TAX DATABASE

KEY TAX RATE INDICATORS

December 2023

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BETTER POLICIES FOR BETTER LIVES

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TAX DATABASE - KEY INDICATORS

TAX RATES ON LABOUR, CORPORATE INCOME AND CONSUMPTION

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This summary presents comparative information on a range of statutory tax rates and tax rate indicators in OECD countries, encompassing personal income tax rates and social security contributions, corporate income tax rates and value-added taxes.

These indicators provide information on tax settings between 2000 and 2023. In recent years, many countries have introduced and subsequently scaled back or withdrawn a range of different policies in response to the impact of the COVID-19 pandemic. Measures have also been taken in response to the increase in inflation in 2022. For more information, please see the list of **COVID-19 tax policy measures** and the latest edition of ***Tax Policy Reforms***.

TAXES ON LABOUR

The average tax wedge for the four family types shown in Slide 5 varied between 2000 and 2022. Between 2000 and the global financial crisis in 2008-09, the tax wedge for each family type declined continuously. Although the average tax wedge rose in the wake of the crisis, this decline resumed from 2014 onwards, with a particularly large decline in 2020 as a result of the COVID-19 pandemic. However, the tax wedge rose in 2022 amid high inflation.

The **average tax wedge** measures the effective tax rate on labour costs as the difference between the labour costs to the employer and the corresponding net take-home pay of the employee. It equals the sum of personal income tax, employee and employer social security contributions (SSCs) plus any payroll taxes, minus any cash benefits received by the employee, expressed as a percentage of labour costs (gross wages plus employer SSCs and payroll taxes).

Tax wedge on different household types

The tax wedge of the **average single worker** is the highest of the household types throughout the observed period. It increased slightly in 2022 to 34.7%, which is below the level in 2000.

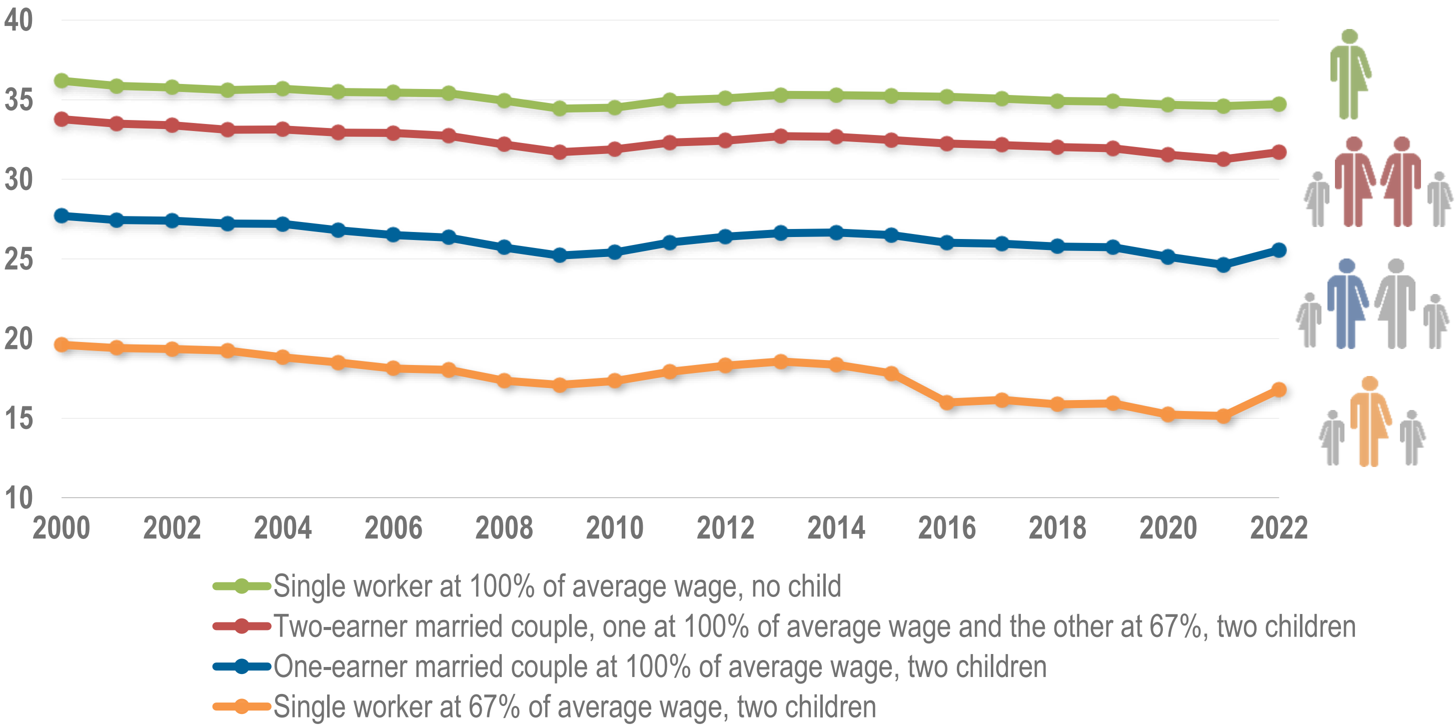
A similar trend can be observed for the tax wedge of the **two-earner married couple** and the tax wedge of the **one-earner married couple**, which are now at 31.7% and 25.6% respectively.

