Taxing Wages

2010-2011

SPECIAL FEATURE:
TRENDS IN PERSONAL INCOME TAX AND SOCIAL SECURITY CONTRIBUTION SCHEDULES

OECD

2011

Taxing Wages 2011

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Foreword

This annual publication provides details of taxes paid on wages in all thirty-four Member countries of the OECD. The information contained in the Report covers the personal income tax and social security contributions paid by employees, the social security contributions and payroll taxes paid by their employers and cash benefits received by families. The objective of the Report is to illustrate how personal income taxes, social security contributions and payroll taxes are calculated and to examine how these levies and cash family benefits impact on net household incomes. The results also allow quantitative cross-country comparisons of labour cost levels and of the overall tax and benefit position of single persons and families.*

The Report shows the amounts of taxes, social security contributions, payroll taxes and cash benefits for eight family-types, which differ by income level and household composition. It also presents the resulting average and marginal tax rates. Average tax rates show that part of gross wage earnings or total labour costs which is taken in tax (before and after cash benefits), social security contributions and payroll taxes. Marginal tax rates show the part of an increase of gross earnings or total labour costs that is paid in these levies.

*The focus of the Report is the presentation of accurate estimates of the tax/benefit position of employees in the edition year (2011). In addition, the Report shows definitive data on the tax/benefit position of employees for the year 2010. It is important to note that, starting from the Report's edition in 2005, the definition of the average worker has been broadened from average manual production worker (ISIC Sector D) to average worker (ISIC Rev. 3.1 Sectors C to K or ISIC Rev. 4 Sectors B to N) including both manual and non-manual workers.***

The Report is structured as follows. The Overview at the beginning of the Report reviews the main results for 2011. Part I of the Report (International Comparisons) reviews the main results for 2011 and 2010 and is divided into three sections. The first section reviews the main results for 2011, which are summarised in comparative tables and figures included at the end of that section. The second section presents a graphical exposition of the estimated tax burden on labour income in 2011 for gross wage earnings between 50 per cent and 250 per cent of the average wage. The third section reviews the main results for 2010, which are summarized in the comparative tables at the end of that section and compares them with the 2011 figures. Part II of the Report focuses on the historical trends in the tax burden for the period 2000-11. Country tables specifying the wage levels considered and the associated tax burdens for eight separate family types are found in Part III, together with descriptions of the tax/benefit system of each country. The methodology used – and its limitations – are set out in Part IV.

The Report has been prepared under the auspices of the Working Party on Tax Policy Analysis and Tax Statistics of the Committee on Fiscal Affairs and has benefited from financial support provided by the Commission of the European Communities. It is published on the responsibility of the Secretary-General of the OECD.

* Previous editions were published under the title The Tax/Benefit Position of Employees (1996-98 editions) and The Tax/Benefit Position of Production Workers (editions published before 1996).

** Annex C presents historical series using the old definition of the average production worker (1979-2004).

This book has...



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Overview

This Report provides unique information for each of the OECD countries on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for one- and two-earner households, and the implied total labour costs for employers. These data are widely used in academic research and in the formulation and evaluation of social and economic policies. The taxpayer specific detail in this Report enables it to complement the information provided annually in the *Revenue Statistics*, a publication providing internationally comparative data on tax levels and tax structures in the thirty-four member countries. The methodology followed in this Report is set out briefly in the introduction section below and described in more detail in Part IV.

The present edition provides estimates of tax burdens and of the tax "wedge" between labour costs and net take-home pay for eight illustrative family types on comparable levels of income. The key results for 2011 are summarised in Section 2 below. Part I of the Report presents more detailed results for 2011, together with definitive results for 2010 and discusses the changes between the two years. Part II of the Report reviews historical changes in tax burdens between 2000 and 2011.

1. Introduction

This section briefly introduces the methodology employed for this Report, which focuses on employees. It is assumed that their annual income from employment is equal to a given ratio of the average full-time adult gross wage earnings for each OECD economy, also referred to as the *average wage* (AW). This covers both manual and non-manual workers for either industry Sectors C-K inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 3 (ISIC Rev. 3) or industry Sectors B-N inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev. 4).[1] Further details are provided in Table 0.6 as well as in Part IV of this Report. Additional assumptions are made regarding other relevant personal circumstances of these wage earners in order to determine their tax/benefit position. The taxes included in the present Report are confined to personal income tax, social security contributions and payroll taxes (which, in this Report, are aggregated with employer social contributions in the calculation of tax rates) payable on gross wage earnings. Consequently, any income tax that might be due on non-wage income and other kinds of taxes – *e.g.* corporate income tax, net wealth tax and consumption taxes – are not taken into account. The benefits included are those paid by general government as cash transfers, usually in respect of dependent children.

Prior to the 2004-05 edition of this Report, these calculations were based on the narrower concept of average full time wages of manual workers in the manufacturing sector, referred to as the average production worker (APW). Moving to the new definition has involved a break in the time series for the earnings measure, and for the corresponding *Taxing Wages* tax rate results. However, this Report does include historical figures for the new average worker definition from 2000. For Turkey, the gross wage earnings of the average worker under the new AW wage definition are not available and therefore, the figures continue to be based on the old APW wage definition.

For most OECD countries, the tax year is equivalent to the calendar year, the exceptions being Australia, New Zealand and the United Kingdom. In the case of New Zealand and the United Kingdom, where the tax year starts in April, the calculations apply a "forward looking" approach. This implies that, for example, the tax rates reported for 2011 are those for the fiscal year 2011-12. However, in Australia, where the tax year starts in July, it has been decided to take a "backward looking" approach in order to present more reliable results. So, for example, the year 2011 in respect of Australia has been defined to mean its fiscal year 2010-11.

This Report contains several measures of taxation on labour. Most emphasis is given to the tax wedge – a measure of the difference between labour costs to the employer and the corresponding net take-home pay of the employee – which is calculated by expressing the sum of personal income tax, employee plus employer social security contributions together with any payroll tax, minus benefits as a percentage of labour costs. Employer social security contributions and – in some countries – payroll taxes are added to gross wage earnings of employees in order to determine a measure of total labour costs. Of course, it should be recognised that this measure may be less than the true labour costs faced by employers because, for example, employers may also have to make non-tax compulsory payments. The average tax wedge measures identify that part of total labour costs which is taken in tax and social security contributions net of cash benefits. In contrast, the marginal tax wedge measures identify the part of an increase of total labour costs that is paid in these levies.

In addition, there is a focus on the personal average tax rate in the calculations. The net personal average tax rate is the term used when the personal income tax and employee social security contributions net of cash benefits are expressed as a percentage of gross wage earnings. The net personal marginal tax rate shows the part of an increase of gross wage earnings that is paid in personal income tax and employee social security contributions net of cash benefits.

2. Review of results for 2011

2.1. *Tax wedge*

Table 0.1 shows that the tax wedge between total labour costs to the employer and the corresponding net take-home pay for single workers without children, at average earnings levels, varied widely across OECD countries in 2011 (see column 1). While in Belgium, Germany, Hungary and France, the tax wedge rates are around 50% or higher, they are under 20% in Chile, Israel, Mexico and New Zealand. The highest tax wedge rate is observed in Belgium (55.5%) and the lowest in Chile (7%).

The changes in tax wedge rates between 2010 and 2011 for an average worker without children are described in column 2 of Table 0.1. The tax wedges increased in twenty-six countries and fell in six. The largest increase was in Hungary (2.77 percentage points). New Zealand (–1.12 percentage point) was the only country with a decrease of more than one percentage point.

In general, the rises in tax wedge rates are driven by higher income taxes (see column 3). This was the major factor in eighteen of the countries showing an overall increase. The largest increases in income taxes as a percentage of labour costs were in Ireland (3.82 percentage points) where more than half of the increase was offset by a reduction in employee social security contributions and Hungary (2.4 percentage points). In New Zealand, the whole of the 1 percentage point fall is attributed to income taxes. By contrast, higher employee and employer social security contributions account for virtually all of the increased tax wedge in Germany, Japan, Korea, Luxembourg and Norway. In the United States, where the overall tax wedge fell by 0.9 percentage points, a rise in income tax was offset by a decrease in employee social security contributions.

Table 0.2 and Figure 0.1 show the constituent components of the tax wedge, *i.e.* income tax, employee and employer social security contributions, for 2011, as a percentage of labour costs for a single individual without children on average earnings. The labour costs in Table 0.2 are expressed in terms of dollars with equivalent purchasing power. Figure 0.1 shows that the average tax wedge in OECD countries is 35.2 per cent.

The percentage of labour costs paid in income tax varies considerably within OECD countries. The lowest figures are in Chile (zero), Korea (3.9%) and Mexico (4.4%). The highest values are in Denmark (28%), with Australia, Belgium and Iceland all between 21 and 26%. The percentage of labour costs paid in employee social security contributions also varies widely ranging from zero in Australia and New Zealand to 17.4% in Germany and 19% in Slovenia. Employers in France pay 29.7 per cent of total labour costs in social security contributions (including payroll taxes), the highest amongst OECD countries. These contributions are also more than 20 per cent of labour costs in nine other countries – Austria, Belgium, Czech Republic, Estonia, Hungary, Italy, Slovak Republic, Spain and Sweden.

As a percentage of labour costs, the total of employee and employer social security contributions exceeds 20 per cent in more than half of the OECD countries. It also exceeds one-third of total labour costs in six OECD countries: Austria, Belgium, the Czech Republic, France, Germany and Hungary.

2.2. Personal average tax rates

The personal average tax rate is defined as income tax plus employee social security contributions as a percentage of gross wage earnings.[2] Table 0.3 and Figure 0.2 show the personal average tax rates for a single worker without children at the average earnings level in 2011. The gross wage earnings figures in Table 0.3 are expressed in terms of dollars with equivalent purchasing power. Figure 0.2 provides a graphical representation of the personal average tax rate decomposed between income tax and employee social security contributions.

Table 0.1. **Comparison of total tax wedge**

As % of labour costs[1]

Country[2]	Total tax wedge 2011	Annual change 2011/10 (in percentage points)			
		Tax wedge	Income tax	Employee SSC	Employer SSC[3]
	(1)	(2)	(3)	(4)	(5)
Belgium	55.5	0.16	0.04	–0.01	0.13
Germany	49.8	0.59	0.04	0.28	0.28
Hungary	49.4	2.77	2.39	0.39	0.00
France	49.4	0.03	0.04	–0.01	0.00
Austria	48.4	0.24	0.24	0.00	0.00
Italy	47.6	0.44	0.44	0.00	0.00
Sweden	42.8	0.04	0.05	0.00	0.00
Finland	42.7	0.24	0.08	0.03	0.13
Slovenia	42.6	0.11	0.11	0.00	0.00
Czech Republic	42.5	0.38	0.38	0.00	0.00
Estonia	40.1	0.09	0.09	0.00	0.00
Spain	39.9	0.14	0.14	0.00	0.00
Portugal	39.0	1.38	1.38	0.00	0.00
Slovak Republic	38.9	0.95	0.95	0.00	0.00
Denmark	38.4	0.09	0.08	0.00	0.00
Netherlands	37.8	–0.34	–0.14	0.01	–0.21
Turkey	37.7	–0.16	–0.16	0.00	0.00
Norway	37.5	0.25	0.03	–0.02	0.24
Luxembourg	36.0	1.65	0.29	0.72	0.64
Poland	34.3	0.12	0.12	0.00	0.00
Iceland	34.0	0.63	0.63	0.00	0.00
United Kingdom	32.5	–0.08	–0.56	0.25	0.23
Canada	30.8	0.33	0.19	0.00	0.14
Japan	30.8	0.58	–0.09	0.33	0.34
United States	29.5	–0.93	0.93	–1.82	–0.04
Ireland	26.8	0.95	3.82	–2.87	0.00
Australia	26.7	–0.18	0.04	0.00	–0.22
Switzerland	21.0	0.27	0.10	0.09	0.09
Korea	20.3	0.20	–0.22	0.23	0.19
Israel	19.8	0.41	0.32	0.05	0.03
Mexico	16.2	0.62	0.59	0.00	0.04
New Zealand	15.9	–1.12	–1.12	0.00	0.00
Chile	7.0	0.00	0.00	0.00	0.00
Greece[4]					

1. Single individual without children at the income level of the average worker.
2. Countries ranked by decreasing labour costs.
3. Includes payroll taxes where applicable.
4. The 2011 average earnings figure for Greece was not available at the final compilation stage.

Sources: Country submissions, *OECD Economic Outlook Volume 2011* (No. 90).

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Table 0.2. **Income tax plus employee and employer social security contributions**

As % of labour costs, 2011[1]

Country[2]	Total tax wedge[3]	Income tax	Social security contributions		Labour costs[5]
			Employee	Employer[5]	
	(1)	(2)	(3)	(4)	(5)
Germany	49.8	15.9	17.4	16.5	65 788
Belgium	55.5	21.7	10.8	23.1	64 169
Netherlands	37.8	14.5	14.0	9.2	60 765
Luxembourg	36.0	13.3	11.7	11.0	60 063
Austria	48.4	11.9	14.0	22.6	59 671
France	49.4	10.0	9.6	29.7	58 862
United Kingdom	32.5	14.1	8.5	9.9	57 711
Norway	37.5	19.0	6.9	11.6	57 278
Sweden	42.8	13.6	5.3	23.9	55 351
Switzerland	21.0	9.4	5.8	5.8	54 919
Finland	42.7	18.5	5.8	18.4	53 652
United States	29.5	15.7	5.2	8.7	51 255
Japan	30.8	6.6	11.7	12.4	51 089
Denmark	38.4	28.0	10.7	0.0	48 994
Korea	20.3	3.9	7.3	9.2	48 370
Italy	47.6	16.1	7.2	24.3	48 025
Australia	26.7	21.0	0.0	5.6	47 530
Spain	39.9	12.0	4.9	23.0	46 151
Iceland	34.0	25.6	0.5	8.0	44 011
Ireland	26.8	13.5	3.6	9.7	43 442
Canada	30.8	13.9	6.5	10.5	41 939
Portugal	39.0	10.9	8.9	19.2	34 446
Israel	19.8	8.0	7.4	4.5	33 594
New Zealand	15.9	15.9	0.0	0.0	32 426
Slovenia	42.6	9.7	19.0	13.9	32 018
Czech Republic	42.5	8.9	8.2	25.4	27 963
Hungary	49.4	13.6	13.6	22.2	25 960
Turkey	37.7	10.7	12.9	14.2	25 323
Estonia	40.1	12.5	2.1	25.6	25 051
Poland	34.3	5.9	15.5	12.9	23 607
Slovak Republic	38.9	7.5	10.6	20.8	23 460
Chile	7.0	0.0	7.0	0.0	14 530
Mexico	16.2	4.4	1.2	10.5	12 337
Greece[6]					

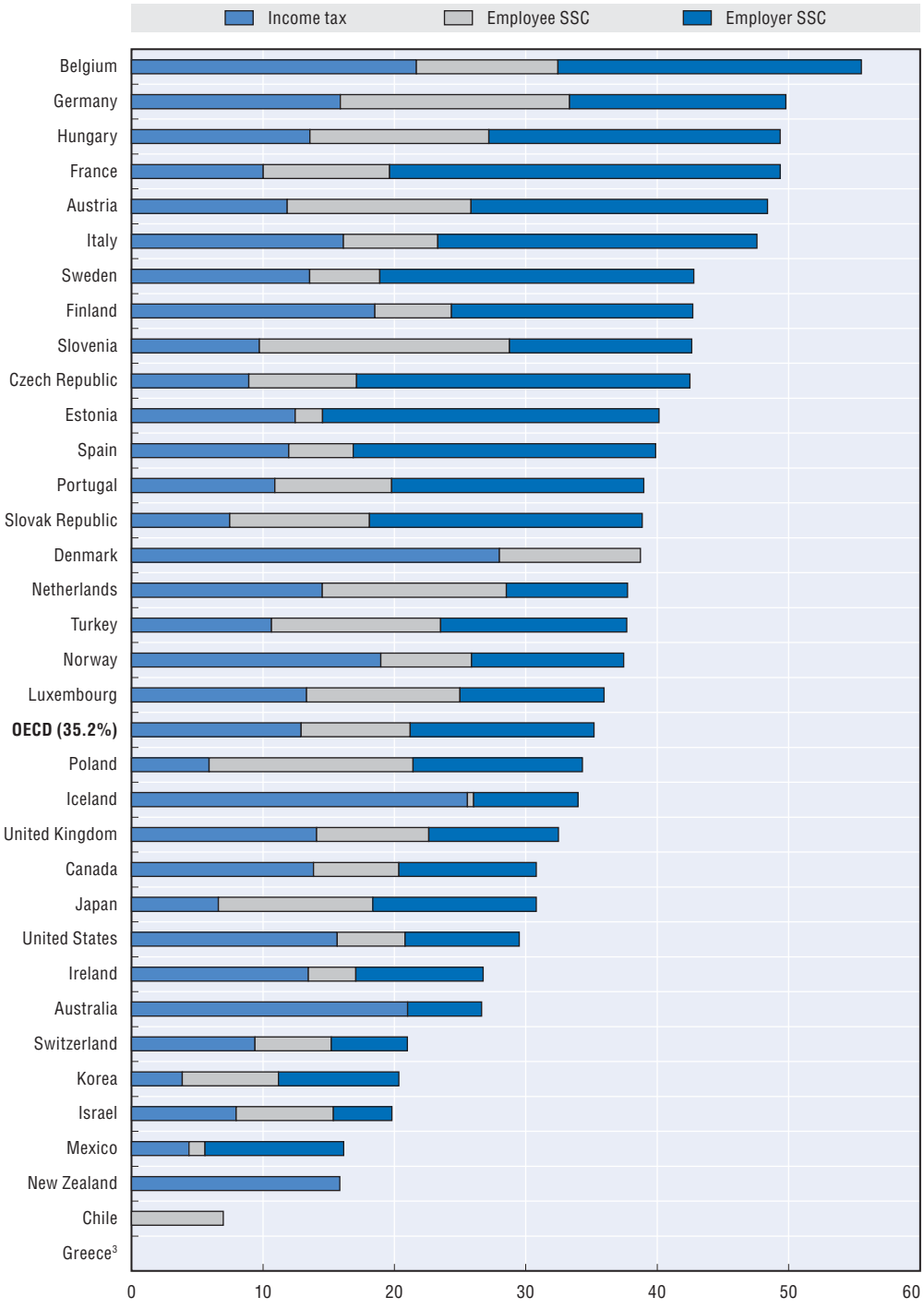
1. Single individual without children at the income level of the average worker.
2. Countries ranked by decreasing labour costs.
3. Due to rounding, the total in column (1) may differ by one or more percentage points from the sum of columns (2)-(4). For Denmark, the Green Check (cash benefit) contributes to the difference as it is not included in columns (2)-(4).
4. Includes payroll taxes where applicable.
5. Dollars with equal purchasing power.
6. The 2011 average earnings figure for Greece was not available at the final compilation stage.

Sources: Country submissions, *OECD Economic Outlook Volume 2011* (No. 90).

StatLink http://dx.doi.org/10.1787/888932588499

Figure 0.1. **Income tax plus employee and employer social security contributions**

As % of labour costs, 2011[1, 2]



1. Single individual without children at the income level of the average worker.
2. Includes payroll taxes where applicable.
3. The 2011 average earnings for Greece was not available at the final compilation stage.

StatLink http://dx.doi.org/10.1787/888932586713

Figure 0.2 shows that on average, the personal average tax rate in OECD countries is 25%. Belgium at 42.2% of gross earnings has the highest rate with Denmark and Germany being the only other countries with rates of more than 35%. Chile and Mexico have the lowest personal average tax rates with 7.0 and 6.3% of gross average earnings respectively. Korea is the only other country with a rate of less than 15%.

The impact of taxes and benefits on worker's take-home pay varies greatly among OECD countries. Such wide variations in the size and make-up of tax wedges reflect in part differences in:

- the overall ratio of aggregate tax revenues to Gross Domestic Product; and
- the share of personal income tax and social security contributions in national tax mixes.

The mix of taxes paid out of gross wage earnings also varies greatly between countries as illustrated in Figure 0.2.

In 2011, the share of income tax within the personal average tax rate is more important than the share of the employee social security contributions for 23 of 34 OECD member countries. No employee social security contributions are levied in Australia and New Zealand and the rates are comparatively small in Estonia, Iceland and Mexico. In contrast, the single worker at the average wage level paid substantially more employee social security contributions than personal income tax in six countries – Japan, Korea, Poland, Slovak Republic and Slovenia plus Chile, where the average worker did not pay personal income tax in 2011. In 10 countries – Austria, Czech Republic, France, Germany, Hungary, Israel, Luxembourg, the Netherlands, Portugal and Turkey – the income tax and employee social security contributions as percentages of gross earnings are almost equivalent (differences of less than 3 percentage points).

2.3. Family tax rates

Table 0.4 compares the tax wedges for a one-earner married couple with two children and a single individual without children, at average earnings levels. These tax wedges varied widely across OECD countries in 2011 (see columns 1 and 2). The size of the tax wedge for the family is generally lower than the one observed for the individual without children, since many OECD countries provide a fiscal benefit to families with children through advantageous tax treatment and/or cash transfers.

The savings realised by a one-earner married couple compared to a single worker are greater than 20 per cent of labour costs in the Czech Republic and Luxembourg and greater than 15 per cent of labour costs in six other countries – Belgium, Germany, Hungary, Ireland, New Zealand and Slovenia. The tax burdens are the same in Chile and Mexico and different by less than two percentage points in Turkey (see columns 1 and 2).

In 26 of 34 OECD countries, the change in the tax wedge of an average one-earner married couple with two children between 2010 and 2011 does not exceed plus or minus one percentage point (see column 3). There are increases of greater than 1 percentage point in six countries – Ireland (2.4), Portugal (2.3), Slovak Republic (2.1), Iceland (1.9), Luxembourg (1.8) and Germany (1.1). The tax wedge fell by 3.9 percentage points in Hungary. In 2011, the tax wedge of families decreased in also five other countries: Netherlands, New Zealand, Turkey, United Kingdom and United States. The change in the tax wedge of a single taxpayer without children at the average wage level was greater than one percentage point in 4 OECD countries. Detailed explanations on the latter are given in the above Section 2.1.

Table 0.3. **Income tax plus employee social security contributions, 2011**[1]

As% of gross wage earnings

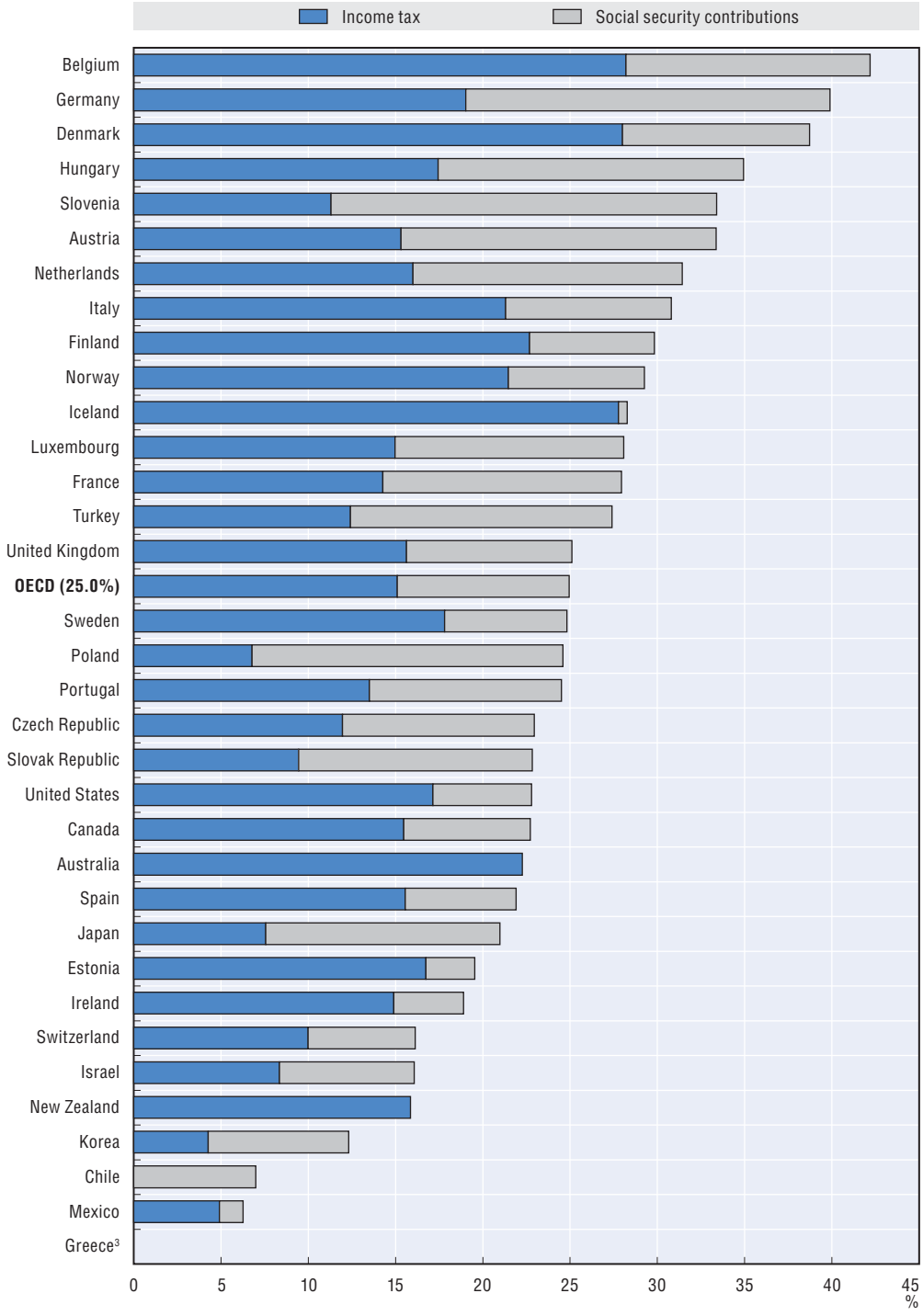
Country[2]	Total payment[3]	Income tax	Social security contributions	Gross wage earnings[4]
	(1)	(2)	(3)	(4)
Netherlands	31.4	16.0	15.4	55 165
Germany	39.9	19.0	20.9	54 949
Luxembourg	28.1	15.0	13.1	53 480
United Kingdom	25.1	15.6	9.5	52 013
Switzerland	16.1	10.0	6.2	51 738
Norway	29.3	21.5	7.8	50 644
Belgium	42.2	28.2	14.0	49 351
Denmark	38.7	28.0	10.7	48 994
United States	22.8	17.2	5.7	46 800
Austria	33.4	15.3	18.1	46 211
Australia	22.3	22.3	0.0	44 853
Japan	21.0	7.6	13.4	44 738
Korea	12.3	4.3	8.1	43 943
Finland	29.8	22.7	7.2	43 798
Sweden	24.8	17.8	7.0	42 118
France	28.0	14.3	13.7	41 361
Iceland	28.3	27.8	0.5	40 507
Ireland	18.9	14.9	4.0	39 226
Canada	22.7	15.5	7.3	37 549
Italy	30.8	21.3	9.5	36 361
Spain	21.9	15.6	6.4	35 528
New Zealand	15.9	15.9	0.0	32 426
Israel	16.1	8.4	7.7	32 098
Portugal	24.5	13.5	11.0	27 836
Slovenia	33.4	11.3	22.1	27 578
Turkey	27.4	12.4	15.0	21 736
Czech Republic	23.0	12.0	11.0	20 868
Poland	24.6	6.8	17.8	20 567
Hungary	35.0	17.5	17.5	20 202
Estonia	19.6	16.8	2.8	18 639
Slovak Republic	22.9	9.5	13.4	18 589
Chile	7.0	0.0	7.0	14 530
Mexico	6.3	4.9	1.4	11 035
Greece[5]				

1. Single individual without children at the income level of the average worker.
2. Countries ranked by decreasing gross wage earnings.
3. Due to rounding total may differ one percentage point from aggregate of columns for income tax and social security contributions.
4. Dollars with equal purchasing power.
5. The 2011 average earnings figure for Greece was not available at the final compilation stage.

Sources: Country submissions, *OECD Economic Outlook Volume 2011* (No. 90).

StatLink http://dx.doi.org/10.1787/888932588518

Figure 0.2. **Percentage of gross wage earnings paid in income tax and employee social security contributions, 2011**[1, 2]



1. Countries ranked by decreasing tax burden.
2. Single individuals without children at the income level of the average worker.
3. The 2011 average earnings figure for Greece was not available at the final compilation stage.

StatLink http://dx.doi.org/10.1787/888932586732

Table 0.4. **Comparison of total tax wedge by family type**

As % of labour costs

Country[1]	Family[2] total tax wedge 2011	Single[3] total tax wedge 2011	Annual change 2011/10 (in percentage points)		
			Family tax wedge	Single tax wedge	Difference between single and family (4)-(3)[4]
	(1)	(2)	(3)	(4)	(5)
France	42.3	49.4	0.1	0.0	–0.1
Belgium	40.3	55.5	0.4	0.2	–0.3
Italy	38.6	47.6	0.8	0.4	–0.4
Finland	37.7	42.7	0.4	0.2	–0.2
Sweden	37.3	42.8	0.2	0.0	–0.1
Austria	37.1	48.4	0.6	0.2	–0.4
Turkey	36.3	37.7	–0.2	–0.2	0.1
Spain	34.2	39.9	0.2	0.1	–0.1
Germany	34.0	49.8	1.1	0.6	–0.5
Hungary	32.8	49.4	–3.9	2.8	6.7
Estonia	31.2	40.1	0.4	0.1	–0.3
Norway	31.0	37.5	0.4	0.2	–0.2
Netherlands	30.7	37.8	–0.2	–0.3	–0.2
Portugal	29.2	39.0	2.3	1.4	–1.0
Poland	28.4	34.3	0.0	0.1	0.1
Denmark	27.4	38.4	0.3	0.1	–0.2
United Kingdom	26.4	32.5	–0.1	–0.1	0.0
Slovak Republic	25.0	38.9	2.1	1.0	–1.2
Slovenia	23.2	42.6	0.3	0.1	–0.2
Japan	23.0	30.8	1.0	0.6	–0.4
Czech Republic	21.7	42.5	0.6	0.4	–0.3
Iceland	21.0	34.0	1.9	0.6	–1.2
Canada	18.9	30.8	0.8	0.3	–0.5
United States	18.2	29.5	–0.1	–0.9	–0.9
Korea	17.9	20.3	0.1	0.2	0.1
Mexico	16.2	16.2	0.6	0.6	0.0
Israel	16.0	19.8	0.1	0.4	0.3
Australia	15.2	26.7	0.6	–0.2	–0.8
Luxembourg	13.4	36.0	1.8	1.7	–0.1
Switzerland	8.4	21.0	0.2	0.3	0.0
Ireland	7.1	26.8	2.4	0.9	–1.4
Chile	7.0	7.0	0.7	0.0	–0.7
New Zealand	–1.2	15.9	–0.3	–1.1	–0.8
Greece[5]					

1. Countries ranked by decreasing tax wedge of the family.
2. One-earner married couple with two children and earnings at the average wage level.
3. Single individual without children and earnings at the average wage level.
4. Due to rounding total may differ one percentage point from the subtraction results of columns 4 and 3.
5. The 2011 average earnings figure for Greece was not available at the final compilation stage.

Source: Country submissions, *OECD Economic Outlook Volume 2011* (No. 90).

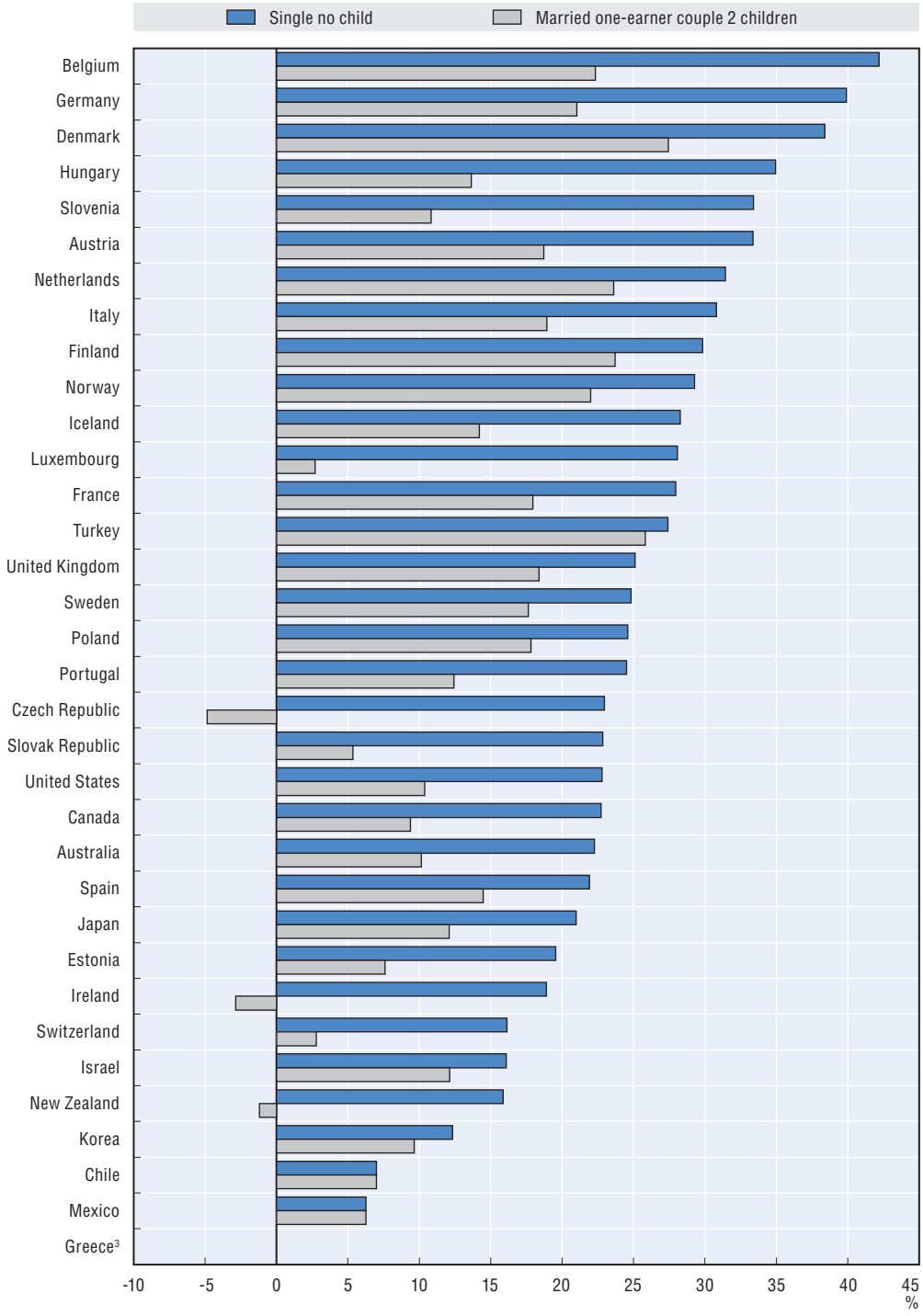
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A comparison of the changes in tax wedges between 2010 and 2011, between one-earner married couples with two children and single persons without children, at the average wage level, is shown in column 5 of Table 0.4. The fiscal preference for families increased in five OECD member countries: Hungary, Israel, Korea, Poland and Turkey. Additionally, the effects of changes in the tax system on the tax wedge were independent of the family type in Mexico, Switzerland and United Kingdom.

Figure 0.3 compares the net personal average tax rate for the average worker between single individuals and a one-earner married couple with two children. These results show

Figure 0.3. **Income tax plus employee contributions less cash benefits, by family-type**

As % of gross wage earnings, 2011[1, 2]



1. Countries ranked by decreasing rates for single taxpayer without children.
2. Family types: a single individual without children and earnings at the average wage level and a one-earner married couple with two children and earnings at the average wage level.
3. The 2011 average earnings figure for Greece was not available at the final compilation stage.

StatLink http://dx.doi.org/10.1787/888932586751

the same pattern as those for the tax wedge results. This is because employer social security contributions which are not taken into account in the former but included in the latter are independent of family type. The savings realised by a one-earner married couple are equal to or greater than 20 per cent of earnings in five countries – the Czech Republic (27.8%), Luxembourg (25.4%), Slovenia (22.6%), Ireland (21.8%) and Hungary (21.3%). In contrast, the savings as percentage of gross earnings are less than 10 per cent of earnings in eleven countries – Japan (8.9%), the Netherlands (7.8%), Spain (7.4%), Norway (7.3%), Sweden (7.2%), Poland (6.8%), the United Kingdom (6.7%), Finland (6.1%), Israel (4.0%), Korea (2.7%) and Turkey (1.6%). The burden is the same in Chile and in Mexico. It is also interesting to note that when cash benefits are taken into account, the tax burden measure for one-earner married couples with two children becomes negative in the Czech Republic, Ireland and New Zealand because cash benefits exceed the income tax and social security payments.

2.4. Wages

Table 0.5 shows gross wage earnings of the average worker in each OECD member country for years 2010 (column 1) and 2011 (column 2). For most countries, the gross average wage (AW) earnings for 2011 are estimated by the OECD Secretariat by applying the figures for the change in the compensation per private sector employee as presented in the *OECD Economic Outlook 90 Database* to the final average wage values provided by OECD member countries. More information on the values of the average wage and the estimation methodology is included in Part IV.3 of this Report. The annual change of the nominal wage of an average worker – shown in column 3 – varied between a decline of –2.1 per cent (Korea) and an increase of 7.2 per cent in Chile.[3] To a large extent, the changes reflect the different inflation levels of individual OECD countries – see column 4 of Table 0.5. The annual change in real wage levels (before personal income tax and employee social security contributions) is found to be in the –2.3 to +2.3 per cent range for most countries; see column 5 of Table 0.5. Korea (–6.3 per cent), United Kingdom (–4.3 per cent), Chile (3.6 per cent) and Poland (2.7 per cent) show changes in real wages before tax that are outside this range.

When comparing wage levels, it is important to note that the definition of average wage earnings can vary between countries due to data limitations. For instance, the average wage figure for some countries does not include the wages earned by supervisory and managerial workers and not all countries exclude the wage earnings from part-time workers. The methods adopted for calculating the average wage measure for each country are described in details in Part IV of this Report (Table IV.3).

Table 0.6 provides more information on whether the average wages for the years 2000 to 2011 have been calculated for industry Sectors C-K inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 3 (ISIC Rev. 3) or industry Sectors B-N inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev. 4).

Most OECD countries have calculated average wage earnings on the basis of sectors B-N in the ISIC Rev. 4 Industry Classification since 2008 or 2009. Some countries have revised the average wage values using the ISIC Rev. 4 Classification or any variant for prior years as well. This is the case, for example, in Australia, the Czech Republic, Estonia, Greece, Iceland, Italy, Japan, the Slovak Republic, Slovenia, Spain and Sweden.

Table 0.5. **Comparison of wage levels**

Country	Gross wage in national currency		Annual change 2011/2010 (in percentage)			
	2010	2011	Gross wage	Inflation[1]	Real wage before tax	Change in personal average tax rate[2]
	(1)	(2)	(3)	(4)	(5)	(6)
Australia	66 724	69 903	4.8	3.5	1.2	0.0
Austria	38 504	39 263	2.0	3.5	–1.5	0.3
Belgium	41 499	42 740	3.0	3.4	–0.4	0.1
Canada	44 717	46 163	3.2	2.8	0.4	0.2
Chile	5 508 104	5 907 326	7.2	3.5	3.6	0.0
Czech Republic	287 320	290 481	1.1	1.7	–0.6	0.5
Denmark	376 073	382 850	1.8	2.7	–0.9	0.1
Estonia	9 580	9 916	3.5	5.1	–1.5	0.1
Finland	39 982	41 445	3.7	3.2	0.4	0.2
France	34 849	35 859	2.9	2.1	0.8	0.0
Germany	42 400	43 855	3.4	2.4	1.0	0.5
Greece[3]	20 457					
Hungary	2 511 852	2 624 088	4.5	3.9	0.5	3.6
Iceland	5 256 000	5 577 213	6.1	4.0	2.0	0.7
Ireland	32 308	32 841	1.7	1.1	0.5	1.1
Israel	113 280	119 016	5.1	3.5	1.5	0.4
Italy	28 224	29 030	2.9	2.7	0.2	0.6
Japan	4 773 076	4 781 406	0.2	–0.3	0.5	0.4
Korea	36 929 183	36 154 826	–2.1	4.4	–6.3	0.0
Luxembourg	49 317	49 890	1.2	3.5	–2.3	1.3
Mexico	87 324	89 944	3.0	3.4	–0.4	0.7
Netherlands	45 215	45 904	1.5	2.5	–1.0	–0.2
New Zealand	48 007	49 395	2.9	4.2	–1.3	–1.1
Norway	469 247	487 324	3.9	1.5	2.3	0.1
Poland	36 121	38 557	6.7	4.0	2.7	0.1
Portugal	17 352	17 588	1.4	3.5	–2.0	1.7
Slovak Republic	9 325	9 658	3.6	4.1	–0.5	1.2
Slovenia	16 915	17 373	2.7	1.8	0.9	0.1
Spain	24 786	25 223	1.8	3.0	–1.2	0.2
Sweden	368 208	375 436	2.0	2.9	–0.9	0.1
Switzerland	75 331	77 414	2.8	0.4	2.3	0.2
Turkey	21 661	22 636	4.5	6.2	–1.6	–0.2
United Kingdom	34 297	34 286	0.0	4.5	–4.3	–0.3
United States	45 688	46 800	2.4	3.2	–0.8	1.0

1. Estimated percentage change in the total consumer price index.
2. Difference in the personal average tax rate of the average worker (single without children) between 2011 and 2010.
3. The 2011 average earnings figure for Greece was not available at the final compilation stage.

Sources: Country submissions, *OECD Economic Outlook Volume 2011* (No. 90).

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Australia (for all years) and New Zealand (years 2004 to 2011) have provided values based on the 2006 ANZSIC industry classification, divisions B to N, which substantially overlaps the ISIC Rev. 4, Sectors B to N. For New Zealand, the years prior 2004 continue to be based on sectors C-K in ANZSIC. In general, the change in the industry classification has had only a small impact on the level of the average wage earnings but the results reported in this Report for the years before 2011 may slightly deviate from the values reported in last year's edition on this account.

In 2011, Statistics Austria delivered data on the average wage level according to the ISIC classification from the year 2004 onwards. The figures for years 2004 to 2007 are based

Table 0.6. **Average Wage Industry Classification**

	Years for which ISIC Rev. 3.1 or any variant (Sectors C-K) has been used to calculate the AW	Years for which ISIC Rev. 4 or any variant (Sectors B-N) has been used to calculate the AW
Australia*		2000-11
Austria*	2004-07	2008-11
Belgium	2000-07	2008-11
Canada	2000-11	
Chile	2000-11	
Czech Republic		2000-11
Denmark	2000-07	2008-11
Estonia		2000-11
Finland	2000-07	2008-11
France	2000-07	2008-11
Germany	2000-05	2006-11
Greece*		2000-10
Hungary	n.a.	n.a.
Iceland*		2000-11
Ireland*	2000-07	2008-11
Israel	2000-11	
Italy		2000-11
Japan		2000-11
Korea	2000-08	2009-11
Luxembourg	2000-04	2005-11
Mexico*		
Netherlands	2000-07	2008-11
New Zealand*	2000-03	2004-11
Norway	2000-08	2009-11
Poland	2000-07	2008-11
Portugal	2000-06	2007-11
Slovak Republic*		2000-11
Slovenia		2000-11
Spain		2000-11
Sweden		2000-11
Switzerland	2000-07	2008-11
Turkey*		
United Kingdom	2000-06	2007-11
United States	2000-06	2007-11

* Australia: Based on ANZSIC06 such that the categories subtantially overlap with ISIC 4, Sectors B-N.
Austria: 2000-03 average wage values are not based on the NACE (ISIC) classification.
Greece: The 2011 average earnings figure for Greece was not available at the final compilation stage.
Iceland: Using the national classification system that corresponds with the NACE Rev. 2 classification system.
Ireland: Values from 2000 to 2007 are based on Sectors C-E. From 2008 onwards, they are based on Sectors B-E.
Mexico: 2000-11 average wage values are based on an ISIC version prior to ISIC Rev. 3.1.
New Zealand: See the note for Australia, which applies from 2004.
Slovak Republic: Average wage values based on ISIC Rev. 4 classification (B to N) and include income from self-employment.
Turkey: The average wage is based on the average production worker wage ISIC Rev. 3.1, Sector D.

StatLink http://dx.doi.org/10.1787/888932588575

on ISIC Rev. 3.1 (Sectors C to K) and those for subsequent the years on ISIC Rev. 4 (Sectors B to N). These new figures eliminate some major sources of tax free income (*e.g.* surcharge for overtime work), and income which is not modelled in the *Taxing Wages* calculations (*e.g.* dismissal pay). Up to the 2010 edition of *Taxing Wages*, gross wages were actually reduced by 2% in the calculation of taxable income in order to reflect an estimated amount of the tax free income. There still continues to be some overestimation of taxable income

in the new figures because the basic payments of overtime work (not the surcharge) are still included.

In the current edition of *Taxing Wages*, the average wage figures for Ireland have been amended for all the years from 2000 to 2010. The previous figures were based on an earnings survey that has been discontinued by the Central Statistics Office in Ireland because of concerns about the methodology. The new figures, which cover both full and part-time workers, are based on NACE Rev. 1, sectors C to E, for years 2000 to 2007 and on NACE Rev. 2, Sectors B to E, for 2008 and subsequent years. They are lower than the previous values that were computed on the basis of full-time employees only and on sectors C to K (NACE Rev. 1).

Notes

1. Not all national statistical agencies use ISIC Rev. 3 or Rev. 4 to classify industries. However, the Statistical Classification of Economic Activities in the European Community (NACE Rev. 1 or Rev. 2), the North American Industry Classification System (US NAICS 2002) and the Australian and New Zealand Standard Industrial Classification (ANZSIC 2006) include a classification which broadly conforms either with industries C-K in ISIC Rev. 3 or industries B-N in ISIC Rev. 4.
2. In the Netherlands, a slightly different division is made between personal income taxes and employee social security contributions as compared to the methodology applied in this Report.
3. The National Statistics Institute (INE) made important changes to the indexes related with labour in January 2010.

Special Feature: Trends in personal income tax and employee social security contribution schedules

1. Introduction

Taxes on labour income – including personal income taxes and social security contributions – account for roughly one half of total tax revenue, on average, across OECD countries. High reliance on labour income taxation often results in high tax burdens on workers. Tax burdens can be measured with several alternative indicators, including marginal and average personal tax rates. Marginal personal tax rates, which indicate the tax payable on an additional currency unit of earnings, affect incentives to increase work effort, to follow training or to look for a better-paid job. Average personal tax rates, which indicate the share of gross earnings spent on taxes, may affect incentives to participate in the labour market. Average personal tax rates that increase with income imply that the amount of tax paid is related to an individual's capacity to pay, and that the tax and benefit system is progressive. Average and marginal personal tax rates on wage income are determined by the interaction of provisions that define the tax base, statutory tax rates, and tax credits that are deducted after the application of tax rates to the tax base. The *Taxing Wages* series presents these and other key tax burden indicators annually for OECD member countries. To shed light on the underlying differences in average and marginal personal tax rates, this Special Feature takes a close look at statutory personal income tax (PIT) rates, the income thresholds where PIT and employee social security contribution (SSC) rates apply, and other statutory provisions that shape the average and marginal personal tax burden on labour income.

While statutory tax rates are only one of the components that determine average and marginal personal tax rates, they are of great importance for various reasons. First, given that policymakers cannot directly adjust average and marginal tax rates, changes to statutory rates are a powerful policy tool to indirectly change tax burdens and modify incentives to work and build human capital. Second, while average and marginal tax rates involve complex calculations that must rely on a variety of assumptions, statutory rates are defined by legislation and do not require computation. As such, they can be easily known by the general public. Third, due to their unambiguous nature, statutory rates, and particularly top statutory PIT rates, are often cited as a relevant indicator of taxation in international comparisons.

In conjunction with statutory rates, other elements of the tax system defined in the legislation determine average and marginal personal tax rates. For example, lump sum or tapered basic allowances reduce average tax rates for taxpayers who claim them and create a positive relationship between average tax rates and income. Personal income surtaxes are additional taxes on income that is already subject to tax; as such, they increase marginal tax rates. Social security contributions sometimes reduce marginal personal income tax rates when PIT relief is provided for them, but also increase the combined PIT and employee SSC ("all-in") marginal tax rates, affecting the progressivity of the tax system as a whole. More generally, all tax reliefs that vary with income (such as in-work tax credits) affect marginal (and average) personal income tax rates, creating a gap between

marginal and statutory tax rates, and all lump-sum reliefs (such as most basic personal allowances) affect average personal income tax rates, contributing to the gap between average and statutory tax rates.

