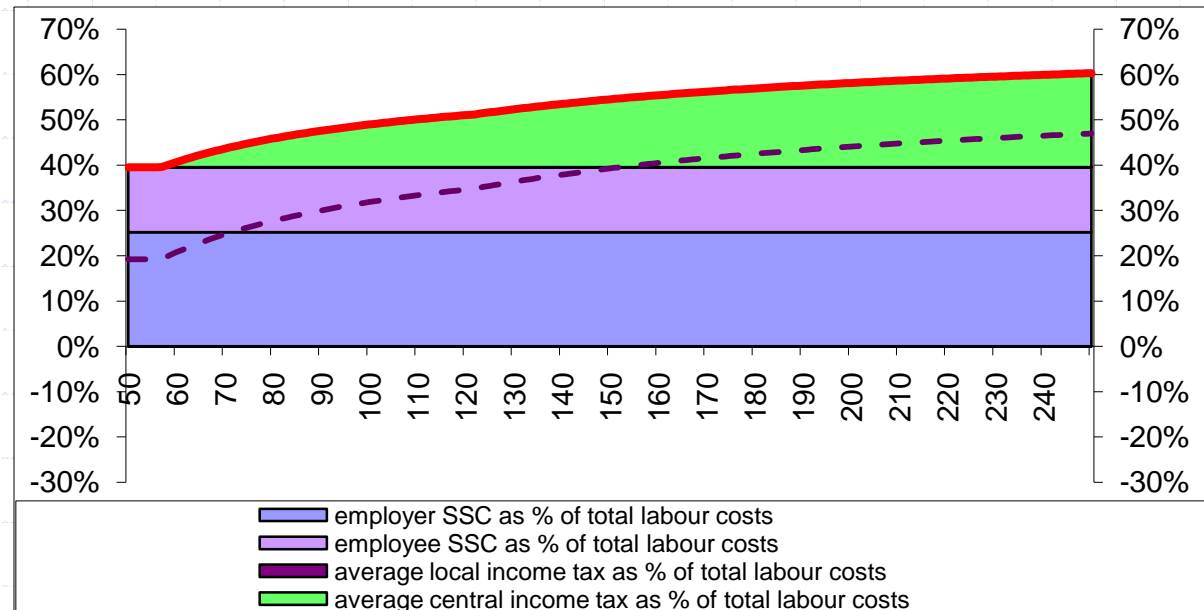
(Income Tax + Employee SCC + Employer SCC) / Labor Cost

67	no children	36.7%	100-0	2 children	<b>42.6%</b>
100	no children	<b>42.3%</b>	100-33	2 children	40.5%
167	no children	47.5%	100-67	2 children	41.4%
67	2 children	35.7%	100-33	no children	41.1%

Single person



One earner married couple with 2 children



# Marginal Rates

## Total tax wedge: principal earner

67	no children	53.4%	100-0	2 children	53.4%
100	no children	53.4%	100-33	2 children	53.4%
167	no children	60.0%	100-67	2 children	53.4%
67	2 children	53.4%	100-33	no children	53.4%

# Marginal Rates

## Total tax wedge: spouse

67	no children	n.a	100-0	2 children	34.4%
100	no children	n.a	100-33	2 children	34.4%
167	no children	n.a	100-67	2 children	53.4%
67	2 children	n.a	100-33	no children	34.4%

# Tax Wedge

(Income Tax + Employee SCC  
+ Employer SCC) / Labor Cost

100	no children	42.3%
100-0	2 children	42.6%
100-0	3 children	37.1%



# Non-standard tax credits

(related to actual expenses incurred)

- 20% of the educational expenses for the dependent children (up to EUR 1.200 per person)
- 20% of annual rent paid for the dependent children who are studying in Greece (up to EUR 1.200)
- 20% of the expenses for medical and hospital care (up to EUR 6.000)
- 20% of the annual interest of mortgage loans for the principal residence of the taxpayer

# Non-standard tax allowances

- 40% of certain private expenses (up to EUR 8.000) deductible from the taxable income
- Private insurance expenses for the taxpayer and his family (up to EUR 1.200)
- EUR 1.900 for the taxpayer and for any dependent person with invalidity of over 67%

# Unemployment Benefits

## **Unemployment Insurance**

55% of the daily wage of the unskilled worker

Basic Monthly Benefit EUR 367,27

10% increase for any dependant member

## **Unemployment Assistance**

13 basic daily wages of the unemployment benefit

Basic Monthly Benefit EUR 190,97

## **Housing Benefits**

From EUR 115 until EUR 215

50% increase under certain conditions

# Net Replacement Rate

**Net Income out of work / Net Income in work**

	Unemployed single person		Unemployed married couple with two children		Unemployed lone parent with two children	
A. Net income out of work	6.477	4.362	8.995	6.245	8.554	6.016
B. Net income in work	18.020	18.020	18.896	18.896	18.896	18.896
C. Net replacement rate (A/B) (in %)	36	24	48	33	45	32

# Average Effective Tax Rate

	Unemployed single person		Unemployed married couple with two children		Unemployed lone parent with two children	
	Social Insurance	Social Assistance	Social Insurance	Social Assistance	Social Insurance	Social Assistance
<b>AETR</b>	<b>0,36</b>	<b>0,32</b>	<b>0,36</b>	<b>0,30</b>	<b>0,35</b>	<b>0,30</b>

$$= 1 - (Y_{\text{netIW}} - Y_{\text{netoW}}) / (Y_{\text{grossIW}} - Y_{\text{grossOW}})$$



**Thank you  
for your attention**

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