The average tax wedge for the **single worker with two children earning 67% of the average wage** is the lowest of all four family types throughout the whole period. A sharp increase has been observed in the latest year, from 15.1% in 2021 to 16.8% in 2022, of total labour costs.

For more information on the impact of COVID-19 on the tax wedge, see here.

OECD average tax wedge, 2000-2022

as % of total labour costs



Source: OECD (2023). OECD Tax Database. oe.cd/tax-database.

TAXES ON LABOUR

Compared to 2000, the average OECD tax wedge in 2022 has decreased for all the eight household types modelled in *Taxing Wages* by an average of 2.1 percentage points. The largest decrease over this period occurred for the single worker with two children earning 67% of the average wage (2.8 percentage points).

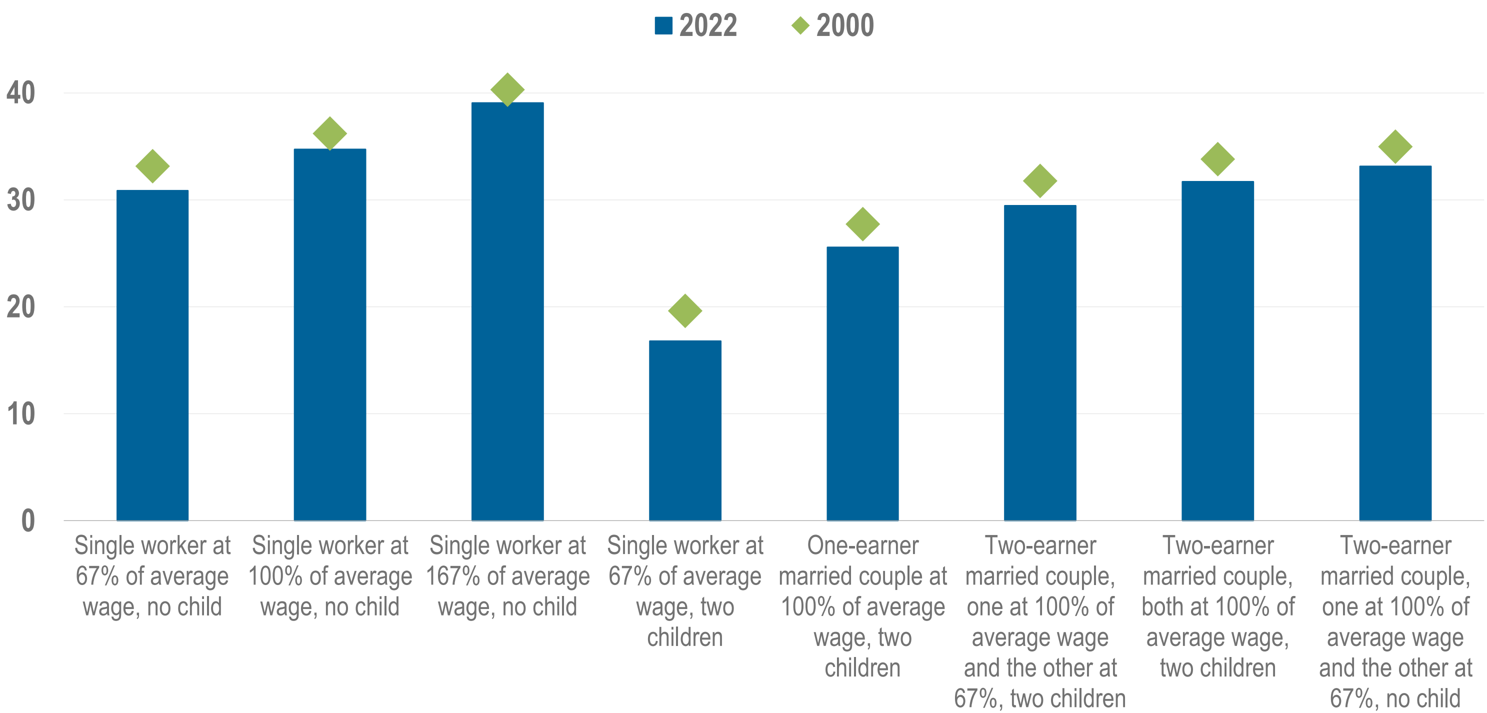
The OECD average tax wedge as a share of total labour costs differs significantly across family types. In 2022, it ranged from

16.8% for a single person with two children earning 67% of the average wage to

39.1% for a single person without children earning 167% of the average wage.