Among the statutory provisions presented in this Special Feature, the most well-defined trend across OECD countries has been towards a reduction in top statutory PIT rates, inclusive of surtaxes and sub-central income taxes. In fact, the OECD-wide average top statutory PIT rate decreased significantly in each of the last three decades, from 1980 to 2010. This does not, however, imply that all countries have continuously reduced their top rates – for example, six countries increased their top rate in 2010 signalling a trend reversal that continued in 2011 and 2012. From 2000 to 2010, top "all-in" rates fell in most OECD countries along with top statutory PIT rates, though PIT rate cuts were partly offset by increases in SSC rates or thresholds in some countries.

Other clear trends that emerged from 2000 to 2010 include a reduction in the income threshold where the top statutory PIT rate applies (minimising the impact of the top statutory rate cuts), and a reduction in the statutory rate applicable at average wage earnings (in line with the reduction in the average personal tax rate for average earnings). In contrast, over the same time period, OECD countries diverged in their policies regarding changes to the bottom statutory rate and the threshold where a single earner begins to pay income tax, with little change observed in the corresponding OECD-wide averages.

During the 1980's, the number of central-level statutory tax brackets strongly declined in most of the 22 OECD countries for which data are available. However, this marked trend has no longer been observed after 1990. Comparing 2000 to 2010, no clear trend emerges either regarding the direction of changes in the number of central-level tax brackets. It appears that changes in the number of tax brackets have been, with exceptions, not a policy goal in itself but rather a tool to reduce or increase tax burdens, particularly at high income levels. Indeed, the number of central level personal income tax brackets, the top statutory PIT rate, and the income threshold at which this rate applies tended to move in the same direction over the last decade.

This Special Feature is organised as follows: Section 2 describes the basic features of PIT schedules in OECD countries in 2010 as well as trends since 2000 (or 1981, where possible). The PIT features described are the number of statutory tax brackets and rates, the top and bottom statutory rates, the statutory rate applicable to average earnings, surtaxes and provisions that exempt from tax an initial portion of income. Statutory tax rates in this report refer to *effective* statutory rates, that is, they take into account applicable surtaxes or deductions for other income taxes paid. Section 2 provides context for the statutory rates described in Section 2 by presenting the income level at which taxpayers begin to pay income tax and the threshold at which they become subject to the top statutory PIT rate. Section 4 discusses the difference between marginal, average and statutory PIT rates, as well as changes from 2003 to 2010. These differences are described graphically in the Annex. Section 5 describes the earnings level at which taxpayers begin or stop paying employee SSC, and the impact of employee SSC rates on the top "all-in" marginal personal tax rate. Section 6 concludes by summarizing the main trends described in the previous sections. The data underlying the discussion and graphs in this Special Feature are available electronically in spreadsheet format through the *StatLink* hyperlinks beneath the Figures in this report.

2. Description of personal income tax schedules

2.1. Statutory personal income tax rates

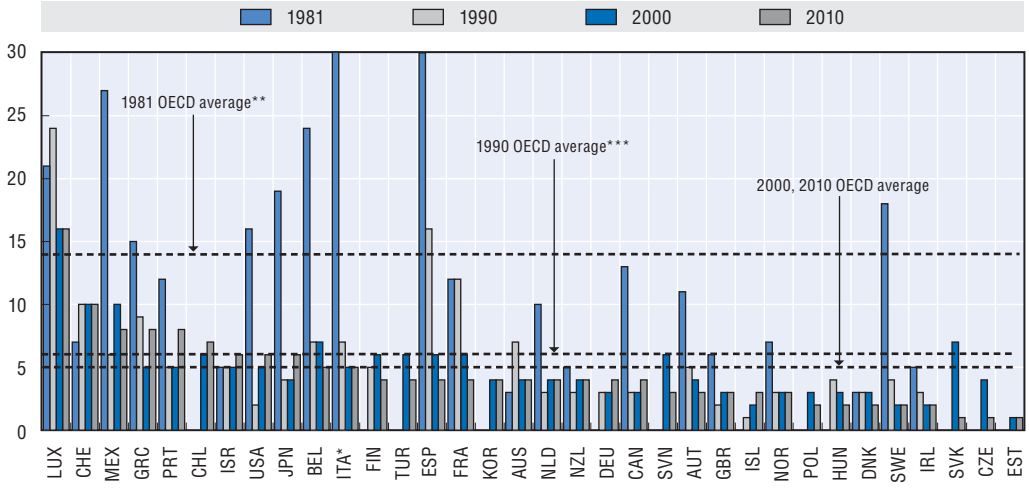
2.1.1. Trends in the number of personal income tax brackets

By 2010, personal income tax schedules in OECD countries contained relatively few tax brackets compared to the early 1980's (see Figure S.1). In 1981 it was common for OECD countries to have ten or more tax brackets and no OECD country had a single-rate PIT structure. Among the 22 OECD countries for which 1981 data is available, 5 of them had more than 20 (non-zero) income tax brackets – Italy (32), Spain (30), Mexico (27), Belgium (24) and Luxembourg (21) – and 9 other countries had 10 or more brackets – Japan (19), Sweden (18), the United States (16), Greece (15), Canada (13), France (12), Portugal (12), Austria (11) and the Netherlands (10). In contrast, by 2010, only 2 of the 34 OECD countries had 10 or more tax brackets – Luxembourg (16) and Switzerland (10) – and 3 countries had a single PIT rate – the Czech Republic, Estonia and the Slovak Republic.

The number of brackets decreased most significantly during the 1980's. On average across OECD countries, there were 14 PIT brackets in 1981, falling to 6 by 1990. These averages must be compared with caution as 1981 data are not available for four countries included in the 1990 sample. Among the 22 OECD countries for which 1981 and 1990 data are both available, 15 countries had fewer brackets in 1990 than in 1981, and only Australia, Luxembourg and Switzerland ended the decade with more tax brackets than in 1981.

The trend towards fewer PIT brackets decelerated in the 1990's and was no longer observed during the 2000's. As a result, the average number of tax brackets in OECD countries has remained fairly stable since the 1990's.

Figure S.1. **Number of central personal income tax brackets**[1, 2]



1. Number of non-zero central government statutory income tax rates on different taxable income ranges. Zero-rate brackets are excluded for comparability with countries with basic personal allowances or tax credits which effectively result in zero-tax rates on an initial range of income. In Germany, the PIT schedule is formula-based. Figures for Germany indicate the number of distinct formulas that apply to different income ranges. The Norwegian and Swedish two-tiered surtaxes are treated as two additional tax brackets when applicable.
2. Countries are ranked by decreasing number of tax brackets in 2010.

* In 1981, Italy had 32 non-zero central tax brackets.

** *22-country average*. The number of tax rates is not applicable in the Czech Republic, Estonia, Hungary, Poland, the Slovak Republic, Slovenia, and not available for Chile, Finland, Germany, Iceland, Korea and Turkey.

*** *26-country average*. The number of tax rates is not applicable in the Czech Republic, Estonia, Poland, the Slovak Republic, Slovenia, and not available for Chile, Korea and Turkey.

Source: OECD Tax Database Table I.1 (*www.oecd.org/ctp/taxdatabase*).

StatLink http://dx.doi.org/10.1787/888932586770

On average across OECD countries, there were five central PIT brackets in 2000, compared to six in 1990. These averages must also be compared with caution, as 1990 data are not available or applicable for eight OECD countries included in the 2000 sample (*e.g.* Eastern European OECD member countries). Among the 26 OECD countries for which 1990 and 2000 data are available, 10 countries – Australia, Austria, France, Greece, Hungary, Ireland, Italy, Luxembourg, Spain, Sweden – had fewer brackets in 2000 than in 1990, and 7 countries – Finland, Iceland, Mexico, the Netherlands, New Zealand, the United Kingdom and the United States – increased the number of tax brackets over the same period. The remaining 8 countries – Belgium, Canada, Denmark, Germany, Israel, Japan, Portugal, Norway and Switzerland – had the same number of brackets at the beginning and end of the decade.

Comparing 2000 to 2010, no clear trend emerges. Roughly a third of OECD countries reduced their number of tax brackets, one third kept them constant and just under one third introduced new tax brackets. As a result, the average number of central PIT brackets across OECD countries in 2010 remained at five, unchanged from 2000. Countries that eliminated tax brackets did so mainly during the middle of the decade. In contrast, the addition of new tax brackets is a more recent phenomenon corresponding to recent fiscal consolidation efforts.

Among countries that reduced their number of tax brackets, the Slovak Republic and the Czech Republic implemented single-rate schedules in 2004 and 2008, respectively. Hungary and Poland cut their number of brackets from three to two in 2005 and 2009, respectively. France reduced its number of tax brackets from six to four in 2007. Several OECD countries reduced their number of tax brackets twice during the decade. By 2010, Belgium had five brackets after having eliminated a bracket in 2002 and then in 2003; Finland had four brackets after eliminating one in 2001 and another one in 2007; Spain had four brackets after eliminating one in 2003 and another one in 2007; Slovenia had three brackets after eliminating two in 2005 and then one in 2007; and Turkey had four brackets after eliminating one in 2005 and another one in 2006. Mexico decreased and increased its number of tax rates five times during the decade, starting with 10 brackets in 2000 and ending with eight in 2010.

Among countries that introduced tax brackets during the 2000's, Canada increased its number of brackets from three to four in 2001 and the United States increased its number of brackets from six to seven in the same year. Chile added a tax bracket in 2002, raising the total to seven. Israel added two tax brackets in 2002, but only one of them remained in place in 2003. Japan added two tax brackets in 2007, raising the total to six. Germany modified its formula-based structure and introduced a fourth distinct formula, corresponding to a new top statutory rate, in 2007. Greece, Iceland and Portugal added tax brackets in 2010 as part of their fiscal consolidation strategies. Greece converted its three-bracket PIT structure into an eight-bracket structure. Iceland moved from a single-rate structure to a three-bracket structure, and Portugal introduced one additional tax bracket, raising the total to eight.

Australia, Estonia, Ireland, Italy, Korea, Luxembourg, the Netherlands, New Zealand, Sweden, Switzerland and the UK had the same number of tax brackets in 2000 and in 2010. This does not imply a lack of changes in the number of brackets over the past ten years. For example, the UK reduced its number of brackets from three to two in 2008, but added a third bracket again in 2010. New Zealand had four tax brackets every year during the decade, except for 2008, when it had seven brackets.

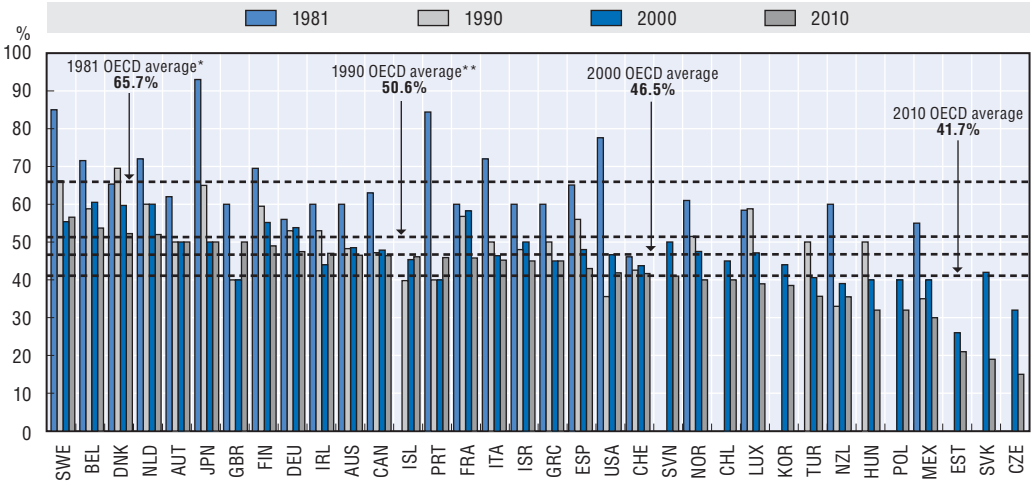
While reductions in the number of tax brackets over the past decade have generally been accompanied by reductions in top statutory PIT rates, there have been some exceptions where the top rate did not change – namely, Hungary and Slovenia in 2005, and

Turkey in 2006. Likewise, increases in the number of tax brackets tended to be accompanied by increases in top statutory rates, though not always. Among countries that increased their number of tax brackets from 2000 to 2010, Germany, Greece, Iceland, Japan and Portugal increased their top statutory rates when introducing new brackets. In contrast, Chile and the United States reduced their top statutory rate when they added tax brackets, and Canada held its top rate constant.

2.1.2. Trends in top statutory personal income tax rates

Along with a general reduction in the number of tax brackets over the last three decades, OECD countries have seen a general reduction in their top statutory PIT rates. Like with the number of tax brackets, the reduction in top statutory PIT rates was most pronounced during the 1980's. Across OECD countries for which data are available, the average combined central and sub-central top statutory rate (including surtaxes and taking into account the deductibility of sub-central or other income taxes from the central tax base) declined by more than 15 percentage points, from 65.7% in 1981 to 50.6% in 1990. But unlike the number of tax brackets, top statutory rates have continued to display a pronounced declining trend well after the 1980's. The average top statutory rate across OECD countries declined by about four percentage points in the 1990's (to 46.5% in 2000), and then by almost five percentage points in the 2000's (to 41.7% in 2010; see Figure S.2). Changes in the average top rate across OECD countries must be interpreted with caution because rates are not available or applicable for ten countries in 1981 and for seven countries in 1990. However, if these countries were excluded from the analysis, the top rate would still display a declining trend (see Table S.1).

Figure S.2. **Top combined statutory personal income tax rate**[1, 2]



1. The sum of the central and sub-central top rates in PIT rate schedule, inclusive of surtaxes and adjusted for the deductibility of sub-central or other income taxes from the central tax base where applicable.
2. Countries are ranked by decreasing top statutory rates in 2010.

* *24-country average*. The top rate is not applicable in the Czech Republic, Estonia, Hungary, Poland, the Slovak Republic, Slovenia, and not available for Chile, Iceland, Korea and Turkey.

** *27-country average*. The top rate is not applicable in the Czech Republic, Estonia, Poland, the Slovak Republic, Slovenia, and not available for Chile and Korea.

Source: *OECD Tax Database* Tables I.1, I.2 and I.3 (*www.oecd.org/ctp/taxdatabase*).

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Table S.1. **Average top combined statutory personal income tax rate in OECD countries**

	1981	1990	2000	2010
Countries for which rates are available for 1981 and later years	65.7%	50.7%	48.9%	45.8%
Countries for which rates are available/ applicable for 1990 and later years		50.6%	48.2%	44.9%
All OECD countries			46.5%	41.7%

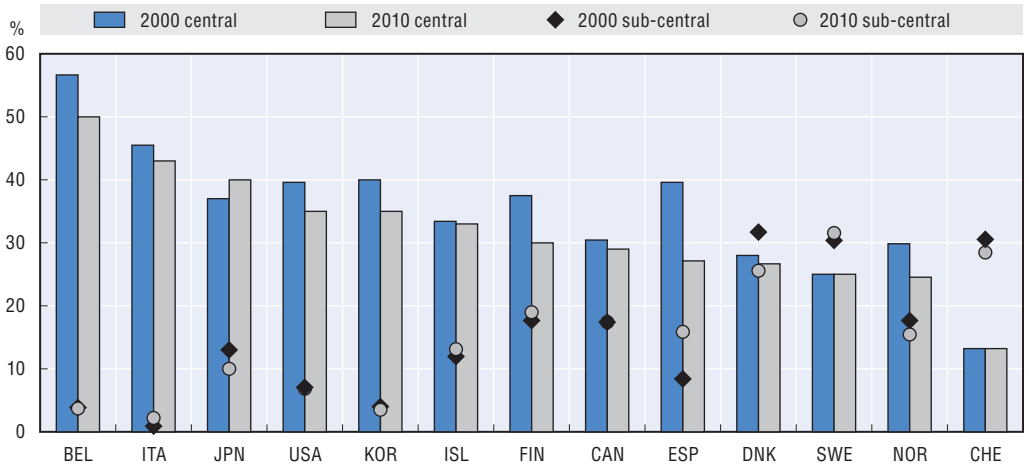
Relative to 2000, five countries had higher top statutory PIT rates by 2010 – Iceland, Ireland, Portugal, Sweden and the UK. Three countries – Austria, Greece and Japan – had identical top rates at the beginning and end of the decade. The remaining 26 OECD countries had lower top statutory rates by the end of the decade. The largest decline in the top statutory rate over the past ten years was observed in the Slovak Republic, where the top rate of 42% in 2000 declined to 38% in 2002, and then to 19% in 2004 when the country moved to a single-rate PIT structure. The Czech Republic also drastically reduced its top statutory rate, from 32% to 15%, when it adopted a single-rate PIT schedule and broadened the tax base in 2008. In France, the top statutory rate (including the universal social contribution and the contribution to the reimbursement of social debt) decreased by more than 12 percentage points, from 58.27% in 2000 to 45.78% in 2010. In Mexico, although the top statutory rate of 30% is now lower than it was in 2000 (40%), it was temporarily raised from 28% as a fiscal consolidation measure in 2010.

The largest increase in the top statutory rate was observed in the United Kingdom, where the top rate was raised from 40 to 50% in 2010 as a fiscal consolidation measure. Prior to 2010, the top rate in the UK had not been higher than 40% since 1987. However, the income threshold at which the 50% rate applies (*i.e.* gross earnings of 4.3 times the average wage) is considerably higher than the threshold where the top rate of 40% previously applied (1.3 times the average wage), which highlights the difficulties in drawing conclusions about tax burdens and the impacts of taxation on incentives by focusing merely on statutory tax rates. Indeed, the threshold at which the top rate begins to apply changed in real earnings terms in most OECD countries over the last decade, as will be discussed in Section 3.1.

The trend towards lower top statutory rates from 2000 to 2010 is pronounced with regards to central taxation but less clear in the context of sub-central taxation (see Figure S.3). Central (and combined) top statutory tax rates declined in 10 of the 13 OECD countries with sub-central taxation – Belgium, Canada, Denmark, Finland, Iceland, Italy, Korea, Norway, Spain and the United States – and increased in only one of them (Japan). On the other hand, the representative sub-central top statutory rates declined in seven OECD countries – Belgium, Denmark, Japan, Korea, Norway, Switzerland and the United States – and increased in five countries – Finland, Iceland, Italy, Spain and Sweden. Except for Denmark, Iceland, Japan and Switzerland, changes in top sub-central rates have been smaller in magnitude than changes in top central rates. Therefore, in the remaining countries, trends in top combined rates have been driven by changes in top central rates.

The difference in trends at the central and sub-central level may be partly due to the fact that in countries with sub-central personal income taxes, central tax schedules have multiple tax brackets but sub-central tax schedules tend to consist of a single tax rate (except in Canada, Spain and Switzerland). Thus, sub-central governments have traditionally had less manoeuvrability to reduce their top statutory rate without implementing broad-based PIT cuts. At the same time, some sub-central governments have been able to raise their top

Figure S.3. **Top statutory central and sub-central personal income tax rates**[1]



1. Countries are ranked by decreasing top central tax rates in 2010.

Source: OECD Tax Database Tables I.1, I.2 and I.3 (*www.oecd.org/ctp/taxdatabase*).

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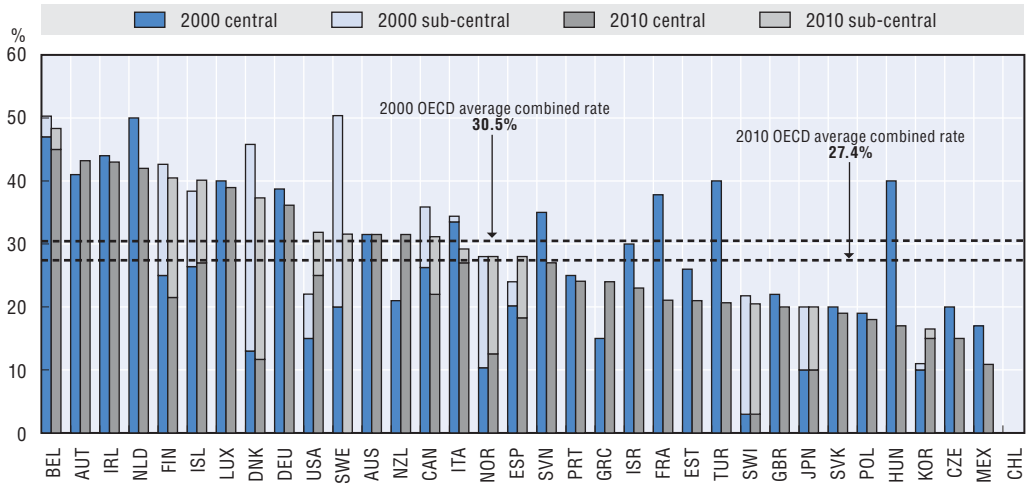
statutory rates to take up fiscal room resulting from central level tax cuts. For example, cuts to the central top rate were accompanied by increases to the sub-central top rate in Finland, Iceland (until 2005) and Spain. The reverse trend occurred in Japan in 2007, when a three percentage point reduction in the top sub-central rate was introduced along with an increase of the same magnitude in the top central rate.

2.1.3. *Trends in statutory personal income tax rates levied at the average wage*

While much attention is devoted to top statutory rates in international tax comparisons, top rates in many countries are relevant for a relatively small segment of the population with high incomes (see Section 3.1). The statutory income tax rate levied at average gross wage earnings is the tax rate that applies to the last (marginal) currency unit of taxable income which corresponds to average gross wage earnings, assuming that the only source of income is wage earnings. This tax rate includes surtaxes where applicable. In most OECD countries, the taxable income which corresponds to the average wage is lower than the average wage as a result of basic and work-related tax allowances. However, in Australia, Canada, Ireland, Israel and New Zealand, taxable income equals earnings for people earning the average wage as long as no family-related or non-standard allowances are claimed (*i.e.* allowances other than a basic personal allowance or general work-related allowances available to all workers). In 2010, taxable income was higher than the corresponding average wage for single taxpayers claiming standard allowances in the Czech Republic, Hungary and the Netherlands. This is due to the inclusion of employer social security contributions in the tax base of the Czech Republic and Hungary, and the inclusion of income-based tax credits in the tax base of the Netherlands.

Figure S.4 shows the average combined central and sub-central statutory rate on average gross wage earnings (which are shown in Table II.10 of the *Taxing Wages* report) for single individuals who claim generally available allowances in OECD countries in 2000 and 2010. Figures for prior years are not presented because average wage estimates for years prior to 2000 are not available. Non-standard allowances are excluded from the analysis for conceptual comparability across countries. In practice, the statutory tax rate

Figure S.4. **Statutory personal income tax rate at average wage earnings**[1, 2]



1. The statutory tax rate that applies to the last marginal unit of taxable income corresponding to average wage earnings, inclusive of surtaxes where applicable.
2. Countries are ranked by decreasing combined tax rates in 2010.

Source: OECD Tax Database Tables I.1, I.2, I.3 (*www.oecd.org/ctp/taxdatabase*), OECD calculations, *Taxing Wages model*.

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on average earnings could be lower for individuals claiming non-standard allowances. Thus, a narrow tax base that relies on highly targeted allowances results in different individuals, with similar earnings levels facing different statutory tax rates on their last marginal unit of earnings.

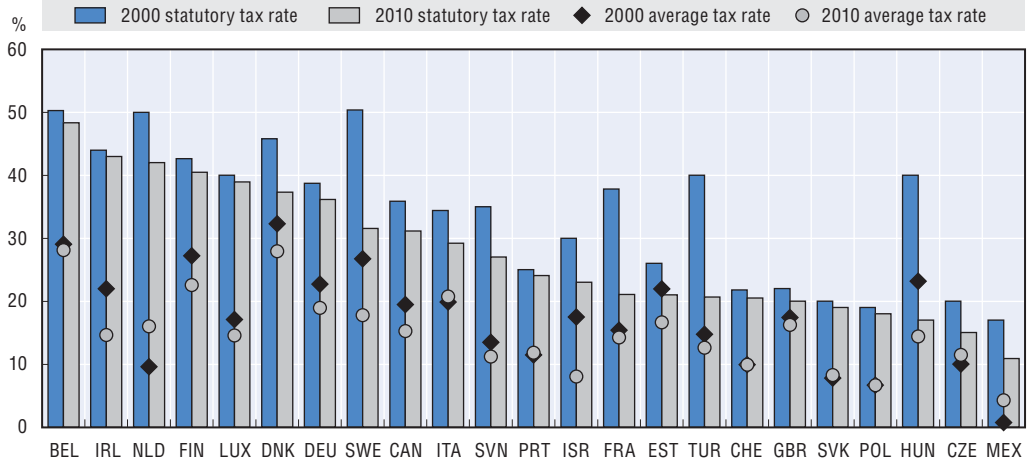
From 2000 to 2010, the average combined central and sub-central statutory tax rate on average wage earnings for single individuals across OECD countries declined by about three percentage points, from 30.5 to 27.4%. This decline reflects a reduction in the statutory tax rate on the average wage in 23 OECD countries. The combined statutory rate applicable to average earnings did not change in four countries – Chile, Japan, Norway and Australia – and increased in seven countries – Austria, Greece, Iceland, Korea, New Zealand, Spain and the United States. In Chile, the statutory rate on average earnings was zero in 2000 and 2010 as a result of basic personal allowances that exceeded the average wage in both years, reducing taxable income to zero. Changes over time in the statutory tax rate on average wage earnings may stem from changes to statutory tax rates, changes to standard and work-related tax allowances that affect the relationship between gross wage earnings and taxable income, and the difference between the growth rate of the average wage and the indexation factors that apply (if any) to tax bracket thresholds and tax allowances. For example, in New Zealand the average wage rose by about 37% from 2000 to 2010 while the threshold where the third statutory rate begins to apply grew by 26% over the same period. As a result, the taxable income of an average full-time earner moved from the second tax bracket to the third tax bracket, explaining the sharp increase in the statutory rate applicable at the average wage.

In countries where sub-central taxation applies, the statutory central rate has in some cases moved in a different direction than the statutory sub-central tax rate (see Figure S.4). For example, in Spain the central tax rate on average wage earnings declined from 20.17% to 18.27% from 2000 to 2010, but the sub-central rate increased from 3.83 to 9.73% over the same period, resulting in an overall increase in the combined statutory tax rate on average

wage earnings. In Norway, the combined central and local statutory PIT rate was set at a maximum of 28% throughout the period. However, the local rate at average wage earnings declined from 17.65 to 15.45% while the central rate increased from 10.35 to 12.55%. In Sweden, while the central rate applying to the average wage dropped to zero, the average sub-central rate increased slightly, from 30.38 to 31.56%. Those earning the average wage had taxable income slightly above the threshold for the zero-rate central tax bracket in 2000 but slightly below the threshold in 2010, which resulted in a large drop in the central statutory rate levied at average earnings. This change occurred (in spite of base broadening measures) because the initial portion of income exempt from tax (*i.e.* the sum of the basic allowance and the zero-rate bracket threshold) grew faster than the taxable income associated with the average wage.

Statutory tax rates on average earnings tend to be higher than the *average personal income tax rate* on average earnings, except under a system with a flat tax rate and no allowances or tax credits. Even in countries with a single statutory rate – the Czech Republic, Estonia and the Slovak Republic – the average tax rate is lower than the statutory tax rate on the average wage as a result of basic personal allowances or tax credits. Figures S.5 and S.6 illustrate the difference between the statutory and average personal income tax rate applicable on average wage earnings for a single childless individual claiming standard tax reliefs. The graphs show that in this basic scenario the average tax rate is lower than the statutory tax rate on average earnings in all OECD countries, although the magnitude of the difference varies significantly across countries. On average across the OECD, the average tax rate was less than half the statutory rate in both 2000 and 2010. Tax filers who are married or have children, or single taxpayers claiming non-standard tax reliefs could face different average and statutory rates than those shown in the graphs, although their average tax rates would also tend to be lower than their statutory rates due to progressive features of income tax systems.

Figure S.5. **Combined personal income tax rates levied at the average wage in countries where the statutory rate decreased**[1]



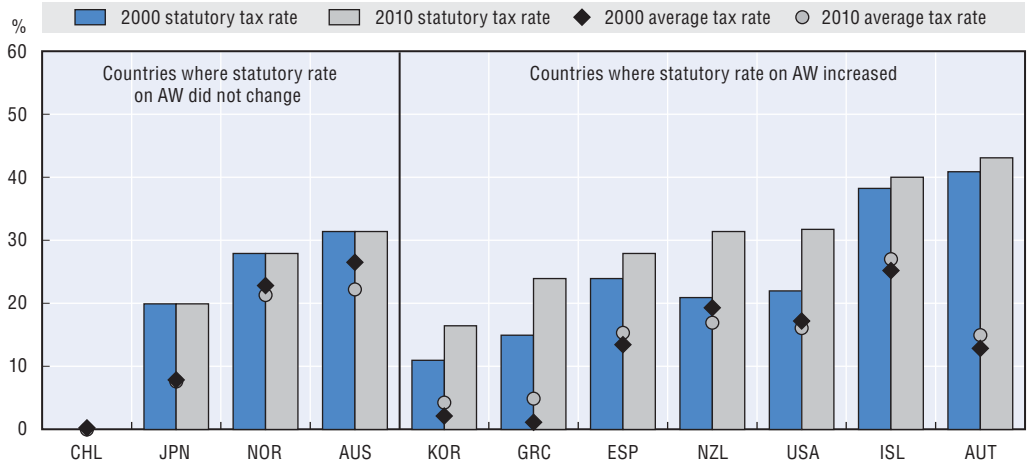
1. Countries are ranked by decreasing statutory tax rates in 2010.

Source: *OECD Tax Database* Tables I.1, I.2, I.3 (*www.oecd.org/ctp/taxdatabase*), OECD calculations, *Taxing Wages model*.

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On average across countries, the average personal income tax rate on average earnings decreased from 16 to 14.5% from 2000 to 2010. In many OECD countries, reductions in the statutory tax rate applicable on the average wage have been consistent with reductions in the corresponding average tax rate (Figure S.5). Likewise, increases in the statutory tax rate have been consistent with increases in the average tax rate (Figure S.6). However, changes in statutory rates alone do not explain changes in tax burdens. In fact, from 2000 to 2010, noticeable increases in the average tax rate on average earnings took place in Mexico and the Netherlands in spite of reductions in the statutory rate. The average tax rate also increased or remained relatively stable while the statutory rate decreased in the Czech Republic, Italy, Poland, Portugal, the Slovak Republic and Switzerland. In contrast, in New Zealand and the United States the average tax rate fell even though the statutory tax rate increased.

Figure S.6. **Combined personal income tax rates levied at the average wage in countries where the statutory rate did not decrease**[1]



1. For each group, countries are ranked by increasing statutory tax rates in 2010.

Source: OECD Tax Database Tables I.1, I.2, I.3 (*www.oecd.org/ctp/taxdatabase*), OECD calculations, *Taxing Wages model*.

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Inconsistencies in the direction of change between statutory tax rates and average income tax rates may stem from changes in the level of basic or other work-related allowances, changes in bracket thresholds due to indexation or other policy changes, changes in the statutory tax rates levied on the portion of income below the threshold where the statutory tax rate on average earnings begins to apply, or changes in tax credits (which affect the average tax rate but not the statutory rate). In general, the average tax rate is more sensitive to changes in the tax structure than the statutory rate (see Table S.2). For example, in Australia the average tax rate on the average wage decreased by more than four percentage points from 2000 to 2010 while the statutory tax rate remained constant. The average tax rate declined because the income threshold at which the second non-zero bracket begins to apply increased by more than the average wage, and the statutory rate on the first non-zero tax bracket was reduced. Neither of these changes affected the statutory tax rate on average earnings, which corresponds to the second non-zero bracket rate.

Table S.2. **Factors influencing average and statutory personal income tax rates levied at the average wage**[1]

<table>
<tr><th>Impact of…</th><th>… on the statutory tax rate</th><th>… on the average tax rate</th></tr>
<tr><td>A reduction in the statutory tax rate on taxable income corresponding to the AW</td><td>Reduction</td><td rowspan="8">Reduction</td></tr>
<tr><td>An increase in the basic personal allowance (non-tapered)</td><td rowspan="4">Reduction if taxable income moves into a lower tax bracket</td></tr>
<tr><td>An increase in other non-income related allowances</td></tr>
<tr><td>An increase in income-related allowances (e.g. social security contributions)</td></tr>
<tr><td>An increase in the upper threshold of tax bracket(s) below the taxable income corresponding to the AW</td></tr>
<tr><td>A reduction in the statutory tax rate(s) on the tax bracket(s) below the taxable income corresponding to the AW</td><td rowspan="3">No impact</td></tr>
<tr><td>An increase in non-income related tax credits</td></tr>
<tr><td>An increase in income-related tax credits</td></tr>
<tr><td>Indexation of tax bracket thresholds</td><td>Reduction if taxable income grows at a slower pace than the indexation factor and taxable income moves into a lower bracket</td><td>Reduction if taxable income grows at a slower pace than the indexation factor and initial income is above the first bracket threshold</td></tr>
</table>

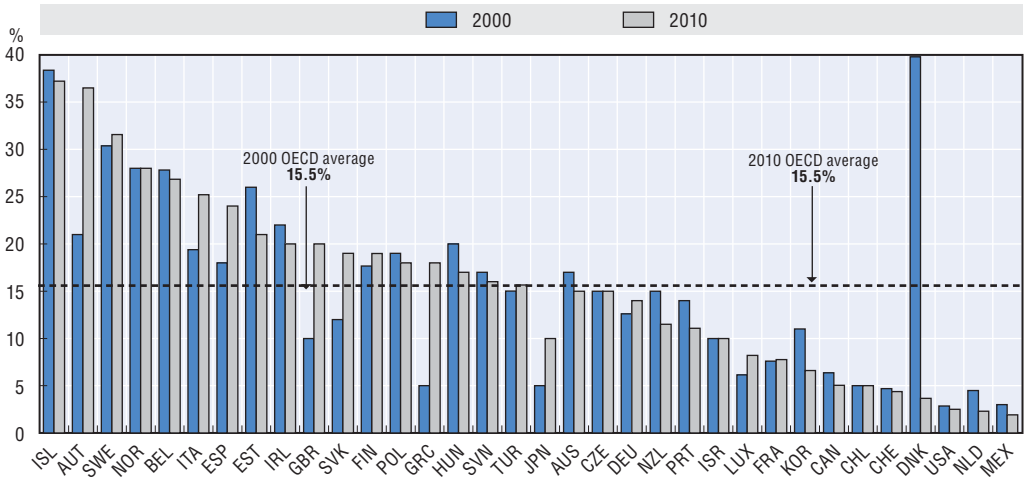
1. These impacts assume that the average personal income tax rate is positive before changes to the tax structure are implemented. The statutory tax rate refers to the rate associated with the taxable income that corresponds to the average wage.

2.1.4. Trends in bottom statutory personal income tax rates

Several OECD countries have PIT schedules that begin with a zero-rate tax bracket. As will be discussed in Section 2.3, as an alternative, countries can exempt from tax an initial tranche of taxable income by using tax allowances or tax credits. For this reason, a more appropriate comparison of statutory rates at the bottom of the taxable income scale consists in comparing the lowest non-zero statutory rate in the PIT schedule, which is defined here as the bottom statutory personal income tax rate. The bottom rate often interacts with basic allowances and income-based tax reliefs to determine marginal and average tax rates at the bottom of the income scale. But the bottom statutory rate ultimately affects all taxpayers, not only those with lower incomes, through its impact on average tax rates. A reduction in the bottom rate, while holding the first non-zero bracket threshold constant, reduces taxes for all taxpayers.

Figure S.7 shows the bottom combined statutory personal income tax rate in OECD countries, defined as the lowest possible non-zero effective statutory PIT rate, inclusive of surtaxes and sub-central taxes if applicable. It is the statutory tax rate that corresponds to the first unit of taxed earnings of a single taxpayer not claiming non-standard reliefs and whose income is too high to benefit from standard tax reliefs that are tapered with income. In most countries with sub-central taxation, the bottom rate is the sum of the lowest non-zero rate and the lowest non-zero sub-central rate, or in the case of Belgium and Korea, the lowest non-zero central rate augmented by the sub-central surtax rate. However, in Canada, Finland, Japan, Sweden, Switzerland and the United States, the lowest combined rate consists only of the lowest sub-central rate, given that the central PIT schedules have zero-rate tax brackets, allowance or tax credits such that no central tax is due on the first unit of earnings that is subject to sub-central tax. In contrast, in Denmark (in 2010) the bottom rate is just the first statutory rate in the central rate schedule; a lump sum allowance for social security contributions reduces the sub-central tax and health tax base but not the central tax base.

Figure S.7. **Bottom statutory personal income tax rate**[1, 2]



1. The lowest non-zero effective statutory PIT rate, including surtaxes and sub-central taxes where applicable.
2. Countries are ranked by decreasing bottom tax rates in 2010.

Source: *Tax Database*, Tables I.1, I.2, I.3 (*www.oecd.org/ctp/taxdatabase*), OECD calculations.

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Comparisons of bottom statutory PIT rates across countries and over time must be made with caution, since the income level at which a taxpayer becomes subject to this statutory rate may vary significantly. Generally, this income level is threshold where a single individual first starts to pay income tax (see Section 3.2). However, this is not always the case. For example, in 2010 in Mexico, the first unit of earnings of a high-income taxpayer was subject to the first statutory rate in the PIT schedule (1.92%, the bottom rate), while a lower-income single taxpayer who earned 70% of the average wage – the threshold where the tax liability first turns positive – was subject to the third statutory rate in the PIT schedule (10.88%). The difference arises because only the lower-income taxpayer is exempt from tax on the first MXN 61 000 of income as a result of the income-based employment subsidy credit and work-related allowances. In Ireland, Japan and the United States, the bottom statutory rate does not correspond to the statutory rate payable at the income threshold where a single taxpayer begins to pay tax either.

In 2010, the highest bottom rate was observed in Iceland (37.22%). The bottom combined statutory rate also exceeded 25% in Austria (36.5%), Sweden (31.56%, on average), Norway (28%) and Belgium (26.85%). At the other end, the lowest (representative) bottom statutory rate was levied in Mexico (1.92%), followed by the Netherlands (2.3%), the United States (2.5%, the local rate in Detroit), Switzerland (4.38%, the rate in Zurich) and Chile (5%).

Unlike the top statutory rate and the statutory rate applicable to the average wage, the average bottom statutory PIT rate across OECD countries did not follow a clear trend over the past decade. The bottom rate decreased in 17 OECD countries, increased in 13 OECD countries, and remained constant in 4 countries. A comparison of the 2000 and 2010 (unweighted) average bottom rate in OECD countries could be misleading due a small number of countries where large changes occurred.

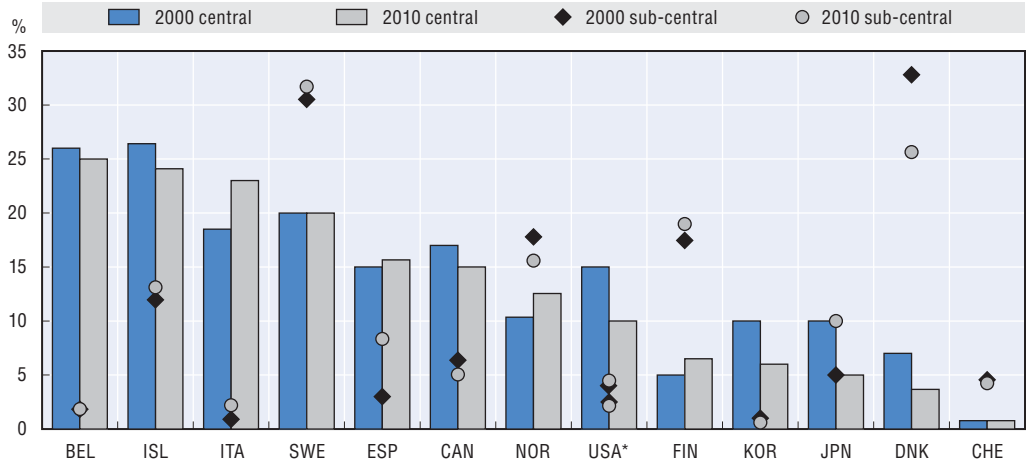
The sharpest increase occurred in Austria, where the bottom statutory rate increased from 21% in 2000 to 36.5% in 2010. However, this increase in the tax rate was accompanied by a substantial increase in the threshold where the first non-zero bracket rate begins to

apply – from about 12% of the average wage in 2000 to about 28% of the average wage in 2010. In Greece, the bottom tax rate increased from 5% in 2000 to 18% in 2010. Throughout the decade the bottom rate changed several times in Greece, reaching a high of 29% in 2007. The bottom rate also increased by five percentage points or more in the United Kingdom (from 10 to 20%), the Slovak Republic (from 12 to 19%), Spain (from 18 to 24%) and Japan (from 5 to 10%).

Relative to the large increases observed in some countries, reductions in the bottom rate were modest in most countries where they took place. The sharpest reduction was observed in Denmark, where the bottom rate dropped from 39.8 to 3.67%. This was a result of a base broadening reform that took effect in 2002 at the central government level (lump sum SSCs are no longer deductible). Thus, the first unit of taxed earnings is now subject to the central tax at the lowest rate of 3.67% (*i.e.* excluding the health tax), while previously the bottom rate was the sum of the central and sub-central rates. However, although the bottom rate dropped significantly, the income range where it applies is relatively short (see charts in the Annex).

In countries where sub-central income taxation applies, the lowest non-zero statutory rate can vary significantly between the central and representative sub-central levels (see Figure S.8). For example, the lowest sub-central rates are significantly below the lowest rates at the central level in Belgium, Italy and Korea. In Belgium and Korea there is no statutory sub-central tax rate; instead, the local tax is calculated as a surtax on the central income tax. For 2010, this corresponded to an effective lowest rate of 1.85% on average across municipalities in Belgium and of 0.6% at the local level in Korea, both significantly below the lowest central rates of 25 and 6%, respectively. In Italy, while the lowest central rate in 2010 was 23%, the lowest sub-central rate in Rome (the most representative city) was 2.2%.

Figure S.8. **Lowest statutory central and sub-central personal income tax rates**[1, 2]



1. The lowest non-zero PIT rates at the central and sub-central levels, including surtaxes where applicable. In the case of Korea and Belgium, where sub-central taxes are calculated as a surtax on central income tax, the effective statutory tax rate corresponding to the lowest central tax rate is shown.
2. Countries are ranked by decreasing lowest central rates in 2010.

* The lower set of sub-central rates refers to tax rates in the representative city of Detroit while the upper set refers to tax rates in the representative state of Michigan.

Source: Tax Database, Tables I.1, I.2, I.3 (*www.oecd.org/ctp/taxdatabase*).

StatLink http://dx.doi.org/10.1787/888932586903

In contrast, in 2010, the lowest sub-central statutory rate was higher than the lowest central rate in Japan, Switzerland and Scandinavian countries. In Denmark, Finland, Norway and Sweden the lowest sub-central statutory rate was considerably higher than the lowest central statutory rate. Indeed, the lowest sub-central rate in Denmark (25.64%) and Sweden (31.56%) was higher than the lowest central rate in most OECD countries, including those without sub-central taxation. In Denmark, the bottom local tax rate was 25.64% on average while the bottom central rate was 3.67% in 2010. The difference was larger in 2000, when the bottom local rate was 32.8% on average and the bottom central rate was 7%. The gap between the bottom central and sub-central rate narrowed partly because the county tax previously levied at the sub-central government level was replaced in 2008 with an 8% health care tax levied by the central government. A similar trend is observed in Norway, where the gap between the bottom local rate and the bottom central rate narrowed from 7.3 percentage points in 2000 to 2.9 percentage points in 2010, with the combined rate being held constant.

Shifts from sub-central towards central taxation at the bottom of the income scale are limited to Denmark and Norway. In most other countries, sub-central bottom rates moved in the same direction as central bottom tax rates over the past decade. However, Iceland and Japan saw a reverse trend, from central towards sub-central taxation. In 2007, Japan replaced its progressive sub-central rate structure (with rates ranging from 5 to 13%) with a single (10%) rate structure, while at the same time introducing a new bottom bracket and rate at the central level. In Sweden and Switzerland, the representative lowest sub-central rates changed slightly while the lowest central rates remained constant.

2.2. Surtaxes

A personal income surtax, or surcharge, is an additional tax on income that is also taxed through the regular PIT rate schedule. This may include payments that are identified by governments as separate taxes but which are levied on a similar tax base as the regular personal income tax. In 2010, seven OECD countries – Australia, Denmark, France, Germany, Ireland, Luxembourg and Turkey – levied surtaxes at the central government level and some Canadian provinces levied sub-central surtaxes. Single-rate surtaxes are in place in Denmark, France, Luxembourg and Turkey. Multi-tiered surtaxes are in place in Australia, Germany, Ireland, and in the Canadian province of Ontario.

A surtax can be levied in several different ways. For example, it can be calculated as a percentage of the PIT liability net of refundable tax credits, as is done in Germany, or gross of non-refundable tax credits, as is done in Luxembourg. In Canada, the central government surtax in place until 2000 was based on the PIT liability net of non-refundable tax credits but gross of refundable tax credits, as is the surtax currently in place in Ontario, the representative Canadian province considered in this report (most other Canadian provinces do not levy surtaxes). The impact of non-refundable tax credits is magnified when the surtax is applied to the tax liability net of these tax credits. That is, tax credits reduce not only the general tax liability but also the surtax liability.

Surtaxes can also be levied on a tax base that is broader or narrower than the taxable income base that applies to the regular PIT rate schedule. If the surtax base is broader, it could be argued that it entails a separate tax rather than a surtax. For example, France's Universal Social Contribution (CSG) and Social Debt Contribution (CRDS), and Turkey's stamp tax on wages are levied on gross pay. The Irish income levy is levied on gross family

income. These payments, which are not categorized as social security contributions, are considered personal income surtaxes to the extent that gross pay is also taxed through the regular PIT rate schedule.

In some countries, one or more additional statutory tax rates are levied on the same tax base that is subject to the basic or standard PIT schedule. While countries may label these as separate taxes – the Medicare Levy in Australia, the Health Care Tax in Denmark, the Ontario Health Premium in Canada – they are effectively surtaxes as long as the tax base is the same (or narrower) as the standard PIT base. Furthermore, these surtaxes could potentially be incorporated into the regular PIT schedule to improve simplicity and transparency, although this might require shifts in the tax burden of some taxpayers. This reform has been initiated in Denmark, where the Health Care Tax will be gradually incorporated into the lowest statutory central PIT rate between 2012 and 2019. In Norway, the additional graduated tax rates on labour (and pension) income are considered a surtax in the context of a dual income tax system and in Sweden the additional graduated rates on taxable income in place in 1990 were considered a surcharge. However, for the purposes of the *Taxing Wages* report, these Norwegian and Swedish rates are not considered surtaxes because they can be smoothly incorporated into the labour income tax schedule as additional tax brackets (as reflected in Figure S.1).

Surtaxes in place in OECD countries in 1990, 2000 and 2010 are described in Table S.3. While surtaxes are sometimes introduced as temporary revenue raising measures, they often become long-term features of the PIT system. For example, the German Solidarity Surcharge was introduced in 1991 as a 12-month measure to help cover the costs of German re-unification. It was subsequently re-introduced in 1995 and continues to be levied. In 1993, Belgium introduced the Complementary Crisis Contribution as a deficit reduction measure to meet the entry requirements for the European Economic and Monetary Union. The surtax was only abolished in 2003.

Apart from Belgium, the only other country to eliminate a surtax in the past 10 years was Canada, which eliminated its central-level surtax in 2001 following a period of budgetary surpluses. Denmark and Ireland, on the other hand, introduced central-level surtaxes in 2008 and 2010, respectively, to support their fiscal consolidation efforts.

The impact of surtaxes on top statutory rates varies across OECD countries. In 2010, they added less than one percentage point to the top combined statutory rate in Luxembourg (increasing it from 38 to 38.95%) and Turkey (from 35 to 35.66%); between one and five percentage points in Australia (from 45 to 46.5%), Germany (from 45 to 47.48%) and Ireland (from 41 to 46%); and more than five percentage points in Canada (from 40.16 to 46.41%), Denmark (from 44.31 to 52.54%, on average) and France (from 40 to 45.78%). In some countries, surtaxes also affect the bottom (non-zero) statutory personal income tax rate. For example, surtaxes increase the lowest statutory central rate in France (from 5.5 to 7.76%), Ireland (from 20 to 22%), Luxembourg (8% to 8.2%) and Turkey (15% to 15.66%).

The fact that surtaxes affect the bottom statutory rate in some countries reflects that although surtaxes are sometimes associated with high incomes, the threshold at which a taxpayer begins to pay surtax is not always high. For example, individuals are subject to the stamp tax in Turkey and the Universal Social Contribution and Social Debt Contribution in France on their first unit of earnings. The Australian Medical Levy is payable by single individuals who earn 28% of the average wage (for families the threshold at which the levy begins to be paid is higher, depending on the number of adults and dependent children).