OECD average tax wedge, 2000 and 2022

as % of total labour costs



Source: OECD (2023). OECD Tax Database. oe.cd/tax-database, based on modelling from Taxing Wages (OECD, 2023)

TAXES ON LABOUR

Across OECD countries, the sum of **income tax**, **employer social security contributions** (SSCs) and **employee SSCs** as a share of labour costs for the average worker ranged from 53.0% in Belgium to zero in Colombia, with an average of 34.6%.

The percentage of labour costs paid in income tax varies considerably across OECD countries. The lowest figures are in Chile, Colombia and Costa Rica (zero) and Poland (4.2%) and Korea (5.9%) and the highest values are in Denmark (35.5%), with Australia, Belgium, Iceland, Ireland and New Zealand over 20%.

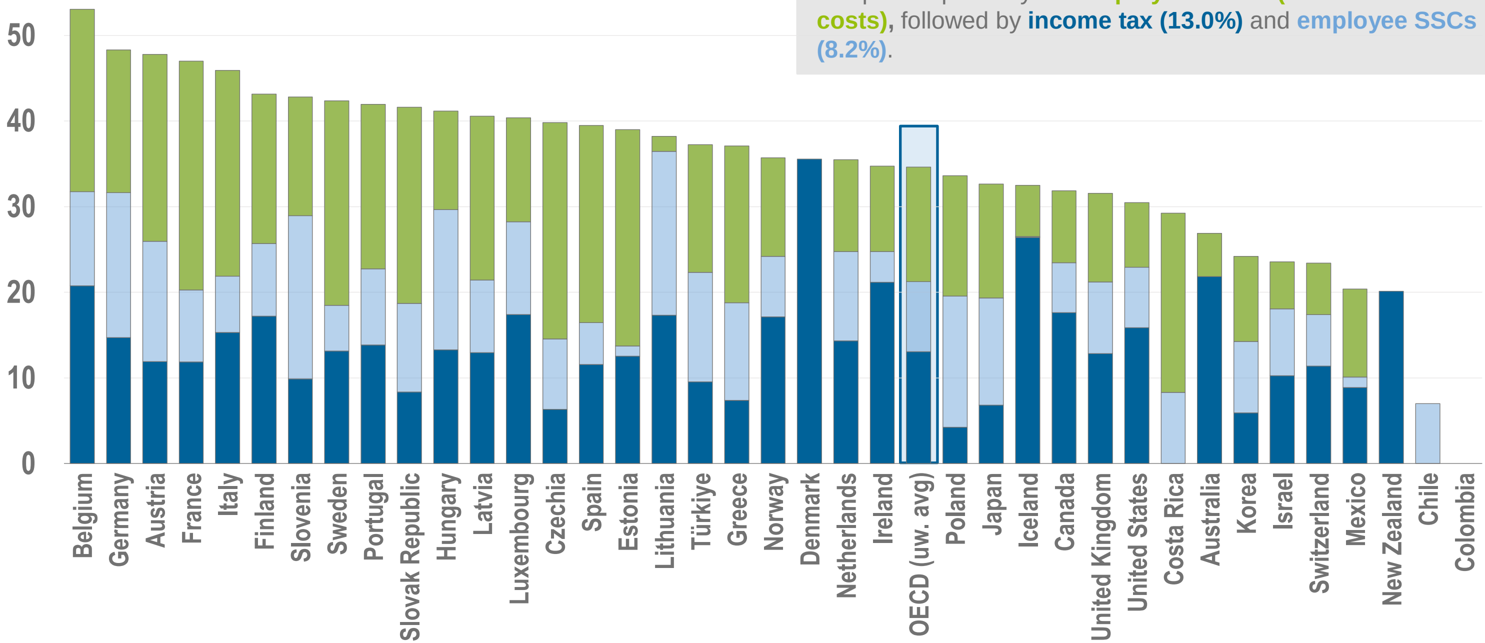
63% of OECD countries have a tax wedge between 30% and 45%.

The total of employee and employer SSCs as a percentage of labour costs exceeds 20% in more than half of the OECD countries. In five OECD countries, it represents at least one-third of labour costs: Austria, Czechia, France, Germany and the Slovak Republic.

Income tax plus employee and employer social security contributions, 2022

as % of total labour costs

The tax wedge of the average worker in OECD countries is comprised primarily of **employer SSCs (13.4% of labour costs)**, followed by **income tax (13.0%)** and **employee SSCs (8.2%)**.



Note: Single individual without children at the income level of the average worker. Includes payroll taxes where applicable. Figures for the OECD represent the arithmetic mean of 38 member countries. In Colombia, the single worker at the average wage level did not pay personal income taxes in 2022, whereas their contributions to pension, health and employment risk insurances are considered to be non-tax compulsory payments (NTCPs) and therefore are not counted as taxes in the Taxing Wages calculations. Please refer to the NTCP report (https://www.oecd.org/tax/tax-policy/tax-database/non-tax-compulsory-payments.pdf).

Source: OECD (2023). OECD Tax Database. oe.cd/tax-database.

PERSONAL INCOME TAXES

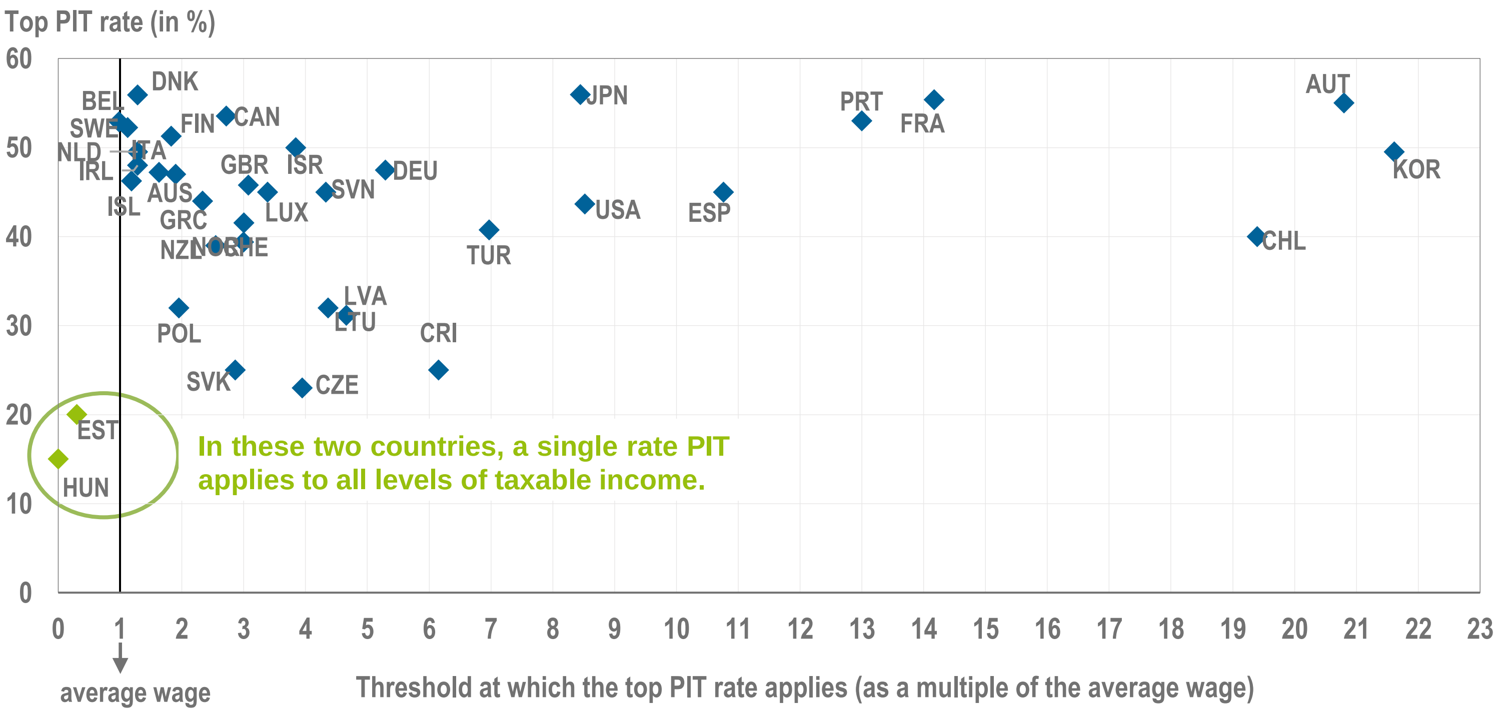
The **top statutory personal income tax (PIT) rate** is the combined central government and sub-central government personal income tax rate that applies for gross wage earnings in the highest earnings bracket of the PIT rate schedule. Tax allowances and deductions are included in the computation of the indicator, while tax credits are not considered. The earnings threshold is given by the bottom end of this bracket, i.e. the lowest income where the top PIT rate first applies, expressed as a multiple of the average wage.

In 2022, a top statutory PIT rate of more than 30% applied in all but five OECD countries. In two of these countries – Estonia (20%) and Hungary (15%) – a single rate PIT applies to all levels of taxable income.

Nine OECD countries (Japan, Denmark, France, Austria, Canada, Portugal, Belgium, Sweden and Finland, listed in descending order) apply a top PIT rate of more than 50%, with thresholds ranging from 0.99 times the average wage in Belgium to 20.8 times the average wage in Austria.

Top statutory PIT rates, 2022

against their thresholds



Note: The figure includes data for all OECD countries except Mexico. Mexico, which is an outlier, has been excluded to improve the readability of the graph. In Mexico, a top PIT rate of 35% applies above a threshold of 25.2 times the average wage.
Source: OECD (2023). OECD Tax Database. oe.cd/tax-database.