Table S.3. **Central and sub-central government surtaxes and additional personal income taxes on labour income**[1, 2]

	1990		2000		2010	
Australia	**Taxable Income**	**Medicare Levy**	**Taxable Income**	**Medicare Levy**	**Taxable Income**	**Medicare Levy**
	11 745 –12 528 (singles) 23 245 – 24 794 (couples)	20% (singles) 20% (couples)	13 550 – 15 941 (singles) 22 865 – 26 900 (couples)	10% (singles) 10% (couples)	18 488 – 21 750 (singles) 31 196 – 36 701 (couples)	10% (singles) 10% (couples)
	> 12 528 (singles) > 24 794 (couples)	1.25% of TI[3]	> 15 941 (singles) > 26 900 (couples)	1.5% of TI[3]	> 21 750 (singles) > 36 701 (couples)	1.5% of TI[3]
Belgium			**Family Taxable Income**	**Complementary Crisis Contribution**		
			0 – 800 000	1% of TI		
			800 000 – 850 000	1% + 1% * (TI –800 000)/50 000		
			850 000 – 1 200 000	2% of TI		
			1 200 000 – 1 250 000	2% + 1% * (TI – 1 200 000)/50 000		
			> 1 250 000	3%		
			Family Taxable Income	**Special Annual SSC**		
			750 000 – 850 000	9%		
			850 000 – 2 426 924	1.3%		
Denmark					**Taxable Income**	**Health Care Tax**
					No limit	8% of TI
Canada (Central)	**Basic PIT (after credits)**	**Surtax**	**Basic PIT (after credits)**	**Surtax**		
	No limit	5% of PIT	> 15 500	5%		
	> 15 000	3%				
Canada – Ontario (Sub-central)			**Basic PIT (after credits)**	**Surtax**	**Basic PIT (after credits)**	**Surtax**
			> 3 561	20%	> 4 006	20%
			> 4 468	36%	> 5 127	36%
France			**Gross Pay**	**Universal Social Contribution (CSG)**	**Gross Pay**	**Universal Social Contribution (CSG)**
			No limit	7.125% of GP	No limit	7.275% of GP
			Gross Pay	**Social Debt Contribution (CRDS)**	**Gross Pay**	**Social Debt Contribution (CRDS)**
			No limit	0.475% of GP	No limit	0.485% of GP
Germany			**PIT**	**Solidarity Surcharge**	**PIT**	**Solidarity Surcharge**
			918 – 1 170 (singles) 1 836 – 2 340 (couples)	20% (singles) 20% (couples)	972 – 1 239 (singles) 1 944 – 2 478 (couples)	20% (singles) 20% (couples)
			> 1 170 (singles) > 2 340 (couples)	5.5% of PIT[3]	> 1 239 (singles) > 2 478 (couples)	5.5% of PIT[3]
Ireland					**Gross Family Income**	**Income Levy**
					Up to 75 036	2%
					75 036 – 174 980	4%
					> 174 980	6%
Luxembourg	**PIT**	**Solidarity Surtax**	**PIT**	**Solidarity Surtax**	**PIT**	**Solidarity Surtax**
	No limit	5% of PIT	No limit	2.5% of PIT	No limit	2.5% of PIT
Turkey			**Gross Pay**	**Stamp Tax**	**Gross Pay**	**Stamp Tax**
			all	0.006% of GP	all	0.66% of GP

Note: Norway's two-tiered surtax is not presented here as it is treated as two additional brackets in this report.

1. For each year and country, the surtax base is shown in the left column and the surtax rate and name are shown in the left column. Unless otherwise noted, when a surtax is multi-tiered, rates in the right column apply to the income/tax/gross pay range in the corresponding column to the left.
2. Surtax base values refer to the national currency of each country in the given year.
3. Surtax rate applies to all taxable income in Australia or all PIT in Germany (not just the range shown to the left).

GP = Gross Pay; PIT = Personal Income Tax; TI = Taxable Income

Sources: Taxing Wages 2009-10; Taxing Wages 2000-01; The Tax/Benefit Position of Production Workers 1987-1990.

However, even if the income level at which a taxpayer becomes subject to surtax is low, a surtax can increase the progressivity of the personal income tax system if the surtax itself displays progressive features (*e.g.* if an initial income band is exempt from surtax). Progressivity may increase in particular when the surtax consists of a multi-tiered schedule (*e.g.* Ireland), if it is phased in with income (*e.g.* Australia and Germany), or when it is levied as a percentage of an already progressive basic income tax (*e.g.* Luxembourg).

2.3. Zero-rates, basic allowances and basic tax credits

All OECD countries have basic provisions in place that exempt an initial level of earnings from personal income tax (although not necessarily from certain surtaxes or social security contributions) regardless of family circumstances such as marital status or number of children. The rationale for these provisions may vary: it may be argued that a minimum amount of income should be exempt because it is generally spent on basic necessities, which is analogous to exempting basic food and shelter from VAT, or that it should be exempt because it must be spent to generate income (*e.g.* commuting expenses). Alternatively, the primary purpose of a basic allowance may be to increase the progressivity of the tax system, particularly when there is a single or few tax brackets.

Exempting an initial level of income can be achieved with a zero-rate bracket, a basic personal allowance, or a basic personal tax credit. A zero-rate bracket applies a zero tax rate to the portion of taxable income below the tax bracket threshold. A basic personal allowance removes a portion of gross income from the tax base by reducing taxable income. Finally, a tax credit offsets the tax liability associated with a portion of income. Thus, an initial level of income can be exempted from tax at any stage in the calculation of taxes payable – when the tax base is determined (through an allowance), when tax on taxable income is calculated (through a zero statutory rate), or when net tax is calculated (through tax credits).

Zero-rate tax brackets result in a zero tax liability on the units of taxable income below the bracket threshold, which is effectively an exemption on that portion of taxable income. For example, if the upper threshold for the zero-rate bracket is 10 000 currency units, all taxpayers are exempt from tax on 10 000 units of their taxable income (which in the absence of any allowances would equal 10 000 units of gross earnings). A universal basic allowance of 10 000 currency units achieves a similar result by exempting from tax 10 000 currency units of *gross earnings*. Individuals earning 10 000 or less are exempt from tax on all their earnings under both policy tools. For those earning more than 10 000, the tax allowance and zero-rate bracket result in identical average tax rates if the taxable income thresholds for all the tax brackets over the zero-rate bracket are shifted by 10 000 currency units relative to the bracket thresholds under the basic allowance. Under this set of conditions, a reform that replaces a flat basic allowance with a zero rate would be neutral.

Such type of reform was implemented in Greece in 2009. The basic personal allowance was eliminated and a zero-rate bracket was introduced; its upper threshold was identical to the former basic allowance. As a result, the first EUR 12 000 of income were exempted from tax before and after the reform. However, the tax bracket thresholds for the non-zero rate brackets were not shifted by the amount of the basic allowance. In the absence of any other changes, this would have raised the tax burden of taxpayers whose taxable income was in the second non-zero rate bracket or higher. However, the Greek reform also reduced the first and second non-zero statutory rates, creating an offsetting effect.

When the value of a basic personal allowance varies with income, zero-rate brackets and basic allowances no longer produce the same result for all taxpayers, even if bracket thresholds are properly adjusted. The basic allowance is tapered with income in the Slovak Republic, Slovenia and the United Kingdom. In the Slovak Republic, the basic allowance is gradually reduced when earnings exceed 1.9 times the average wage and is fully eliminated when earnings reach 3.8 times the average wage. In Slovenia, those claiming the maximum allowance (earning less than 62% of the average wage) are exempt on almost twice the earnings as those claiming the minimum allowance (*i.e.* those earning more than 71% of the average wage). In the UK, taxpayers earning more than 3.2 times the average wage do not enjoy an exemption on any portion of their income. In Ireland, the low income exemption and the marginal relief tax rate for those who earn less than twice the amount of exempt income are similar to a tapered basic allowance. In Norway, the basic allowance increases with income for some income levels, with a lower and upper limit. Income-based basic personal allowances cannot be replaced with zero-rate brackets in a neutral way, that is, without affecting the tax liability of at least some taxpayers.

An alternative method of exempting an initial level of income from tax is to provide a basic non-refundable (wastable) tax credit similar to a basic allowance. A basic tax credit of 10 000 currency units multiplied by the lowest non-zero statutory rate effectively exempts the first 10 000 of *taxable income*. For taxpayers whose taxable income is subject only to the first non-zero statutory rate, this tax credit has the same result as a basic allowance of 10 000 currency units. However, for those with higher taxable incomes, the tax credit reduces the tax liability by less than an allowance of the same amount because the allowance is valued at the taxpayer's marginal tax rate but the tax credit is valued at a fixed and lower rate. In other words, while a basic allowance exempts the *last* 10 000 currency units of taxable income, the tax credit in this example exempts the *first* 10 000 units of taxable income (see Table S.4).

Table S.4. **Example of the equivalence between zero-rate brackets, basic allowances and basic tax credits**

	10 000 Zero Rate Bracket		10 000 Basic Allowance		10 000 Basic Tax Credit (valued at the lowest PIT rate)	
Personal Income Tax Schedule						
	Taxable Income	Rate	Taxable Income	Rate	Taxable Income	Rate
	0-10 000	0%	0-10 000	10%	0-10 000	10%
	10 000-20 000	10%	> 10 000	20%	> 10 000	20%
	> 20 000	20%	N/A		N/A	
Case Examples (assuming no other allowances)						
Gross Earnings	Taxable Income	PIT Liability	Taxable Income	PIT Liability	Taxable Income	PIT Liability
10 000	10 000	(10 000 * 0%) = **0**	10 000 – 10 000 = 0	(0 * 10%) = **0**	10 000	(10 000 * 10%) – (10 000 * 10%) = **0**
20 000	20 000	(10 000 * 0%) + [(20 000 – 10 000) * 10%] = **100**	20 000 – 10 000 = 10 000	(10 000 * 10%) = **100**	20 000	(10 000 * 10%) + [(20 000 – 10 000) * 20%] – (10 000 * 10%) = **200**

A basic refundable (non-wastable) tax credit not only exempts an initial level of income, like a basic non-refundable tax credit, but also provides a negative tax (a subsidy) for low-income individuals with small or no personal income tax liabilities. Refundable tax credits in OECD countries are generally targeted rather than provided broadly to all tax filers. Many refundable tax credits available regardless of family status are employment-related (*e.g.* Mexico's employment subsidy credit, the earned income tax credits in Finland and Sweden, etc.). Whether employment-related or not, in most cases the exemption is provided only to taxpayers with total income under certain thresholds as a result of provisions that reduce the value of the tax credit as income rises.

Zero-rates, basic personal allowances and basic personal tax credits introduce progressivity in the tax schedule because the value of the tax relief they provide expressed as a share of income declines as income rises, which entails average tax rates that increase with income. But while standard tax allowances are valued at a taxpayer's marginal tax rate, tax credits are valued at a fixed rate or, in the case of tapered tax credits, at a rate that decreases with income. Therefore, basic personal tax credits (in multi-tiered PIT schedules) and tapered basic allowances can increase the progressivity of the tax system more than flat allowances because the tax relief they provide as a percentage of income for those with high incomes is lower than the tax relief provided by a tax allowance.

Provisions that exempted an initial level of income from tax in OECD countries in 2000 and 2010 are summarized in Table S.5. In countries with dual income tax systems (Finland, Norway and Sweden) they refer to exemptions that reduce the earned income tax liability. Nine OECD countries have PIT schedules with a zero-rate tax bracket – Australia, Austria, Finland, France, Germany, Greece, Luxembourg, Sweden and Switzerland. Fourteen OECD countries provide basic personal allowances (or equivalent "exempt income" levels) – Belgium, Chile, Estonia, Ireland, Japan, Korea, Norway, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, the United Kingdom, and the United States. Eleven OECD countries have non-refundable basic personal tax credits – Australia, Canada, the Czech Republic, Denmark, Iceland, Ireland, Israel, Italy, the Netherlands, Poland and Portugal. From 2000 to 2010, the only countries that have replaced the policy tool used to exempt an initial level of earnings have been the Netherlands and the Czech Republic, which replaced their basic allowances with wastable tax credits when they implemented base broadening reforms in 2001 and 2008, respectively.

Hungary, Mexico, New Zealand and Turkey have provisions that exempt an initial portion of *employment* income but, unlike other countries without dual income tax systems, do not extend this relief to other sources of income. For example, the Mexican employment subsidy credit (a refundable tax credit that is tapered with income) in combination with the holiday bonus and end-of-year bonus (standard work-related tax reliefs) results in a zero (or negative) tax liability for workers earning up to 70% of the average wage. Hungary, New Zealand and Turkey exempt an initial portion of employment income for lower income workers through non-refundable tax credits; these are tapered with income in the first two countries. Work-related lump sum allowances or tax credits, whether tapered with income or not, also exist in most other OECD countries. Like generally available basic reliefs and zero-rate brackets in Table S.3, work-related provisions affect the income threshold where taxpayers begin to pay income tax (see Section 3.2).

From 2000 to 2010, the value of basic exemptions (tax allowances, tax credits or zero-rated brackets) expressed as a share of the average wage increased by at least two

Table S.5. **Central level zero-rate brackets, basic allowances and basic tax credits as a percentage of the average wage**[1, 2, 3]

	2000		2010	
	Measure	Amount (% of AW)	Measure	Amount (% of AW)
Australia	Zero-rate bracket	15	Zero-rate bracket	9
	Wastable tax credit (t)	2	Wastable tax credit (t)	13
Austria	Zero-rate bracket	12	Zero-rate bracket	29
Belgium	Basic allowance	16	Basic allowance	15
Canada	Wastable tax credit	19	Wastable tax credit	23
Chile	Basic allowance	120	Basic allowance	111
Czech Republic	Basic allowance	22	Wastable tax credit	43
Denmark	Wastable tax credit	12	Wastable tax credit	11
Estonia	Basic allowance	16	Basic allowance	18
Finland	Zero-rate bracket	30	Zero-rate bracket	38
France[4]	Zero-rate bracket	15	Zero-rate bracket	17
Germany	Zero-rate bracket	20	Zero-rate bracket	19
Greece	Zero-rate bracket	71	Zero-rate bracket	59
Hungary[5]				
Iceland	Wastable tax credit	41	Wastable tax credit	42
Ireland	Wastable tax credit	21	Wastable tax credit	23
			Basic allowance (t)	13[6]
Israel	Wastable tax credit	49	Wastable tax credit	49
Italy			Wastable tax credit	28
Japan	Basic allowance	8	Basic allowance	8
Korea	Basic allowance	3	Basic allowance	4
Luxembourg	Zero-rate bracket	19	Zero-rate bracket	23
Mexico[7]				
Netherlands	Basic allowance	13	Wastable tax credit	13[8]
New Zealand[5]				
Norway	Basic allowances (i)	20	Basic allowances (i)	16
Poland	Wastable tax credit	10	Wastable tax credit	9
Portugal			Basic allowance	24
	Wastable tax credit	12	Wastable tax credit	14
Slovak Republic	Basic allowance	25	Basic allowance (t)	43
Slovenia	Basic allowance	12	Basic allowance (t)	36
Spain	Basic allowance	19	Basic allowance	21
Sweden	Zero-rate bracket	88	Zero-rate bracket	101
	Basic allowance (i) (t)	3	Basic allowance (i) (t)	5
	Non-wastable tax credit (t)	3		
Switzerland	Zero-rate bracket	25	Zero-rate bracket	18
Turkey	Basic allowance	4	[5]	
United Kingdom	Basic allowance	18	Basic allowance (t)	19
United States	Basic allowance	22	Basic allowance	13

1. Standard reliefs generally available to all taxpayers (work-related standard reliefs are excluded). These may be higher for taxpayers with a spouse or dependent children. Additional reliefs may further raise the income threshold at which a single taxpayer becomes subject to central tax.
2. When the relief varies with income, the amount shown refers to the relief available to a taxpayer with one unit of earnings. For comparability with zero-rate brackets and basic allowances, the amounts shown for basic tax credits refer to the value of the tax credit divided by the bottom central statutory rate, as a percentage of the average wage. For the Czech Republic the value is also adjusted to reflect the inclusion of employer SSC in the tax base.
3. The average wage refers to annual average gross earnings for a single worker as shown in Table II.10 of the Taxing Wages report.
4. Applies to the basic income tax but not to the Universal Social Contribution or the Contribution to the Reimbursement of Social Debt.
5. Although no standard relief is generally available to all taxpayers, a wastable employment-based lump-sum tax credit is provided.
6. Assumes no deductions from gross income are claimed in the calculation of total income.
7. Although no standard relief is generally available to all taxpayers, a non-wastable employment-based lump-sum tax credit is provided.
8. Refers to the portion of the general tax credit that is corresponds to PIT (rather than SSC).

(t) Amount is tapered with income.
(i) Amount increases with income (up to a limit).
Sources: Tax Database, Table I.1 (*www.oecd.org/ctp/taxdatabase*); OECD Calculations.

percentage points in 12 countries, decreased in 6 countries, and did not significantly change in 13 OECD countries. The largest increase was observed in Italy, followed by Portugal, Slovenia, the Czech Republic, the Slovak Republic and Austria. In these countries, the value of the exemption as a percentage of the average wage increased by more than 15 percentage points. In Italy and Portugal this was due to the introduction of new provisions; in others cases it was the result of an enhancement of the basic provisions, which generally accompanied major changes to statutory tax rates. For example, Austria, the Czech Republic, and the Slovak Republic enhanced their basic provisions as they reduced the number of tax brackets and increased the bottom statutory rate. Over the same decade, the value of the basic exemption declined the most (by at least eight percentage points) in Greece, Chile and the United States. In these countries, though the basic exemptions increased in terms of national currency, they decreased as a share of the average wage, which grew at a faster pace.

3. Income thresholds associated with the top and bottom statutory tax rates

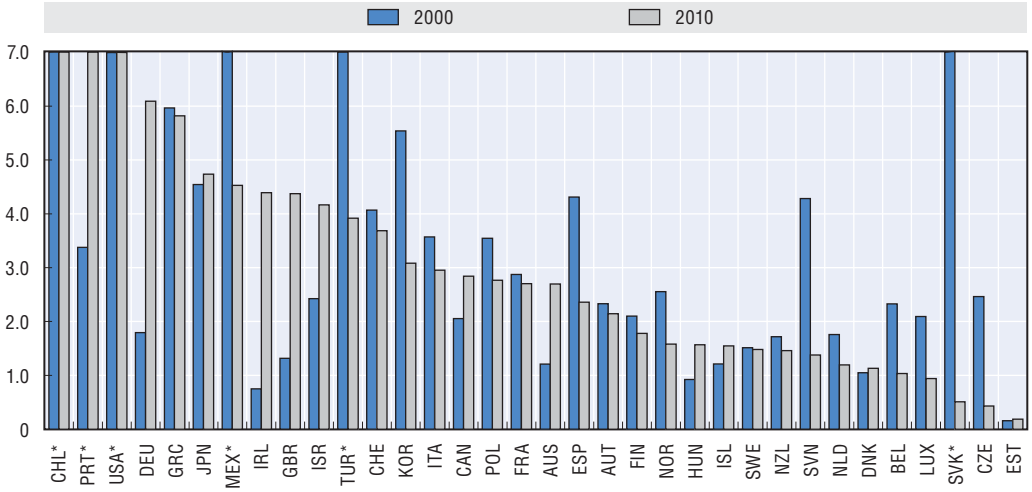
3.1. Income threshold where single individuals start paying the top statutory rate

A key difficulty in comparing top statutory rates across OECD countries is that the threshold at which the top combined statutory personal income tax rate begins to apply varies significantly across countries. In particular, the threshold tends to be lower in countries with fewer tax brackets and higher in countries with a large number of tax brackets. The value of personal allowances also affects the threshold at which the top rate begins to apply, if the threshold is measured in terms of gross earnings. Holding tax bracket thresholds constant, an increase in tax allowances translates into higher gross income thresholds at which the top statutory rate is levied. Figure S.9 shows the income threshold where a single individual who claims standard reliefs starts facing the top combined statutory PIT rate, expressed as a percentage of a full-time worker's average wage.

Not surprisingly, in countries with a single statutory tax rate – the Czech Republic, Estonia and the Slovak Republic – the income threshold where the top statutory rate begins to apply is considerably lower than in all other OECD countries. (In these countries, this is also the threshold where a single taxpayer first begins to pay tax, which is in turn higher in the Czech Republic and the Slovak Republic than in most other OECD countries.) Although there is only one statutory rate in these countries, the threshold for the top rate is greater than zero as a result of basic personal allowances or credits. In the Czech Republic, while the top statutory rate theoretically applies to the first unit of earnings, in practice taxpayers do not start paying tax before earning 43% of the average wage as a result of the basic personal tax credit.

In contrast, the threshold at which the top statutory rate begins to apply is highest in countries with a larger number of tax brackets. In Chile, the top rate of 40% affects individuals whose earnings are more than 16.4 times the average wage. This high threshold is the result of a personal tax structure with seven tax brackets and a generous basic allowance that exceeds the average wage. The income threshold is also high in Portugal, where there are eight tax brackets, and in the United States, where there are six. In Portugal, the top rate of 45.88% begins to apply when earnings exceed 9.7 times the average wage. In the United States, the top combined rate of 41.9% begins to apply when earnings exceed 8.4 times the average wage.

Figure S.9. **Income threshold where the top combined statutory personal income tax rate is levied (multiple of the average wage)**[1, 2]



1. Multiple of the average wage where the top combined central and sub-central personal income tax rate begins to apply for a single individual claiming only standard tax allowances. For the Czech Republic, the 2010 figure denotes the threshold where a single taxpayer begins to pay tax.
2. Countries are ranked by decreasing threshold in 2010.

* Values not shown: Chile 2010: 14.0; Chile 2000: 16.3; Portugal 2010: 9.7; US 2010: 8.4; US 2000: 8.9; Mexico 2000: 49.8; Turkey 2000: 11.5; Slovak Republic 2000: 7.9.

Source: OECD Tax Database Table I.7 (*www.oecd.org/ctp/taxdatabase*).

StatLink http://dx.doi.org/10.1787/888932586922

A country-by-country comparison of Figure S.1 (in Section 2.1) and Figure S.9 reveals the connection between changes in the number of tax brackets and changes in the income threshold at which the top statutory rate is levied. Comparing 2000 to 2010, the threshold for the top combined rate decreased in 11 of the 13 countries where the number of central tax brackets was reduced (Austria, Belgium, the Czech Republic, Finland, France, Mexico, Poland, the Slovak Republic, Slovenia, Spain and Turkey). And among the nine countries where the number of central tax brackets increased, the threshold for the top combined rate increased in six of them (Canada, Germany, Iceland, Israel, Japan and Portugal).

However, changes in the threshold at which the top statutory rate begins to apply have not been driven only by changes to the number of tax brackets. Overall, from 2000 to 2010, the gross income threshold at which the top statutory rate begins to apply (expressed as a multiple of the average wage) decreased in 20 OECD countries, increased in 11 countries and remained relatively stable in 3 countries. As shown in Figure S.9, changes were radical in some countries and subtle in others.

In absolute terms, the largest reduction in the income threshold at which the top rate begins to apply was observed in Mexico. There, the threshold at which the top rate of 40% began to apply in 2000 was 49.8 times the average wage. By 2010, the threshold at which the top rate of 30% began to apply had fallen to 4.5 times the average wage. This drastic reduction was the result of reforms that gradually reduced the top statutory rate between 2002 and 2007, and a subsequent reform that increased the threshold for the top rate while introducing new tax brackets. By 2010, Mexico's PIT schedule consisted of eight tax brackets with significantly lower rates and thresholds (as a multiple of AW) than the ten-bracket schedule in 2000. The two other countries that greatly reduced the threshold at which the top PIT rate begins to be levied are those that implemented reforms that instituted a single-rate tax structure within

the decade – the Czech Republic and the Slovak Republic. In these countries, the threshold dropped by more than 80%, from 2.5 to 0.4 times the average wage in the Czech Republic, and from 7.9 to 0.5 times of the average wage in the Slovak Republic. The threshold declined by more than 60% in Slovenia and Turkey and by more than 40% in Belgium, Korea, Luxembourg and Spain.

Negligible changes occurred in Greece, Japan and Sweden. Small changes in the threshold at which the top rate applies may be caused by governments' indexation policies, which may be explicit or consist of ad hoc increases every few years. Tax allowances and top bracket thresholds that are not indexed annually to earnings growth are likely to grow at a slightly different pace than the average wage, leading to small changes in the value of the top income threshold expressed as a multiple of the average wage. On the other hand, seemingly small changes in the threshold over the ten year period may also reflect the cumulative impact of various policy changes with offsetting effects.

Large increases in the income threshold where the top statutory rate begins to apply have often been led by policy changes concerning the top statutory tax rate. Among the countries that increased their top statutory rates at some point over the last ten years, Germany, Greece, Iceland, Israel, Portugal, and the United Kingdom did so by introducing additional tax brackets at the top end of the PIT schedule, while Ireland introduced a multi-tiered surtax. Consequently, the threshold at which the top rate applies more than doubled over then ten year period in Germany (from 1.8 to 6.1 times the average wage), Ireland (from 0.7 to 4.4 times the average wage), Portugal (from 3.4 to 9.7 times the average wage) and the United Kingdom (from 1.3 to 4.4 times the average wage), and increased by more than 70% in Israel (from 2.4 to 4.2 times the average wage).

Indeed, top statutory rates and the thresholds where they begin to apply have tended to move in the same direction (along with the number of tax brackets). Among the 26 countries where the top combined statutory rate fell from 2000 to 2010 (see Section 2.1.2), the threshold for the top rate declined in 19 of them. The exceptions are Australia, Canada, Denmark, Estonia, Germany, Hungary and Israel, where the threshold increased while the top rate decreased. Among them, the threshold increased the most in Australia, where it more than doubled within the decade. Among the five countries where the top combined rate was higher in 2010 than in 2000, the threshold increased in all of them except Sweden, where it remained constant.

The fact that top statutory rates and the thresholds where they begin to apply have tended to move in the same direction among OECD countries means that conclusions about trends in the tax burden of high income earners cannot be derived by simply comparing top statutory rates. Moreover, though outside the scope of this report, the overall income tax burden of high income earners is also affected by their eligibility for non-standard PIT reliefs and changes in capital income taxation.

3.2. Income threshold where single individuals start paying income tax

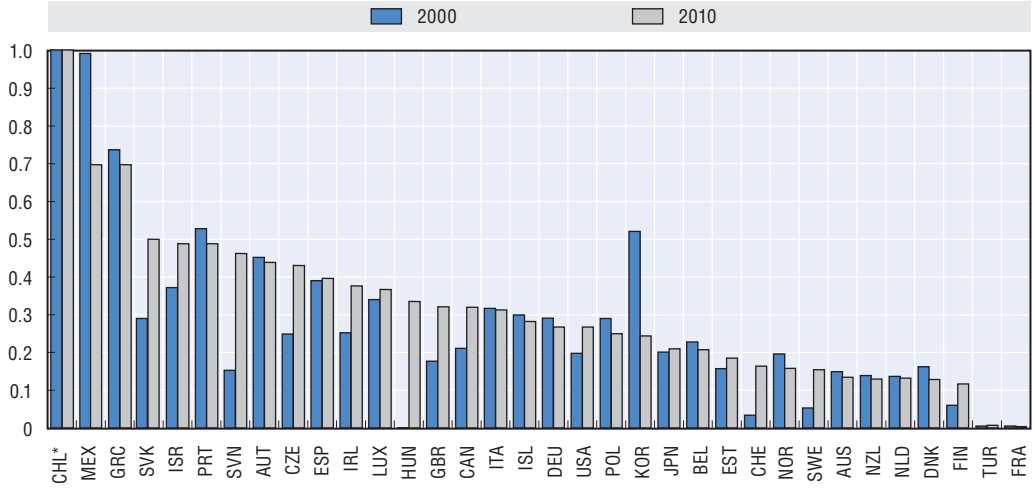
Zero-rate brackets, basic allowances and basic personal tax credits described in Section 2.3 imply that individuals are generally not subject to tax on the first unit of earnings, introducing progressivity in the PIT rate schedule. Thus, statutory tax rates generally lead to a positive tax liability only once a taxpayer has earned income exceeding a given threshold. Exceptions include the French Universal Social Contribution (CSG) and the Social Debt Contribution (CRDS) and the Turkish stamp tax on wages, which apply on the first unit of earnings.

Figure S.10 shows the income threshold, as a multiple of the average wage, where a single taxpayer begins to pay income tax. This threshold is defined here as the gross income level where the combined central and sub-central tax liability, net of refundable tax credits, *first* becomes greater than zero for a single individual who claims only standard reliefs (*i.e.* basic allowances and general work-related allowances available to all workers). The threshold may be different for tax filers who are married, have children or claim non-standard allowances. The threshold at which a single taxpayer becomes subject to income tax is calculated according to tax provisions and may in some cases be smaller than the 12-month legal minimum wage for a full-time employee. Note that to the extent that countries provide cash benefits comparable to refundable tax credits, the income thresholds at which the tax liability net of subsidies first becomes positive may be higher than the thresholds presented here.

The statutory rate that corresponds to the earnings level where a single taxpayer becomes subject to income tax is generally the bottom statutory rate as defined in Section 2.1.5. However, in 2010 this was not the case in Ireland, Japan, Mexico and the United States. In Japan, lump sum local taxes result in a positive tax liability before taxable income and the statutory tax rate turn positive. In the other three countries, provisions targeted at low-income taxpayers raise their tax-free income level above the upper threshold for the bottom statutory rate.

On average across OECD countries, individuals begin to pay income tax when they earn roughly one third of the average wage. However, the threshold varies considerably across countries. In 2010, French taxpayers were subject to income tax (CSG and CRDS) on their first unit of earnings, as were Turkish taxpayers. However, in the absence of surtaxes, a single employee claiming standard tax reliefs would have been able to earn free of tax 50% of the average wage in France or 24% of the average wage in Turkey. In contrast,

Figure S.10. **Income threshold where a single individual starts paying income tax (multiple of the average wage)**[1, 2]



1. Multiple of the average wage where the average combined central and sub-central personal income tax liability first becomes positive for single taxpayers without children claiming (only) standard tax reliefs.
2. Countries are ranked by decreasing threshold in 2010.

* The value for Chile is 140% of the AW in 2010 and 149% of the AW in 2000.

Source: OECD calculations, *Taxing Wages model*.

StatLink http://dx.doi.org/10.1787/888932586941

Chilean taxpayers could earn 140% of the average wage before they began to pay income tax in 2010, mainly due to a generous basic personal allowance.

From 2000 to 2010, the earnings threshold where single taxpayers become subject to income tax increased on average across OECD countries, from 30% of the average wage to 33% of the average wage. The threshold decreased in 13 countries, remained relatively stable in 7 countries, and increased in the remaining 14 countries.

While the threshold decreased in various countries, the decline was only materially significant in Korea (from 52 to 24% of the average wage) and Mexico (from 99 to 70% of the average wage). In Korea, the change was mainly driven by the fact that the first KRW 5 000 000 of employment income were previously fully deductible whereas in 2010, only 80% of this amount could be deducted as an allowance. In Mexico, a reduction in the value of both the employment subsidy credit and the fiscal subsidy reduced the threshold in gross earnings terms.

Among the OECD countries where the threshold increased, it increased the most in Hungary (from the first unit of earnings to 34% of the average wage), followed by Slovenia (from 15 to 46% of the average wage), the Slovak Republic (from 29 to 50% of the average wage) and the Czech Republic (from 25 to 43%). In Hungary, the increase was due to an enhancement of the employee tax credit, which previously reduced the tax liability and now exempts an initial portion of income for lower income workers. In Slovenia, the threshold increased primarily with the introduction of additional general allowances for low income people in 2008. In the Slovak Republic and the Czech Republic, the threshold where tax becomes payable increased as a result of the reforms that replaced their multi-rate PIT schedule with a single tax rate and a significantly higher basic allowance or basic tax credit.

In countries with sub-central personal income taxes, the income threshold at which the combined central and sub-central tax liability becomes positive may differ from both the income threshold at which central taxes begin to apply and the threshold at which sub-central taxes begin to apply (see Table S.6). This is the case when either the central or sub-central government offers refundable tax credits that effectively offset some of the tax liability imposed by the other level of government. For example, Canada, Finland, Sweden, the United States offer central level refundable in-work tax credits. Beyond reducing the central tax liability to zero, these tax credits notionally offset some of the sub-central tax liability in these four countries. That is, in the absence of central government taxes and credits, the income threshold at which sub-central taxes begin to be paid would be lower than otherwise.

Table S.6. **Income threshold where a single individual starts paying personal income tax, by level of government, 2010 (as a multiple of the average wage)**

Countries with national EITCs and sub-central taxes	Central Tax[1]	Sub-central Tax[2]	Combined Central and Sub-central Tax[3]
Canada	0.324	0.308	0.319
Finland	0.64	0.09	0.12
Sweden	1.67	0.05	0.15
United States	0.38	0.06	0.27

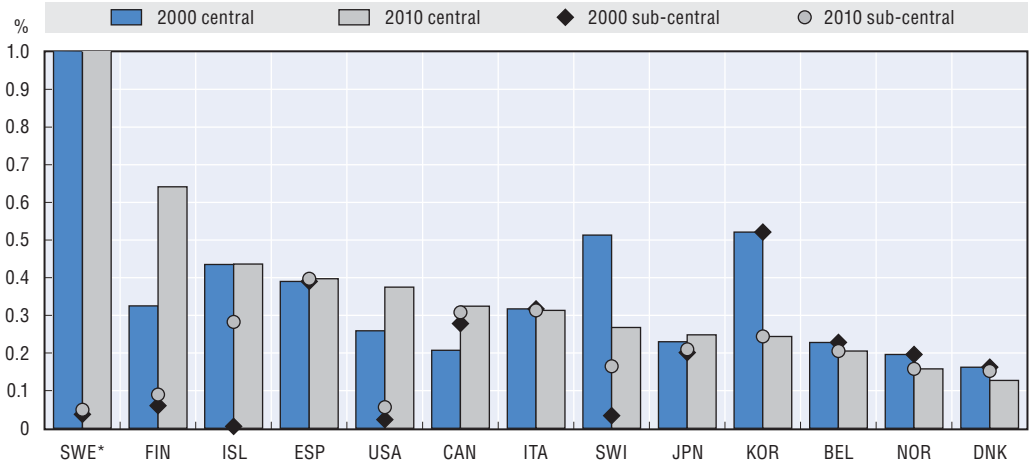
1. Income threshold ignoring sub-central taxes.
2. Income threshold ignoring central taxes.
3. Income threshold where the combined central and sub-central liability first becomes positive.

Source: OECD calculations, *Taxing Wages model*.

In other countries with sub-central taxation, the threshold at which the combined central and sub-central tax liability first becomes positive is the lesser of the threshold at which central taxes begin to apply and the threshold at which sub-central taxes begin to apply, as is the case in Denmark, Iceland, Japan and Switzerland. In the remaining countries with sub-central taxation (Belgium, Italy, Korea, Norway and Spain) the threshold is identical at the central and sub-central levels.

In Belgium and Korea, sub-central taxes are calculated as a percentage of central tax liability, and therefore begin to apply at the same income levels as central taxes. In 2010, the sub-central threshold also equaled the central threshold in Italy, Norway and Spain. Except for these five countries, the threshold at which a single taxpayer begins to pay income tax can vary significantly at the central and sub-central level (see Figure S.11). The sharpest contrast is observed in Sweden, where in 2010 taxpayers began paying municipal taxes when they earned 5% of the average wage but were not subject to central income tax until they earned more than 167% of the average wage. The threshold at which Swedish municipal taxes begin to apply is low as a result of a relatively small income-tested basic personal allowance, which ranged from 0.03 to 0.09 times the average wage in 2010. While the central government provides the same basic allowance, its PIT schedule also contains a long zero-rate bracket with an upper taxable income threshold that is slightly above the average wage.

Figure S.11. **Income threshold where a single individual start paying central or sub-central income tax (multiple of the average wage)**[1, 2]



1. Multiple of the average wage where the average combined central and sub-central personal income tax liability first becomes positive for single taxpayers without children.
2. Countries are ranked by decreasing central threshold in 2010.

* In Sweden, the threshold for paying central tax was 167% of the AW in 2010 and 107% of the AW in 2000.

Source: OECD calculations, *Taxing Wages model*.

StatLink http://dx.doi.org/10.1787/888932586960

In 2010, the threshold at which a taxpayer begins to pay sub-central income tax was also lower than the threshold at which central tax begins to be paid in Canada, Finland, Iceland, Japan, Switzerland and the United States. The income threshold where sub-central tax begins to be paid was higher than the threshold for central taxes only in Denmark (in 2010), where lump sum unemployment insurance contributions were deducible from the sub-central tax base but not from the central tax base.

From 2000 to 2010, the threshold at which sub-central taxes begin to apply increased drastically in Iceland (where the first unit of earnings was previously subject to tax), and to a lesser extent in Switzerland. The threshold for local taxes declined the most in Korea, paralleling the decline in the threshold for central taxes.

Like in Korea, the earnings level where sub-central taxes begin to apply has moved in the same direction as the threshold where central taxes first become payable in most of the 13 OECD countries with sub-central taxation. The exception is Switzerland, where the sub-central threshold increased while the central threshold decreased in the past decade. In Canada, while both the central and sub-central thresholds increased, the central threshold now exceeds the sub-central threshold as a result of the introduction of a refundable earned income tax credit at the national level.

4. Statutory personal income tax schedules in relation to marginal and average tax rates

Statutory tax rates are among the main tools governments possess to determine the tax burden at different levels of income. However, comparisons of statutory PIT rates between countries or over time must be interpreted with care. For instance, two countries with identical statutory personal income tax rate schedules can display significant differences in the actual tax burden their populations face due to different tax reliefs and the definition of the tax base. Also, the replacement of a zero rate bracket or basic allowance with a basic personal tax credit (*e.g.* as in the Czech Republic) could give the impression that the tax burden has increased for lower income taxpayers if only statutory rates are considered. A more complete comparison should thus consider average and marginal tax rates as well as statutory tax rates.

As a result of allowances, exemptions and tax credits, statutory PIT rates do not generally coincide with average personal income tax rates (*i.e.* personal income taxes as a percentage of gross earnings). This particularly applies to low income levels, as most countries implement tax relief measures mainly targeted at low income earners. At higher income levels, statutory rates tend to be higher than average tax rates as a result of tax reliefs provided without income limits (*e.g.* universal basic allowances) and, in most OECD countries, graduated rate schedules. In the presence of tax reliefs that vary with income, statutory tax rates also differ from marginal personal income tax rates (*i.e.* personal income tax paid on an additional unit of gross earnings). This tends to be the case at income levels where targeted income-based tax relief is being phased in or phased out (tapered), or when social security contributions or non-tax compulsory payments are deductible from the PIT base.

To compare average, marginal and statutory PIT rates, the graphs in the Annex of the Special Feature show personal income tax rates by level of gross income expressed as a percentage (0% to 500% or 1 000%) of the average wage, as defined in Table II.10 of the Taxing Wages report. There are two graphs for each country, the first showing the statutory tax rate and the average tax rate in 2003 and 2010. The year 2003 was chosen because it is the earliest year for which the Taxing Wages model can derive statutory rate schedules. The second graph displays personal income tax rates in 2010, and shows the marginal tax rate in addition to the statutory tax rate and the average tax rate. The graphs apply to a single taxpayer without children claiming only standard reliefs available to all wage earners. It is assumed that this taxpayer works full-time regardless of income. As a result, tax rates shown for low income levels should be interpreted with caution in the presence

of minimum wage legislation (which is ignored here) or tax relief based on number of hours of work. It is assumed that gross income consists entirely of wage earnings and, where applicable, taxable benefits or taxable tax credits granted generally to all wage earners meeting the income requirements. All tax rates refer to combined central and sub-central tax rates, including surtaxes where applicable. For 2010, the threshold where a single taxpayer begins to pay income tax (Figure S.10) can be identified in the Annex as the gross earnings level where the average PIT rate first turns positive. The threshold where a single taxpayer begins to face the top statutory PIT rate (Figure S.9) can also be observed in the charts in the Annex of this Special Feature.

For better comparability between countries and over time, the statutory tax rates shown in the Annex reflect the equivalence between zero-rate brackets and basic personal allowances by placing gross earnings rather than taxable income on the horizontal axis. The statutory rate for any given gross earnings level refers to the rate applicable to the corresponding level of taxable income. This means that for countries with a basic allowance, the statutory PIT schedule (as defined in terms of taxable income) is shifted by the amount of the allowance (when defined in terms of gross earnings). Thus, the statutory rate on one unit of gross earnings is 0% in countries with basic or work-related lump-sum allowances and in countries with zero-rate tax brackets. In contrast, the rate is positive in countries with basic personal tax credits, which limits the comparability of charts between countries with tax credits and those with standard allowances and/or zero-rated brackets.

While this section focuses on personal income tax systems, it is important to remember that social security contributions also affect the overall personal tax burden of individuals. Thus, while some countries may have lower marginal and average income tax rates than others because social security contributions are deductible, their net personal average and marginal tax rates (encompassing PIT and employee SSC) may ultimately be higher than in countries without such deductions or with lower or no SSCs. Net personal average and marginal tax rates for 2011, as well as the separate contributions of PIT and employee SSC towards them, are shown in the country graphs of Part I of this report.

4.1. *Average income tax rates compared to statutory tax rates*

From 2003 to 2010, there was a trend across OECD countries towards reduced statutory and average tax rates, at least for some income intervals. In most countries where the average tax rate decreased from 2003 to 2010, the statutory rate was cut at least for some brackets. Indeed, reductions in average tax rates can be at least partly explained by these cuts to statutory rates, particularly among those with high incomes. However, at low income levels reductions can to a greater extent be explained by increased basic allowances and tax credits. Average tax rates have increased in only few countries, though increases have not been significant in any of them.

From 2003 to 2010, 15 countries noticeably cut statutory and average income tax rates, though not necessarily for all tax brackets – Australia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Israel, Norway, New Zealand, Mexico, Poland, Slovak Republic and Slovenia. There are differences among countries regarding the income levels that benefited from the rate cuts. In some countries, the reductions were targeted at middle-income or high-income earners. In others, they were more general and applied to most of the income distribution. In general, statutory rates did not substantially decrease at low income levels. Reductions in the average tax rate on low incomes have mainly been achieved through more generous basic and work-related reliefs.

Among the countries that cut their tax rates, nine of them – Australia, Denmark, Estonia, Finland, France, Hungary, Israel, Mexico and Slovenia – implemented statutory rate cuts for almost the entire income distribution, though not necessarily by the same magnitude for all income levels. Statutory rate cuts in most of these countries were accompanied by a reduction in the average tax rate. The most significant reductions in the average tax rate took place in Israel and Australia. In contrast, in France, where statutory rate cuts were significant at most income levels, average tax rates were almost unchanged (except for earnings between 15% and 30% of the average wage) as a result of PIT base broadening.

Countries that targeted statutory rate cuts at high income levels include the Czech Republic, New Zealand, Norway, Poland and the Slovak Republic. The Czech Republic and the Slovak Republic replaced their multiple statutory rate schedule with a single rate structure, in 2008 and 2004 respectively, which led to significant reductions in the statutory rates for high income levels. The Czech Republic simultaneously replaced its basic allowance with a new tax credit, ensuring that the average tax rate for low income earners was either reduced or remained at 0%. In the Slovak Republic the basic allowance was enhanced, and in 2010 taxpayers with up to 50% of the average wage were not subject to PIT. In Norway, a tax reform implemented from 2004 to 2006 reduced the statutory rates for income above the average wage. For income below the average wage the statutory rate was unchanged from 2003 to 2010, but the average tax rate was reduced through enhancements in the basic allowance.

Several countries have targeted tax reductions at low and/or middle-income earners. These cuts have mainly been achieved through more generous basic and work-related reliefs instead of bottom statutory rate cuts, which have not been as widespread as top statutory rate cuts (as discussed in Section 2.1.4). In Sweden, for instance, the average tax rate decreased significantly, especially for low to middle-income earners, while statutory rates remained relatively unchanged from 2003 to 2010. The decrease in the average tax rate was the result of an increase in the tax credit for social security contributions and the introduction of an annual earned income tax credit. However, in Hungary a large reduction in the average tax rate for low and middle-income earners was mainly the result of significant reductions of the statutory rate for these groups.

Average tax rates have not significantly increased in any OECD country, even though a small group of countries increased the statutory rate for some income levels. These include Chile, Korea and the United Kingdom, where the statutory rate increased significantly for some income levels. Statutory rate increases were smaller in Italy, Iceland, Ireland, Japan, Luxembourg, Netherlands, Portugal and Turkey. These countries, except Iceland, also experienced minor increases in the average tax rate. In Spain, several changes to the statutory rate structure, both to the brackets thresholds and statutory tax rates, led to an increase in the average tax rate for low- and middle-income earners.

In some countries, including Austria, Belgium, Canada, France, Switzerland and the United States, statutory and average tax rates did not significantly change, even though some of these countries changed some of their bracket thresholds and/or statutory tax rates. The average tax rate for low income levels (20% to 60% of the average wage) increased slightly in Belgium, while it decreased slightly for income levels below the average wage in the United States. In contrast, the average tax rate in Greece was unchanged for most income levels in spite of the introduction of new tax brackets and rates, except for those earning between 80% and 170% of the average wage, for whom the average rate increased slightly.

Negative average tax rates over some income ranges are observed in Austria, Belgium, Canada, France, Mexico, the Slovak Republic, Sweden, the United Kingdom and United States as a result of work-related non-wastable tax credits. When only personal income tax rates are considered, and not social security contributions, these tax credits result in negative average (and marginal) tax rates for some (low) income levels, though actual tax liability may still be positive when social security contributions are included in the tax burden. In the United Kingdom, the tax credit is conditional on hours worked. The tax rates shown in the graphs in the Annex are based on the assumption that the taxpayer is eligible for this credit at low income levels. However, because taxpayers are unlikely to meet the eligibility criteria at very low income levels, the tax rates shown for the United Kingdom are truncated at –10%. For presentation purposes, the tax rates shown for Mexico are truncated at –30% even though the average tax rate can be lower at low income levels due to an employment subsidy credit of MXN 4 884.24 (in 2010) that is tapered with income.

4.2. Marginal income tax rates compared to statutory tax rates

Marginal personal income tax rates differ from statutory rates when tax reliefs vary with income or at very low income levels (where income is not subject to tax). For any given income level, the marginal rate (on gross earnings) is lower than the statutory rate (on the taxable income corresponding to gross earnings) when additional income results in increased tax relief, and higher than the statutory rate when tax relief is reduced with additional income. When the rate at which reliefs are reduced accelerates, the marginal rate increases. As described in Section 2.3, in some OECD countries basic allowances and tax credits are gradually reduced (or increased) when income exceeds a given threshold, reaching zero (or a maximum amount) at a given income level. At this income level, where the impact of increasing or decreasing reliefs is exhausted, marginal and statutory tax rates merge (in the absence of other income-related tax relief). In some countries, at least some social security contributions are levied without a ceiling and are partly or fully deductible from taxable income or give rise to tax credits. Unlike other allowances and tax credits, tax reliefs related to these social security contributions often reduce the marginal tax rate below the statutory tax rate for high income as well as for low income earners.

Marginal tax rates differ from statutory rates, at least for some income ranges, in all OECD countries except Mexico. In most countries there is an income interval where the marginal tax rate is lower than the statutory rate. Few countries have marginal rates that are consistently higher than statutory rates, and several countries have uneven marginal rate schedules that peak at various levels of income. Marginal rate schedules tend to be more uneven at the bottom of the income distribution, where income-based standard reliefs for wage earners are of greater significance.

In nine countries – Austria, Belgium, France, Iceland, Japan, Korea, Poland, Slovenia and Switzerland – the marginal tax rate is lower than the statutory rate for almost the entire income distribution, though there are a few minor exceptions in some of the countries. All of these countries provide allowances for some or all social security contributions or non-tax compulsory payments. Since these allowances are not tapered with income and, except in Austria, there are no ceilings on the total amount of social security contributions (or NTCPs), the gap between the marginal and statutory tax rates on high incomes can be fully explained by these deductions. In Austria, the assumption made in the 2010 *Taxing Wages* publication that 2% of gross earnings are tax-free explains the difference between the statutory and marginal tax rate at high income levels.

At lower income levels, these nine countries provide other allowances and tax credits that also affect the marginal rate. Some of these tax reliefs decrease with income, thus narrowing the gap between the statutory and marginal rate for low income earners. In some cases, tax reliefs that are tapered with income may even lift the marginal rate above the statutory rate. For example, in France the marginal tax rate is higher than the statutory rate for income between 45 and 65% of the average wage as a result of the employment premium, a refundable tax credit that is reduced with earned income and capped at 65% of the average wage. In Belgium, a reduction of individual social security contributions is granted depending on income, in addition to a PIT allowance for social security contributions paid and a PIT allowance for work-related expenses that is calculated as a percentage of income with a decreasing rate. These three provisions result in an uneven ratio between the marginal rate and the statutory rate, though the marginal rate remains lower than the statutory rate for most of the income scale.