PERSONAL INCOME TAXES

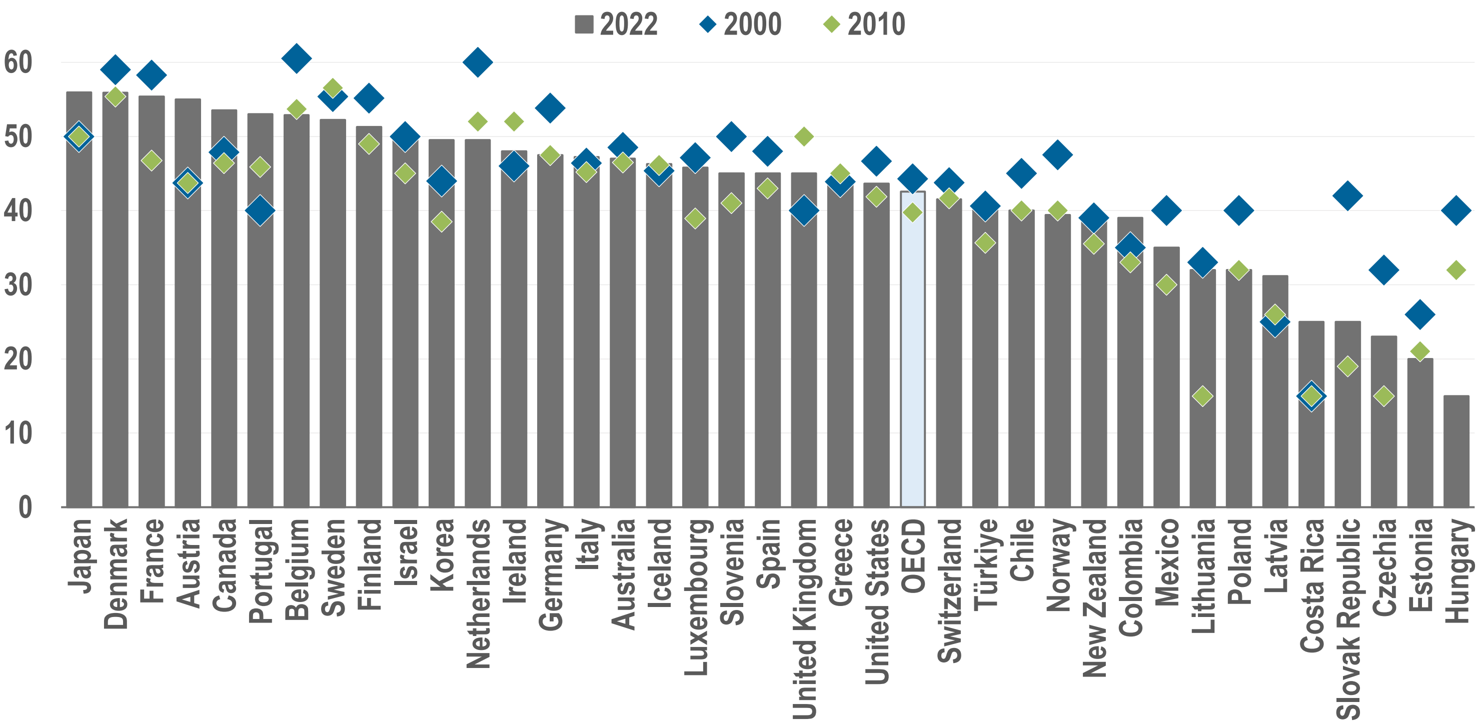
In 2022, top statutory PIT rates ranged from 55% and above in Japan, Denmark, France and Austria to 25% and below in Costa Rica, the Slovak Republic, Czechia, Estonia and Hungary.

Compared to 2000, top PIT rates have decreased in the majority of OECD countries, with the largest decrease in Hungary, from 40% to 15%.

However, relative to 2010, 25 OECD countries have increased their top PIT rates, leading to an increase in the OECD average PIT rate between 2010 and 2022.

In 2022, the OECD average top PIT rate was 42.5%, 1.8 percentage points lower than in 2000.

Top statutory PIT rates (in %), 2000, 2010 and 2022



Source: OECD (2023). OECD Tax Database. oe.cd/tax-database.

CORPORATE INCOME TAXES

The **combined statutory corporate income tax (CIT) rate** shows the combined central and sub-central headline tax rate faced by corporations. It is given by the central government rate (less deductions for sub-national taxes) plus the sub-central rate. Where a progressive (as opposed to flat) rate structure applies, the top marginal rate is shown.