Finland, the Netherlands and Portugal also grant uncapped deductions for (some) social security or non-tax compulsory contributions. In these countries the marginal rate is also lower than the statutory rate at high income levels. However, the marginal rate is equal or higher than the statutory rate at some other points of the income distribution.

Another set of countries have marginal rates that differ from the statutory rate at the low to middle income range but eventually merge with the statutory rate at high income levels. These countries are Australia, Canada, Germany, Italy, Luxembourg, New Zealand, the Slovak Republic, Spain, Sweden, Turkey, and the United States. In most of these countries, statutory and marginal rates are identical at high income levels because either an allowance is not provided for social security contributions, or these contributions are capped (before income reaches five times the average wage). In contrast, in most of these countries marginal rates have uneven structures relative to the statutory rate at low and/or middle income levels. For example, in Canada, Sweden and the United States, non-wastable in-work tax credits lead to negative marginal tax rates for some low income levels where the statutory rate is positive.

In few countries – Chile, Estonia, Israel and Norway – discrepancies between the marginal and statutory rates are minor. In the United Kingdom, the marginal rate equals the statutory rate at most income levels, with two significant exceptions. At income between 20 and 40% of the average wage and between 280 and 320% of the average wage the marginal rate is considerably higher. The first peak is a result of the reduction of the Working Tax Credit, and the second peak is due to the tapering of the basic personal allowance.

It is not common for the marginal tax rate to be consistently higher than the statutory rate. However, this is the case in the Czech Republic and Hungary, where marginal rates are higher than statutory tax rates for all income levels subject to tax. In these countries the statutory rate is levied on gross earnings augmented with employer social security contributions, leading to a marginal tax rate that is higher than the statutory tax rate.

Overall, while marginal and average personal income rates are strongly influenced by, and tend to evolve together with, statutory tax rates, the graphical comparison of these rates in different countries shows that the definition of the tax base is an equally important factor in shaping tax burdens and work incentives along the income scale.

5. Employee social security contribution schedules

5.1. *Income threshold where single individuals start and stop paying employee SSC*

In most OECD countries, employee social security contributions are payable by all taxpayers on their first unit of earnings. However, some countries implement minimum income thresholds below which social security contributions are not payable. This is the case with all forms of employee social security contributions in seven countries – Austria, Belgium, Canada, Ireland, Norway, Sweden and the UK – as well as some (but not all) employee SSCs in Hungary (pension contributions) and Luxembourg (dependency insurance).

In most of these countries, the minimum income threshold is a *low-income exemption* that benefits taxpayers with total gross earnings below the threshold. Taxpayers who earn more are usually subject to SSC on their first unit of earnings. For example, this is the case with employment insurance contributions in Canada, and pension contributions in Norway and Sweden. In 2010, low-income exemptions ranged from 4% of the average wage in Canada to 46% of the average wage in Ireland.

Unlike low-income exemption thresholds, *SSC floors* exempt an initial portion income from SSC for all taxpayers, regardless of their income. All taxpayers are exempt from SSC on an initial portion of their income in Austria, Ireland and the United Kingdom, where all SSCs are subject to floors. In Ireland, however, the floor for social insurance is gradually reduced with income, like a tapered SSC allowance.

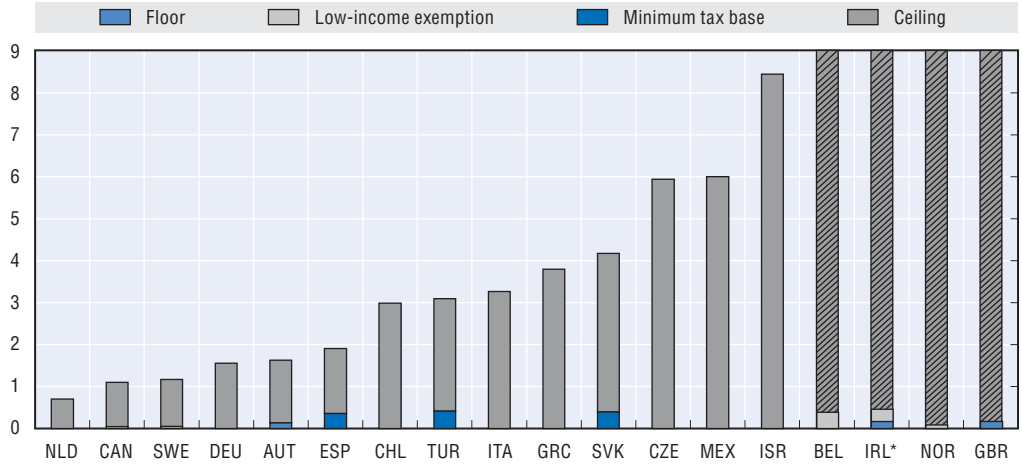
While some countries exempt low incomes from SSCs, others implement *minimum SSC liabilities*. In the Slovak Republic, Spain and Turkey, full-time workers are deemed to earn a minimum amount of income subject to SSC. This minimum SSC tax base tends to correspond to the legal minimum wage. In Denmark, there is also a minimum SSC liability, though rather than calculated as a deemed minimum tax base multiplied by the SSC rate, it is a lump sum charge for unemployment insurance.

SSC ceilings are more common than minimum income thresholds, as can be seen in Figure S.12, which shows the value, as a percentage of the average wage, of low-income exemptions, floors, minimum liabilities and ceilings in countries where upper or lower limits are in place for all employee SSCs.

Total employee SSCs are capped at a maximum level when an *income ceiling* is exceeded in 14 OECD countries – Austria, Canada, Chile, the Czech Republic, Germany, Greece, Israel, Italy, Mexico, the Netherlands, the Slovak Republic, Spain, Sweden and Turkey. In some countries, some but not all SSCs are capped at a maximum level (*e.g.* social insurance in Ireland; pension contributions in Hungary, Japan, Korea and the United States; unemployment insurance contributions in France and Switzerland). In 2010, gross earning ceilings in countries where total SSCs were capped ranged from 0.7 times the average wage in the Netherlands to 8.45 times the average wage in Israel.

In most of the countries where total SSCs are capped, the gross earnings threshold at which the maximum SSC contribution is reached is below the threshold at which the top statutory PIT rate begins to apply, which implies that SSC rates do not increase the marginal personal tax rate (encompassing PIT and employee SSC) beyond the top statutory PIT rate for taxpayers facing this top rate. The exceptions are the Czech Republic, Israel, Italy, Mexico and the Slovak Republic, where taxpayers continue to pay SSC after their income has exceeded the threshold at which the top PIT rate applies.

Figure S.12. **Employee social security contribution thresholds, 2010 (multiple of the average wage)**[1, 2]



1. A *floor* is an initial portion of income not subject to SSC, which is equivalent to a universal SSC allowance provided irrespective of income. A *low-income exemption* is the income threshold that determines whether SSC is payable or not. Those with income above the threshold must pay SSC on their total income or, in the presence of a floor, on their income above the floor. A *minimum tax base* are the deemed minimum earnings subject to SSC for full-time workers. A ceiling is the income threshold above which SSCs are no longer payable.
2. Countries are sorted from smallest to largest SSC ceiling in 2010. In Belgium, Ireland, Norway and the UK there are no ceilings on the total amount of SSC. Countries not shown in the graph do not impose lower or upper thresholds on the *total* amount of SSC.

* In Ireland, the floor applies to those whose total gross earnings exceed the low-income exemption. The floor is gradually reduced when gross income exceeds the ceiling for pension and social insurance (EUR 67 357 in 2010).

Source: OECD Tax Database Table III.1 (*www.oecd.org/ctp/taxdatabase*) and OECD calculations.

StatLink http://dx.doi.org/10.1787/888932586979

5.2. *Top all-in rates*

The impact of social security contributions rates on *marginal* tax rates can be summarised by the all-in tax rate (also referred to in *Taxing Wages* as the marginal personal tax rate), which is the sum of the combined central and sub-central marginal PIT rate, including applicable surtaxes, and the marginal employee SSC rate(s). The *top all-in rate* is the marginal combined PIT and SSC rate that applies on the first currency unit of gross earnings subject to the top statutory PIT rate. As defined here, the top all-in rate is not necessarily the maximum personal marginal rate, nor the marginal rate that applies on the highest possible income. Instead, it indicates the marginal tax rate for a taxpayer when she or he begins to face the top statutory PIT rate. It reflects the interaction between SSC rates, the top statutory rate and any other provisions that increase or reduce the marginal PIT rate.

The main form of interaction between PIT and SSC is the deductibility of SSC payments from the PIT base (or the inclusion of SSC in the case of the Czech Republic and Hungary). Employee SSCs levied on gross earnings (as opposed to taxable income) are deductible from the central government PIT base in 20 OECD countries – Austria, Belgium, Denmark, Estonia, Finland (only pension contributions), France, Germany, Greece, Iceland, Italy, Japan, Korea (only pension contributions), Luxembourg (except for dependency insurance), Poland, Portugal, the Slovak Republic, Slovenia, Spain, Switzerland and Turkey. In most of these countries, contributions are fully deductible except in Germany, where there is partial deductibility. In addition, Canada and Sweden provide personal income tax credits for SSCs paid. Due to the interaction between SSC and PIT provisions as well as possible SSC ceilings, the top all-in rate does not generally equal the sum of the top

statutory PIT rate and the top (or last applicable) statutory SSC rate (*i.e.* the statutory SSC rate on the highest possible income that is still subject to SSC).

There are four situations under which the top all-in rate can be lower than the sum of the top statutory PIT rate and the top (or the last applicable) statutory employee SSC rate:

a) An allowance or tax credit is provided for employee SSC contributions that increase with income, and these are either not capped or capped at a ceiling that is higher than the threshold for the top statutory PIT rate. In this case, the allowance or tax credit reduces the top marginal PIT rate. In the absence of other income-related allowances/ credits, the top all-in rate will equal the top marginal PIT rate plus the statutory SSC rate applicable at the gross earnings level at which a person begins to pay the top statutory PIT rate.

– In 2010, among the 22 countries that provided PIT relief in respect of some or all employee SSCs, contributions were not capped in Belgium, Denmark, Estonia, Finland, France, Iceland, Japan, Korea, Luxembourg, Poland, Portugal, Slovenia and Switzerland; they were capped above the threshold for the top statutory PIT rate in Italy and the Slovak Republic.

b) SSC contributions are capped and the SSC ceiling(s) is (are) lower than the threshold for the top statutory PIT rate. In this case, an allowance or tax credit for SSCs does not reduce the top marginal PIT rate. Unless other income-related allowances or credits are provided, the top all-in rate will equal the top marginal PIT rate.

– In 2010, this was the case in Canada, Chile, Germany, Greece, Spain, Sweden and Turkey.

c) Other income-related tax relief is provided to taxpayers subject to the top statutory PIT rate.

– For example, in 2010, non-tax compulsory payments that increase with income were deductible from the tax base in Iceland and the Netherlands.

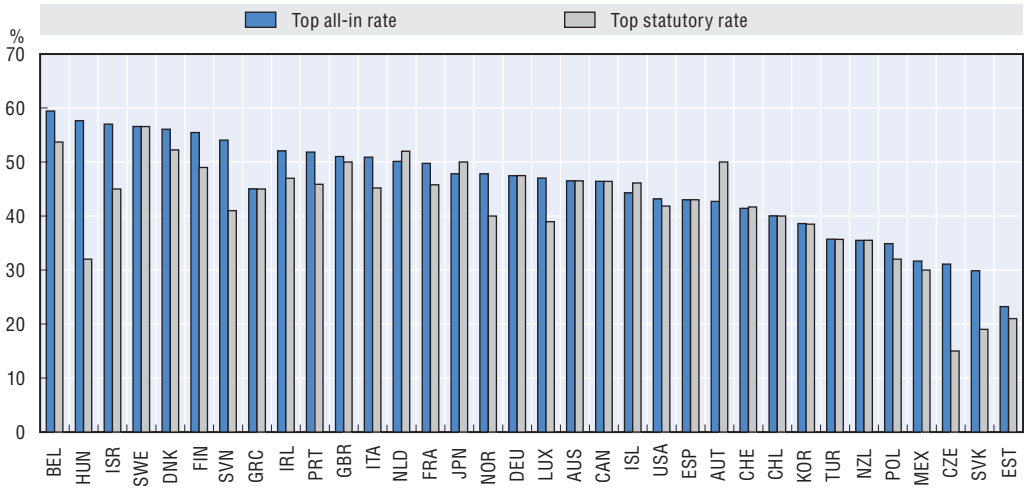
d) The statutory SSC rate applicable at the earnings level at which a taxpayer first becomes subject to the top statutory PIT rate is lower than the top (or last applicable) employee SSC rate.

The top all-in rate may even be lower than the top statutory PIT rate. In 2010, for single individuals claiming standard reliefs, this was the case in Austria, Iceland, Japan and the Netherlands. At the other extreme, the top all-in rate may be higher than the sum of the top statutory PIT rate and the statutory SSC rate applicable at the income threshold for the top statutory PIT rate. In 2010, this was the case in the Czech Republic and Hungary.

Figure S.13 shows the difference between top statutory PIT rates and top-all in rates faced by single individuals claiming only standard tax reliefs in OECD countries in 2010. Apart from countries with no SSCs (Australia and New Zealand), the top all-in rate was identical to the top statutory rate in the seven countries where the ceiling for employee SSCs was below the threshold for the top statutory PIT rate (Canada, Chile, Germany, Greece, Spain, Sweden and Turkey). The top all-in rate was lower than the top statutory rate in five countries – Austria, Iceland, Japan, Switzerland and the Netherlands. In the remaining 21 OECD countries, the top all-in rate was higher than the top statutory PIT rate as a result of employee SSCs. In these countries, the difference between the top statutory PIT rate and the top all-in rate may be less than the full statutory SSC rate when tax relief is provided for SSC, which reduces the top marginal PIT rate under the conditions described above.

In 2010, social security contributions had the largest impact on the top all-in rate for single individuals in Hungary (26 percentage points) and the Czech Republic (16 percentage points).

Figure S.13. **Top combined statutory and all-in tax rates on wage income, 2010**[1, 2]



1. The top "all-in" tax rate is the marginal personal tax rate paid by households on the first currency unit of taxable income subject to the top statutory tax rate. The top statutory tax rate is the top combined statutory PIT rate in the tax rate schedule.
2. Countries are ranked by decreasing top all-in rate.

Source: OECD Tax Database Table I.7 (*http://www.oecd.org/ctp/taxdatabase*).

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This is the result of the inclusion of employer social security contributions in the PIT base (in Hungary, this is done through a 27% gross-up of taxable income), and the fact that employers (and employees) continue to pay contributions on income above the threshold for the top statutory PIT rate.

When some or all SSC contributions are capped at a maximum level but their income ceiling is higher than the threshold where the top statutory PIT rate begins to apply, the top all-in rate will tend to be *higher* than the all-in rate applicable on the *highest* possible income. For example, in Italy the top all-in rate of 50.9% applies to earnings of 3 times the average wage (corresponding to the taxable income threshold for the top PIT bracket). However, because SSC are no longer payable on earnings of more than EUR 92 147, a taxpayer earning 3.3 times the average wage faces a lower all-in rate of 45.2%. A similar situation occurs in Luxembourg, where the top all-in rate of 47% applies to average wage earnings, but the all-in rate drops to 40.4% for taxpayers with more than 2.1 times the average wage. The top all-in rate is also higher than the all-in rate faced by higher income taxpayers in the Czech Republic, the Slovak Republic, Finland, France and Mexico. In the first two countries, this is due to the interaction of single-rated PIT schedules and SSC ceilings. In France and Mexico, (some) social security contributions are capped above the income threshold for the top statutory PIT rate. In Finland, the income level where the top statutory rate kicks in is within the phase-out range of the central earned income tax credit and the local earned income allowance.

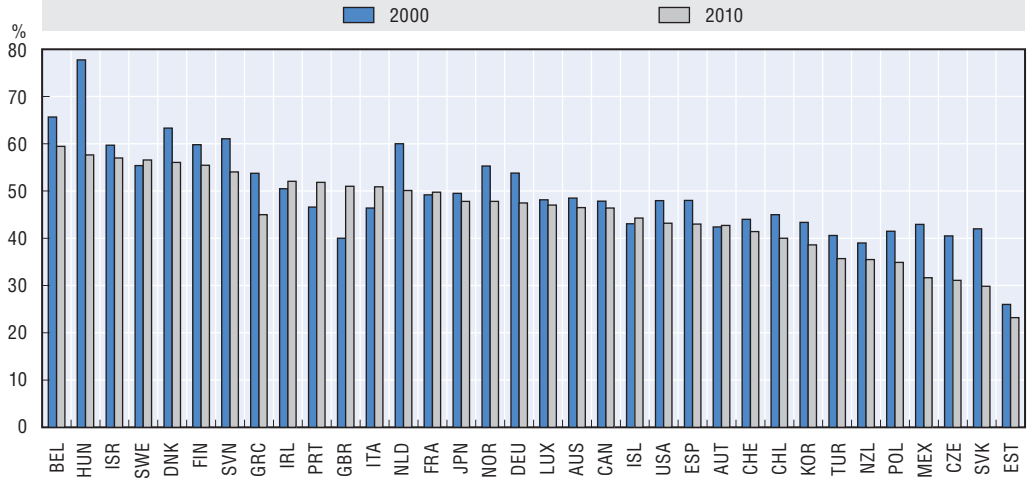
The top all-in rate can be *lower* than the all-in rate applicable at *lower* income levels (*i.e.* below the taxable income threshold for the top PIT bracket). For example, in the United Kingdom, this is the result of a basic allowance that is gradually reduced with income but is fully eliminated before income reaches the threshold for the top PIT bracket. In France, the all-in rate faced by a single worker earning half of the average wage is higher than the top all-in rate due to the phase-out of the in-work tax credit (*prime pour l'emploi*). High SSC rates on contributions that are capped at income levels below the threshold for

the top PIT rate could produce similar results. The top-all in rate can also be *lower* than the all-in rate applicable at *higher* income levels (over the taxable income threshold for the top PIT bracket). This could be the result of tax relief provisions that are reduced with income and eliminated only after income exceeds the top PIT bracket threshold. The top all-in rate is lower than the all-in rate applicable at higher income levels (at least over some high income intervals) in Belgium and the Slovak Republic.

On average across OECD countries, the top all-in rate fell from 49.4% in 2000 to 45.4% in 2010 (see Figure S.14). This trend parallels the decline in the average top statutory PIT rate over the same period. In fact, the drop in top all-in rates was primarily driven by statutory PIT rate cuts, although changes in SSC schedules also played a (smaller) role. The top all-in rate fell in 25 countries, with the most significant declines in Hungary (from 78% to 58%), the Slovak Republic (from 42 to 30%), Mexico (from 43 to 32%) and the Netherlands (from 60 to 50%). The rate increased in nine countries, although the changes were negligible in Austria, Greece, Iceland, Sweden and Turkey. The most significant increase occurred in the United Kingdom, where the top all-in rate increased from 40 to 50% as a result of the introduction of a new top PIT bracket and rate. The only countries where the top all-in rate and top statutory PIT rate moved in different directions are France and Italy, where the top all-in rate increased despite reductions in the top statutory PIT rate.

This section has shown that social security contributions can have significant impacts on marginal tax rates, even at high income levels in many countries. Relying solely on top statutory PIT rates for international competitiveness analyses would thus present an incomplete picture. Furthermore, while trends in top statutory and marginal PIT rates have been broadly paralleled by top all-in rates, the gap between them has tended to widen over time. This is perhaps not surprising in light of the general trend across OECD countries towards an increased share of employee (and employer) social security contributions in the tax revenue mix.

Figure S.14. **Top all-in rate on wage income**[1, 2]



1. The top "all-in" tax rate is the marginal personal tax rate paid by households on the first currency unit of taxable income subject to the top statutory tax rate.
2. Countries are ranked by decreasing top all-in rate in 2010.

Source: OECD Tax Database Table I.7 (*http://www.oecd.org/ctp/taxdatabase*).

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6. Conclusions

This Special Feature compared statutory personal income tax and employee social security contribution provisions across OECD countries and over time, including statutory tax rates, the income thresholds where they apply, personal income surtaxes and provisions that exempt a minimum amount of income from tax. The relationship and differences between statutory, marginal and average personal income tax rates has also been discussed, as well as the contribution of SSC rates towards top all-in marginal tax rates.

The following trends have been identified:

- The average **number of tax brackets** in OECD countries strongly declined in the 1980's and remained relatively stable throughout the 1990's and 2000's. Over the last decade, reductions in the number of tax brackets have been generally accompanied by reductions in the top statutory PIT rate. The introduction of new tax brackets, though less common, has generally resulted in higher top statutory PIT rates. It thus appears that changes in the number of tax brackets have been, with exceptions, not a policy goal in itself but rather a tool to reduce or increase tax burdens, particularly at high income levels.
- On average across OECD countries, the **top statutory PIT rate**, inclusive of surtaxes and sub-central taxes, has declined significantly in each of the past three decades. However, Iceland, Ireland, Mexico, Portugal, Sweden and the United Kingdom increased their top PIT rate in 2010, signalling a reversal in the trend at a time of fiscal consolidation.
  - Among the 13 countries with sub-central taxation, the top combined statutory PIT rate declined in 10 of them over the past decade. However, these reductions were mainly driven by changes in top central tax rates (which were usually higher than sub-central rates to begin with). Indeed, some sub-central governments, such as those in Finland and Spain, have been able to raise their top statutory rates to take up fiscal room resulting from central level tax cuts.
  - While some sub-central governments with taxing powers raised their top statutory PIT rates, no previously unitary country (as of 2000) introduced sub-central personal income taxation.
- From 2000 to 2010, the **level of earnings** at which taxpayers become subject to the **top statutory PIT rate** changed alongside the number of tax brackets and the top statutory PIT rate. Reductions in the top statutory PIT rate and/ or in the number of tax brackets have generally been accompanied by reductions in the threshold at which the top rate applies. Conversely, the threshold for the top PIT rate has generally increased in countries that increased their top statutory PIT rate and/ or introduced new brackets.
  - The trend towards lower top PIT rates, lower top thresholds and fewer tax brackets occurred not only in countries that implemented flat tax reforms (the Czech Republic and the Slovak Republic), but also notably in Belgium, Mexico, Slovenia and Turkey.
- In the last decade, the **statutory PIT rate levied on the average wage** of a single worker declined in 23 OECD countries. Among them, the decline generally coincided with a trend towards lower average tax rates on average earnings. Conversely, increases in the statutory PIT rate levied on the average wage have frequently been paralleled by increases in the average personal income tax rate.

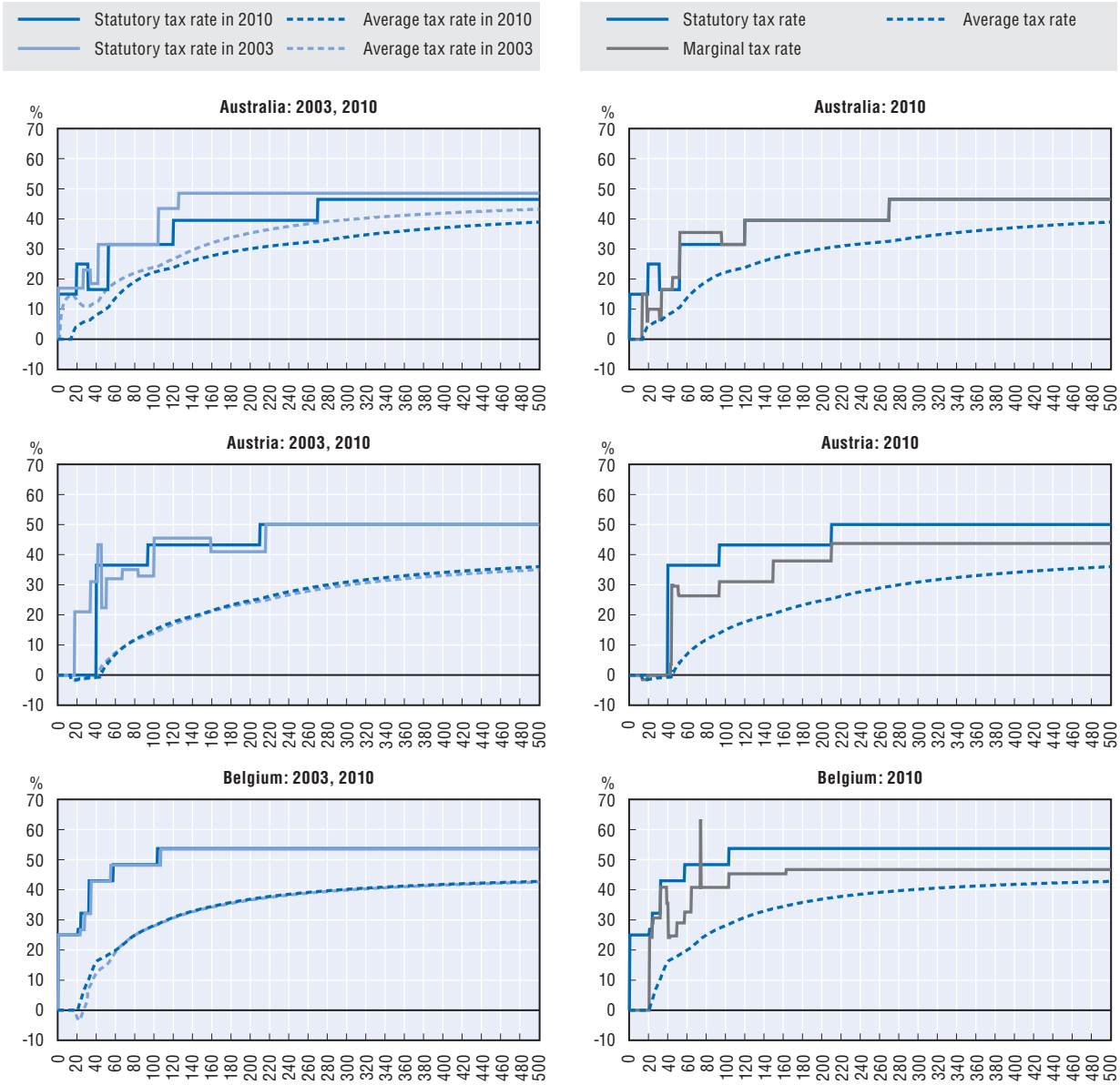
- In contrast, there was no clear trend in the **bottom statutory PIT rate** from 2000 to 2010. While it decreased in many OECD countries, it increased in others. The magnitude of the changes varied significantly across countries.
  - Where applicable, drastic changes in the bottom rate have often been accompanied by changes in the gross income range over which it applies, as was the case in Denmark and Austria.
  - Although several countries have targeted tax burden reductions at low and/or middle-income earners, these cuts have mainly been achieved through more generous basic and work-related reliefs.
- The **level of earnings** at which taxpayers **start paying PIT** has not displayed a clear trend either. Over the last decade, it decreased in various countries, most notably in Korea and Mexico, and increased or remained stable in others.
  - In countries with sub-central taxation, the income threshold at which taxpayers begin to pay central taxes may be significantly different from the threshold where they start to pay sub-central taxes. However, refundable tax credits at one level may offset the tax liability at the other level, so that the threshold where the combined tax liability becomes positive is somewhere in between the central and sub-central thresholds.
- Eight OECD countries – Australia, Canada, Denmark, France, Germany, Ireland, Luxembourg and Turkey – levied **surtaxes** or additional income taxes at the central or sub-central level in 2010. The calculation of surtaxes, including the base and number of rates, varies considerably among these countries. Surtaxes create complexity and reduce transparency in the tax system. They may also increase or reduce the progressivity of personal income taxes, depending on their design.
  - Progressivity may increase when the surtax consists of a multi-tiered schedule (*e.g.* Ireland), if it is phased in with income (*e.g.* Australia and Germany), or when it is levied as a percentage of an already progressive basic income tax (*e.g.* Luxembourg). It may be reduced in some cases, when the surtax is similar to a proportional tax.
- All OECD countries exempt an initial portion of earnings from personal income tax through provisions such as **basic personal tax allowances, basic personal tax credits or zero-rate tax brackets**. However, in some countries the exemption is limited to employment income and/or to taxpayers with incomes below a certain threshold.
  - The particular type of tool used to exempt income in each country has tended to remain constant over time, with the exception of the Czech Republic and the Netherlands.
  - The value of the basic exemption, expressed as a share of the average wage, noticeably increased in more than a third of OECD countries and decreased in only six countries over the last decade.
- Statutory tax rates are only one element that helps determine tax liabilities and marginal tax rates. A graphical comparison of **statutory, average and marginal personal income tax rates** along the income distribution shows that these rates often differ from each other in OECD countries.
  - While marginal rates may be higher, lower or equal to statutory tax rates at different stages of the income scale, average tax rates are always lower than statutory rates (for the average single full-time earner) as a result of tax reliefs and, in most countries, graduated PIT schedules.

- **Employee social security contributions** are payable on the first unit of earnings in most OECD countries, but are capped when income exceeds a certain level in 14 countries. Contributions are deductible from the PIT base in 20 OECD countries and may be claimed as a tax credit in 2 countries, thus reducing marginal personal income tax rates in most OECD countries.
  - Among the few countries where minimum income thresholds for employee SSCs apply, three of them impose floors (all taxpayers are exempt from SSC on income below the threshold) and five of them offer low-income exemptions (taxpayers with earnings above the threshold are liable for SSC on their income exceeding a floor). Three other countries implement minimum SSC liabilities, whereby full-time workers are deemed to earn a minimum amount of income subject to SSC.
- The **top all-in rate** summarizes the impact of employee SSCs on top marginal tax rates. In most OECD countries employee social security contribution rates increase the **top all-in rate**, which is the combined marginal PIT and SSC rate applicable where a taxpayer becomes subject to the top statutory PIT rate. However, the top all-in rate is not always higher than the top statutory PIT rate, for example, if SSCs are capped at lower income levels or if there are income-based tax reliefs available to those with higher incomes. At the other extreme, the top all-in rate may be higher than the sum of the top statutory PIT rate and the corresponding statutory employee SSC rate.
  - In 2010, the top all-in rate was lower than the top statutory PIT rate in Austria, Iceland, Japan and the Netherlands. The two rates were equal in Canada, Chile, Germany, Greece, Spain, Sweden, Turkey, and in countries that do not levy employee SSCs (Australia and New Zealand).
  - In 2010, the top all-in rate in the Czech Republic and Hungary was higher than the sum of the statutory PIT and employee SSC rates as a result of the inclusion of employer SSC in the personal income tax base.
- The **top all-in rate** declined on average across OECD countries from 2000 to 2010, primarily as a result of lower top statutory PIT rates, and to a lesser extent due to changes in SSC schedules. However, the average gap between the top all-in rate and the top statutory PIT rate widened, from 2.9 percentage points to 3.7 percentage points, reflecting the growth of employee SSC as a share of total tax revenues in most countries. Moreover, the reductions in the income threshold where the top all-in rate applies that occurred in most OECD countries over the same period have minimised the impact of top all-in rate cuts on the tax burden of high income earners.

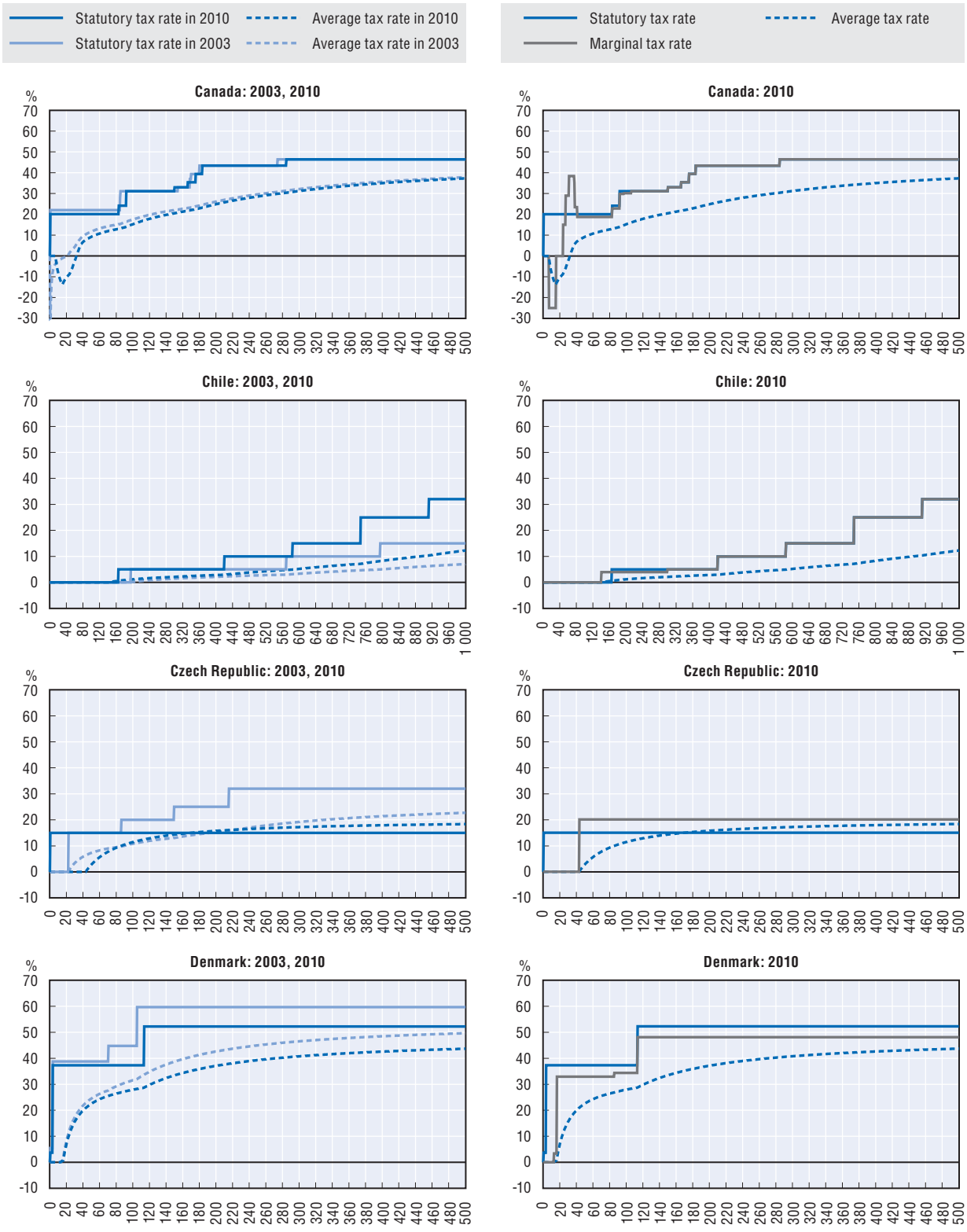
ANNEX

Statutory, marginal and average personal income tax rate schedules

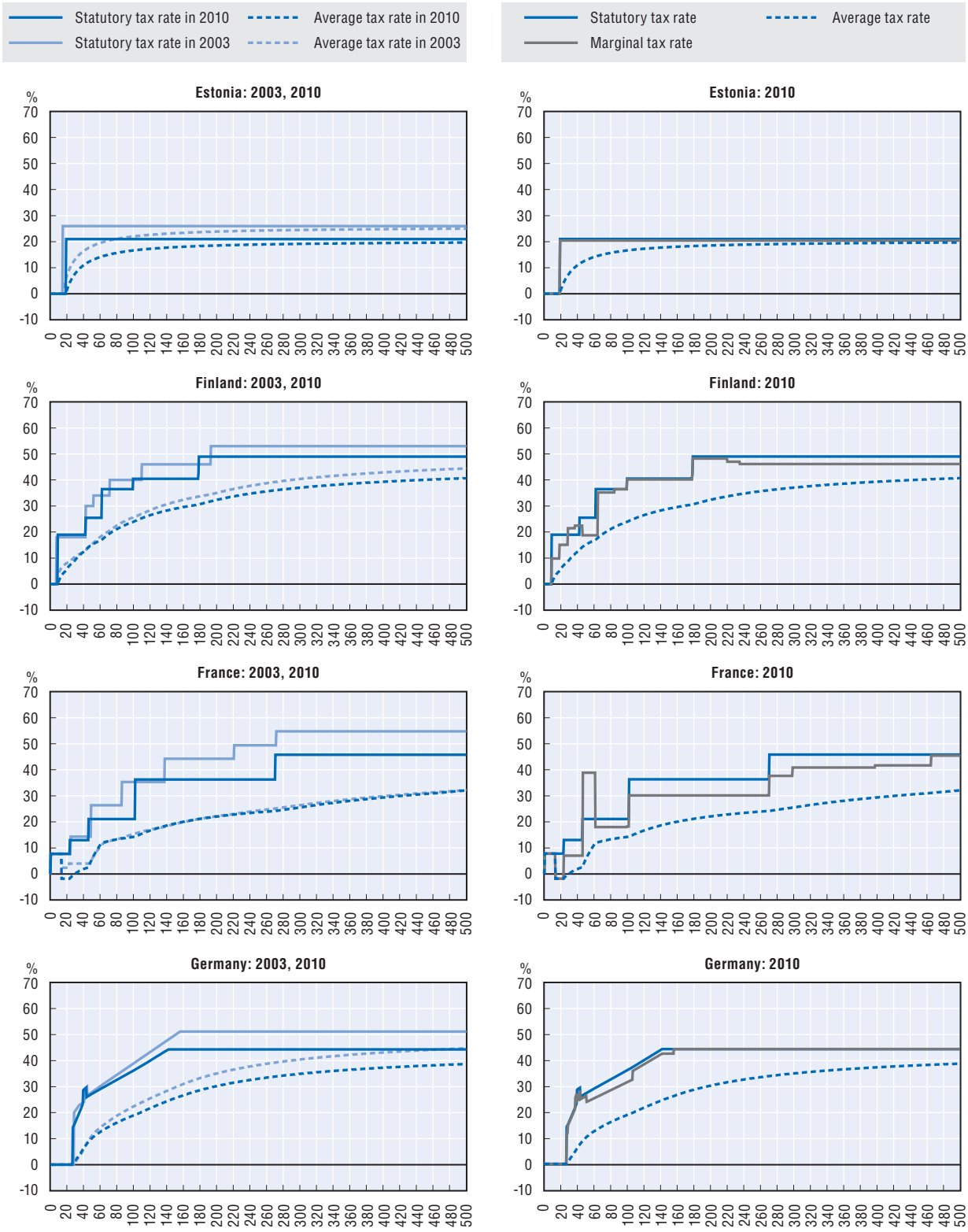
Income tax rates for single full-time workers with no children by level of gross earnings expressed as a % of the average wage



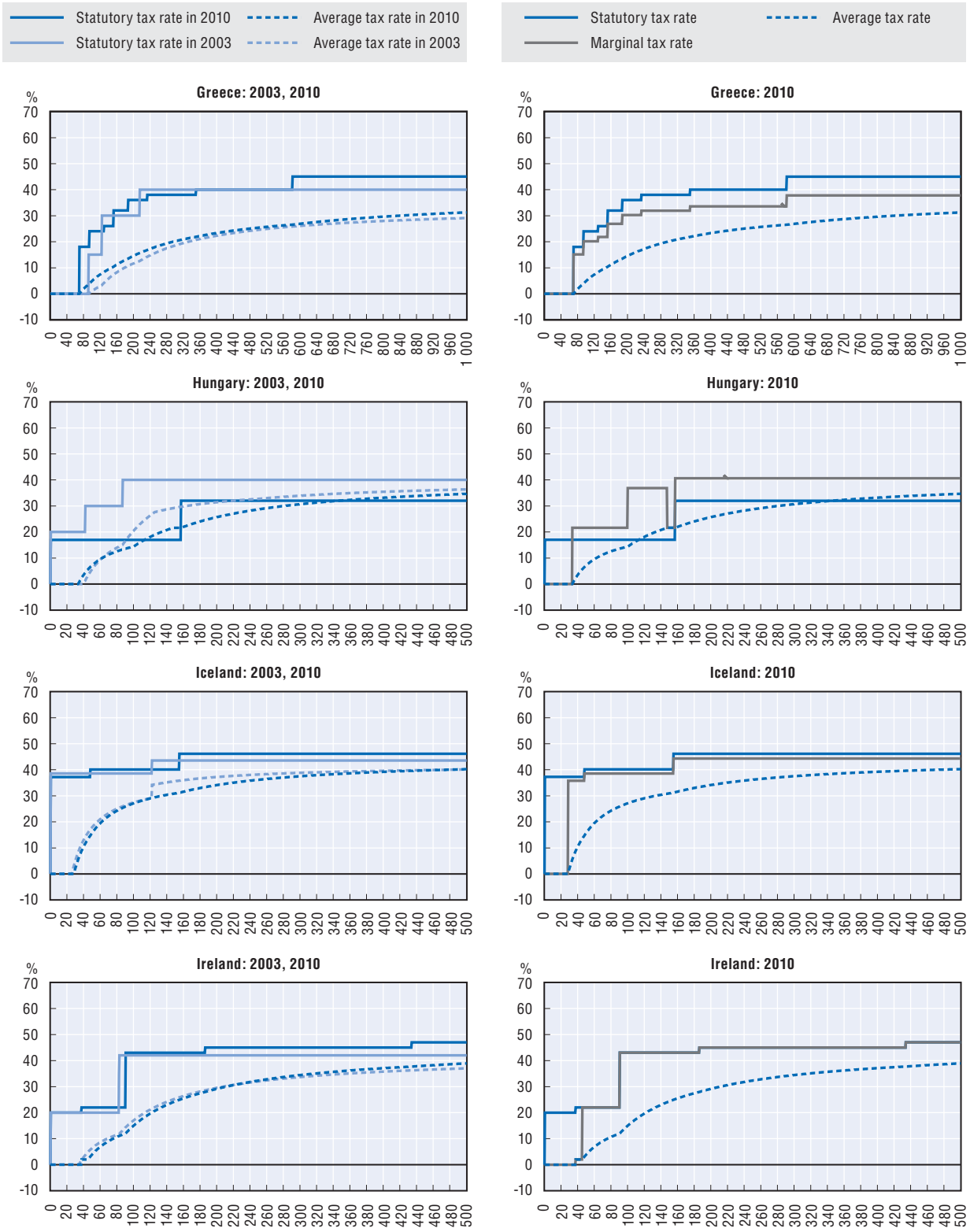
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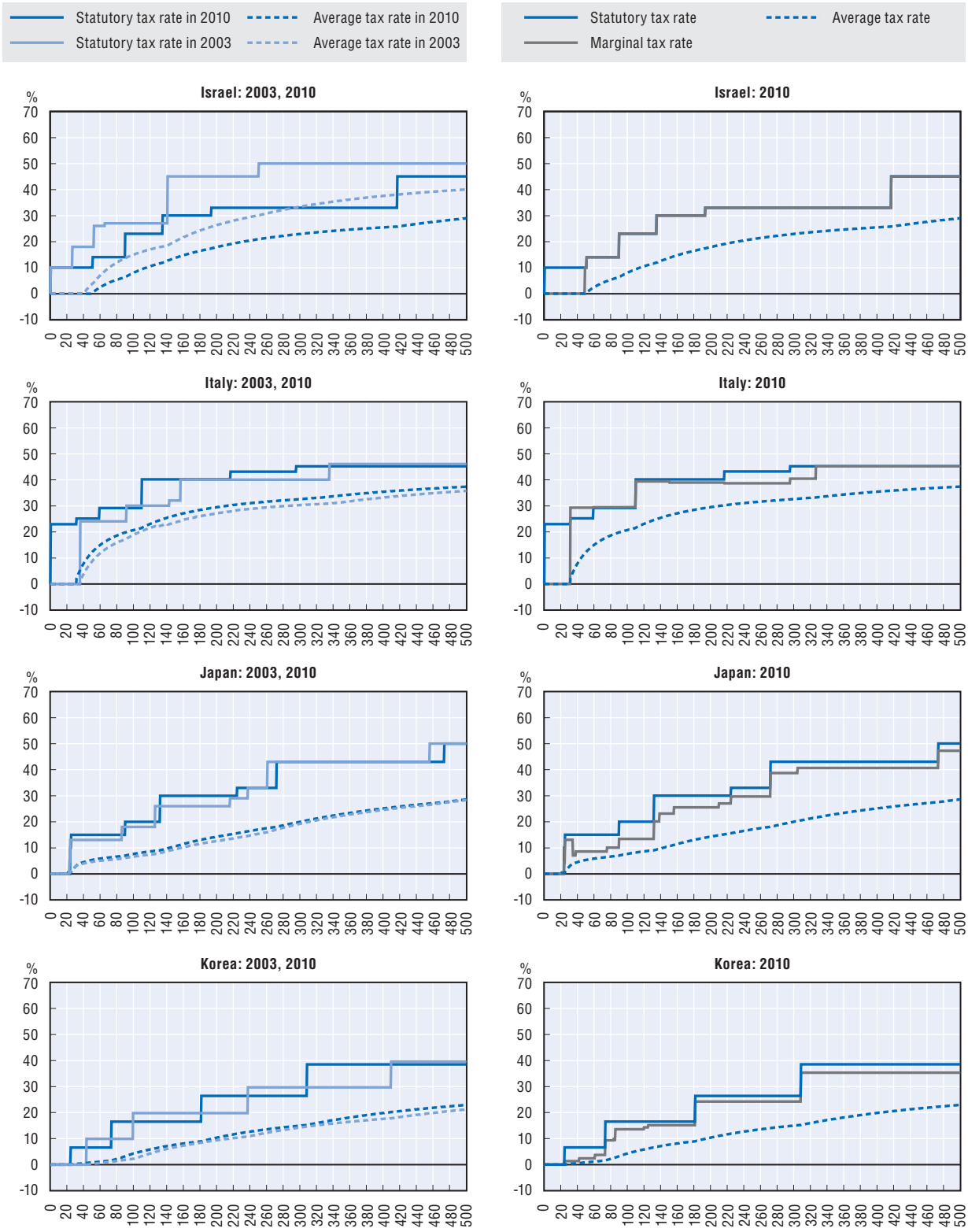
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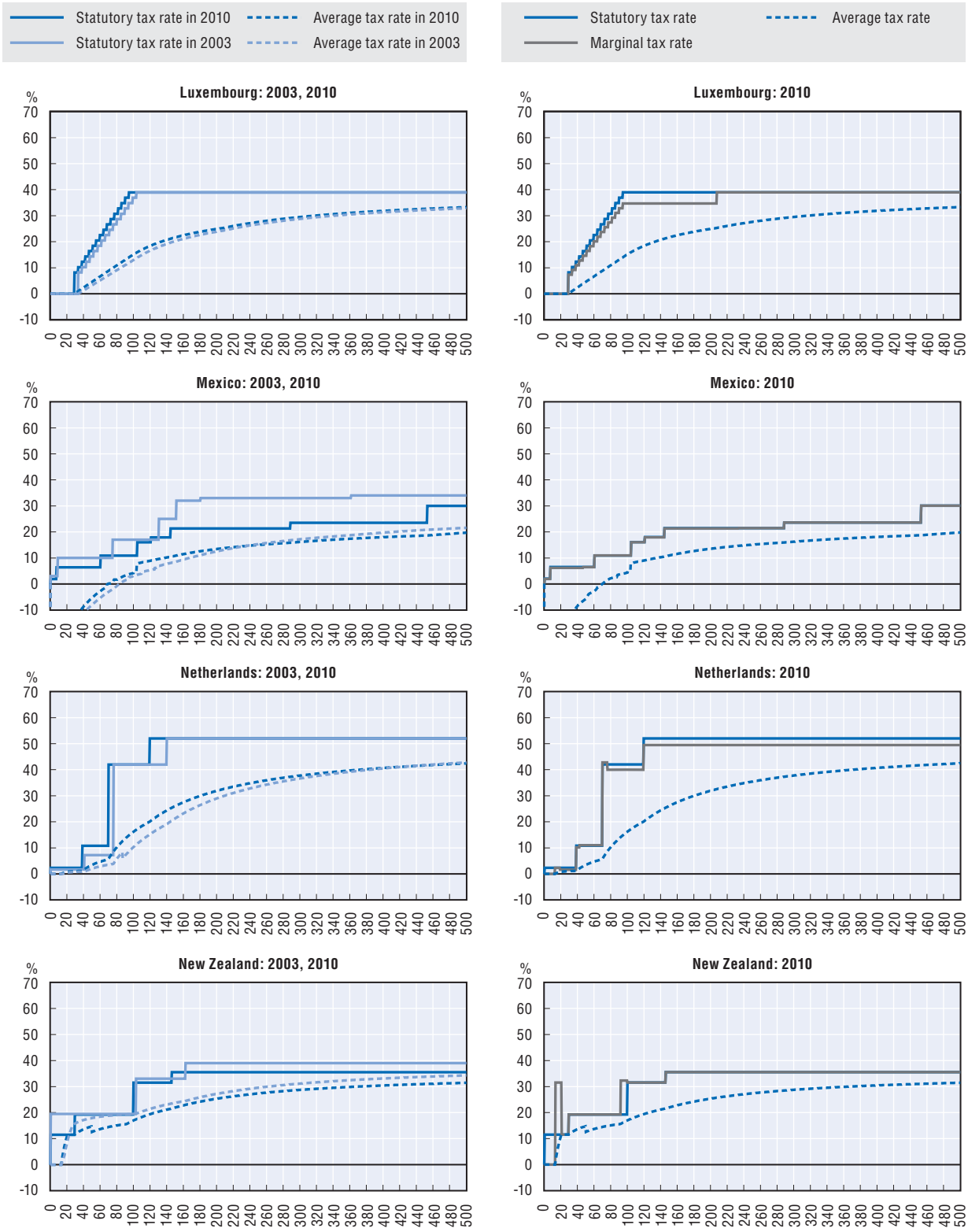
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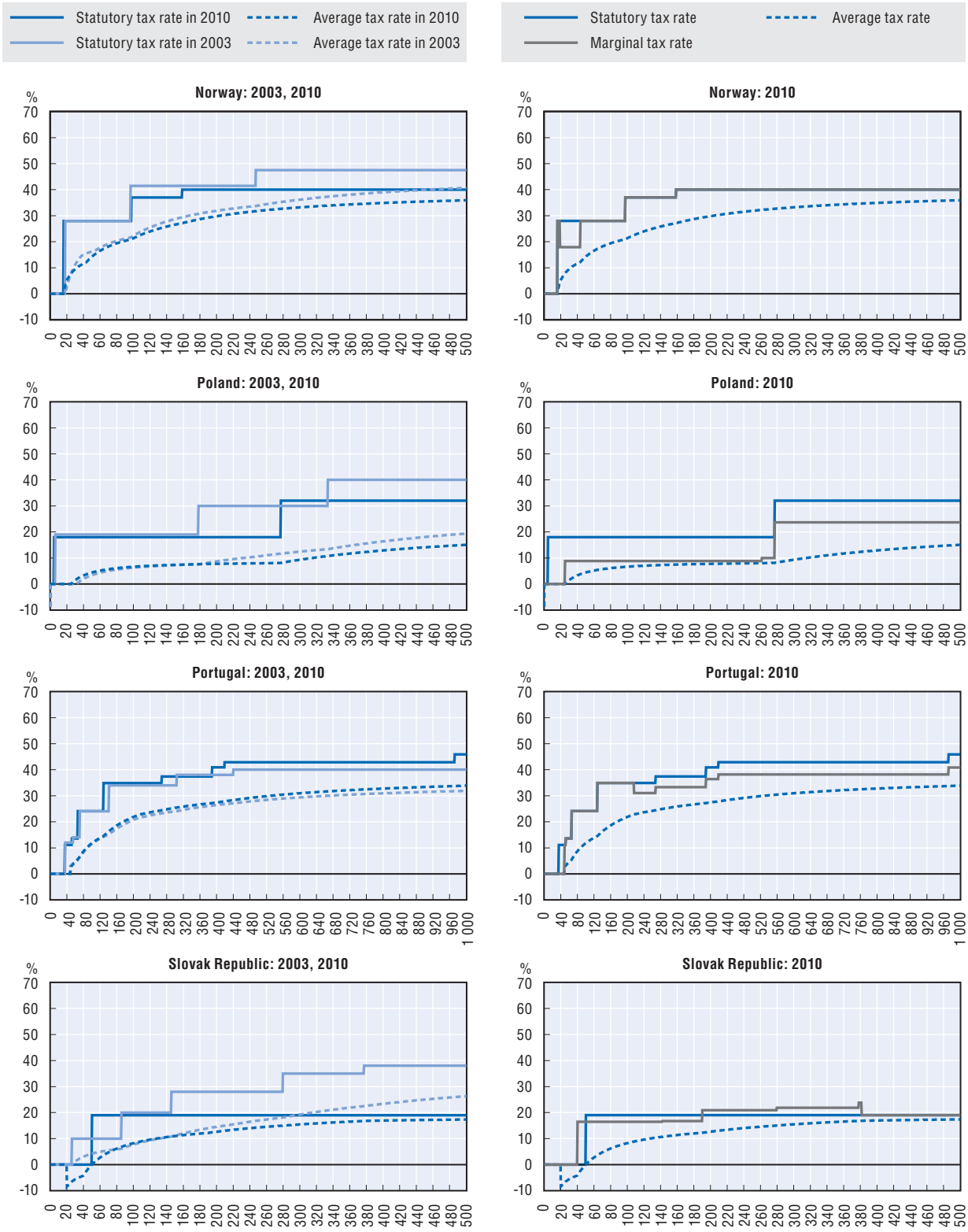
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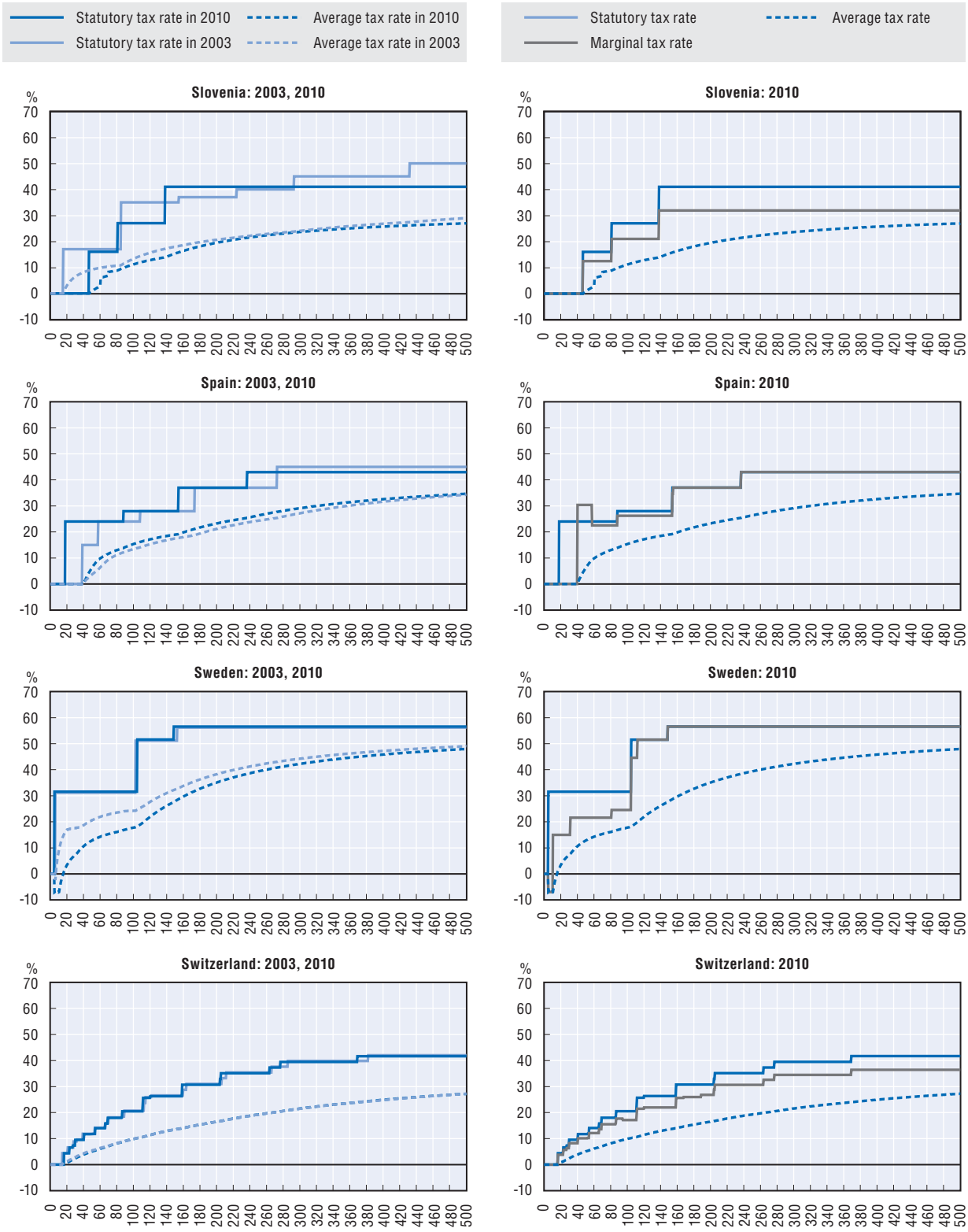
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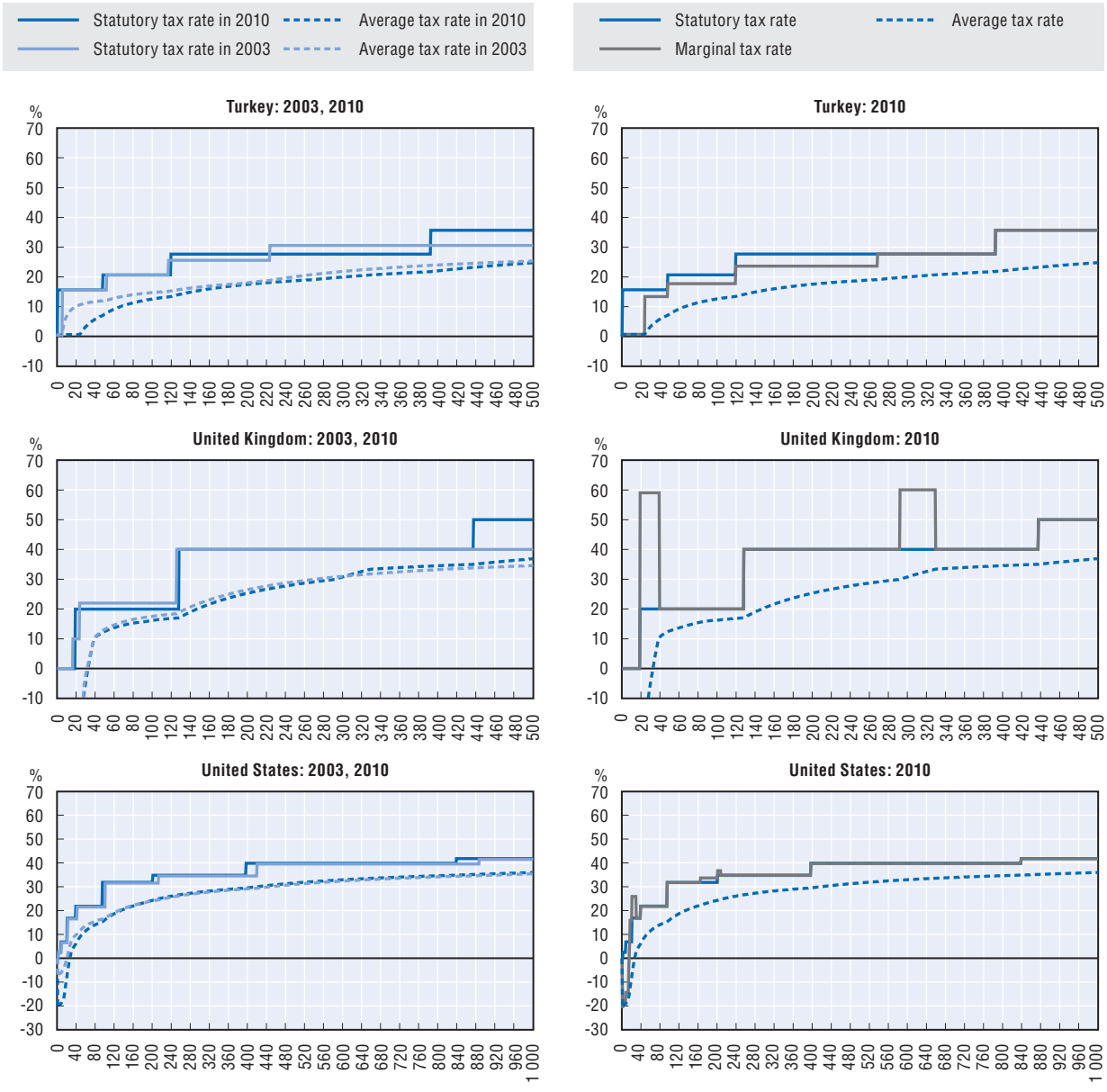
Income tax rates for single full-time workers with no children by level of gross earnings expressed as a % of the average wage



Income tax rates for single full-time workers with no children by level of gross earnings expressed as a % of the average wage



Income tax rates for single full-time workers with no children by level of gross earnings expressed as a % of the average wage



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PART I

International comparisons

This Section provides unique information for each of the OECD countries on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. It provides detailed results for 2011; definitive results for 2010 and discusses the changes between the two years. Results reported include the marginal and average tax burden for eight different family types.

Tax burdens, 2011 estimates

This Section comments on Tables I.1-I.11 and Figures I.1-I.6. These summary tables show results for eight family-types, characterised by different family status (single/married, 0-2 children), economic status (one-/two-earner household) and wage level (33 per cent, 67 per cent, 100 per cent and 167 per cent of annual gross wage earnings of an average worker).

Table I.1 and Figure I.1 in Part I show the average tax wedge (combined burden of income tax, employee and employer social security contributions) taking into account the amount of cash benefits each specific family-type is entitled to. Total levies due minus transfers received are expressed as a percentage of total labour costs, defined as gross wage plus employers' social security contributions (including payroll taxes). In the case of a single person at the average wage level the wedge ranges from 7.0 per cent (Chile) and 15.9 per cent (New Zealand) to 49.8 per cent (Germany) and 55.5 per cent (Belgium). For a one-earner married couple with two children at the same wage level the wedge is lowest in New Zealand (–1.2 per cent) and Chile (7.0 per cent) and highest in Belgium (40.3 per cent) and France (42.3 per cent). As stated in Section 2.3 of the Overview, the wedge tends to be lower for a married couple with two-children at this wage level than for a single individual without children due to receipt of cash benefits and/or more advantageous tax treatment. It is also interesting to note that the wedge for a single parent with two children earning 67 per cent of the average wage level is negative in Australia (–6 per cent), Canada (–6.3 per cent), New Zealand (–18.7 per cent) and Ireland (–24.6 per cent). This result is because the value of the cash benefits received by these families plus any applicable non-wastable tax credits exceeds the sum of the total tax and social security contributions that are due.

Table I.2 and Figure I.2 present the combined burden of the personal income tax and employee social security contributions, expressed as a percentage of gross wage earnings (the corresponding measures for income tax and employee contributions separately are shown in Tables I.4 and I.5). A single person at the average wage level without children is liable to an average tax plus contributions burden of over 40 per cent in Belgium (42.2 per cent). The lowest average rates (below 20 per cent) were in Estonia (19.6 per cent), Ireland (18.9 per cent), Israel and Switzerland (16.1 per cent), New Zealand (15.9 per cent), Korea (12.3 per cent), Chile (7.0 per cent) and Mexico (6.3 per cent).

Table I.3 shows the combined burden of income tax and employee social security contributions with the levies due being reduced by the entitlement to cash benefits for each family-type. Figure I.3 illustrates this burden for single individuals without children and one-earner married couples with two children at average earnings, respectively. Comparing Tables I.2 and I.3, the average tax rates for families with children (columns 4-7) are lower in Table I.3, because many OECD countries support families with children through cash benefits. A lower burden is observed for a single individual *without* children

at 67 per cent of the average wage in the case of Canada because of a cash transfer paid to mitigate the burden imposed by the federal consumption tax (further details can be found in the country chapter contained in Part III of this Report) and in Denmark for single taxpayers at 67 and 100 per cent of the average wage and two-earner married couples without children, one partner at average earnings and the other partner at 33 per cent of the average wage, receiving a green check to compensate for increased environmental taxes.

Cash benefits are provided in a majority of OECD countries. For single parents with two children earning 67 per cent of the average wage level, 26 countries provide benefits that range from 45.9 per cent of income (Ireland) to 1 per cent (Chile). The benefits are at least 25 per cent of income in 4 other countries: Denmark (25.9 per cent), Australia (26.5 per cent), Canada (27.1 per cent) and New Zealand (33.2 per cent). 25 countries provide benefits for a one-earner married couple with two children earning 100 per cent of the average wage level, although these are less generous relative to income, ranging from 17.1 per cent (New Zealand) to 4 per cent (Israel and Portugal). The lower level of importance of cash benefits for the married couple can be attributed to three reasons: single parents may be eligible for more generous treatment; the benefits themselves may be fixed in absolute amount; and/or the benefits may be subject to income testing.

Table I.4 shows personal income tax due as a percentage of gross wage earnings. For single persons without children at the average wage (column 2) – the income tax burden varies between 0 per cent (Chile) and 28.2 per cent (Belgium). In most OECD member countries, at the average wage level, the income tax burden for one-earner married couples with two children is substantially lower than that faced by single persons (compare columns 2 and 5). This difference is clearly illustrated in Figure I.4. In twelve OECD countries, the income tax burden faced by a one-earner married couple with two children is less than half that faced by a single individual (the Czech Republic, Germany, Hungary, Ireland, Korea, Luxembourg, Poland, Portugal, the Slovak Republic, Slovenia, Switzerland and the United States). In contrast, there is no difference in six countries – Chile, Finland, Israel, Mexico, New Zealand and Sweden.

There are only two OECD member countries where a married average worker with two children faces a personal income tax burden less than zero. This result is due to non-wastable tax credits, whereby credit amounts in excess of the taxes otherwise due are paid to the family, resulting in a tax burden of –4.6 in the Czech Republic and –2.6 per cent in the Slovak Republic. Similarly, in six countries – the Czech Republic, Germany, Mexico, the Slovak Republic, the United Kingdom and the United States – single parents with two children earning 67 per cent of the average wage show a negative tax burden as their non-wastable credits exceeding the taxes otherwise due. In nine other countries – Canada, Chile, Hungary, Israel, Korea, Luxembourg, Poland, Portugal and Slovenia – this family-type pays no or almost no income tax.

A comparison of columns 5 and 6 in Table I.4 demonstrates that if the previously non-employed spouse finds a job which pays 33 per cent of the average wage level, the income tax burden of the family (now expressed as a percentage of 4/3 times the average wage level) will (slightly) rise in seventeen countries, the largest increases being in the Czech Republic (7.6 percentage points), Germany (5.8 percentage points) and Belgium (5.4 percentage points). However, the income tax burden will actually fall in fourteen countries, the largest falls being in Mexico (–4 percentage points) and Finland (–4.1 percentage points).

An important consideration in the design of an income tax is progressivity – the rate at which the income tax burden increases with income. A comparison of columns 1 to 3 in Table I.4 provides an insight into the levels of progressivity in the income tax systems of OECD countries. Comparing the income tax burden of single individuals at the average wage level with their counterparts at 167 per cent of the average wage level (columns 2 and 3), the lower paid worker faces a lower tax burden in all OECD countries. Similarly, single individuals at 67 per cent of the average wage level pay a lower percentage of their income in income tax (columns 1 and 2) than the average except in Chile where these workers do not pay income tax. Finally the burden faced by single individuals at 67 per cent of the average wage level is less than one-quarter of the burden faced by their counterparts at 167 per cent in four OECD countries: In Mexico and Chile (the tax burden is entirely eliminated) and in Korea and the Netherlands, the corresponding figures are 84 and 82 per cent respectively.

The addition of social security contributions to the average tax rate reduces this progressivity as well as the proportional fiscal savings enjoyed by families (compare Table I.2 and Table I.4). The OECD average tax burden of single individuals at 67 per cent of the average wage level is only 33 per cent lower than their counterparts at 167 per cent compared to the OECD average savings of 52 per cent for personal income taxes alone. The average fiscal savings observed for one-earner married couples with two children at 100 per cent of the average wage level relative to single individuals falls from 40 per cent to 22 per cent. These lower figures are consistent with the observation that there is little variation between social security contribution rates across family types, as shown in Table I.5.

Table I.5 shows employee social security contributions as a percentage of gross wage earnings. For a single worker without children at the average wage level (column 2) the rate of contributions varies between zero per cent (Australia and New Zealand) and 22.1 per cent (Slovenia). Only Australia and New Zealand levy no social security contributions at all on employees, though they are very low for employees in some other countries – Iceland (0.5 per cent), Mexico (1.4 per cent) and Estonia (2.8 per cent). Social security contributions are usually levied at a flat rate on all earnings, *i.e.* without any exempt threshold. In a number of OECD member countries a ceiling applies. However, this "capping" provision usually applies to wage levels higher than 167 per cent of the average wage. This rate structure is reflected in a roughly constant average burden of employee social security contributions for most countries between 33 and 167 per cent of average wage earnings. Some typical examples of the proportional burden of employee social security contributions for all family-types at all wage levels considered here, are (in decreasing order) Slovenia (22.1 per cent), Poland (17.8 per cent), Hungary (17.5 per cent), Turkey (15 per cent), the Czech Republic and Portugal (11 per cent), Norway (7.8 per cent), Chile (7.0 per cent), the United States (5.7 per cent) and Estonia (2.8 per cent).

Also, at the 100 per cent average wage level all OECD member countries, except Germany and the Netherlands, impose the same burden of social security contributions on employees; regardless of their family status (see Figure I.5).

Marginal rates

Assuming a marginal increase in labour costs, Table I.6 and Figure I.6 show the percentage of the rise in labour costs that is deducted through the personal income tax and both employee and employer (including payroll taxes) social security contributions.

Therefore, they trace the marginal wedge. In most cases, the marginal tax wedge absorbs 25-55 per cent of a rise in labour costs for single individuals without children at 100 per cent of the average wage level. However, in six OECD countries these individuals face higher marginal wedges – Belgium (66.3 per cent), Hungary (63.5 per cent), Austria (60.6 per cent), Germany (60.4 per cent), Finland (57.2 per cent) and Ireland (56.7 per cent). Mexico (18.7 per cent) and Chile (7.0 per cent) have the lowest marginal tax rates.

In nineteen OECD member countries, the marginal tax wedge for one-earner married couples at average earnings with two children is either the same or within 5 percentage points as that for single persons at average wage earnings with no children. The marginal wedge is more than 5 percentage points lower for the one-earner married couples in seven countries: Luxembourg (17.3 percentage points), the United States (9.3 percentage points), Portugal (8.5 percentage points), Germany and Poland (7.7 percentage points), Slovenia (7.4 percentage points) and Switzerland (5.8 percentage points). In contrast, in the Czech Republic (5.4 percentage points), Netherlands (6.5 percentage points), Iceland (7.1 percentage points), Australia (18.8 percentage points), Ireland (18.4 percentage points), New Zealand (20 percentage points) and Canada (27.3 percentage points), the marginal rate for one-earner married couples with two children is more than 5 percentage points higher than it is for single workers with no children.

Table I.7 and Figure I.7 show the incremental change to personal income tax and employee social security contributions less cash benefits when gross wage earnings rise marginally. As in the case of the tax wedge, in most cases personal income tax and employee social security contributions absorb 25-55 per cent of a worker's pay rise for single individuals without children at 100 per cent of the average wage level. The marginal tax rate is lower than 25 per cent only in Chile (7.0 per cent), Mexico (12.5 per cent), Korea (21.6 per cent) and Estonia and Switzerland (23.2 per cent) and it exceeds 50 per cent in Ireland (52 per cent), Germany (52.5 per cent), Hungary (53.1 per cent) and Belgium (54.9 per cent).

As in the case of the tax wedge, in nineteen OECD member countries, the marginal personal tax rate for one-earner married couples at the average wage level with two children is either the same or within five percentage points as that for single persons with no children. The marginal rate is more than 5 percentage points lower for the one-earner married couples in seven countries: Luxembourg (19.4 percentage points), Portugal (10.5 percentage points), the United States (10 percentage points), Germany (9.1 percentage points), Poland (8.9 percentage points), Slovenia (8.5 percentage points) and Switzerland (6.1 percentage points). By contrast, in the Netherlands (7.2 percentage points), the Czech Republic (7.3 percentage points), Iceland (7.7 percentage points), Australia and New Zealand (20.0 percentage points), Ireland (20.4 percentage points) and Canada (29.9 percentage points), the marginal rate for one-earner married couples with two children is more than 5 percentage points higher than it is for single persons with no children. These higher marginal rates are due to the phase out of income-tested tax reliefs and/or cash transfers. When an income-tested measure is being phased out, the reduction in the relief or benefit compounds the increase in the tax otherwise payable. These programmes are set out in greater detail in the relevant country chapters, in Part III of the Report.

Table I.8 shows the percentage increase in net income when gross wage earnings increase by 1 currency unit in gross wages, *i.e.* the elasticity of after-tax income.[1] Under a proportional tax system, net income would increase by the same percentage as the increase in gross earnings, in which case the elasticity is equal to 1. The elasticity is

measured as 0.8 when an increase of gross wage by 1 currency unit leads to a corresponding rise of net take-home pay of only 0.8 per cent. The more progressive the system is – at the income level considered – the lower this elasticity will be. In the case, for example, of the one-earner married households at the average wage level, column 5 of Table I.8 shows that of all OECD member countries Ireland (0.27), Canada (0.39), New Zealand (0.49), Australia and Hungary (0.54), Belgium (0.58) and the Czech Republic (0.59) have, on this measure, the most progressive system of income tax plus employee social security contributions at this income level. In contrast, Chile and Poland (1.00), Mexico (0.93), Korea and Turkey (0.91) and France (0.90) either implement or are close to a proportional system of income tax plus employee social security contributions – at least for this family type.

It is interesting to note that the elasticity exceeds one for a single individual at 167 per cent of the average earnings in Austria (1.01), indicating that the income tax system at this point in the income scale is regressive. In other words, a percentage increase in gross pay leads to an increase in net income in excess of the percentage increase in gross wage earnings.

Table I.9 provides a different elasticity measure: the percentage increase in net income when labour costs (*i.e.* gross wage earnings plus employer social security contributions and payroll taxes) rise by 1 currency unit.[2] In this case taxes and social security contributions paid by employers are also part of the analysis. In most OECD member countries the value of this elasticity lies between 0.5 and 0.97 for the family-types being considered. This elasticity is below 0.5 for single parents earning 67 per cent of the average wage level in Australia (0.40), Canada (0.37), Ireland and the United Kingdom (0.26), for one-earner married households at the average wage level with two children in New Zealand (0.49), Canada (0.39) and Ireland (0.27), and for two-earner married couples with two children where the spouse is earning 33 per cent of the average wage level in Israel (0.45). In contrast, the elasticity is greater than or equal to 0.97 for some family types in Austria, Chile, Estonia, Germany, Hungary, Japan, Korea, Mexico, Poland, the Slovak Republic and Spain. It is interesting to mention that under this elasticity measure the income tax system is regressive for a single individual at 167 per cent of average earnings in Spain (1.10), Germany (1.14) and Austria (1.19).

Table I.10 sets out figures for gross wage earnings and net income for the eight selected family-types after all amounts have been converted into US dollars with the same purchasing power. Single workers with the average wage take home (see Table I.10, column 4) over USD 36 000 in six countries: Switzerland (USD 43 387), the United Kingdom (USD 38 952), Korea (USD 38 529), Luxembourg (USD 38 464), the Netherlands (USD 37 823) and the United States (USD 36 129). The corresponding lowest levels were in Mexico (USD 10 344) and in Hungary (USD 13 141). In the case of a one-earner married couple with two children at the average earnings level, families take home over USD 42 000 in five countries – Germany, Luxembourg, the Netherlands, Switzerland and the United Kingdom; with the lowest level again being in Mexico. It is interesting to observe that with the exceptions of Chile and Mexico, the one-earner married couple takes home more over USD 4 500 more than the single individual at the average wage due to the favourable tax treatment of this family and/or the cash transfers to which they are entitled.

Table I.11 shows the corresponding figures to Table I.10 for Labour costs and net income. So the "net" columns in Tables I.10 and I.11 are identical. Usually, labour costs are found to be much higher, because any employer social security contributions (including

payroll taxes) are now taken into account. If measured in US dollars with equal purchasing power, labour costs for single workers earning the average wage level are the highest in Germany (USD 65 789) and Belgium (USD 64 170), and the lowest in Mexico (USD 12 337) and Chile (USD 14 530). It is interesting to note that the annual labour costs are equal to the annual gross wage in Chile, Denmark and New Zealand. In those countries neither employer social security contributions nor payroll taxes are levied on wages. However, employers in Chile and Denmark are subject to non-tax compulsory payments related to notably pension schemes.

Notes

1. The reported elasticities in Table I.8 are calculated as (100 – METR)/(100 – AETR), where METR is the marginal rate of income tax plus employee social security contributions less cash benefits reported in Table I.7 and AETR is the average rate plus employee social security contributions less cash benefits reported in Table I.3.
2. The reported elasticities in Table I.9 are calculated as (100 – METR)/(100 – AETR), where METR is the marginal rate of income tax plus employee and employer social security contributions less cash benefits reported in Table I.6 and AETR is the average rate plus employee and employer social security contributions less cash benefits reported in Table I.1.

Table I.1. **Income tax plus employee and employer contributions less cash benefits, 2011**

As % of labour costs, by family-type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	20.6	26.6	32.2	-6.0	15.2	17.9	24.2	22.9
Austria	43.7	48.4	51.6	26.8	37.1	37.2	40.5	44.7
Belgium	49.7	55.5	60.7	35.5	40.3	41.4	48.2	48.0
Canada	26.1	30.8	32.9	-6.3	18.9	23.8	27.0	27.7
Chile	7.0	7.0	7.8	6.0	7.0	4.9	6.6	7.0
Czech Republic	39.5	42.5	44.9	16.4	21.7	30.7	34.7	40.3
Denmark	36.8	38.4	44.8	11.4	27.4	32.2	33.9	37.0
Estonia	38.8	40.1	41.2	24.3	31.2	34.2	35.9	38.8
Finland	37.2	42.7	48.5	26.4	37.7	35.5	37.5	39.3
France	46.5	49.4	53.5	38.4	42.3	40.0	44.9	45.6
Germany	45.6	49.8	51.3	31.2	34.0	38.9	42.5	45.6
Greece[1]	..	..	..	..	..	..	..	..
Hungary	45.2	49.4	51.6	20.0	32.8	34.3	37.7	46.7
Iceland	29.2	34.0	38.2	18.5	21.0	27.6	31.4	29.5
Ireland	21.3	26.8	38.7	-24.6	7.1	13.3	19.0	20.3
Israel	13.0	19.8	28.4	0.1	16.0	12.2	13.4	16.6
Italy	44.5	47.6	53.0	29.0	38.6	40.3	43.1	44.5
Japan	29.5	30.8	33.8	19.7	23.0	25.1	26.4	30.0
Korea	17.7	20.3	22.2	17.0	17.9	17.9	18.1	19.4
Luxembourg	29.2	36.0	43.5	2.4	13.4	17.7	23.0	27.7
Mexico	13.2	16.2	21.6	13.2	16.2	14.4	15.0	14.4
Netherlands	33.1	37.8	41.5	11.5	30.7	29.2	31.5	33.8
New Zealand	12.9	15.9	22.0	-18.7	-1.2	7.0	13.1	14.8
Norway	34.2	37.5	43.1	21.4	31.0	31.9	33.6	35.0
Poland	33.4	34.3	35.0	28.4	28.4	29.6	30.9	33.4
Portugal	33.1	39.0	45.8	23.7	29.2	30.4	36.2	34.0
Slovak Republic	36.1	38.9	40.8	23.6	25.0	29.5	32.8	35.8
Slovenia	38.6	42.6	47.7	12.7	23.2	30.6	34.1	40.2
Spain	36.6	39.9	42.5	29.5	34.2	35.8	36.9	36.9
Sweden	40.7	42.8	50.8	32.5	37.3	36.9	38.7	41.0
Switzerland	18.0	21.0	25.3	2.8	8.4	11.1	14.2	18.6
Turkey[2]	35.4	37.7	40.9	34.2	36.3	37.3	37.9	37.9
United Kingdom	28.5	32.5	37.9	7.1	26.4	25.0	28.1	28.5
United States	27.2	29.5	34.4	8.2	18.2	22.7	24.6	27.8
Unweighted average								
OECD-average	**31.6**	**35.2**	**39.6**	**15.6**	**25.0**	**27.2**	**30.2**	**32.2**
OECD-EU21	**37.9**	**41.7**	**46.3**	**20.3**	**29.9**	**32.1**	**35.5**	**38.1**

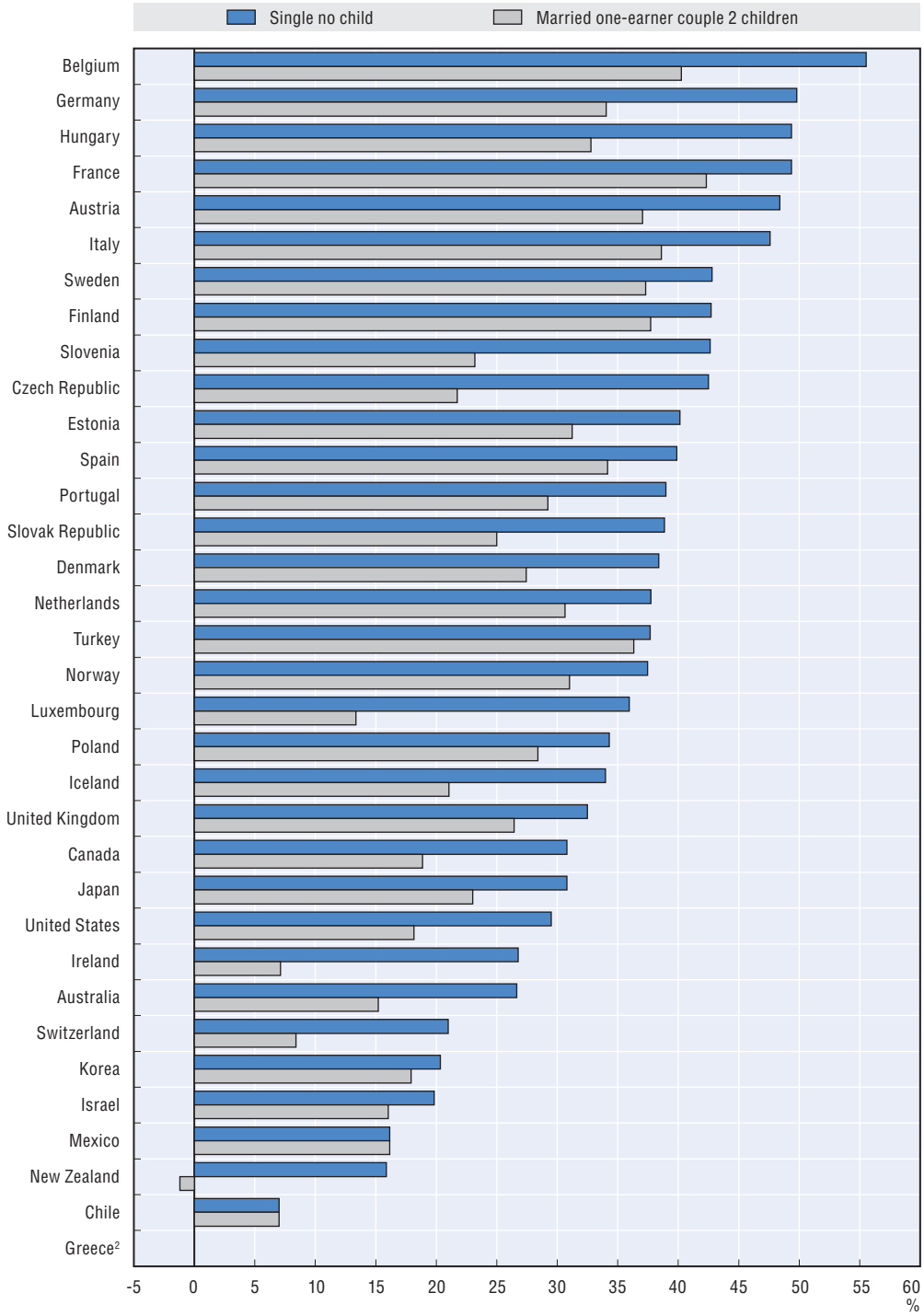
Note: ch = children.

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
3. Two-earner family.

StatLink http://dx.doi.org/10.1787/888932588727

Figure I.1. **Income tax plus employee and employer contributions less cash benefits, 2011**

As % of labour costs, by family-type[1]



1. Corresponds to Table I.1, columns 2 and 5.
2. The 2011 average earnings figure for Greece was not available at the final compilation stage.

Sources: Country submissions, *OECD Economic Outlook*, Volume 2011 (No. 90).

StatLink http://dx.doi.org/10.1787/888932587055

Table I.2. **Income tax plus employee contributions, 2011**

As % of gross wage earnings, by family-type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	15.9	22.3	28.2	14.2	21.1	17.4	19.7	18.3
Austria	27.3	33.4	38.5	24.1	31.2	28.2	30.6	28.6
Belgium	35.6	42.2	49.1	30.1	30.8	33.0	38.1	34.8
Canada	18.8	22.7	26.8	8.4	16.4	18.3	20.3	19.4
Chile	7.0	7.0	7.8	7.0	7.0	7.0	7.0	7.0
Czech Republic	18.9	23.0	26.2	6.9	6.4	14.0	16.3	20.0
Denmark	37.3	38.7	44.8	37.3	34.6	37.5	38.2	37.5
Estonia	17.7	19.6	21.0	12.2	12.2	15.0	16.6	17.7
Finland	23.1	29.8	36.9	23.1	29.8	25.6	27.1	25.6
France	26.1	28.0	33.6	21.2	22.2	21.7	25.0	26.1
Germany	34.9	39.9	43.8	17.6	21.0	26.8	31.1	34.9
Greece[1]	..	..	..	..	..	..	..	..
Hungary	29.5	35.0	37.8	17.5	25.8	24.7	27.3	31.5
Iceland	23.1	28.3	32.9	23.1	18.8	23.4	26.2	23.4
Ireland	12.8	18.9	32.1	7.9	11.4	12.2	16.5	12.2
Israel	9.4	16.1	24.7	5.6	16.1	11.3	11.9	12.9
Italy	26.7	30.8	37.9	19.7	24.2	23.5	26.5	26.7
Japan	19.5	21.0	24.8	17.5	18.2	19.0	19.6	20.0
Korea	9.4	12.3	15.3	8.7	9.6	9.7	9.8	11.3
Luxembourg	20.5	28.1	36.6	13.0	17.8	18.9	22.6	18.9
Mexico	1.0	6.3	13.6	1.0	6.3	2.2	4.2	2.2
Netherlands	26.8	31.4	37.4	13.3	28.0	25.5	27.2	27.5
New Zealand	12.9	15.9	22.0	14.5	15.9	14.8	15.3	14.8
Norway	25.6	29.3	35.7	21.8	26.8	26.5	27.8	26.5
Poland	23.6	24.6	25.4	17.8	17.8	19.2	20.7	23.6
Portugal	17.3	24.5	32.9	12.8	16.4	16.6	21.0	18.3
Slovak Republic	19.4	22.9	25.5	11.8	10.8	15.2	18.4	19.0
Slovenia	28.8	33.4	39.3	22.1	25.1	25.9	27.8	30.6
Spain	17.7	21.9	26.7	8.5	14.5	16.6	18.0	18.0
Sweden	22.1	24.8	35.4	22.1	24.8	22.5	23.7	22.5
Switzerland	13.0	16.1	20.7	8.4	10.5	11.5	13.5	13.6
Turkey[2]	24.8	27.4	31.2	23.4	25.8	27.0	27.7	27.7
United Kingdom	21.7	25.1	30.4	6.0	23.5	21.7	23.7	21.7
United States	19.6	22.8	28.6	-1.3	10.4	14.6	17.2	20.2
Unweighted average								
OECD-average	**20.8**	**25.0**	**30.4**	**15.1**	**19.1**	**19.6**	**21.7**	**21.6**
OECD-EU21	**24.4**	**28.8**	**34.6**	**17.2**	**21.4**	**22.2**	**24.8**	**24.8**

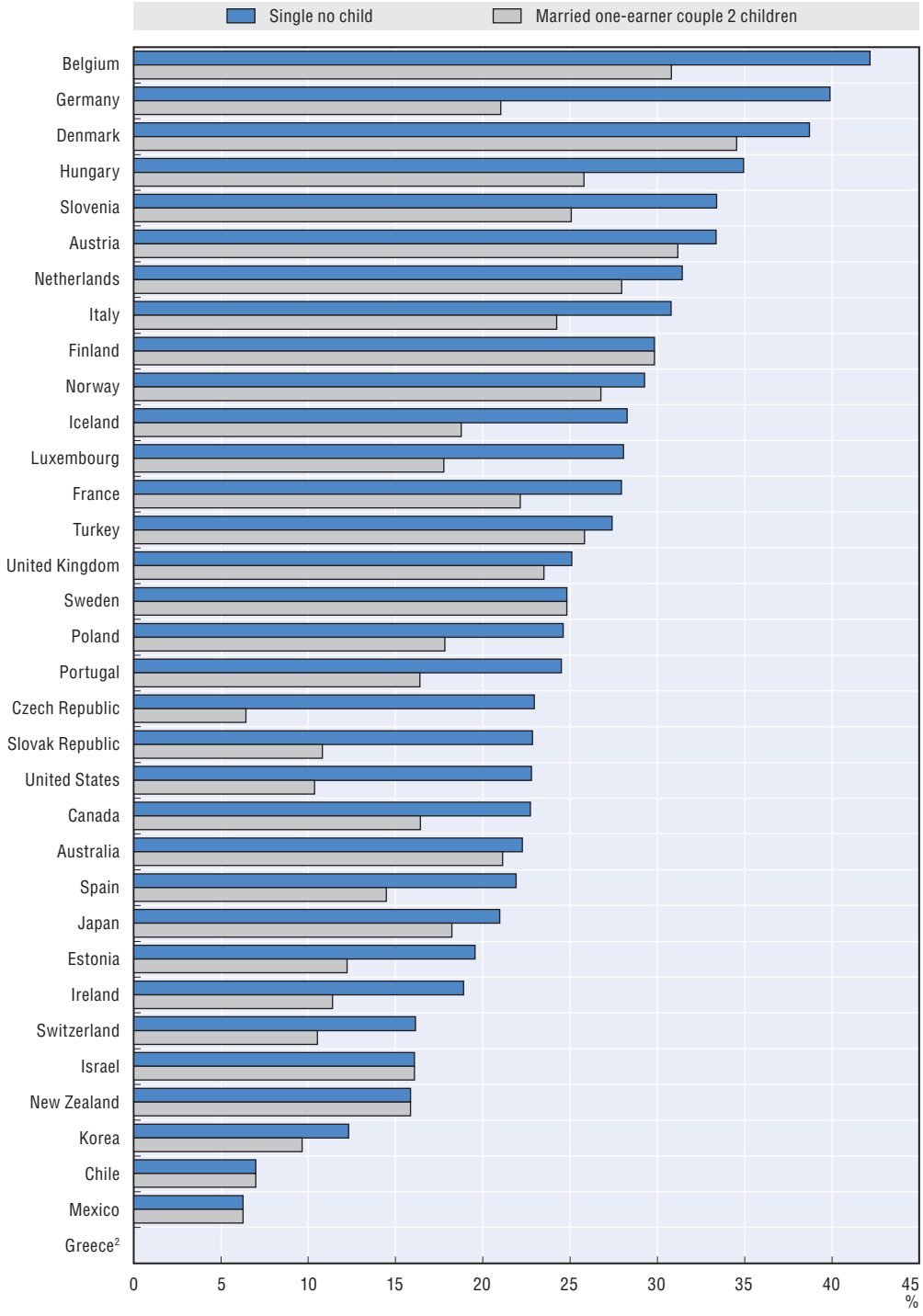
Note: ch = children.

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
3. Two-earner family.

StatLink http://dx.doi.org/10.1787/888932588746

Figure I.2. **Income tax plus employee contributions, 2011**

As % of gross wage earnings, by family-type[1]



1. Corresponds to Table I.2, columns 2 and 5.
2. The 2011 average earnings figure for Greece was not available at the final compilation stage.

Sources: Country submissions, *OECD Economic Outlook*, Volume 2011 (No. 90).

StatLink http://dx.doi.org/10.1787/888932587074

Table I.3. **Income tax plus employee contributions less cash benefits, 2011**

As % of gross wage earnings, by family-type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	15.9	22.3	28.2	-12.3	10.1	13.0	19.7	18.3
Austria	27.3	33.4	38.5	5.4	18.7	18.9	23.1	28.6
Belgium	35.6	42.2	49.1	17.3	22.3	26.6	33.0	34.8
Canada	17.5	22.7	26.8	-18.7	9.4	15.0	18.5	19.4
Chile	7.0	7.0	7.8	6.0	7.0	4.9	6.6	7.0
Czech Republic	18.9	23.0	26.2	-12.0	-4.9	7.2	12.4	20.0
Denmark	36.8	38.4	44.8	11.4	27.4	32.2	33.9	37.0
Estonia	17.7	19.6	21.0	-1.7	7.6	11.5	13.8	17.7
Finland	23.1	29.8	36.9	9.8	23.7	21.0	23.5	25.6
France	26.1	28.0	33.6	14.8	17.9	18.5	22.5	26.1
Germany	34.9	39.9	43.8	17.6	21.0	26.8	31.1	34.9
Greece[1]	..	..	..	..	..	..	..	..
Hungary	29.5	35.0	37.8	-2.8	13.6	15.5	20.0	31.5
Iceland	23.1	28.3	32.9	11.5	14.2	21.3	25.5	23.4
Ireland	12.8	18.9	32.1	-38.0	-2.9	4.5	10.3	12.2
Israel	9.4	16.1	24.7	-4.0	12.1	8.3	9.5	12.9
Italy	26.7	30.8	37.9	6.3	18.9	21.1	24.8	26.7
Japan	19.5	21.0	24.8	8.3	12.1	14.4	15.9	20.0
Korea	9.4	12.3	15.3	8.7	9.6	9.7	9.8	11.3
Luxembourg	20.5	28.1	36.6	-9.6	2.7	7.5	13.5	18.9
Mexico	1.0	6.3	13.6	1.0	6.3	2.2	4.2	2.2
Netherlands	26.8	31.4	37.4	3.1	23.6	22.4	24.7	27.5
New Zealand	12.9	15.9	22.0	-18.7	-1.2	7.0	13.1	14.8
Norway	25.6	29.3	35.7	11.1	22.0	22.9	24.9	26.5
Poland	23.6	24.6	25.4	17.8	17.8	19.2	20.7	23.6
Portugal	17.3	24.5	32.9	5.6	12.4	13.8	21.0	18.3
Slovak Republic	19.4	22.9	25.5	3.6	5.3	11.1	15.1	19.0
Slovenia	28.8	33.4	39.3	-1.4	10.8	19.4	23.5	30.6
Spain	17.7	21.9	26.7	8.5	14.5	16.6	18.0	18.0
Sweden	22.1	24.8	35.4	11.3	17.6	17.1	19.4	22.5
Switzerland	13.0	16.1	20.7	-3.2	2.8	5.7	8.9	13.6
Turkey[2]	24.8	27.4	31.2	23.4	25.8	27.0	27.7	27.7
United Kingdom	21.7	25.1	30.4	-1.7	18.4	17.8	20.7	21.7
United States	19.6	22.8	28.6	-1.3	10.4	14.6	17.2	20.2
Unweighted average								
OECD-average	**20.8**	**24.9**	**30.4**	**2.3**	**13.0**	**15.6**	**19.0**	**21.6**
OECD-EU21	**24.4**	**28.8**	**34.6**	**3.3**	**14.3**	**17.4**	**21.3**	**24.7**

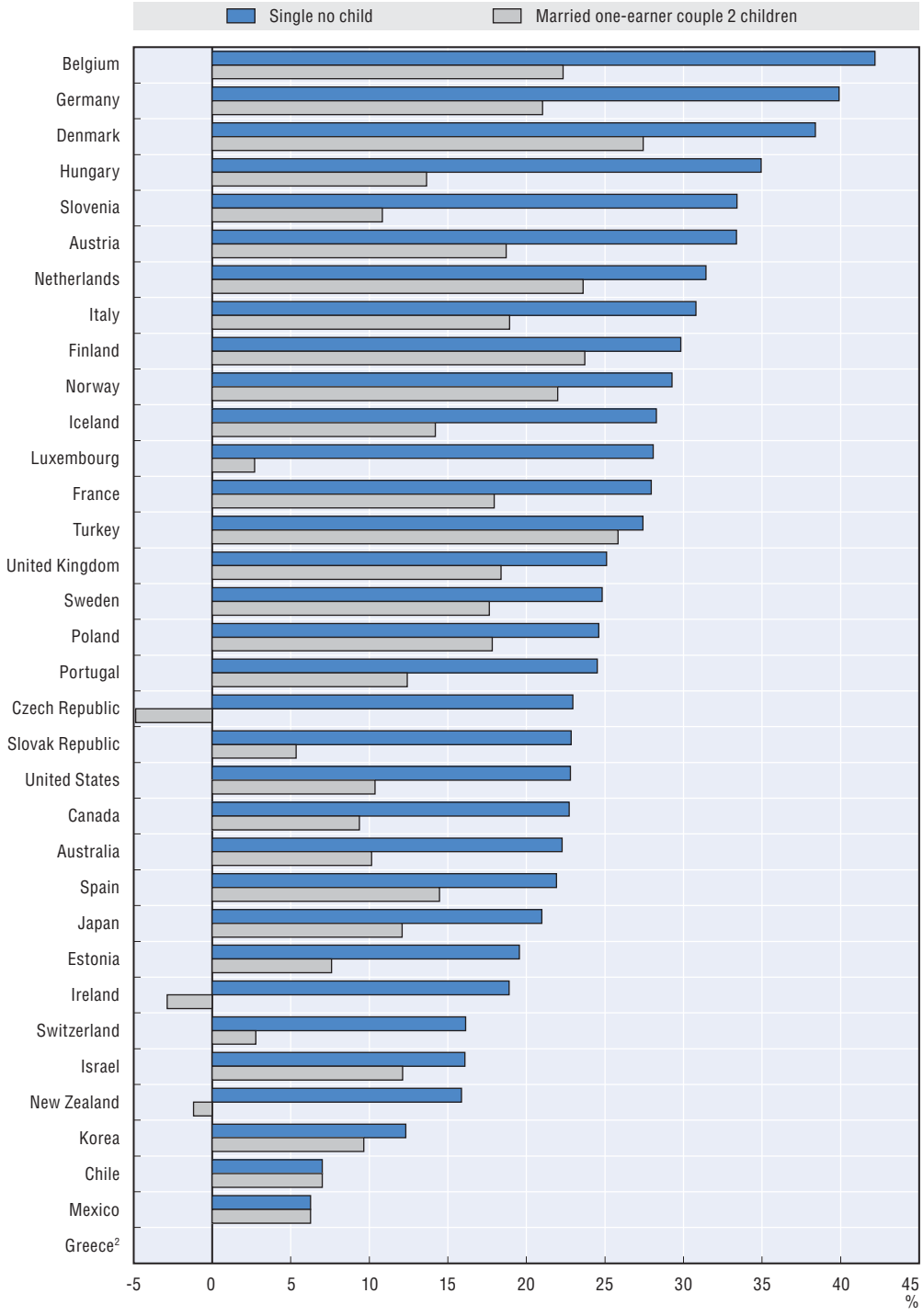
Note: ch = children.