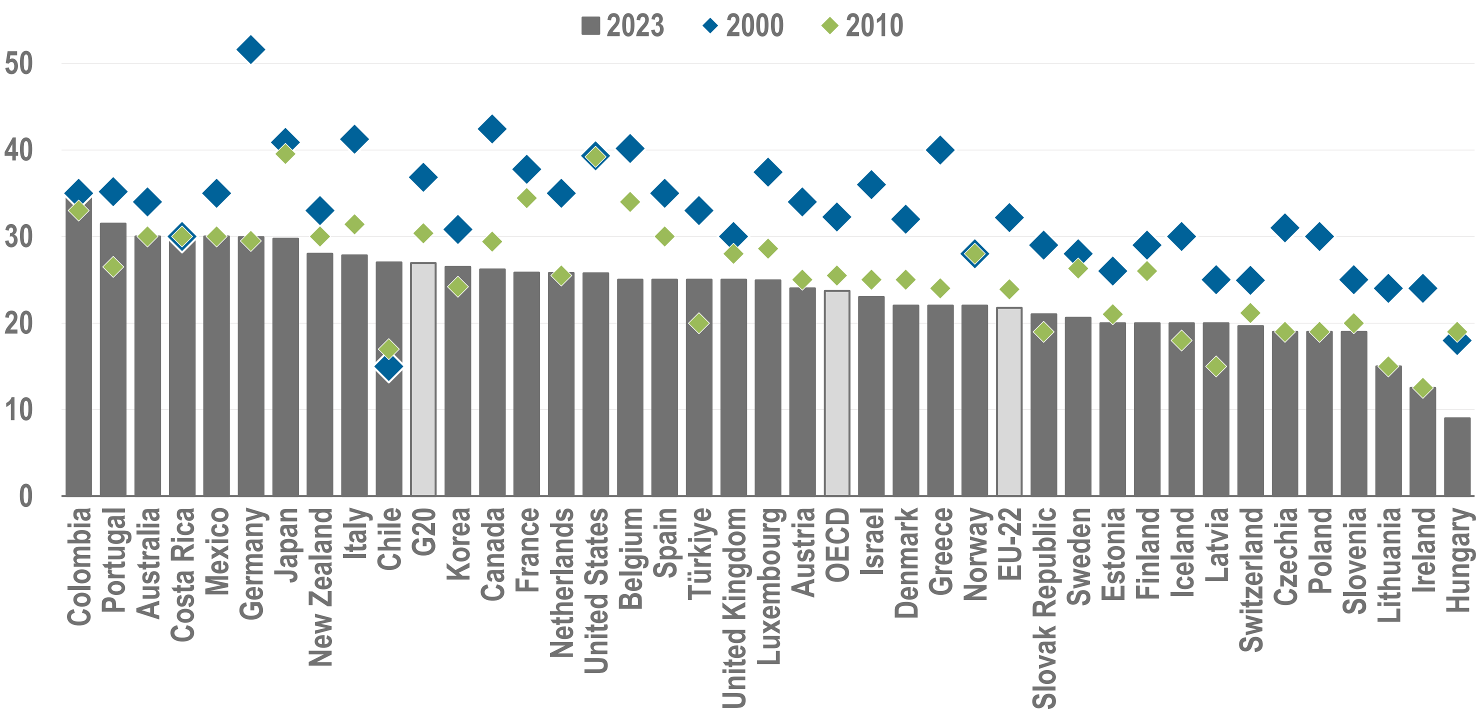
In 2023, combined statutory CIT rates in OECD countries ranged from 9% in Hungary to 35% in Colombia.

Between 2000 and 2023, statutory CIT rates have decreased in 35 out of 38 OECD countries, leading to a decrease in the OECD average statutory CIT rate of 8.5 percentage points.

Most of these falls occurred between 2000 and 2010, when the average rate fell by 6.8 p.p.; decreases were less significant between 2010 and 2023, during which period the average rate declined by 1.7 p.p. Since 2019, the average rate has remained broadly stable, dropping 0.3 p.p. from 23.9% to 23.6% over the period.

Eight OECD countries (Colombia, Germany, Iceland, Korea, Latvia, the Netherlands, Portugal and the Slovak Republic) have raised their statutory CIT rates since 2010 after the initial decreases but their CIT rates are still the same (in Colombia) or lower (for the rest) in 2023 than in 2000. In Costa Rica, they have remained at 30% since 2000.

Combined statutory CIT rates (in %), 2000, 2010 and 2023



Note: The averages are unweighted averages. The EU-22 average includes all EU countries that are members of the OECD. The G20 average includes all G20 countries, excluding the EU.
Source: OECD (2023). OECD Tax Database. oe.cd/tax-database.