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
3. Two-earner family.

StatLink http://dx.doi.org/10.1787/888932588765

Figure I.3. **Income tax plus employee contributions less cash benefits, 2011**

As % of gross wage earnings, by family-type[1]



1. Corresponds to Table I.3, columns 2 and 5.
2. The 2011 average earnings figure for Greece was not available at the final compilation stage.

Sources: Country submissions, *OECD Economic Outlook*, Volume 2011 (No. 90).

StatLink http://dx.doi.org/10.1787/888932587093

Table I.4. **Income tax, by family-type and wage level, 2011**

As % of gross wage earnings

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	15.9	22.3	28.2	14.2	21.1	17.4	19.7	18.3
Austria	9.2	15.3	22.3	6.1	13.1	10.9	12.6	11.3
Belgium	21.7	28.2	35.0	16.2	16.8	22.2	24.1	24.1
Canada	11.7	15.5	22.0	1.2	9.2	11.5	13.1	12.5
Chile	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0
Czech Republic	7.9	12.0	15.2	-4.1	-4.6	3.0	5.3	9.0
Denmark	25.2	28.0	35.1	25.2	23.8	25.4	26.9	25.4
Estonia	14.9	16.8	18.2	9.4	9.4	12.2	13.8	14.9
Finland	16.0	22.7	29.7	16.0	22.7	18.6	20.0	18.6
France	12.4	14.3	20.6	7.5	8.5	8.0	11.3	12.4
Germany	14.0	19.0	27.7	-3.0	0.4	6.2	10.5	14.0
Greece[1]	..	..	..	..	..	..	..	..
Hungary	12.0	17.5	20.3	0.0	8.3	7.2	9.8	14.0
Iceland	22.4	27.8	32.6	22.4	18.3	22.7	25.6	22.7
Ireland	8.8	14.9	28.1	3.9	7.4	9.2	12.5	9.2
Israel	3.8	8.4	15.3	0.0	8.4	4.6	5.0	6.3
Italy	17.2	21.3	28.3	10.2	14.7	14.0	17.0	17.2
Japan	6.1	7.6	11.9	4.1	4.8	5.6	6.2	6.6
Korea	1.4	4.3	8.4	0.6	1.6	1.6	1.8	3.3
Luxembourg	7.5	15.0	23.4	0.0	4.7	5.8	9.5	5.8
Mexico	-0.2	4.9	12.1	-0.2	4.9	0.9	2.9	0.9
Netherlands	5.2	16.0	28.1	3.4	15.8	12.1	11.5	12.2
New Zealand	12.9	15.9	22.0	14.5	15.9	14.8	15.3	14.8
Norway	17.8	21.5	27.9	14.0	19.0	18.7	20.0	18.7
Poland	5.7	6.8	7.6	0.0	0.0	1.4	2.9	5.7
Portugal	6.3	13.5	21.9	1.8	5.4	5.6	10.0	7.3
Slovak Republic	6.0	9.5	12.3	-1.6	-2.6	1.8	5.0	5.6
Slovenia	6.7	11.3	17.2	0.0	3.0	3.8	5.7	8.5
Spain	11.3	15.6	20.8	2.1	8.1	10.3	11.7	11.7
Sweden	15.1	17.8	30.7	15.1	17.8	15.5	16.7	15.5
Switzerland	6.8	10.0	14.6	2.2	4.4	5.3	7.4	7.4
Turkey[2]	9.8	12.4	16.2	8.4	10.8	12.0	12.7	12.7
United Kingdom	13.5	15.6	22.5	-2.2	14.0	13.5	14.8	13.5
United States	14.0	17.2	23.0	-7.0	4.7	9.0	11.5	14.6
Unweighted average								
OECD-average	**10.9**	**15.1**	**21.2**	**5.5**	**9.4**	**10.0**	**11.9**	**12.0**
OECD-EU21	**11.8**	**16.6**	**23.3**	**5.3**	**9.3**	**10.3**	**12.6**	**12.8**

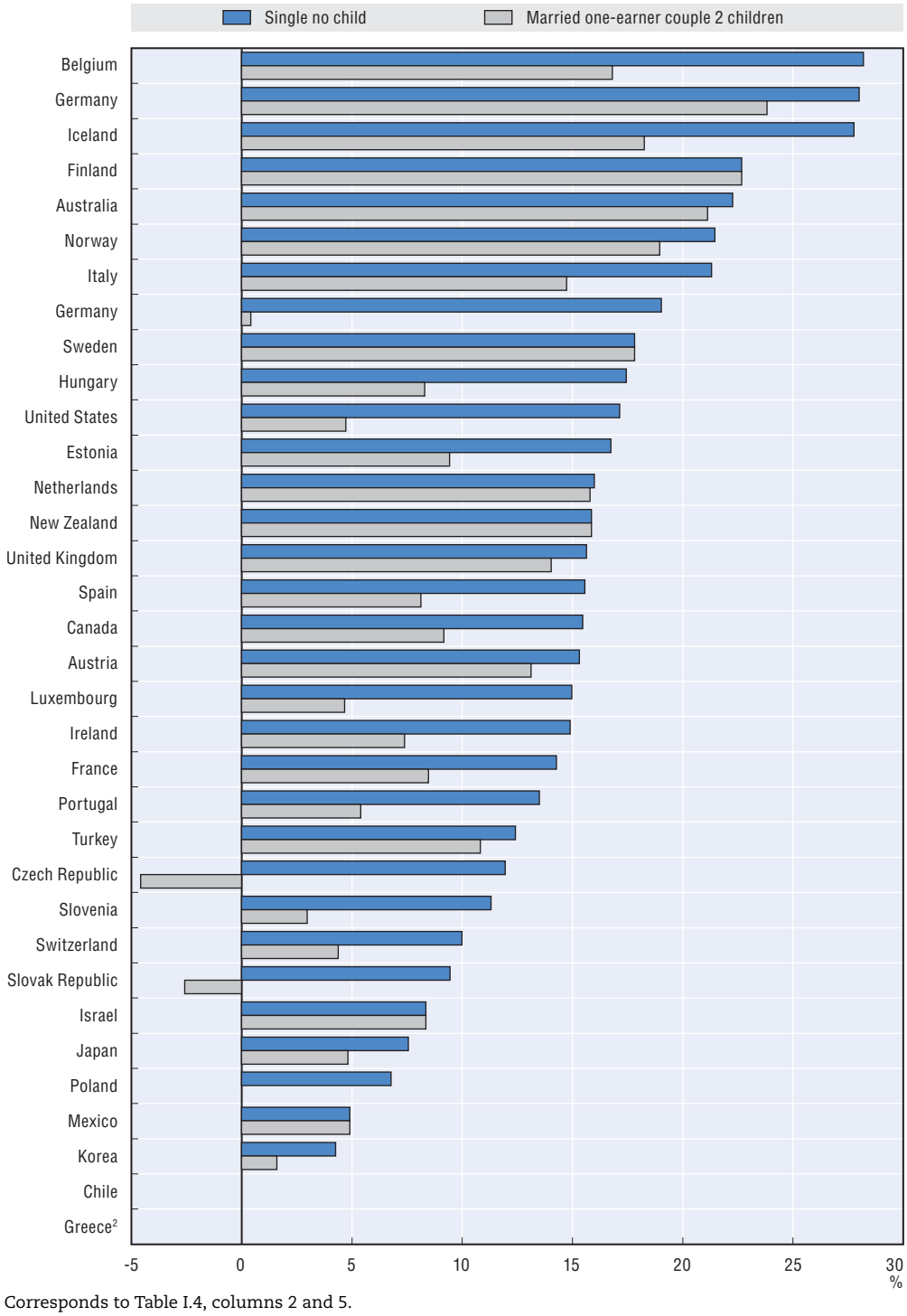
Note: ch = children.

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
3. Two-earner family.

StatLink http://dx.doi.org/10.1787/888932588784

Figure I.4. **Income tax, by family-type, 2011**

As % of gross wage earnings[1]



1. Corresponds to Table I.4, columns 2 and 5.
2. The 2011 average earnings figure for Greece was not available at the final compilation stage.

Sources: Country submissions, *OECD Economic Outlook*, Volume 2011 (No. 90).

StatLink http://dx.doi.org/10.1787/888932587112

Table I.5. **Employee contributions, 2011**

As % of gross wage earnings, by family-type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Austria	18.1	18.1	16.2	18.1	18.1	17.3	18.1	17.3
Belgium	13.9	14.0	14.1	13.9	14.0	10.8	14.0	10.8
Canada	7.1	7.3	4.9	7.1	7.3	6.8	7.2	6.8
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Denmark	12.1	10.7	9.6	12.1	10.7	12.1	11.3	12.1
Estonia	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Finland	7.1	7.2	7.2	7.1	7.2	7.0	7.1	7.0
France	13.7	13.7	13.1	13.7	13.7	13.7	13.7	13.7
Germany	20.9	20.9	16.1	20.6	20.6	20.6	20.6	20.9
Greece[1]	..	..	..	..	..	..	..	..
Hungary	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Iceland	0.8	0.5	0.3	0.8	0.5	0.8	0.6	0.8
Ireland	4.0	4.0	4.0	4.0	4.0	3.0	4.0	3.0
Israel	5.6	7.7	9.4	5.6	7.7	6.7	6.9	6.7
Italy	9.5	9.5	9.6	9.5	9.5	9.5	9.5	9.5
Japan	13.4	13.4	12.9	13.4	13.4	13.4	13.4	13.4
Korea	8.1	8.1	6.9	8.1	8.1	8.1	8.1	8.1
Luxembourg	13.0	13.1	13.2	13.0	13.1	13.0	13.1	13.0
Mexico	1.2	1.4	1.5	1.2	1.4	1.3	1.3	1.3
Netherlands	21.6	15.4	9.3	9.9	12.2	13.4	15.7	15.3
New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Poland	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Portugal	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Slovak Republic	13.4	13.4	13.2	13.4	13.4	13.4	13.4	13.4
Slovenia	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1
Spain	6.4	6.4	5.9	6.4	6.4	6.4	6.4	6.4
Sweden	7.0	7.0	4.7	7.0	7.0	7.0	7.0	7.0
Switzerland	6.2	6.2	6.1	6.2	6.2	6.2	6.2	6.2
Turkey[2]	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
United Kingdom	8.2	9.5	7.9	8.2	9.5	8.2	9.0	8.2
United States	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Unweighted average								
OECD-average	**10.0**	**9.8**	**9.2**	**9.6**	**9.7**	**9.6**	**9.8**	**9.6**
OECD-EU21	**12.5**	**12.2**	**11.3**	**12.0**	**12.1**	**11.9**	**12.2**	**12.0**

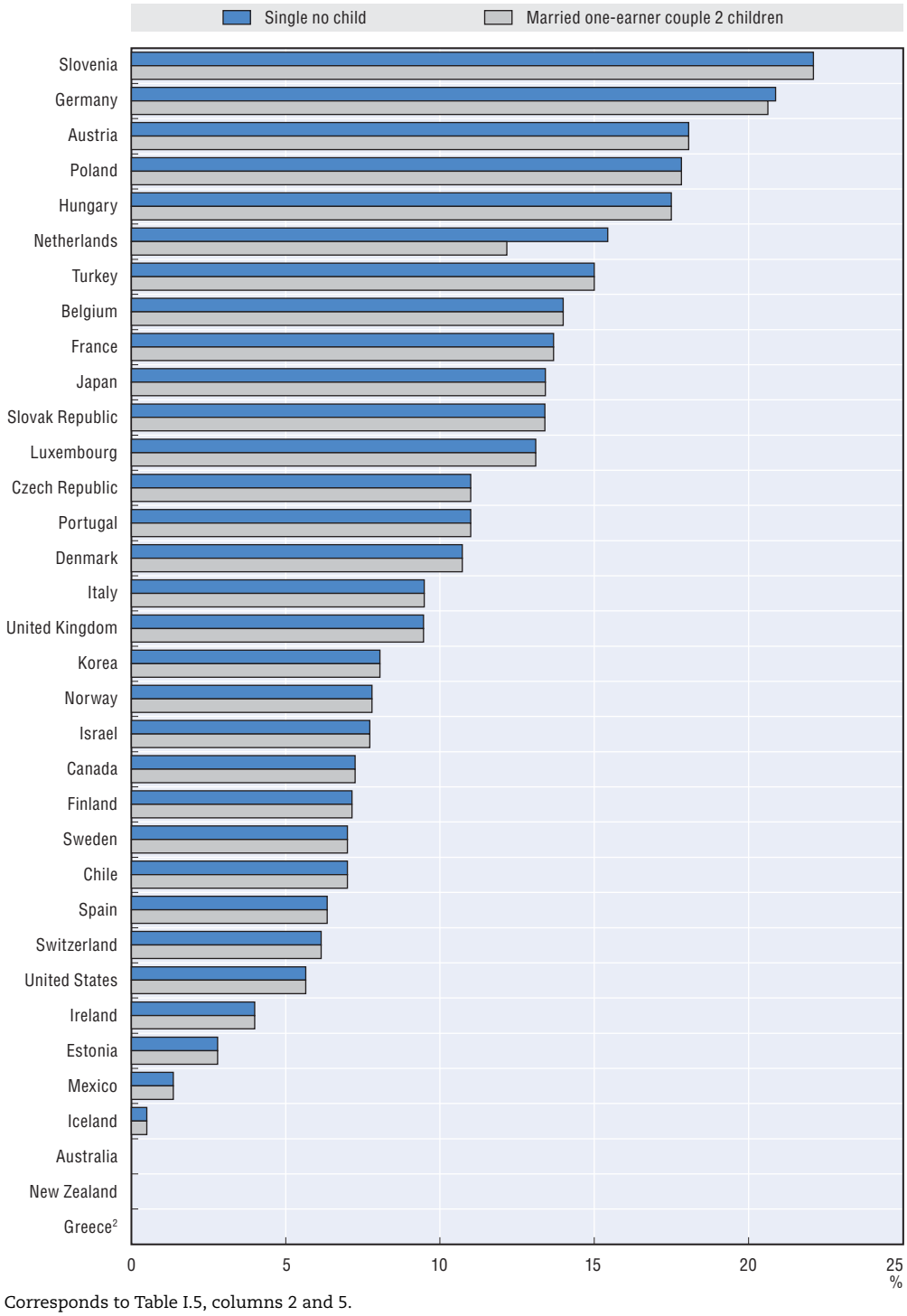
Note: ch = children.

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
3. Two-earner family.

StatLink http://dx.doi.org/10.1787/888932588803

Figure I.5. **Employee contributions, 2011**

As % of gross wage earnings, by family-type[1]



1. Corresponds to Table I.5, columns 2 and 5.
2. The 2011 average earnings figure for Greece was not available at the final compilation stage.

Sources: Country submissions, *OECD Economic Outlook*, Volume 2011 (No. 90).

StatLink http://dx.doi.org/10.1787/888932587131

Table I.6. **Marginal rate of income tax plus employee and employer contributions less cash benefits, 2011**[1]

As % of labour costs, by family-type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[4]	Married 2 ch 100-67 (% AW)[4]	Married no ch 100-33 (% AW)[4]
Australia	39.1	35.4	42.0	58.0	54.2	35.4	35.4	35.4
Austria	56.9	60.6	42.2	56.9	60.6	60.6	60.6	60.6
Belgium	66.3	66.3	69.4	66.3	66.3	66.3	66.3	66.3
Canada	33.5	40.8	38.3	60.5	68.1	44.5	44.5	40.8
Chile	7.0	7.0	11.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	48.6	48.6	48.6	55.7	54.0	54.0	54.0	48.6
Denmark	40.9	42.3	56.1	40.9	42.3	42.3	42.3	42.3
Estonia	42.9	42.9	42.9	42.9	42.9	42.9	42.9	42.9
Finland	53.1	57.2	57.2	53.1	57.2	57.2	57.2	57.2
France	63.2	51.3	59.7	57.7	48.3	46.9	51.3	51.3
Germany	56.0	60.4	44.3	54.2	52.7	55.7	57.9	56.0
Greece[2]	..	..	..	..	..	..	..	..
Hungary	51.6	63.5	51.6	35.8	63.5	63.5	63.5	63.5
Iceland	43.5	43.5	48.8	50.6	50.6	47.9	47.9	43.5
Ireland	37.7	56.7	56.7	67.9	75.1	37.7	37.7	37.7
Israel	30.0	38.6	45.2	16.8	38.6	60.3	38.6	38.6
Italy	54.0	54.1	62.0	54.5	55.1	55.1	54.6	54.1
Japan	31.6	35.8	34.7	31.6	32.9	35.8	35.8	35.8
Korea	19.8	28.8	22.9	18.6	25.1	25.1	25.1	28.8
Luxembourg	42.5	54.9	54.9	42.5	37.6	40.9	47.5	40.9
Mexico	17.5	18.7	28.4	17.5	18.7	18.7	18.7	18.7
Netherlands	48.7	47.0	49.2	51.7	53.5	47.0	47.0	47.0
New Zealand	17.5	30.0	33.0	17.5	50.0	50.0	50.0	30.0
Norway	43.2	51.2	53.8	43.2	51.2	51.2	51.2	51.2
Poland	36.1	36.1	36.1	28.4	28.4	36.1	36.1	36.1
Portugal	50.7	50.7	59.6	50.7	42.2	50.7	50.7	50.7
Slovak Republic	44.4	44.4	42.8	44.4	44.4	44.4	44.4	44.4
Slovenia	43.6	51.0	60.4	32.9	43.6	43.6	43.6	51.0
Spain	45.2	48.1	37.0	52.4	45.2	48.1	48.1	48.1
Sweden	45.6	47.9	66.9	45.6	47.9	47.9	47.9	47.9
Switzerland	23.0	27.7	35.6	18.7	21.9	23.6	28.5	26.0
Turkey[3]	42.2	42.2	47.3	42.2	42.2	42.2	42.2	42.2
United Kingdom	40.2	40.2	49.0	76.3	40.2	40.2	40.2	40.2
United States	32.5	41.8	41.8	51.4	32.5	32.5	32.5	32.5
Unweighted average								
OECD-average	**40.9**	**44.4**	**46.3**	**43.8**	**45.3**	**44.1**	**44.0**	**42.9**
OECD-EU21	**48.4**	**51.2**	**52.3**	**50.5**	**50.1**	**49.1**	**49.7**	**49.3**

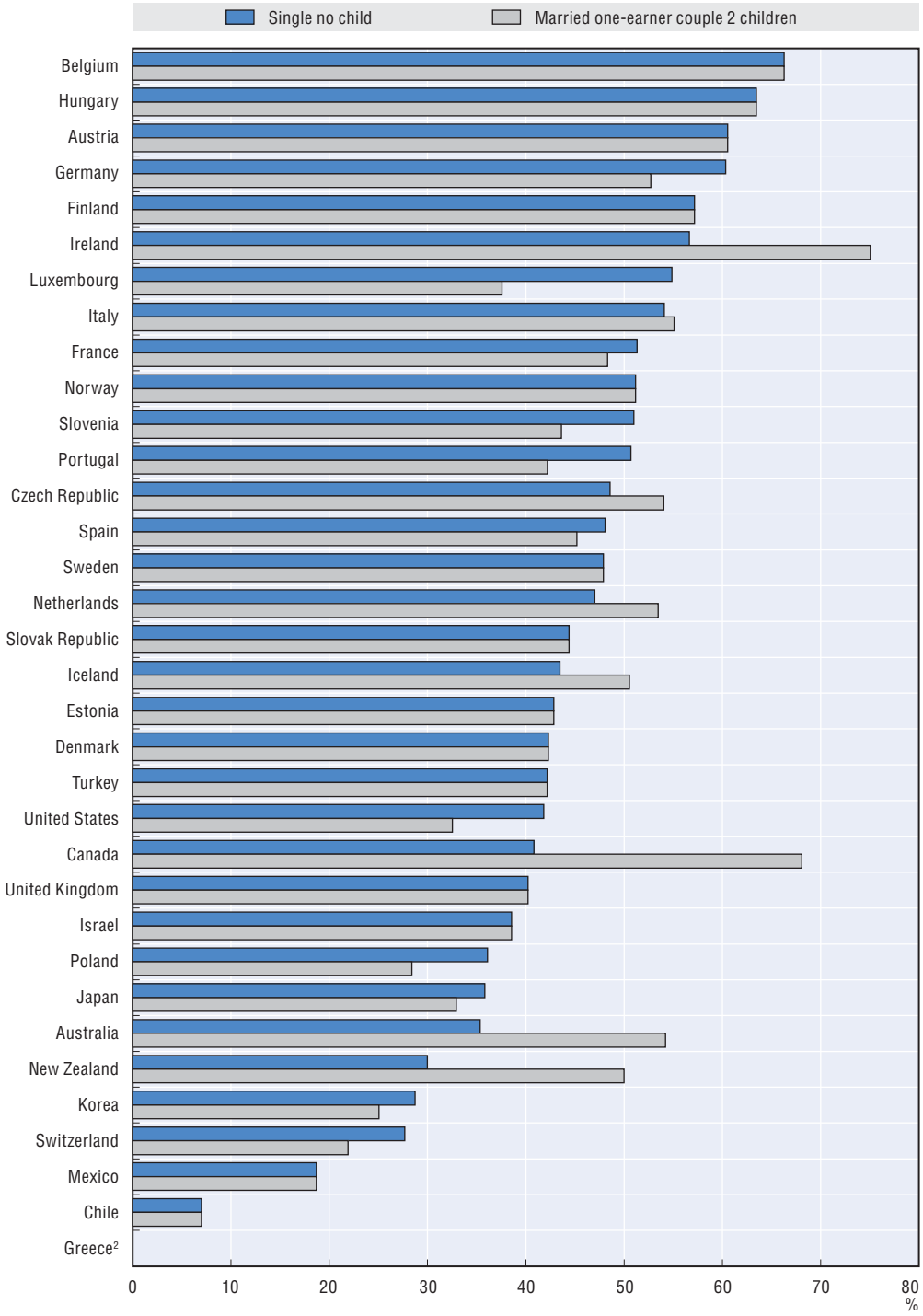
Note: ch = children.

1. Assumes a rise in gross earnings of the principal earner in the household. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.
2. The 2011 average earnings figure for Greece was not available at the final compilation stage.
3. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
4. Two-earner family.

StatLink http://dx.doi.org/10.1787/888932588822

Figure I.6. **Marginal rate of income tax plus employee and employer contributions less cash benefits, 2011**

As % of labour costs, by family-type[1]



1. Corresponds to Table I.6, columns 2 and 5.
2. The 2011 average earnings figure for Greece was not available at the final compilation stage.

Sources: Country submissions, *OECD Economic Outlook*, Volume 2011 (No. 90).

StatLink http://dx.doi.org/10.1787/888932587150

Table I.7. **Marginal rate of income tax plus employee contributions less cash benefits, 2011**[1]

As % of gross wage earnings, by family-type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[4]	Married 2 ch 100-67 (% AW)[4]	Married no ch 100-33 (% AW)[4]
Australia	35.5	31.5	38.5	55.5	51.5	31.5	31.5	31.5
Austria	44.4	49.1	37.9	44.4	49.1	49.1	49.1	49.1
Belgium	54.9	54.9	60.9	54.9	54.9	54.9	54.9	54.9
Canada	25.4	35.1	35.4	55.7	65.0	39.1	39.1	35.1
Chile	7.0	7.0	11.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	31.1	31.1	31.1	40.7	38.4	38.4	38.4	31.1
Denmark	40.9	42.3	56.1	40.9	42.3	42.3	42.3	42.3
Estonia	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2
Finland	42.6	47.5	47.5	42.6	47.5	47.5	47.5	47.5
France	31.7	30.4	42.3	21.5	26.1	24.0	30.4	30.4
Germany	47.3	52.5	44.3	45.2	43.4	47.0	49.6	47.3
Greece[2]	..	..	..	..	..	..	..	..
Hungary	37.8	53.1	37.8	17.5	53.1	53.1	53.1	53.1
Iceland	38.6	38.6	44.4	46.3	46.3	43.4	43.4	38.6
Ireland	31.0	52.0	52.0	64.4	72.4	31.0	31.0	31.0
Israel	26.0	35.0	42.0	12.0	35.0	58.0	35.0	35.0
Italy	39.3	39.4	49.8	40.0	40.7	40.7	40.1	39.4
Japan	21.9	26.7	30.7	21.9	23.4	26.7	26.7	26.7
Korea	11.8	21.6	18.6	10.4	17.5	17.5	17.5	21.6
Luxembourg	35.5	49.3	49.3	35.5	29.9	33.6	41.0	33.6
Mexico	12.1	12.5	22.9	12.1	12.5	12.5	12.5	12.5
Netherlands	42.8	40.9	49.2	46.1	48.1	40.9	40.9	40.9
New Zealand	17.5	30.0	33.0	17.5	50.0	50.0	50.0	30.0
Norway	35.8	44.8	47.8	35.8	44.8	44.8	44.8	44.8
Poland	26.7	26.7	26.7	17.8	17.8	26.7	26.7	26.7
Portugal	39.0	39.0	50.0	39.0	28.5	39.0	39.0	39.0
Slovak Republic	29.9	29.9	28.7	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	28.8	32.6	37.0	38.2	28.8	32.6	32.6	32.6
Sweden	28.6	31.6	56.6	28.6	31.6	31.6	31.6	31.6
Switzerland	18.2	23.2	31.7	13.7	17.1	18.9	24.1	21.4
Turkey[3]	32.7	32.7	38.6	32.7	32.7	32.7	32.7	32.7
United Kingdom	32.0	32.0	42.0	73.0	32.0	32.0	32.0	32.0
United States	27.4	37.4	37.4	47.6	27.4	27.4	27.4	27.4
Unweighted average								
OECD-average	**31.3**	**35.7**	**39.7**	**34.3**	**36.4**	**35.2**	**35.1**	**34.0**
OECD-EU21	**36.1**	**40.0**	**43.8**	**38.3**	**38.6**	**37.6**	**38.4**	**37.9**

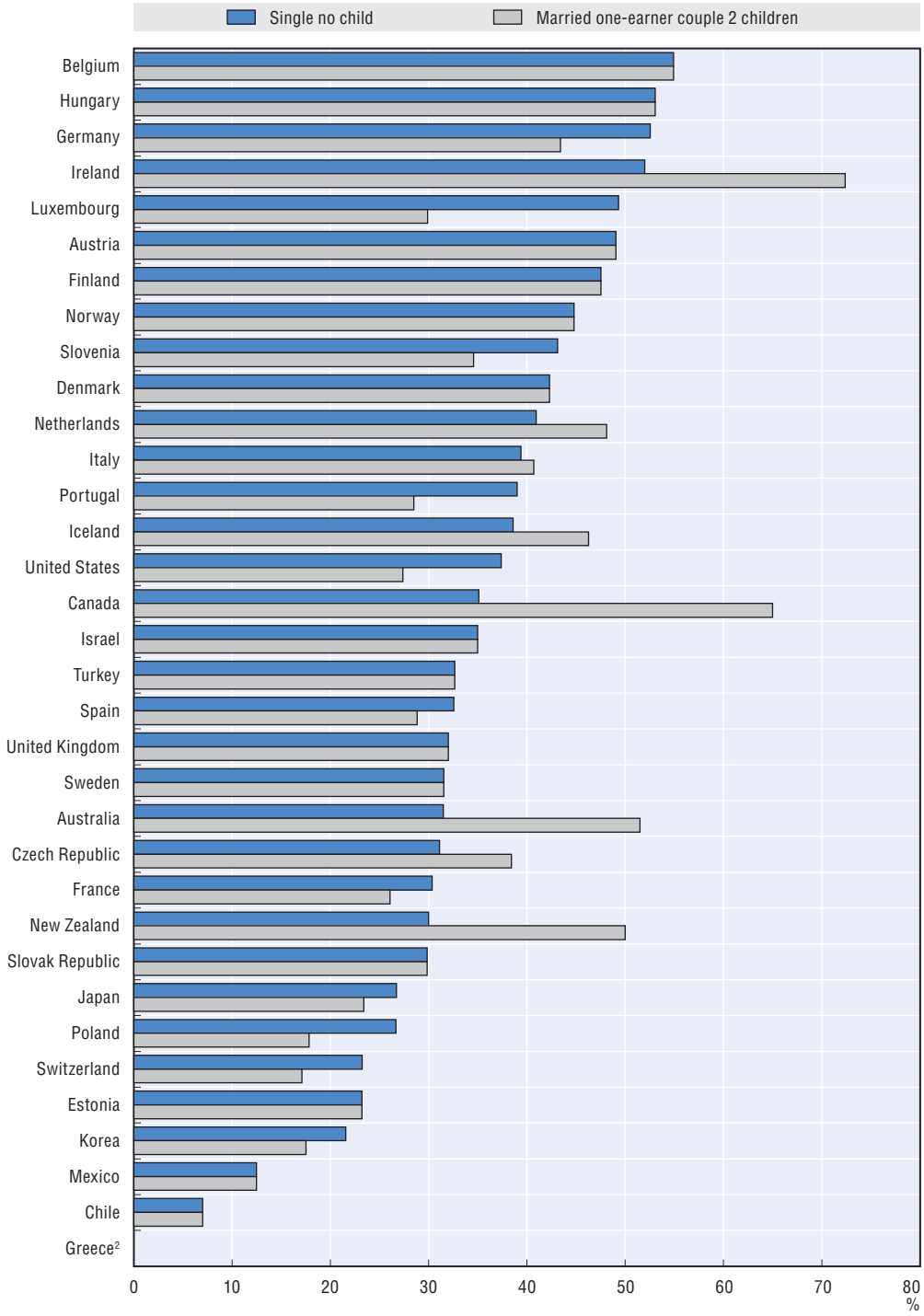
Note: ch = children.

1. Assumes a rise in gross earnings of the principal earner in the household. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.
2. The 2011 average earnings figure for Greece was not available at the final compilation stage.
3. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
4. Two-earner family.

StatLink http://dx.doi.org/10.1787/888932588841

Figure I.7. **Marginal rate of income tax plus employee contributions less cash benefits, 2011**

As % of gross wage earnings, by family-type[1]



1. Corresponds to Table I.7, columns 2 and 5.
2. The 2011 average earnings figure for Greece was not available at the final compilation stage.

Sources: Country submissions, *OECD Economic Outlook*, Volume 2011 (No. 90).

StatLink http://dx.doi.org/10.1787/888932587169

Table I.8. **Increase in net income after an increase of 1 currency unit in gross wages, 2011**[1]

By family-type and wage level (%)

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[4]	Married 2 ch 100-67 (% AW)[4]	Married no ch 100-33 (% AW)[4]
Australia	0.77	0.88	0.86	0.40	0.54	0.79	0.85	0.84
Austria	0.76	0.76	1.01	0.59	0.63	0.63	0.66	0.71
Belgium	0.70	0.78	0.77	0.54	0.58	0.61	0.67	0.69
Canada	0.90	0.84	0.88	0.37	0.39	0.72	0.75	0.80
Chile	1.00	1.00	0.96	0.99	1.00	0.98	1.00	1.00
Czech Republic	0.85	0.89	0.93	0.53	0.59	0.66	0.70	0.86
Denmark	0.94	0.94	0.80	0.67	0.80	0.85	0.87	0.92
Estonia	0.93	0.96	0.97	0.76	0.83	0.87	0.89	0.93
Finland	0.75	0.75	0.83	0.64	0.69	0.66	0.68	0.70
France	0.92	0.97	0.87	0.92	0.90	0.93	0.90	0.94
Germany	0.81	0.79	0.99	0.66	0.72	0.72	0.73	0.81
Greece[2]	..	..	..	..	..	..	..	..
Hungary	0.88	0.72	1.00	0.80	0.54	0.56	0.59	0.68
Iceland	0.80	0.86	0.83	0.61	0.63	0.72	0.76	0.80
Ireland	0.79	0.59	0.71	0.26	0.27	0.72	0.77	0.79
Israel	0.82	0.78	0.77	0.85	0.74	0.46	0.72	0.75
Italy	0.83	0.88	0.81	0.64	0.73	0.75	0.80	0.83
Japan	0.97	0.93	0.92	0.85	0.87	0.86	0.87	0.92
Korea	0.97	0.89	0.96	0.98	0.91	0.91	0.92	0.88
Luxembourg	0.81	0.70	0.80	0.59	0.72	0.72	0.68	0.82
Mexico	0.89	0.93	0.89	0.89	0.93	0.90	0.91	0.90
Netherlands	0.78	0.86	0.81	0.56	0.68	0.76	0.78	0.82
New Zealand	0.95	0.83	0.86	0.70	0.49	0.54	0.58	0.82
Norway	0.86	0.78	0.81	0.72	0.71	0.72	0.74	0.75
Poland	0.96	0.97	0.98	1.00	1.00	0.91	0.92	0.96
Portugal	0.74	0.81	0.74	0.65	0.82	0.71	0.77	0.75
Slovak Republic	0.87	0.91	0.96	0.73	0.74	0.79	0.83	0.87
Slovenia	0.92	0.85	0.76	0.77	0.73	0.81	0.86	0.82
Spain	0.86	0.86	0.86	0.68	0.83	0.81	0.82	0.82
Sweden	0.92	0.91	0.67	0.80	0.83	0.83	0.85	0.88
Switzerland	0.94	0.92	0.86	0.84	0.85	0.86	0.83	0.91
Turkey[3]	0.90	0.93	0.89	0.88	0.91	0.92	0.93	0.93
United Kingdom	0.87	0.91	0.83	0.26	0.83	0.83	0.86	0.87
United States	0.90	0.81	0.88	0.52	0.81	0.85	0.88	0.91
Unweighted average								
OECD-average	**0.86**	**0.85**	**0.86**	**0.69**	**0.73**	**0.77**	**0.80**	**0.84**
OECD-EU21	**0.84**	**0.84**	**0.86**	**0.65**	**0.72**	**0.76**	**0.78**	**0.82**

Note: ch = children.

1. Net income is calculated as gross earnings *minus* personal income tax and employees' social security contributions *plus* family benefits. The increase reported in the Table represents a form of elasticity. In a proportional tax system the *plus* elasticity would equal 1. The more progressive the system at these income levels, the lower is the elasticity.
2. The 2011 average earnings figure for Greece was not available at the final compilation stage.
3. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
4. Two-earner family. Assumes a rise in the labour costs associated with the principal earner in the household.

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Table I.9. **Increase in net income after an increase of 1 currency unit in gross labour cost, 2011**[1]

By family-type and wage level (%)

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[4]	Married 2 ch 100-67 (% AW)[4]	Married no ch 100-33 (% AW)[4]
Australia	0.77	0.88	0.86	0.40	0.54	0.79	0.85	0.84
Austria	0.76	0.76	1.19	0.59	0.63	0.63	0.66	0.71
Belgium	0.67	0.76	0.78	0.52	0.56	0.58	0.65	0.65
Canada	0.90	0.86	0.92	0.37	0.39	0.73	0.76	0.82
Chile	1.00	1.00	0.96	0.99	1.00	0.98	1.00	1.00
Czech Republic	0.85	0.89	0.93	0.53	0.59	0.66	0.70	0.86
Denmark	0.94	0.94	0.80	0.67	0.80	0.85	0.87	0.92
Estonia	0.93	0.96	0.97	0.76	0.83	0.87	0.89	0.93
Finland	0.75	0.75	0.83	0.64	0.69	0.66	0.68	0.70
France	0.69	0.96	0.87	0.69	0.90	0.88	0.88	0.89
Germany	0.81	0.79	1.14	0.66	0.72	0.72	0.73	0.81
Greece[2]	..	..	..	..	..	..	..	..
Hungary	0.88	0.72	1.00	0.80	0.54	0.56	0.59	0.68
Iceland	0.80	0.86	0.83	0.61	0.63	0.72	0.76	0.80
Ireland	0.79	0.59	0.71	0.26	0.27	0.72	0.77	0.78
Israel	0.80	0.77	0.76	0.83	0.73	0.45	0.71	0.74
Italy	0.83	0.88	0.81	0.64	0.73	0.75	0.80	0.83
Japan	0.97	0.93	0.99	0.85	0.87	0.86	0.87	0.92
Korea	0.97	0.89	0.99	0.98	0.91	0.91	0.92	0.88
Luxembourg	0.81	0.70	0.80	0.59	0.72	0.72	0.68	0.82
Mexico	0.95	0.97	0.91	0.95	0.97	0.95	0.96	0.95
Netherlands	0.77	0.85	0.87	0.55	0.67	0.75	0.77	0.80
New Zealand	0.95	0.83	0.86	0.70	0.49	0.54	0.58	0.82
Norway	0.86	0.78	0.81	0.72	0.71	0.72	0.74	0.75
Poland	0.96	0.97	0.98	1.00	1.00	0.91	0.92	0.96
Portugal	0.74	0.81	0.74	0.65	0.82	0.71	0.77	0.75
Slovak Republic	0.87	0.91	0.97	0.73	0.74	0.79	0.83	0.87
Slovenia	0.92	0.85	0.76	0.77	0.73	0.81	0.86	0.82
Spain	0.86	0.86	1.10	0.68	0.83	0.81	0.82	0.82
Sweden	0.92	0.91	0.67	0.80	0.83	0.83	0.85	0.88
Switzerland	0.94	0.92	0.86	0.84	0.85	0.86	0.83	0.91
Turkey[3]	0.90	0.93	0.89	0.88	0.91	0.92	0.93	0.93
United Kingdom	0.84	0.88	0.82	0.26	0.81	0.80	0.83	0.84
United States	0.93	0.82	0.89	0.53	0.82	0.87	0.90	0.93
Unweighted average								
OECD-average	**0.86**	**0.85**	**0.89**	**0.68**	**0.73**	**0.77**	**0.80**	**0.84**
OECD-EU21	**0.83**	**0.84**	**0.89**	**0.64**	**0.72**	**0.75**	**0.78**	**0.82**

Note: ch = children.

1. Net income is calculated as gross earnings *minus* personal income tax and employees' social security contributions *plus* family benefits. The increase reported in the Table represents a form of elasticity. In a proportional tax system, the *plus* elasticity would equal 1. The more progressive the system at these income levels, the lower is the elasticity.
2. The 2011 average earnings figure for Greece was not available at the final compilation stage.
3. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
4. Two-earner family. Assumes a rise in the labour costs associated with the principal earner in the household.

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Table I.10. **Annual gross wage and net income, 2011**

In US dollars using PPP, by family-type and wage level

	Single no ch 67 (% AW)		Single no ch 100 (% AW)		Single no ch 167 (% AW)		Single 2 ch 67 (% AW)	
	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes
Australia	29 902	25 158	44 853	34 863	74 755	53 706	29 902	33 589
Austria	30 807	22 399	46 210	30 785	77 017	47 349	30 807	29 139
Belgium	32 901	21 189	49 351	28 525	82 252	41 886	32 901	27 195
Canada	25 033	20 646	37 549	29 015	62 581	45 779	25 033	29 712
Chile	9 687	9 009	14 530	13 513	24 217	22 330	9 687	9 102
Czech Republic	13 912	11 284	20 868	16 077	34 780	25 662	13 912	15 585
Denmark	32 662	20 643	48 994	30 182	81 656	45 110	32 662	28 955
Estonia	12 426	10 224	18 639	14 995	31 065	24 536	12 426	12 636
Finland	29 199	22 466	43 798	30 729	72 996	46 048	29 199	26 333
France	27 574	20 375	41 361	29 798	68 935	45 739	27 574	23 481
Germany	36 633	23 844	54 950	33 019	91 583	51 506	36 633	30 179
Greece[1]	..	..	..	..	..	..	..	..
Hungary	13 468	9 492	20 202	13 141	33 670	20 936	13 468	13 846
Iceland	27 004	20 759	40 507	29 049	67 511	45 300	27 004	23 908
Ireland	26 150	22 799	39 225	31 810	65 376	44 362	26 150	36 082
Israel	21 399	19 384	32 098	26 935	53 496	40 287	21 399	22 264
Italy	24 240	17 768	36 360	25 159	60 601	37 622	24 240	22 722
Japan	29 825	24 017	44 738	35 350	74 563	56 082	29 825	27 362
Korea	29 295	26 532	43 943	38 529	73 238	62 048	29 295	26 749
Luxembourg	35 653	28 344	53 480	38 464	89 133	56 545	35 653	39 071
Mexico	7 357	7 280	11 035	10 344	18 392	15 887	7 357	7 280
Netherlands	36 777	26 929	55 165	37 823	91 942	57 519	36 777	35 639
New Zealand	21 617	18 819	32 426	27 280	54 043	42 170	21 617	25 661
Norway	33 763	25 131	50 644	35 818	84 407	54 310	33 763	30 029
Poland	13 712	10 479	20 567	15 507	34 279	25 561	13 712	11 267
Portugal	18 557	15 353	27 836	21 013	46 393	31 143	18 557	17 511
Slovak Republic	12 393	9 995	18 589	14 341	30 982	23 093	12 393	11 948
Slovenia	18 385	13 099	27 577	18 363	45 962	27 897	18 385	18 644
Spain	23 686	19 496	35 528	27 741	59 214	43 426	23 686	21 682
Sweden	28 079	21 886	42 118	31 661	70 197	45 354	28 079	24 915
Switzerland	34 492	30 015	51 738	43 387	86 229	68 371	34 492	35 605
Turkey[2]	14 491	10 898	21 736	15 777	36 227	24 926	14 491	11 104
United Kingdom	34 675	27 163	52 013	38 952	86 689	60 306	34 675	35 269
United States	31 200	25 079	46 800	36 129	77 999	55 668	31 200	31 620
Unweighted average								
OECD-average	**24 756**	**19 332**	**37 134**	**27 396**	**61 890**	**42 075**	**24 756**	**24 124**
OECD-EU21	**25 094**	**18 761**	**37 642**	**26 404**	**62 736**	**40 080**	**25 094**	**24 105**

Note: ch = children.

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table I.10. **Annual gross wage and net income, 2011** *(cont.)*

In US dollars using PPP, by family-type and wage level

	Married 2 ch 100-0 (% AW)		Married 2 ch 100-33 (% AW)[3]		Married 2 ch 100-67 (% AW)[3]		Married no ch 100-33 (% AW)[3]	
	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes
Australia	44 853	40 304	59 804	52 043	74 755	60 021	59 804	48 887
Austria	46 210	37 560	61 614	49 986	77 017	59 195	61 614	43 999
Belgium	49 351	38 331	65 802	48 302	82 252	55 081	65 802	42 875
Canada	37 549	34 028	50 065	42 561	62 581	51 031	50 065	40 368
Chile	14 530	13 513	19 374	18 429	24 217	22 615	19 374	18 018
Czech Republic	20 868	21 884	27 824	25 822	34 780	30 450	27 824	22 267
Denmark	48 994	35 549	65 325	44 323	81 656	53 978	65 325	41 170
Estonia	18 639	17 224	24 852	21 995	31 065	26 766	24 852	20 448
Finland	43 798	33 409	58 397	46 134	72 996	55 875	58 397	43 454
France	41 361	33 938	55 148	44 941	68 935	53 458	55 148	40 758
Germany	54 950	43 388	73 266	53 610	91 583	63 082	73 266	47 688
Greece[1]	..	..	..	..	..	..	..	..
Hungary	20 202	17 446	26 936	22 752	33 670	26 939	26 936	18 446
Iceland	40 507	34 750	54 009	42 503	67 511	50 298	54 009	41 365
Ireland	39 225	40 350	52 301	49 952	65 376	58 633	52 301	45 939
Israel	32 098	28 205	42 797	39 241	53 496	48 407	42 797	37 260
Italy	36 360	29 478	48 481	38 237	60 601	45 573	48 481	35 557
Japan	44 738	39 329	59 650	51 055	74 563	62 712	59 650	47 710
Korea	43 943	39 703	58 590	52 925	73 238	66 053	58 590	51 961
Luxembourg	53 480	52 036	71 307	65 926	89 133	77 064	71 307	57 864
Mexico	11 035	10 344	14 714	14 383	18 392	17 623	14 714	14 383
Netherlands	55 165	42 139	73 554	57 083	91 942	69 211	73 554	53 338
New Zealand	32 426	32 813	43 235	40 212	54 043	46 967	43 235	36 841
Norway	50 644	39 506	67 525	52 045	84 407	63 368	67 525	49 626
Poland	20 567	16 901	27 423	22 145	34 279	27 172	27 423	20 959
Portugal	27 836	24 378	37 114	31 978	46 393	36 630	37 114	30 330
Slovak Republic	18 589	17 596	24 786	22 039	30 982	26 289	24 786	20 086
Slovenia	27 577	24 592	36 770	29 636	45 962	35 160	36 770	25 524
Spain	35 528	30 385	47 371	39 487	59 214	48 547	47 371	38 832
Sweden	42 118	34 690	56 157	46 544	70 197	56 576	56 157	43 515
Switzerland	51 738	50 300	68 984	65 069	86 229	78 561	68 984	59 612
Turkey[2]	21 736	16 121	28 982	21 170	36 227	26 193	28 982	20 964
United Kingdom	52 013	42 449	69 351	56 991	86 689	68 780	69 351	54 325
United States	46 800	41 947	62 399	53 276	77 999	64 605	62 399	49 763
Unweighted average								
OECD-average	**37 134**	**31 957**	**49 512**	**41 297**	**61 890**	**49 482**	**49 512**	**38 307**
OECD-EU21	**37 642**	**31 686**	**50 189**	**40 894**	**62 736**	**48 723**	**50 189**	**37 369**

Note: ch = children.

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
3. Two-earner family.