CORPORATE INCOME TAXES

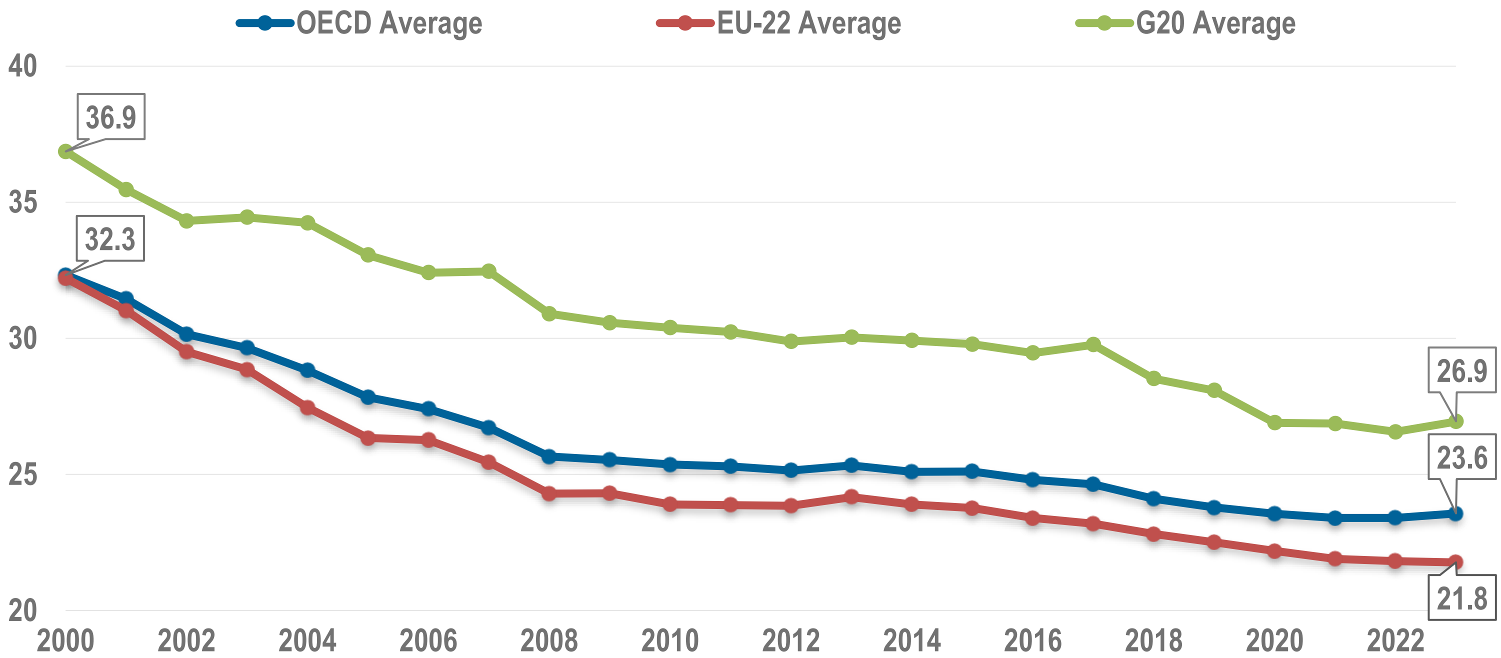
The OECD average, the EU-22 average and the average for the G20 countries combined statutory CIT rates decreased strongly between 2000 and 2023, most visibly in the course of the financial crisis between 2007 and 2008.

The **statutory CIT rate** measures the marginal tax that would be paid on an additional unit of income, in the absence of other provisions in the tax code. However, it does not reflect any special regimes or rates targeted to certain industries or income types, nor does it take into account the breadth of the corporate tax base to which the rate applies.

While the OECD average statutory CIT rate was close to the EU-22 (the 22 OECD countries that are members of the EU) average of 32.2% in 2000, it was over one percentage point higher than the EU-22 average in 2023, at 23.6% compared to 21.8%.

The G20 average was the highest of the three statutory CIT rate averages between 2000 and 2023. The gap between the G20 average and the OECD average statutory CIT rate has decreased from 4.5 percentage points in 2000 to 3.3 percentage points in 2023.

Combined statutory CIT rates (in %), 2000-2023



Note: The averages are unweighted averages including the countries for which data was available by the time this graph was composed. The OECD average includes all OECD countries but the United States (which do not apply a VAT). The EU-22 average includes all OECD countries that are members of the EU. Country-specific notes can be found here: https://www.oecd.org/tax/consumption-tax-trends-19990979.htm
Source: National delegates, position as of 1 January of the respective year.

Note: The averages are unweighted averages. The EU-22 average includes all EU countries that are members of the OECD. The G20 average includes all G20 countries, excluding the EU.
Source: OECD (2023). OECD Tax Database. oe.cd/tax-database.

VALUE ADDED TAX

The **Value Added Tax (VAT)** (and its equivalent in several jurisdictions, the Goods and Services Tax, or GST) is a consumption tax levied at each stage in the production and distribution process. Although the liability for VAT collection falls on the suppliers of goods or services, the tax burden is designed to fall on final consumers, making the VAT a tax on final consumption of goods or services.

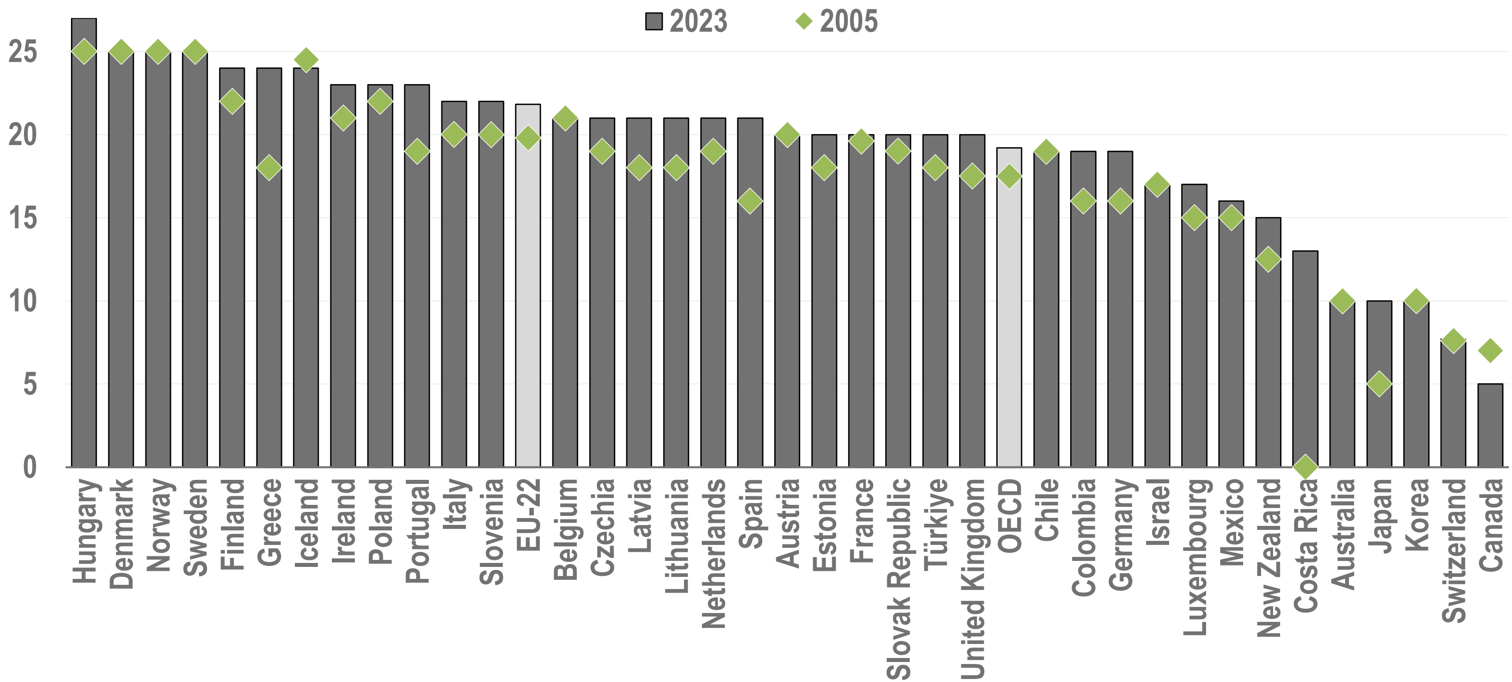
The **standard VAT rate** generally applies to all goods and services, unless advised differently by legislation. However, most OECD countries continue to apply a wide variety of reduced rates and exemptions to support various policy objectives (see: OECD Consumption Tax Trends, 2022).

In 2023, standard VAT rates ranged from 27% in Hungary to less than 10% in Switzerland and Canada.

Compared to 2005, the standard VAT rate has increased in two thirds of OECD countries (23), leading to an increase in the OECD average standard VAT rate. The OECD average standard VAT rate has remained relatively stable since 2017 and has now reached a new peak of 19.2% in 2023.

In 2023, the EU-22 average standard VAT rate was 21.8%, which is significantly higher than the OECD average.

Standard VAT rates (in %), 2005 and 2023

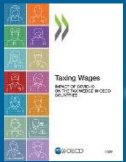


Note: The averages are unweighted averages including the countries for which data was available by the time this graph was composed. The OECD average includes all OECD countries except the United States. The United States does not apply a VAT, but instead retail sales taxes imposed at the state and local government levels. Rates for Canada only include the federal GST. The EU-22 average includes all OECD countries that are members of the EU. Country-specific notes can be found here: https://www.oecd.org/tax/consumption-tax-trends-19990979.htm
Source: National delegates, position as of 1 January of the respective year.

FURTHER READING

Key links:

- ✓ Access the data: stats.oecd.org/Index.aspx?DataSetCode=TABLE_I1
- ✓ Tax Database webpage: oe.cd/tax-database



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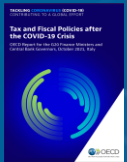
OECD (2023), *Corporate Tax Statistics*, OECD Publishing, Paris, oe.cd/corporate-tax-stats.

OECD (2022), *Consumption Tax Trends 2022: VAT/GST and Excise Rates, Trends and Policy Issues*, OECD Publishing, Paris, https://doi.org/10.1787/6525a942-en



OECD (2021), *Tax and Fiscal Policies after the COVID-19 Crisis*, OECD Publishing, Paris, www.oecd.org/tax/tax-policy/tax-and-fiscal-policies-after-the-covid-19-crisis.htm

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