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Table I.11. **Annual labour costs and net income, 2011**

In US dollars using PPP, by family-type and wage level

	Single no ch 67 (% AW)		Single no ch 100 (% AW)		Single no ch 167 (% AW)		Single 2 ch 67 (% AW)	
	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes
Australia	31 686	25 158	47 530	34 863	79 216	53 706	31 686	33 589
Austria	39 781	22 399	59 671	30 785	97 762	47 349	39 781	29 139
Belgium	42 164	21 189	64 170	28 525	106 572	41 886	42 164	27 195
Canada	27 939	20 646	41 939	29 015	68 241	45 779	27 939	29 712
Chile	9 687	9 009	14 530	13 513	24 217	22 330	9 687	9 102
Czech Republic	18 642	11 284	27 963	16 077	46 606	25 662	18 642	15 585
Denmark	32 662	20 643	48 994	30 182	81 656	45 110	32 662	28 955
Estonia	16 701	10 224	25 051	14 995	41 752	24 536	16 701	12 636
Finland	35 768	22 466	53 652	30 729	89 421	46 048	35 768	26 333
France	38 087	20 375	58 862	29 798	98 320	45 739	38 087	23 481
Germany	43 859	23 844	65 789	33 019	105 671	51 506	43 859	30 179
Greece[1]	..	..	..	..	..	..	..	..
Hungary	17 306	9 492	25 960	13 141	43 266	20 936	17 306	13 846
Iceland	29 340	20 759	44 011	29 049	73 351	45 300	29 340	23 908
Ireland	28 961	22 799	43 442	31 810	72 404	44 362	28 961	36 082
Israel	22 276	19 384	33 594	26 935	56 230	40 287	22 276	22 264
Italy	32 017	17 768	48 025	25 159	80 041	37 622	32 017	22 722
Japan	34 060	24 017	51 089	35 350	84 749	56 082	34 060	27 362
Korea	32 246	26 532	48 370	38 529	79 782	62 048	32 246	26 749
Luxembourg	40 042	28 344	60 063	38 464	100 106	56 545	40 042	39 071
Mexico	8 385	7 280	12 337	10 344	20 256	15 887	8 385	7 280
Netherlands	40 260	26 929	60 765	37 823	98 290	57 519	40 260	35 639
New Zealand	21 617	18 819	32 426	27 280	54 043	42 170	21 617	25 661
Norway	38 186	25 131	57 278	35 818	95 464	54 310	38 186	30 029
Poland	15 738	10 479	23 607	15 507	39 345	25 561	15 738	11 267
Portugal	22 964	15 353	34 447	21 013	57 411	31 143	22 964	17 511
Slovak Republic	15 640	9 995	23 460	14 341	39 014	23 093	15 640	11 948
Slovenia	21 345	13 099	32 017	18 363	53 362	27 897	21 345	18 644
Spain	30 768	19 496	46 151	27 741	75 539	43 426	30 768	21 682
Sweden	36 901	21 886	55 351	31 661	92 252	45 354	36 901	24 915
Switzerland	36 613	30 015	54 920	43 387	91 531	68 371	36 613	35 605
Turkey[2]	16 882	10 898	25 323	15 777	42 205	24 926	16 882	11 104
United Kingdom	37 980	27 163	57 710	38 952	97 171	60 306	37 980	35 269
United States	34 461	25 079	51 255	36 129	84 841	55 668	34 461	31 620
Unweighted average								
OECD-average	**28 817**	**19 332**	**43 326**	**27 396**	**71 821**	**42 075**	**28 817**	**24 124**
OECD-EU21	**30 379**	**18 761**	**45 757**	**26 404**	**75 798**	**40 080**	**30 379**	**24 105**

Note: ch = children.

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table I.11. **Annual labour costs and net income, 2011** *(cont.)*

In US dollars using PPP, by family-type and wage level

	Married 2 ch 100-0 (% AW)		Married 2 ch 100-33 (% AW)[3]		Married 2 ch 100-67 (% AW)[3]		Married no ch 100-33 (% AW)[3]	
	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes
Australia	47 530	40 304	63 373	52 043	79 216	60 021	63 373	48 887
Austria	59 671	37 560	79 561	49 986	99 451	59 195	79 561	43 999
Belgium	64 170	38 331	82 481	48 302	106 334	55 081	82 481	42 875
Canada	41 939	34 028	55 837	42 561	69 877	51 031	55 837	40 368
Chile	14 530	13 513	19 374	18 429	24 217	22 615	19 374	18 018
Czech Republic	27 963	21 884	37 285	25 822	46 606	30 450	37 285	22 267
Denmark	48 994	35 549	65 325	44 323	81 656	53 978	65 325	41 170
Estonia	25 051	17 224	33 421	21 995	41 752	26 766	33 421	20 448
Finland	53 652	33 409	71 536	46 134	89 421	55 875	71 536	43 454
France	58 862	33 938	74 896	44 941	96 949	53 458	74 896	40 758
Germany	65 789	43 388	87 718	53 610	109 648	63 082	87 718	47 688
Greece[1]	..	..	..	..	..	..	..	..
Hungary	25 960	17 446	34 613	22 752	43 266	26 939	34 613	18 446
Iceland	44 011	34 750	58 681	42 503	73 351	50 298	58 681	41 365
Ireland	43 442	40 350	57 629	49 952	72 404	58 633	57 629	45 939
Israel	33 594	28 205	44 673	39 241	55 870	48 407	44 673	37 260
Italy	48 025	29 478	64 033	38 237	80 041	45 573	64 033	35 557
Japan	51 089	39 329	68 119	51 055	85 149	62 712	68 119	47 710
Korea	48 370	39 703	64 493	52 925	80 616	66 053	64 493	51 961
Luxembourg	60 063	52 036	80 085	65 926	100 106	77 064	80 085	57 864
Mexico	12 337	10 344	16 802	14 383	20 721	17 623	16 802	14 383
Netherlands	60 765	42 139	80 608	57 083	101 025	69 211	80 608	53 338
New Zealand	32 426	32 813	43 235	40 212	54 043	46 967	43 235	36 841
Norway	57 278	39 506	76 371	52 045	95 464	63 368	76 371	49 626
Poland	23 607	16 901	31 476	22 145	39 345	27 172	31 476	20 959
Portugal	34 447	24 378	45 929	31 978	57 411	36 630	45 929	30 330
Slovak Republic	23 460	17 596	31 279	22 039	39 099	26 289	31 279	20 086
Slovenia	32 017	24 592	42 690	29 636	53 362	35 160	42 690	25 524
Spain	46 151	30 385	61 535	39 487	76 919	48 547	61 535	38 832
Sweden	55 351	34 690	73 802	46 544	92 252	56 576	73 802	43 515
Switzerland	54 920	50 300	73 226	65 069	91 533	78 561	73 226	59 612
Turkey[2]	25 323	16 121	33 764	21 170	42 205	26 193	33 764	20 964
United Kingdom	57 710	42 449	75 960	56 991	95 691	68 780	75 960	54 325
United States	51 255	41 947	68 923	53 276	85 716	64 605	68 923	49 763
Unweighted average								
OECD-average	**43 326**	**31 957**	**57 537**	**41 297**	**72 143**	**49 482**	**57 537**	**38 307**
OECD-EU21	**45 757**	**31 686**	**60 593**	**40 894**	**76 137**	**48 723**	**60 593**	**37 369**

Note: ch = children.

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
3. Two-earner family.

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Graphical exposition of the 2011 estimated tax burden

The graphs in this section show the estimated tax burden on labour income in 2011 for gross wage earnings between 50 per cent and 250 per cent of the average wage (AW). For each OECD member country (with the exception of Greece, for which the 2011 average earnings figure was not available at the time of compilation), there are separate graphs for four family types: single taxpayers without children, single parents with two children, one-earner married couples without children and one-earner married couples with two children. The net personal average and marginal tax rates ([the change in] personal income taxes and employee social security contributions net of cash benefits as a percentage of [the change in] gross wage earnings) are included in the graphs that show respectively the average and the marginal tax wedge.*

The different components of the tax wedges are also presented; central income taxes, local income taxes, employee social security contributions, employer social security contributions and family benefits as a percentage of total labour costs (TLC). It should be noted that a decreasing share in total labour costs does not necessarily imply that the corresponding taxes or cash benefits are decreasing in cash terms income. A decreasing share in the tax wedge only implies that the corresponding taxes and benefits are not increasing as rapidly as total labour costs.

The zigzag movement in the marginal tax burdens arises when the taxes, social security contributions, and/or cash benefits, and/or the changes in these amounts vary over (small changes in) the income range in a non-continuous way. This is the case in Germany and Sweden because of the rounding rules; in Italy, because of the discrete characteristics of the PAYE (Pay As You Earn) tax credit, the spouse tax credit and the child transfers; in Luxembourg and Switzerland because of the rounding of taxable income; and in the United States because of the truncation of gross earnings in the calculation of the child tax credit.

* The marginal tax wedges in the graphs are calculated in a slightly different manner than the marginal tax rates that are included in the rest of the *Taxing Wages* publication. In *Taxing Wages*, marginal rates are usually calculated by increasing gross earnings by one currency unit (except for the spouse in the one-earner married couple whose earnings increase by 1/3 of the average wage). However, the "+1 currency unit" approach requires the calculation of marginal rates for every single currency unit within the income range included in the graphs. It otherwise would not be correct to draw a line through the different data points because the data for the income levels in between the different points would be missing. In order to reduce the required number of calculations, the marginal rates that are shown in the graphs are calculated by increasing gross earnings by 1 percentage point – each line in the graph therefore consists of 200 data points – instead of 1 currency unit.

There are large differences in cash benefits across OECD countries. The most generous cash benefits as a share of total labour costs for low-income single parents and one-earner married couples with two children can be found in Australia, Canada, Denmark (but not especially for low-income one-earner married couples with 2 children), Ireland, Luxembourg, New Zealand and Slovenia.

Negative central government income taxes are observed in the Czech Republic, Germany, the Slovak Republic and the United Kingdom because of the non-wastable child tax credits, in Canada because of the non-wastable working income tax benefit, in Mexico because of the non-wastable employment subsidy credit, in Israel because of the non-wastable earned income tax credit for families with children, in Sweden because of the non-wastable earned income tax credit and in the United States because of the non-wastable earned income credit and the child tax credit.

Low-income families with children are treated favourably by the tax-benefit system in many OECD countries. When cash benefits are also taken into account, single parents and one-earner married couples with two children do not pay income taxes and employee social security contributions on earnings below 85 per cent of the AW in thirteen OECD member countries. The net personal average tax rate for single parents is not positive on earnings below 86 per cent of the AW in the Czech Republic, 87 per cent of the AW in Canada, 90 per cent of the AW in Israel and 103 per cent of the AW in Ireland and New Zealand. The net personal average tax rate for one-earner married couples with two children is not positive on earnings below 87 per cent of the AW in Canada, 91 per cent of the AW in Luxembourg and Iceland, 103 per cent of the AW in New Zealand, 107 per cent of the AW in Ireland and 113 per cent of the AW in the Czech Republic.

Social security contributions are levied at flat rates in many OECD countries. In addition, some countries have an earnings ceiling above which no social security contributions have to be paid. Employer social security ceilings can be found in Germany, Luxembourg, Mexico, the Netherlands and Spain and to a large extent in the United States (the rate drops from 18.75 per cent to 1.45 per cent on earnings above USD 106 800). Employee social security ceilings are implemented in Austria, Canada, Germany, Mexico, the Netherlands, Spain and Sweden and to a large extent in Luxembourg (employee social security contributions drop to 1.4 per cent on earnings above EUR 105 453.60), the United Kingdom (employee national insurance contributions drop to 2 per cent of earnings above GBP 42 475) and the United States (the rate drops from 4.2 per cent to 1.45 per cent on earnings above USD 106 800).

Taxpayers in some OECD countries face marginal social security contribution rates as percentage of total labour costs that decrease as income increases (for gross earnings between 50 per cent and 250 per cent of the AW). For single taxpayers without children, this can be observed in Austria, Belgium, Canada, France, Germany, Japan, Korea and Switzerland. In Poland, both employee and employer marginal social security contribution rates are substantially lower on earnings above 261 per cent of the AW.

The tax wedge is relatively flat across the earnings distribution in some countries because of the flat social security contribution and personal income tax rates. single taxpayers without children face a flat marginal tax wedge of 36.1 per cent in Poland (over the 50-250% income range), 42.9 per cent in Estonia and 48.6 per cent in the Czech Republic. The tax wedge is also relatively flat in Iceland, the Slovak Republic and Turkey. In Iceland, it is 43.5 per cent on earnings below 152 per cent of the AW and 48.8 per cent on earnings

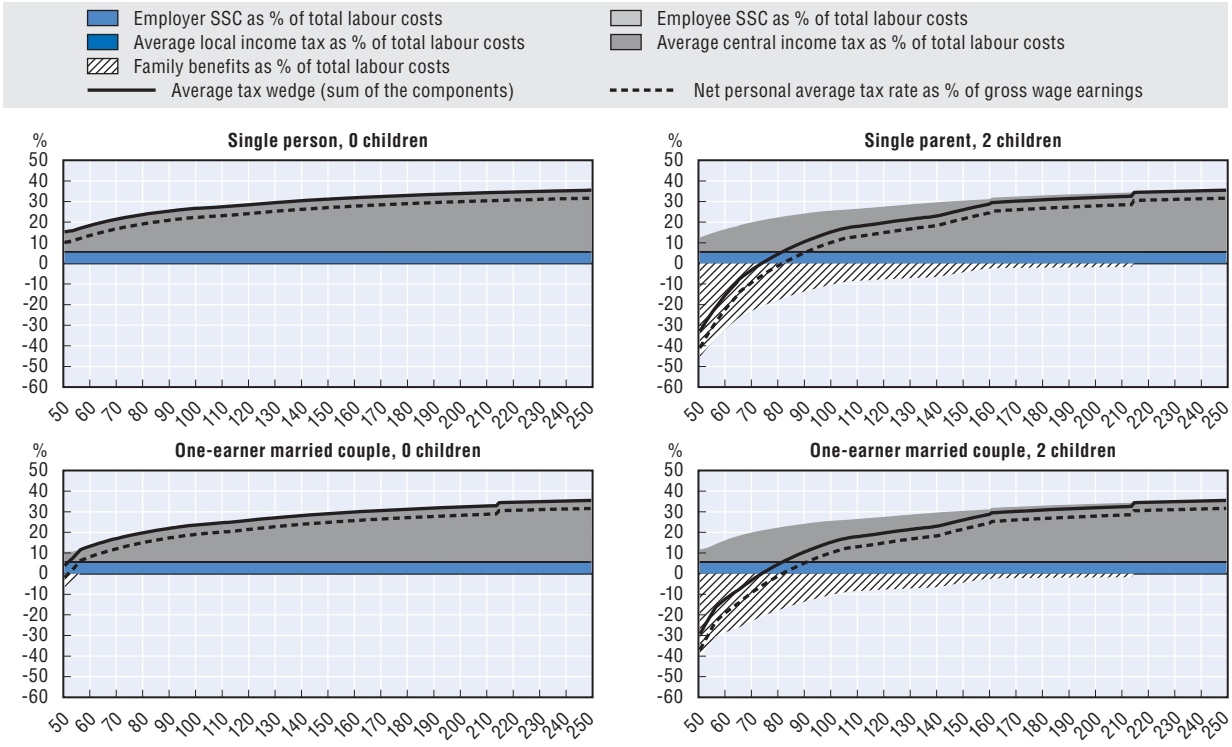
between 153 and 250 per cent of the AW. In the Slovak Republic; it is 44.4 per cent on earnings below 138 per cent of the AW, 42.8 per cent on earnings between 139 and 220 per cent of the AW and 46.1 per cent on earnings between 221 and 250 per cent of the AW. In Turkey, it is 42.2 per cent on earnings below 119 per cent of the AW and then 47.3 per cent on earnings between 120 and 250 per cent of the AW.

In Belgium, the reduction in social security contribution rates offsets the impact of the progressivity of the personal income tax system for single taxpayers without children. The marginal tax wedge is about 69 per cent for single taxpayers with above average earnings in 2011. It is 66.3 per cent for earnings between 64 and 101 per cent of the AW. In Denmark, single taxpayers without children face a constant marginal tax wedge of 56 per cent on earnings exceeding 110 per cent of the AW. In France, the marginal tax wedge is 59.7 per cent on earnings exceeding the AW.

Taxpayers face marginal tax rates and wedges of about 80 per cent or more in several of OECD countries. This is the case for low-income taxpayers without children in Austria, Ireland, Mexico and Slovenia. Families with children face very high marginal tax rates and wedges (at particular income levels) in Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Ireland, Italy, Mexico, New Zealand, Poland, Portugal, the Slovak Republic, Slovenia and Spain. In many countries, high marginal tax rates for low-income taxpayers are partly the result of a reduction in benefits, allowances or tax credits that are targeted at low-income taxpayers and that are decreasing in income.

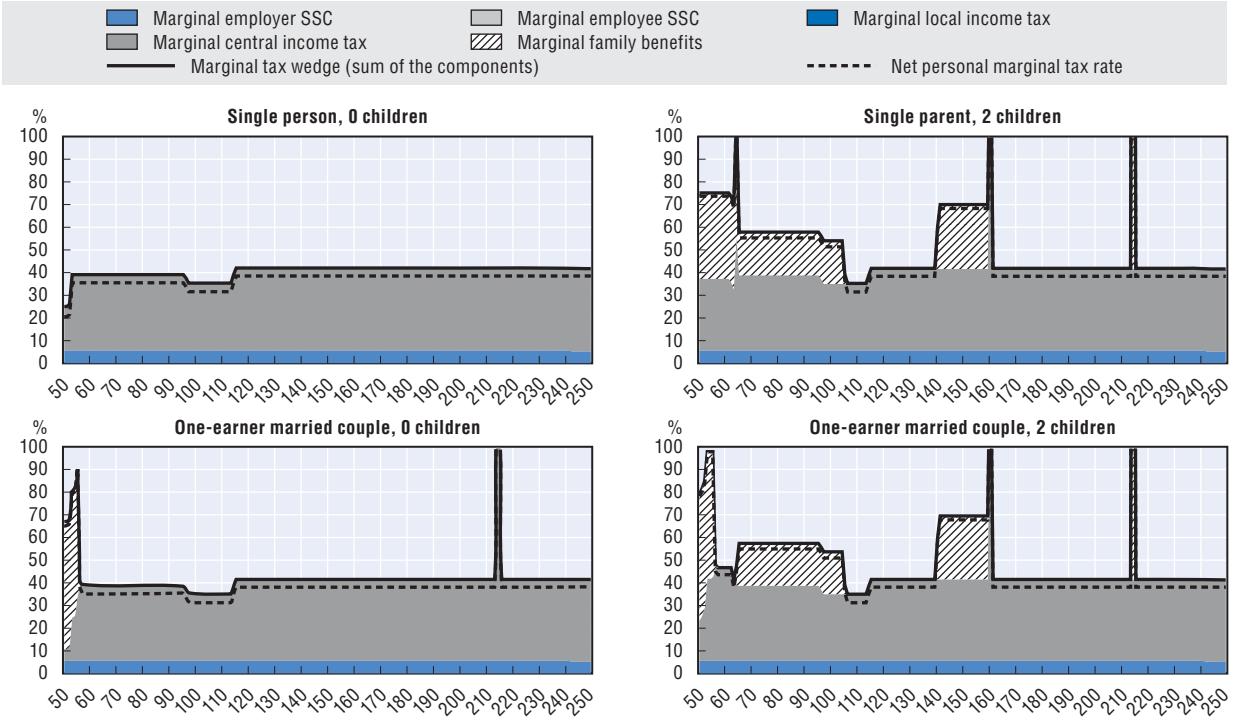
Australia, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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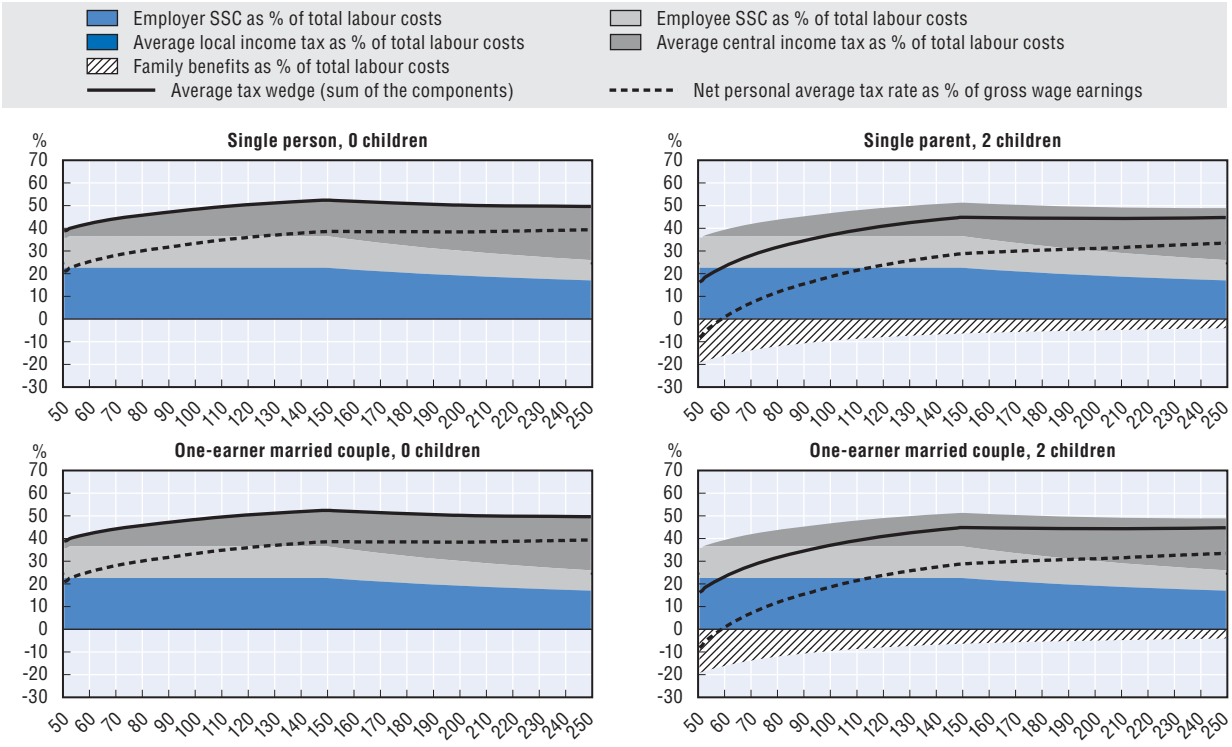
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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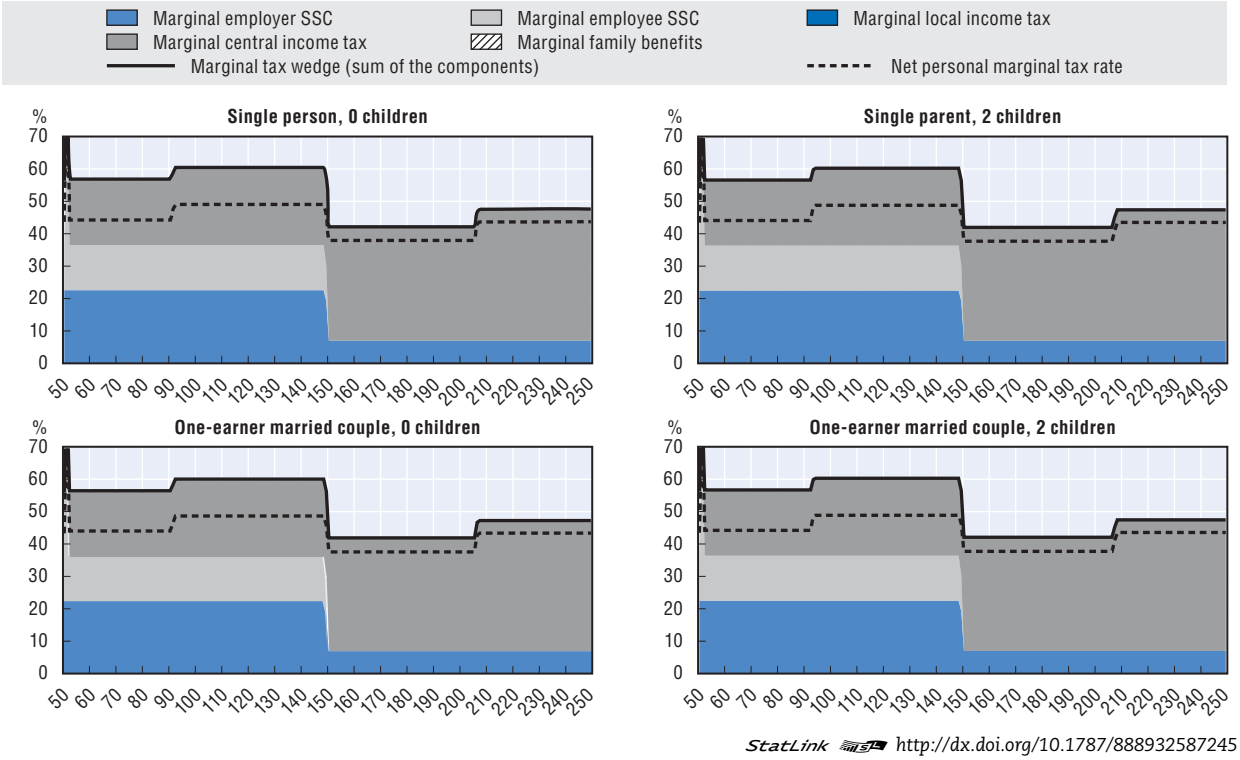
Austria, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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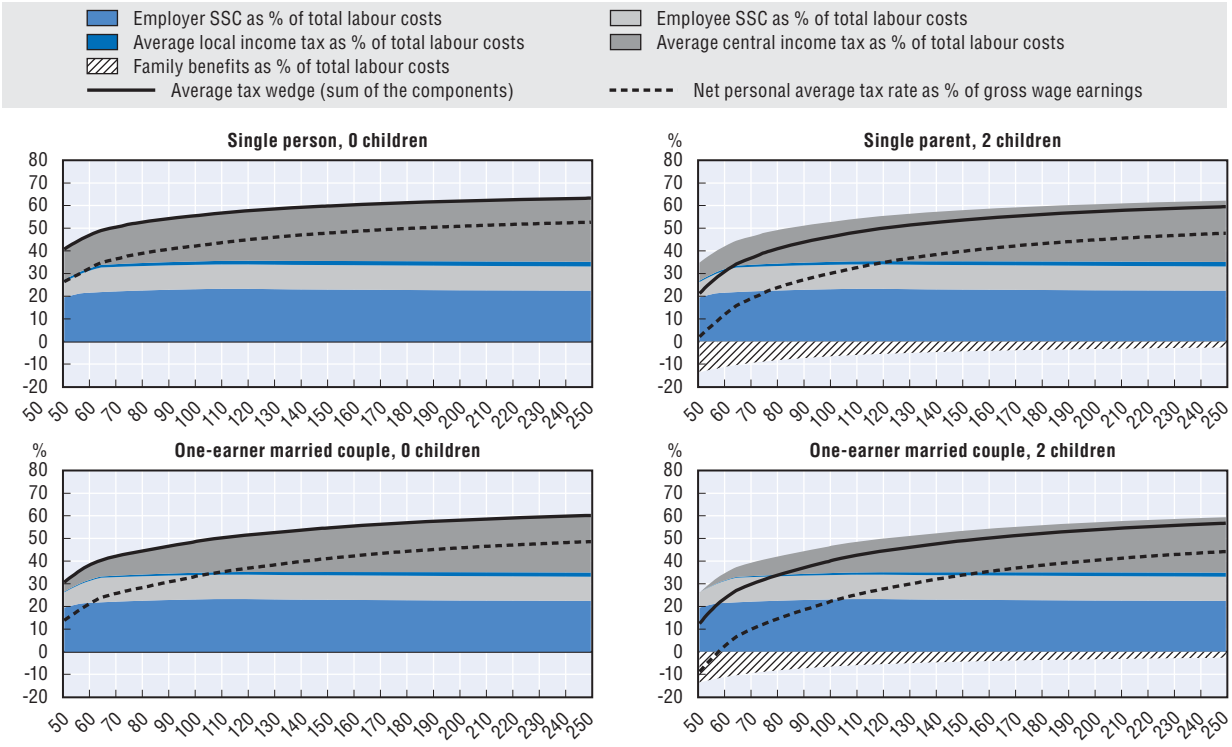
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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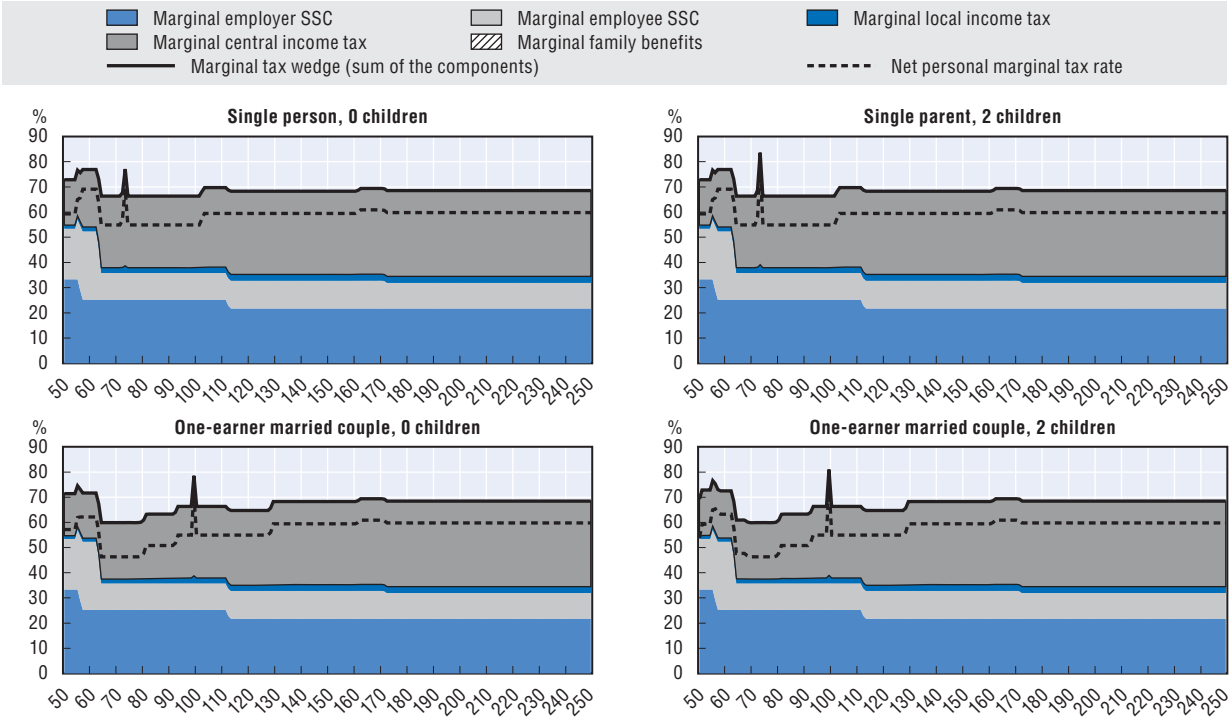
Belgium, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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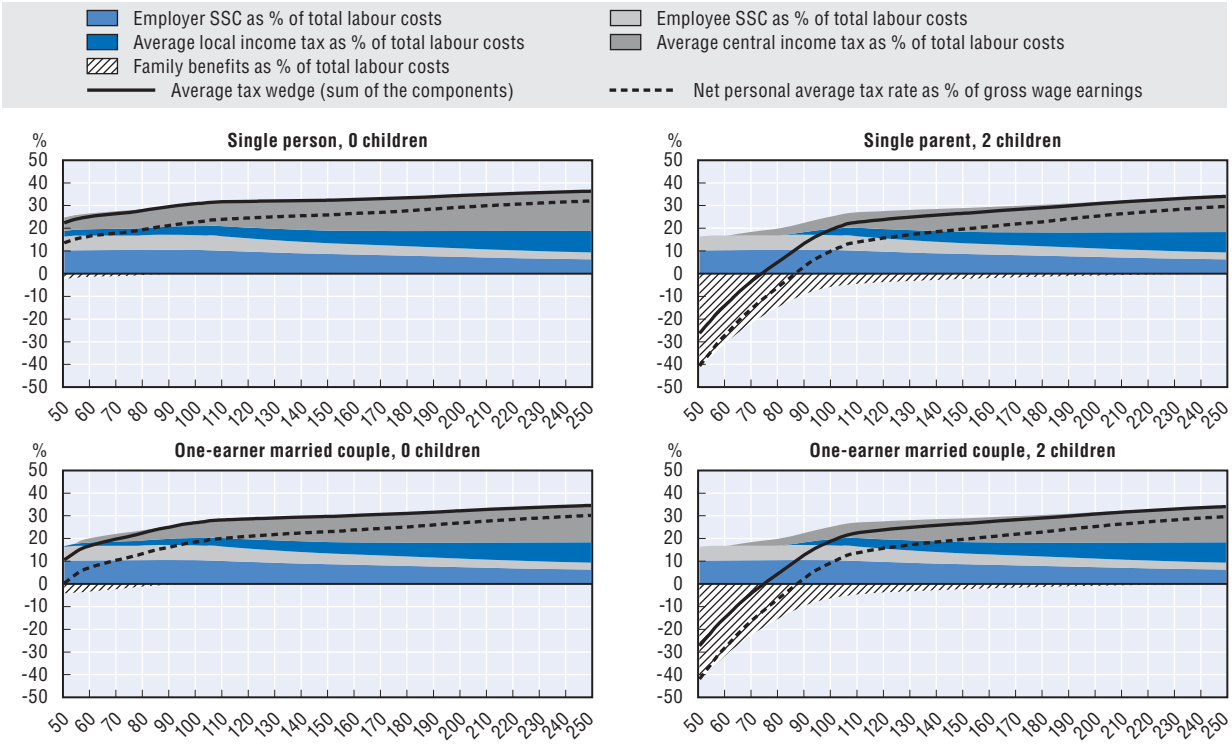
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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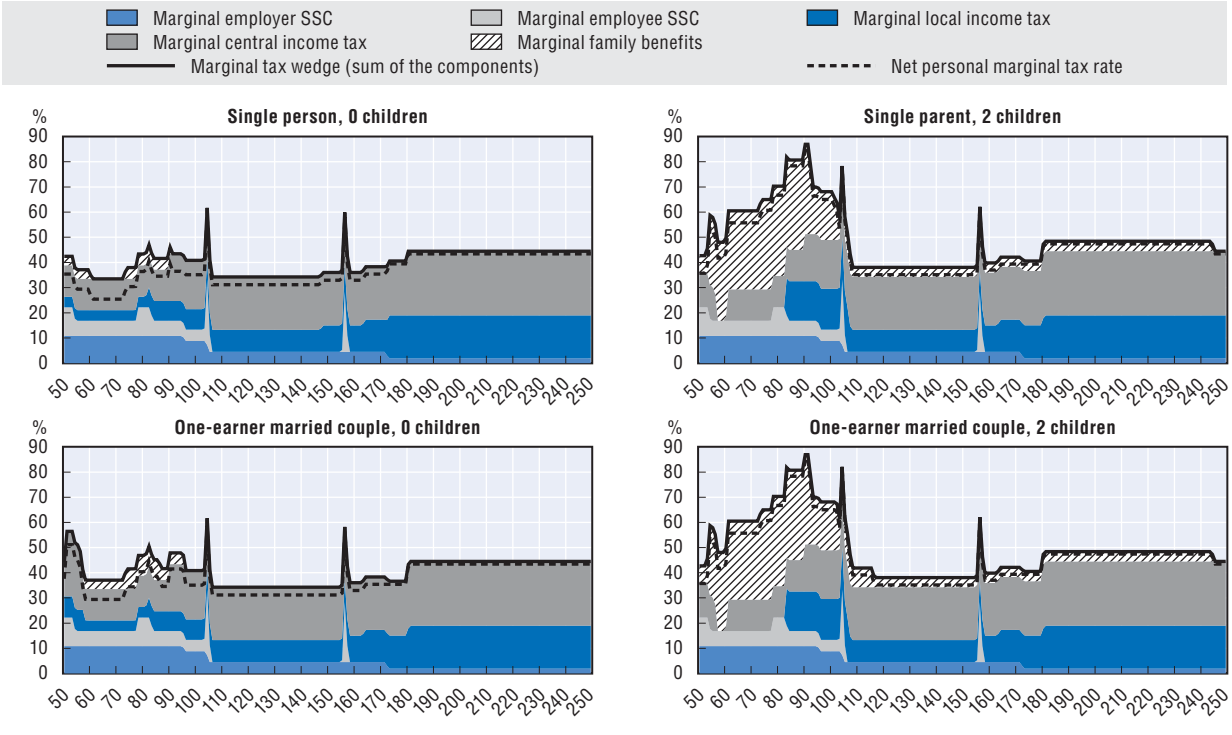
Canada, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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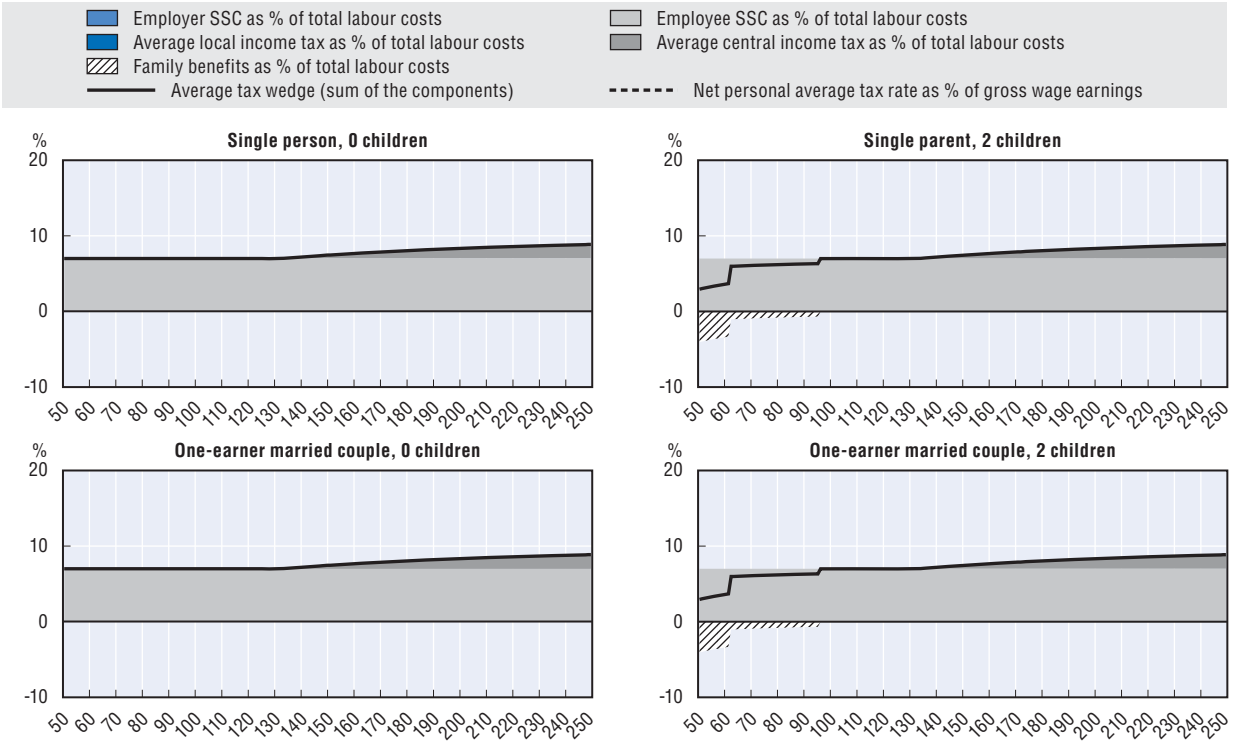
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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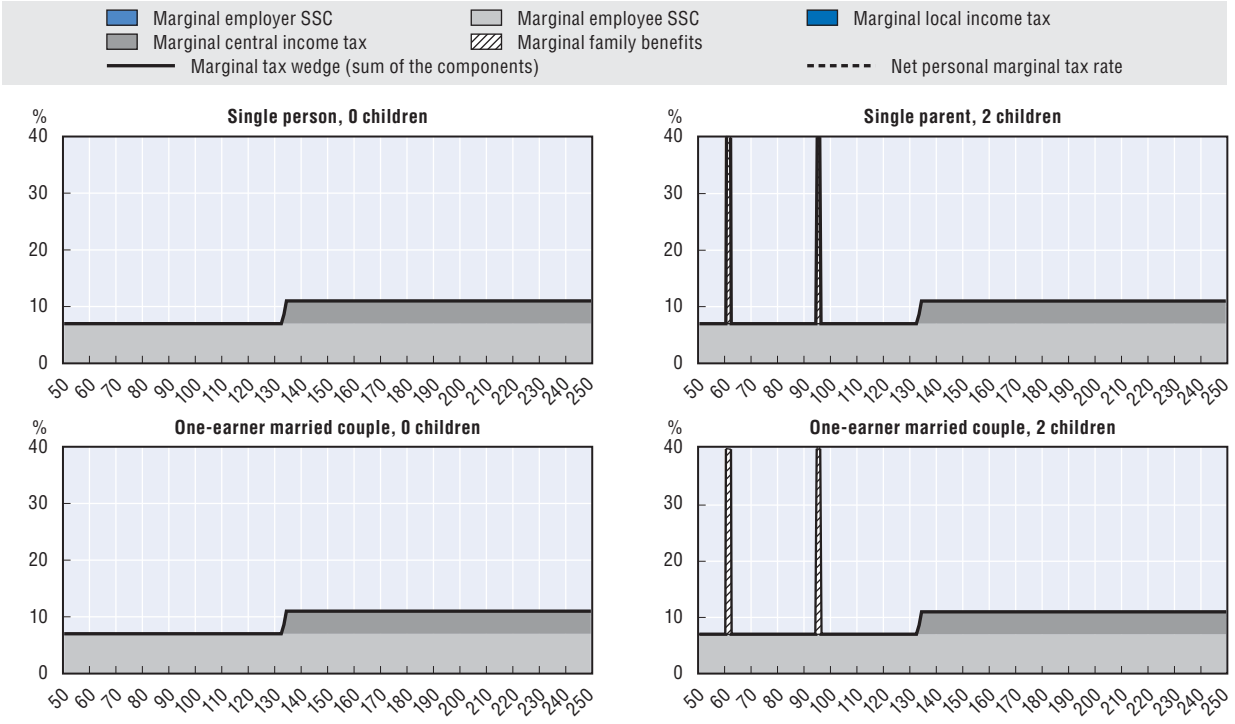
Chile, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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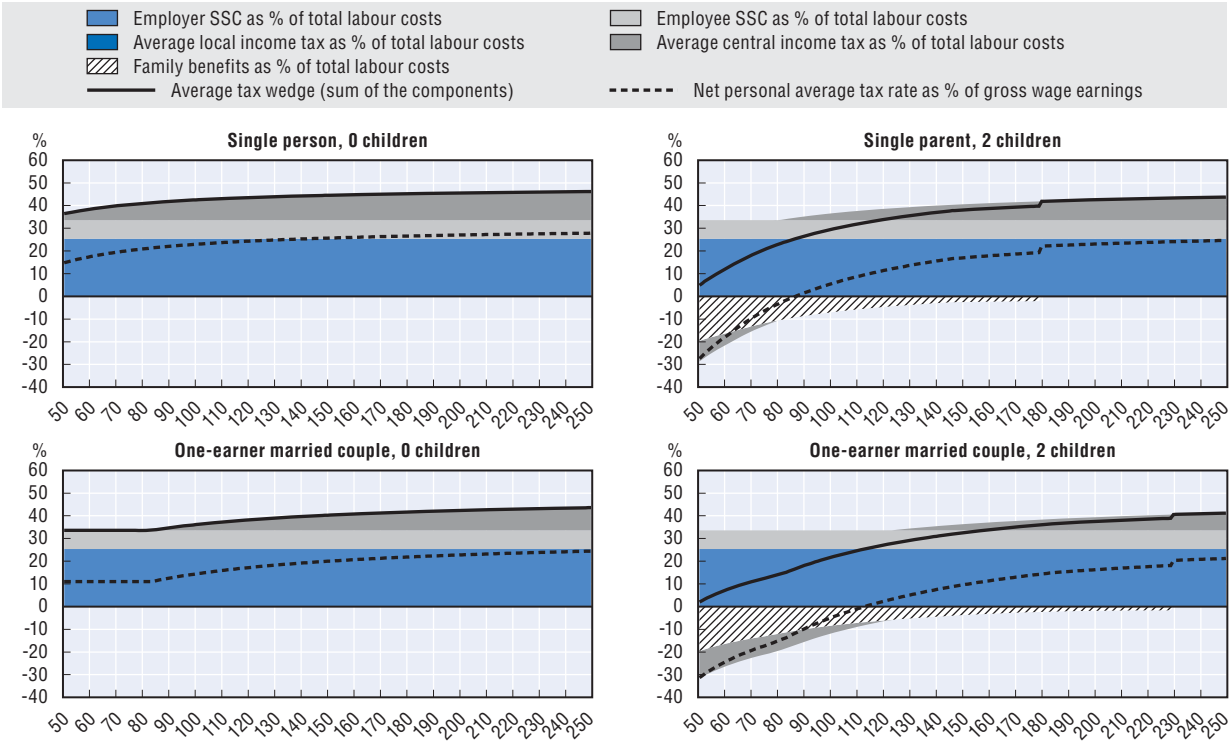
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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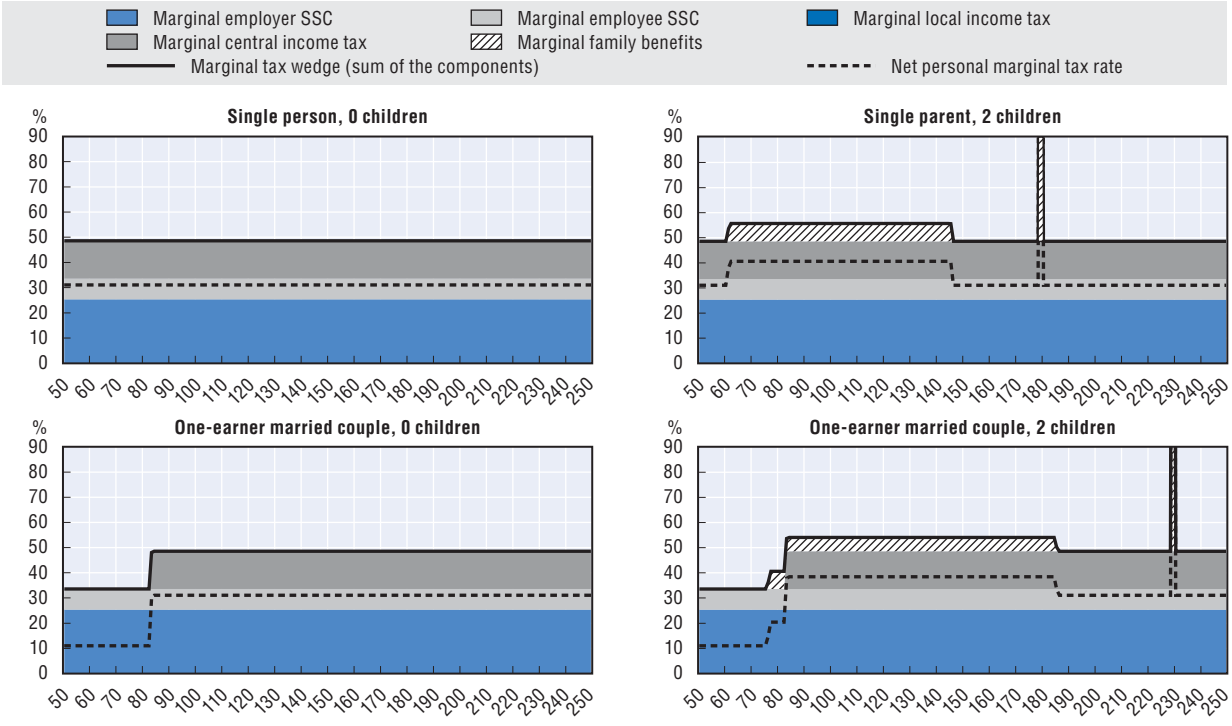
Czech Republic, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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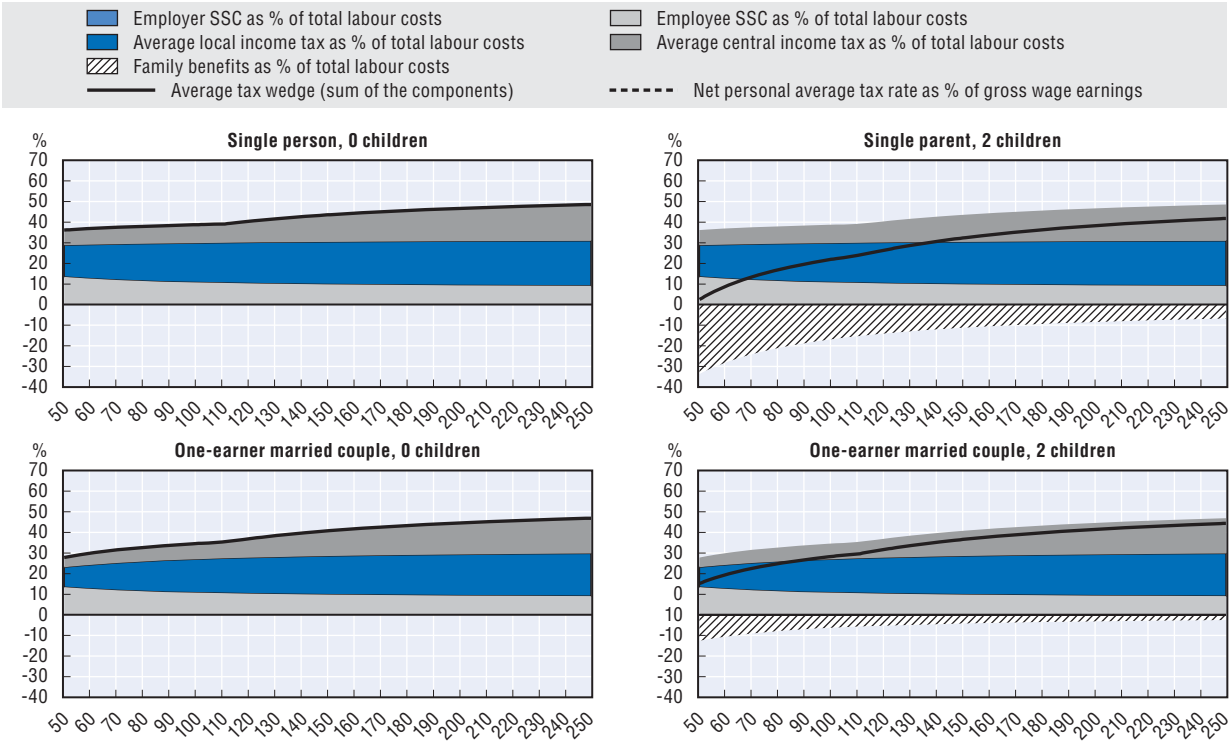
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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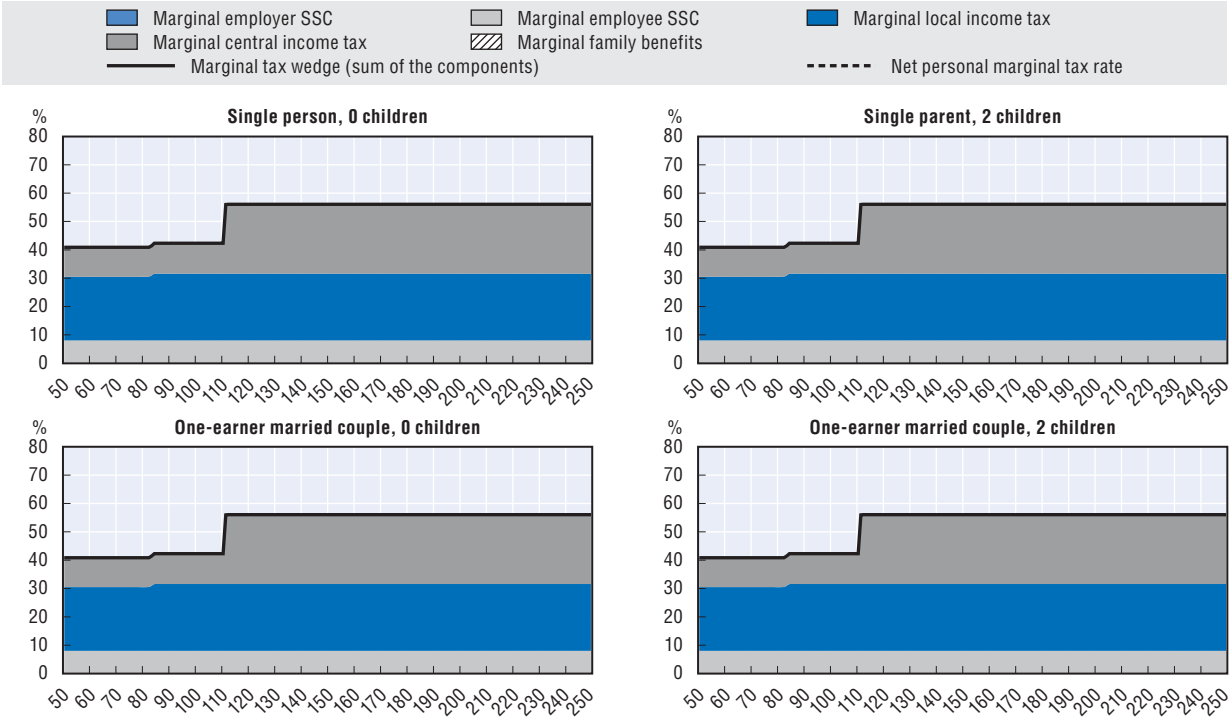
Denmark, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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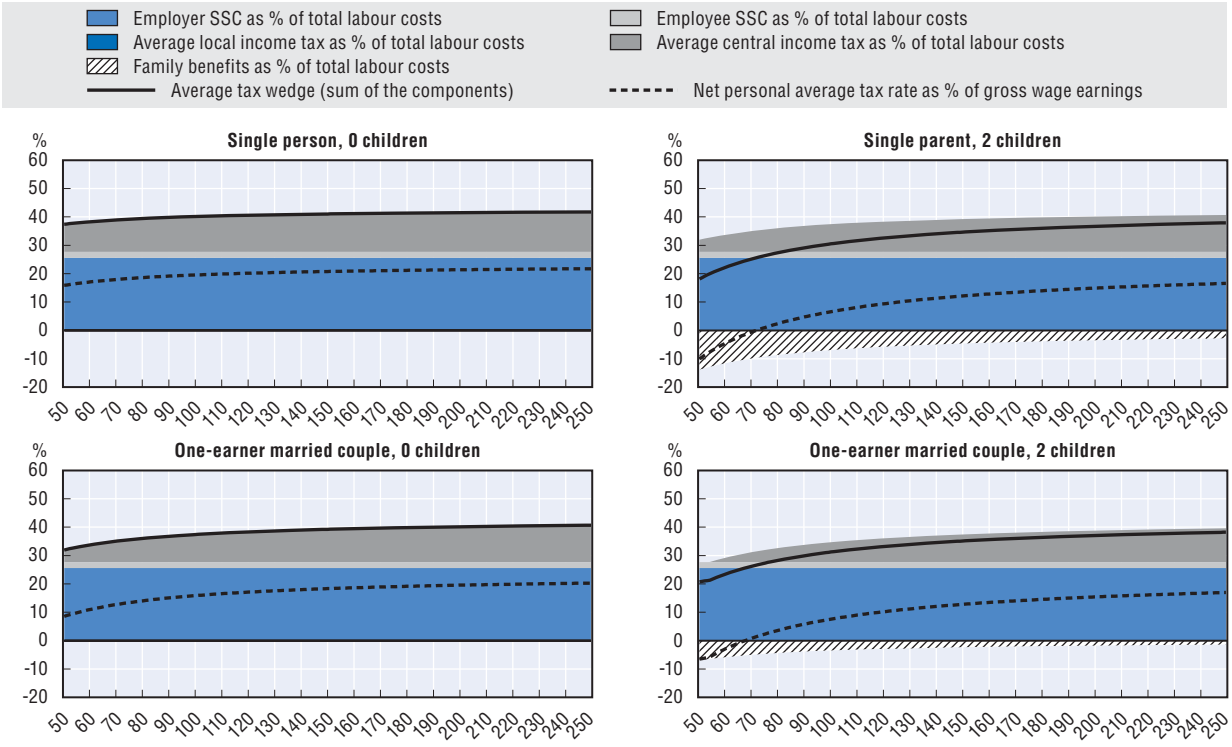
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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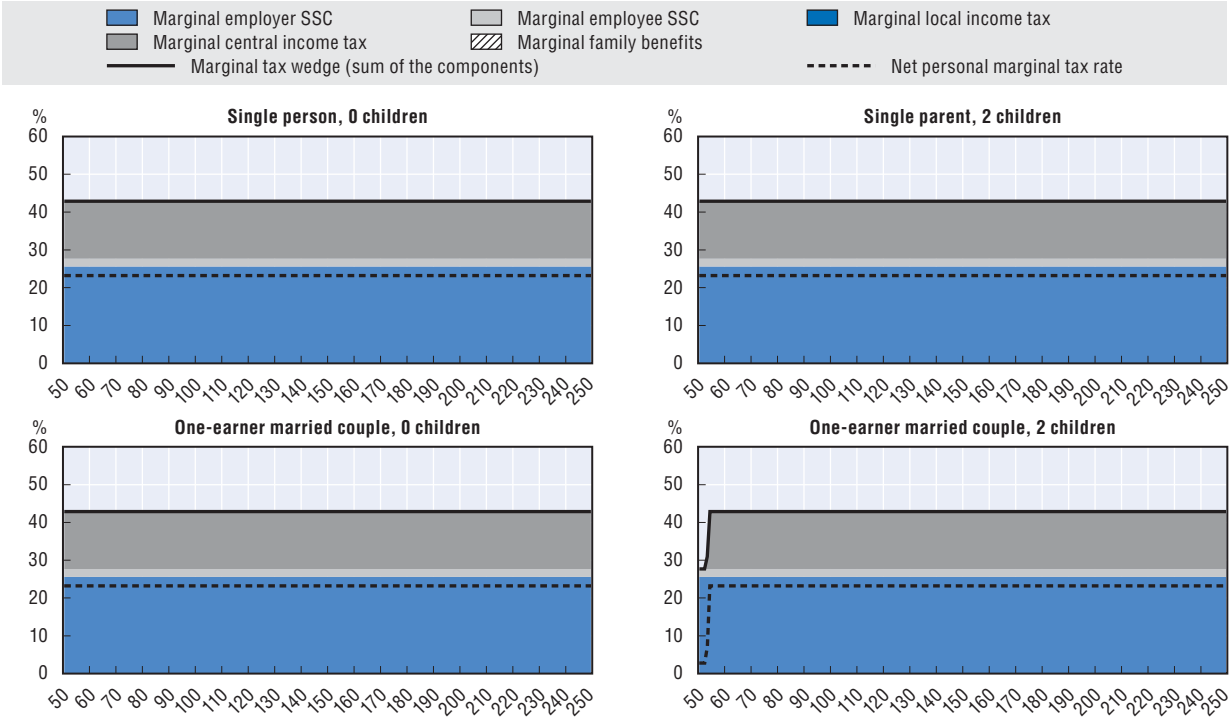
Estonia, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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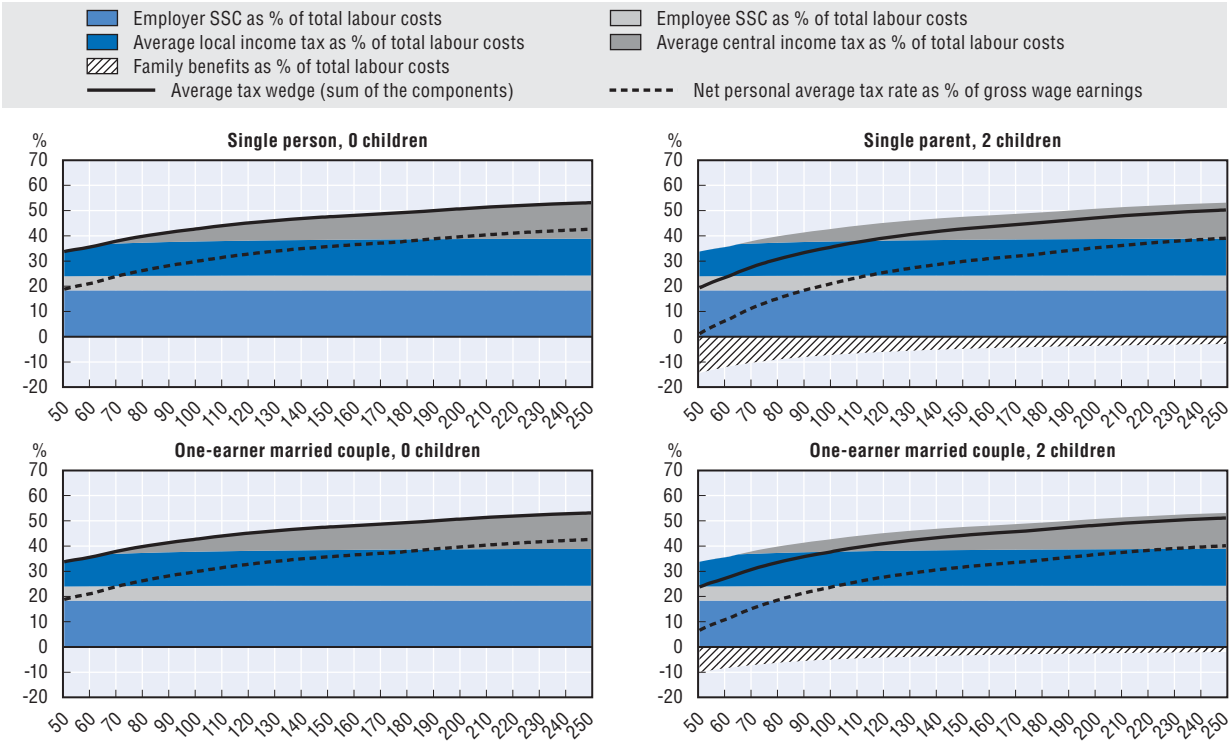
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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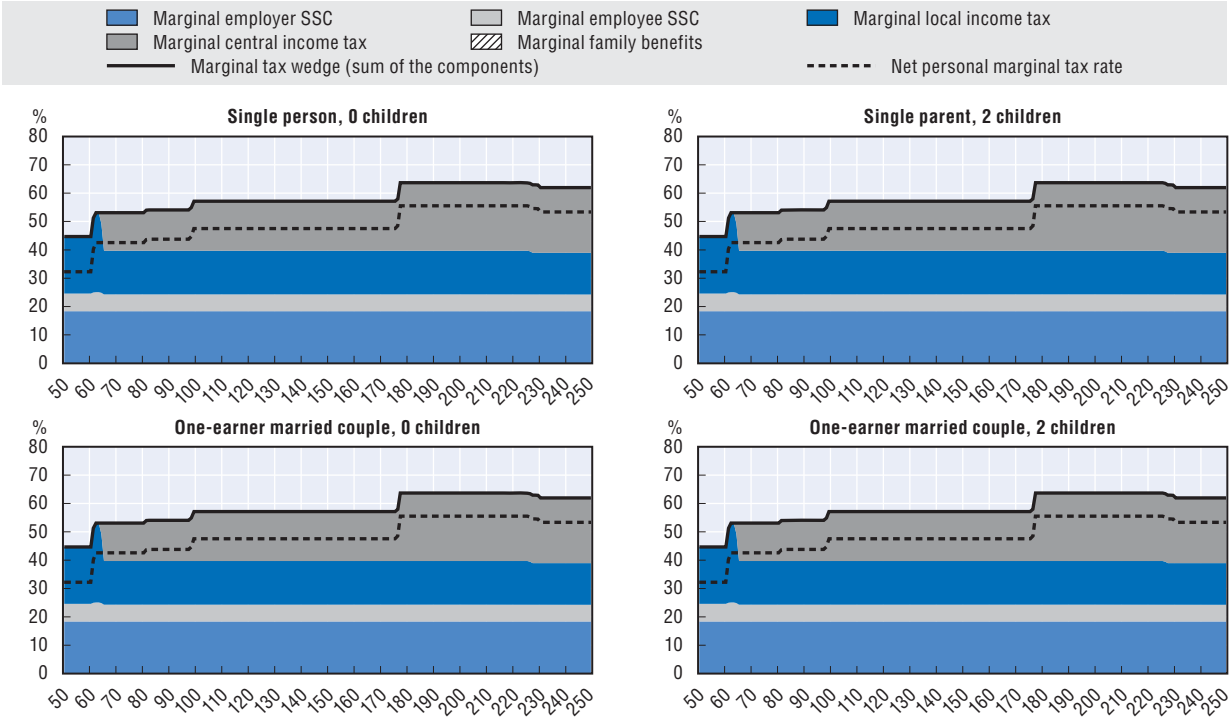
Finland, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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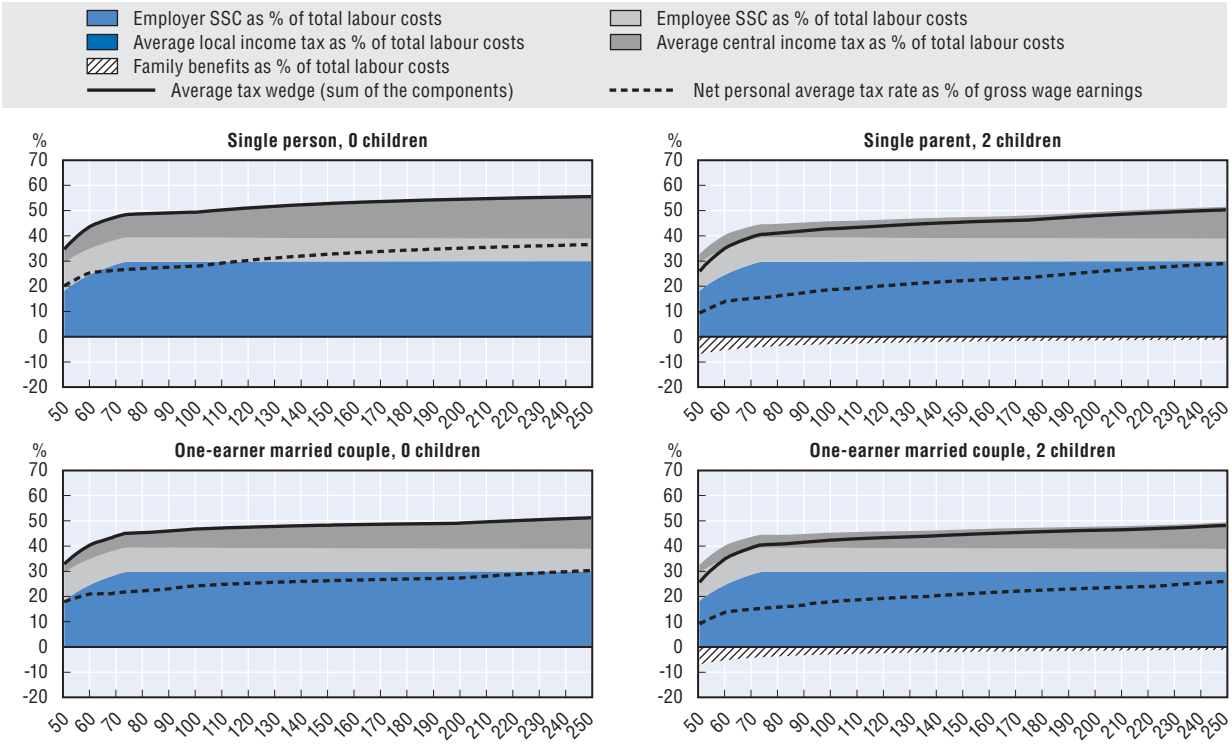
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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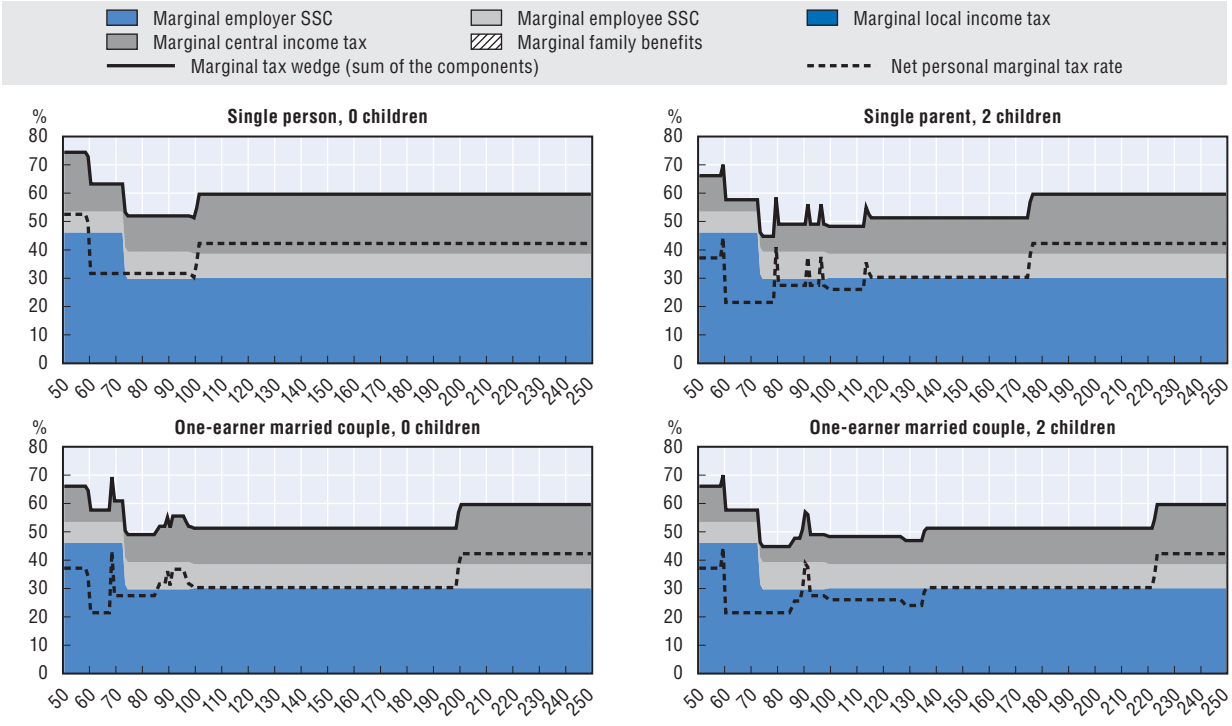
France, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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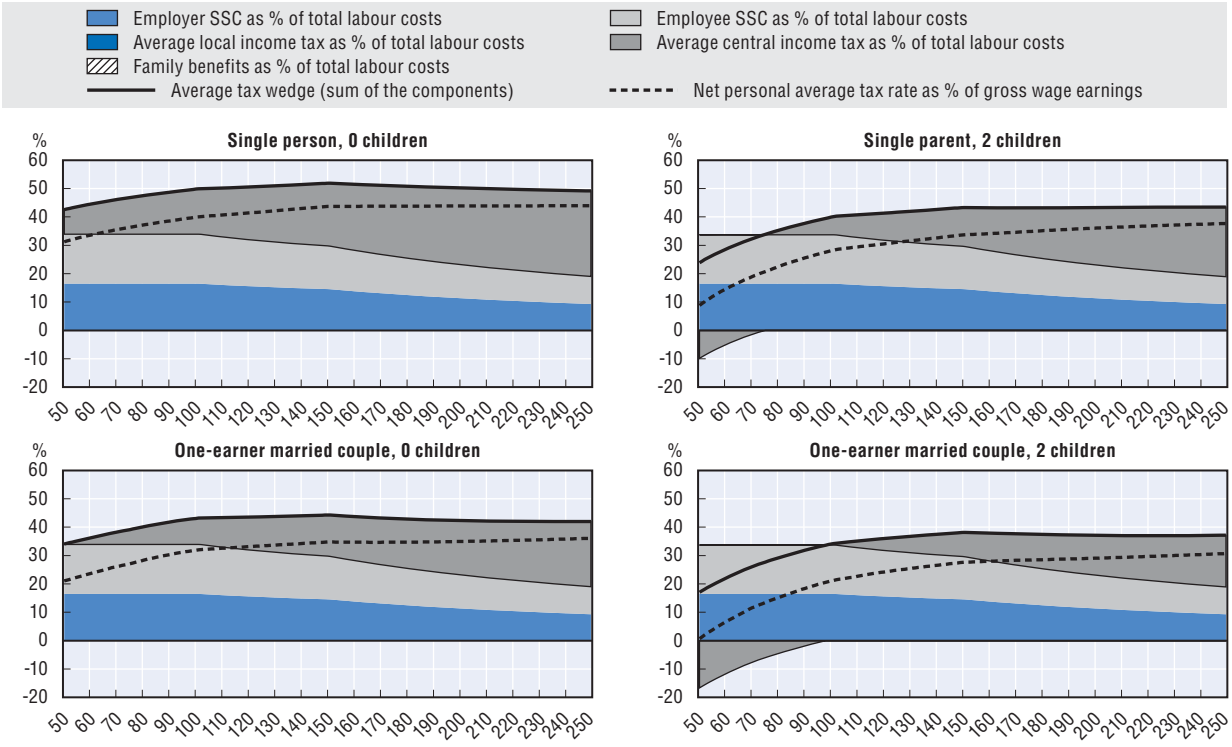
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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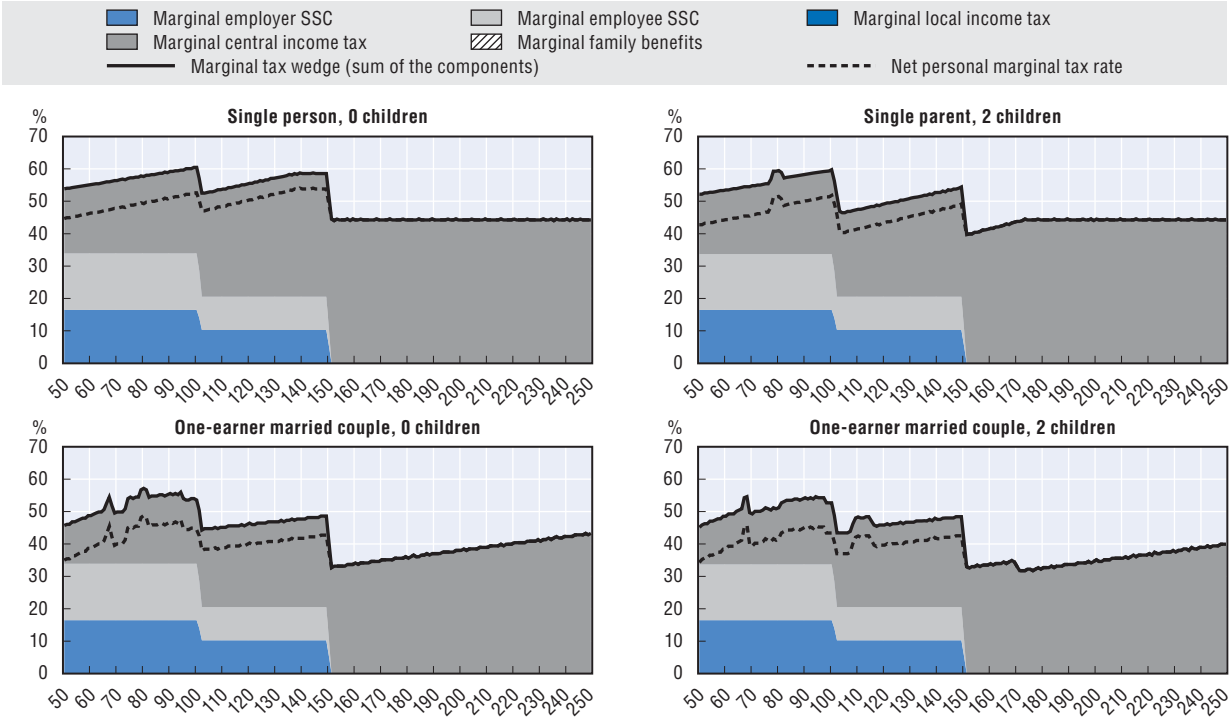
Germany, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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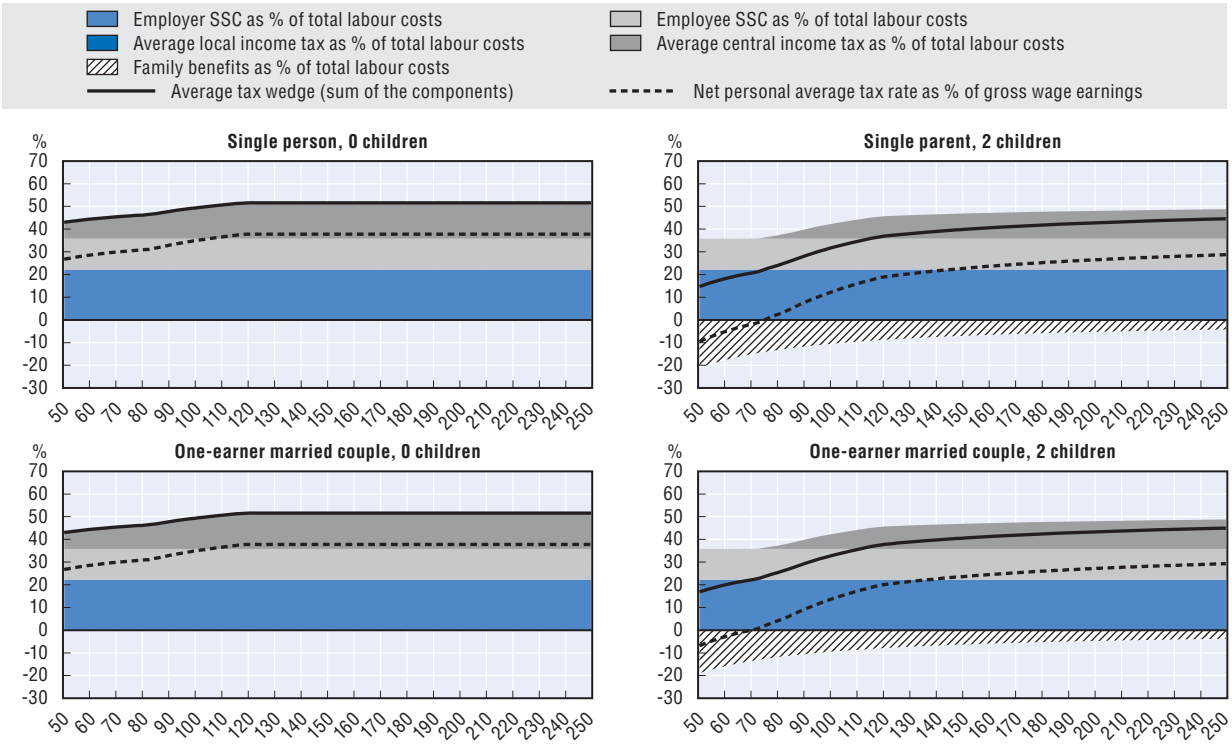
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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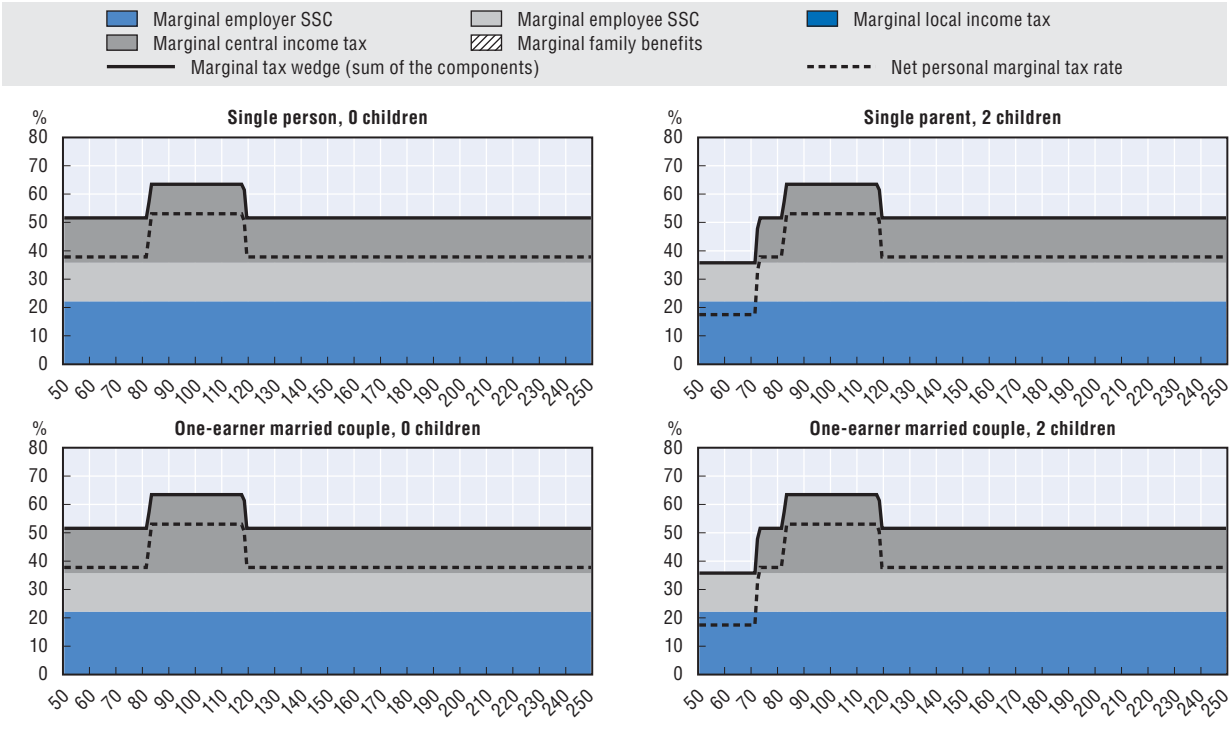
Hungary, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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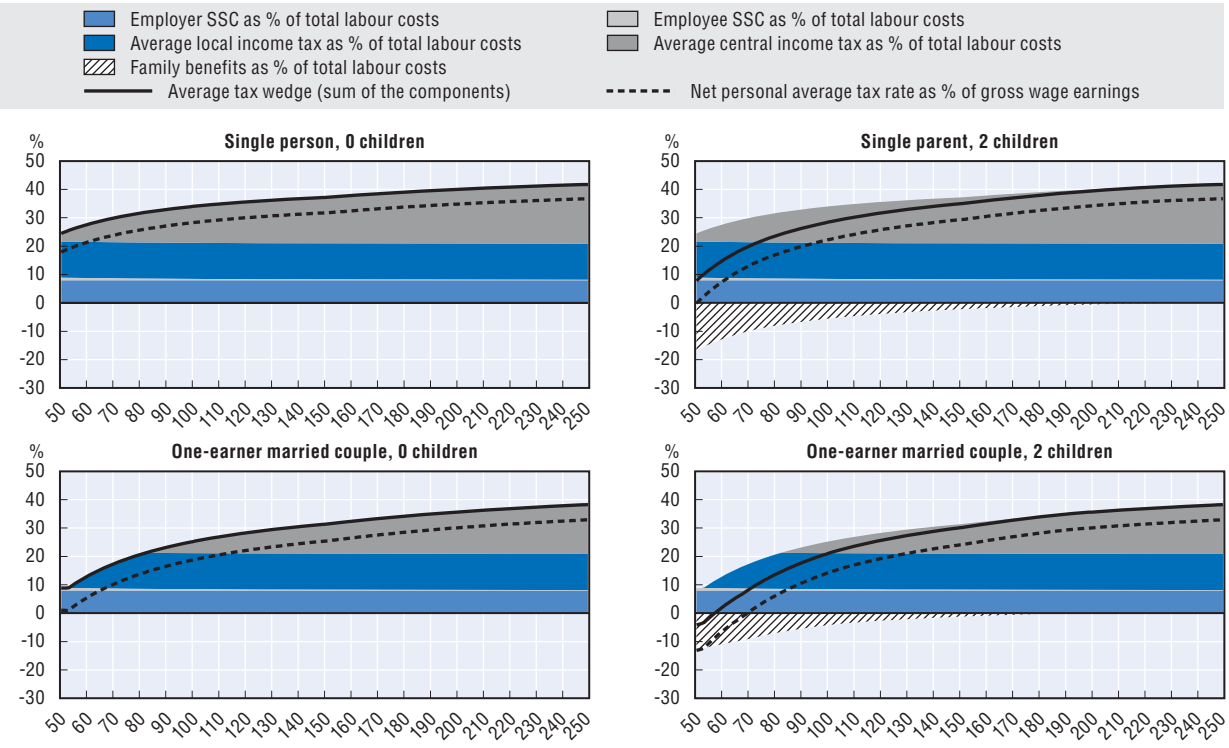
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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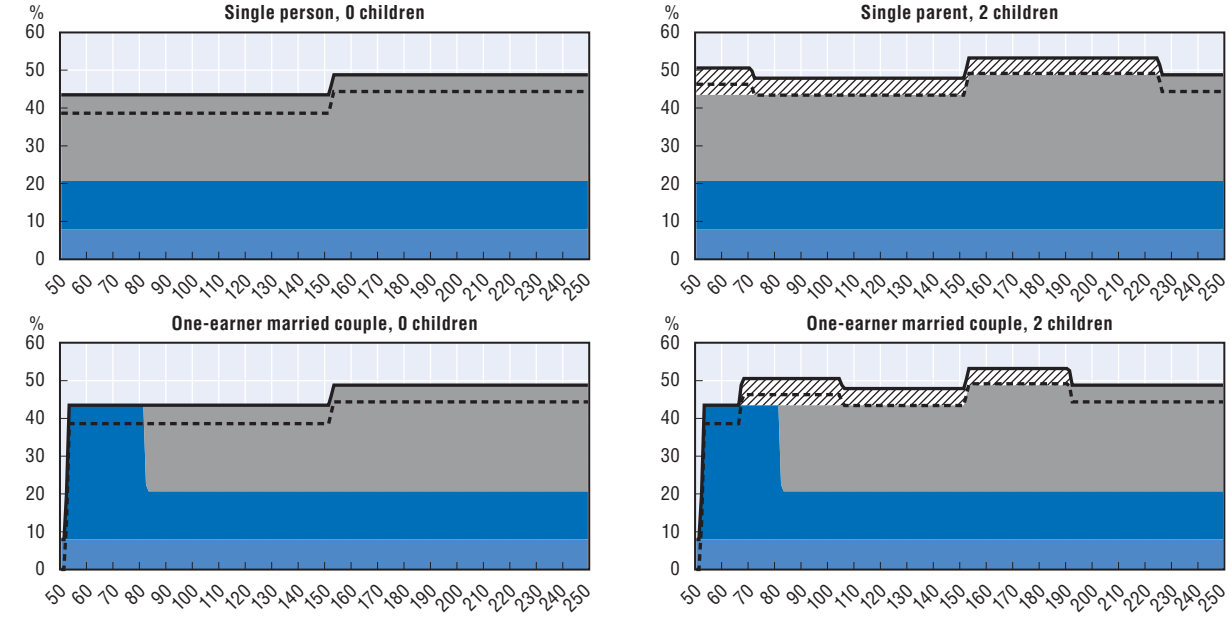
Iceland, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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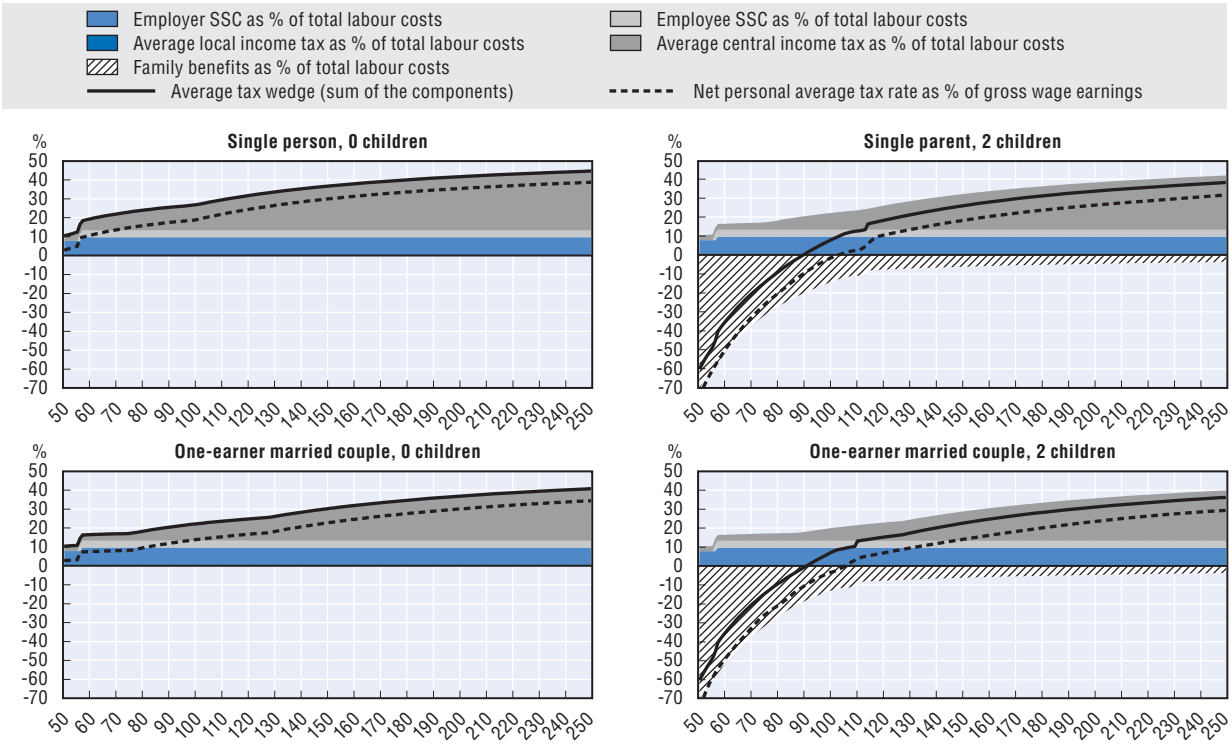
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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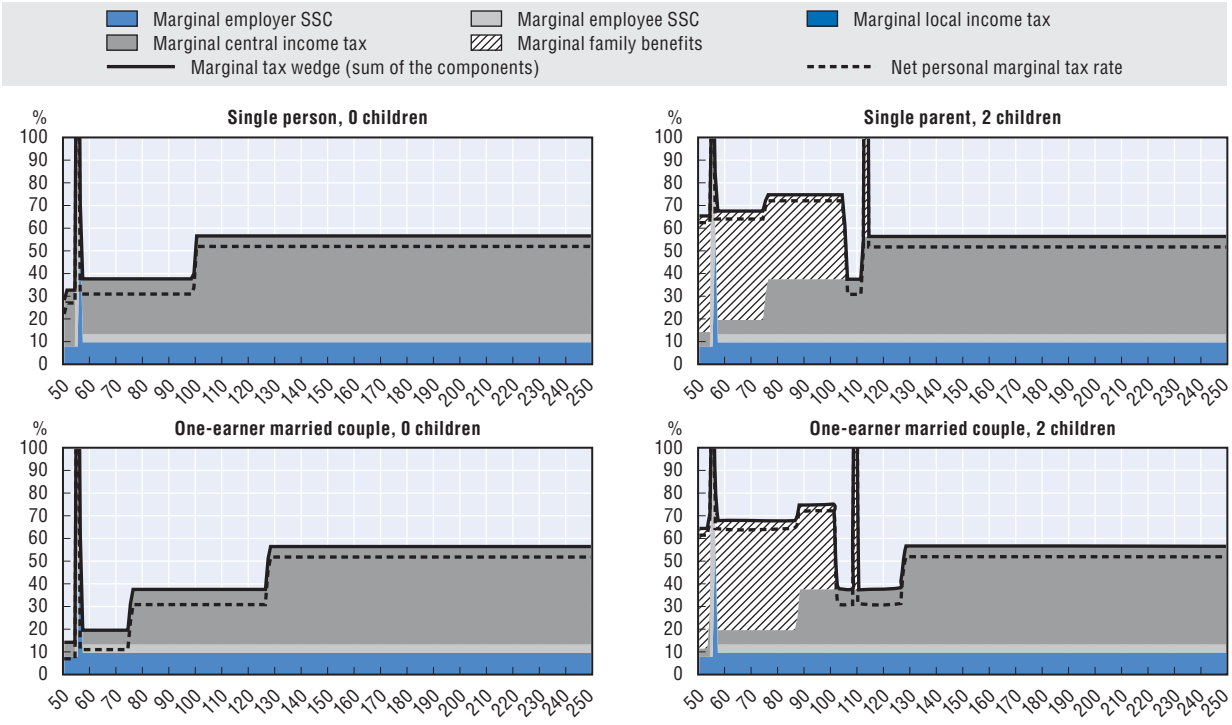
Ireland, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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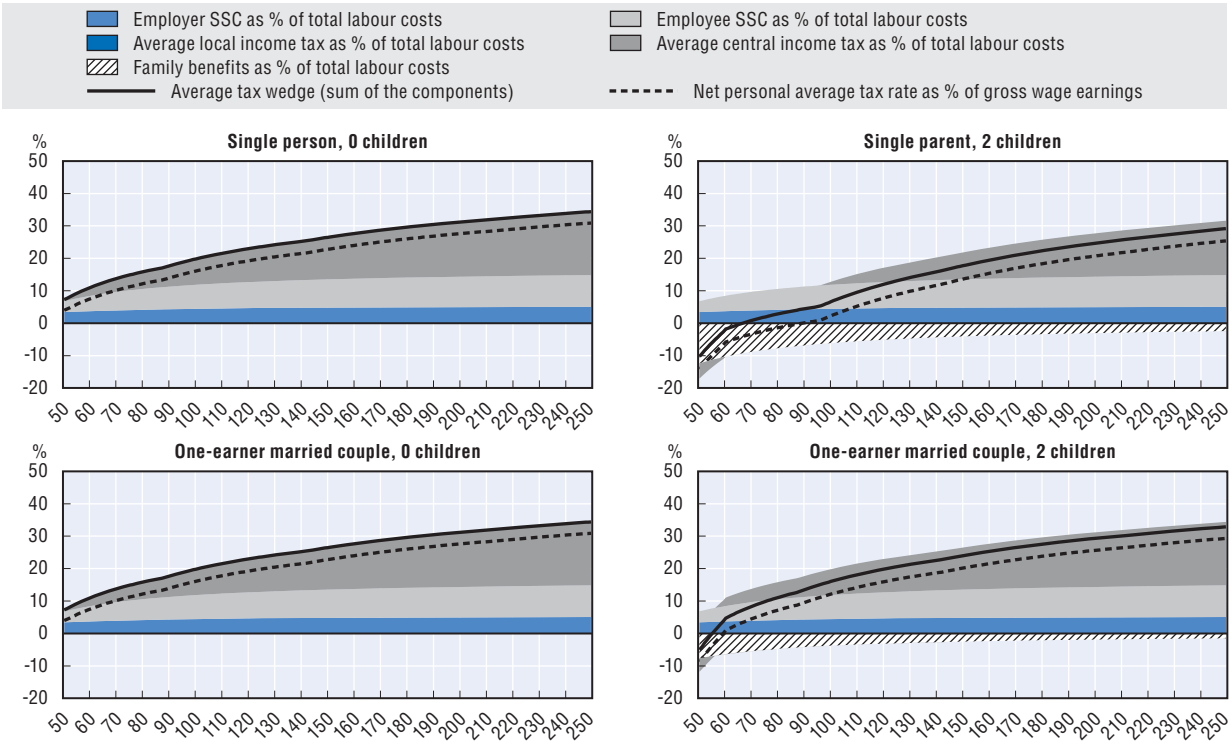
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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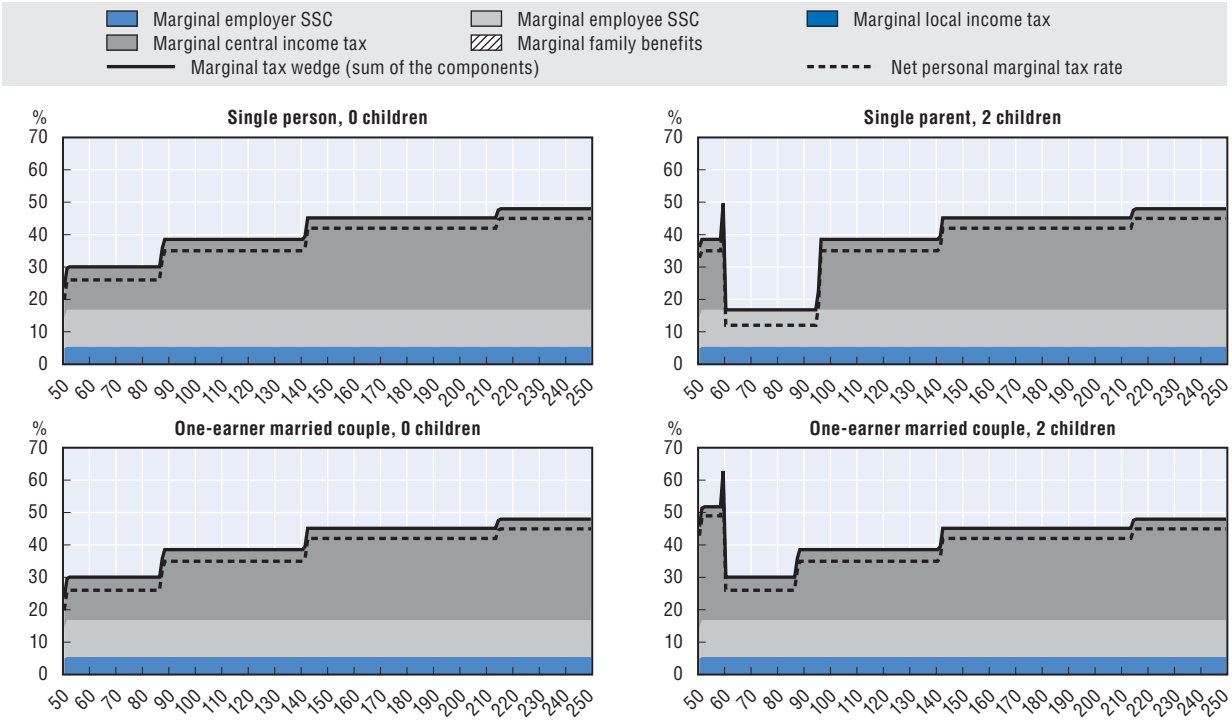
Israel, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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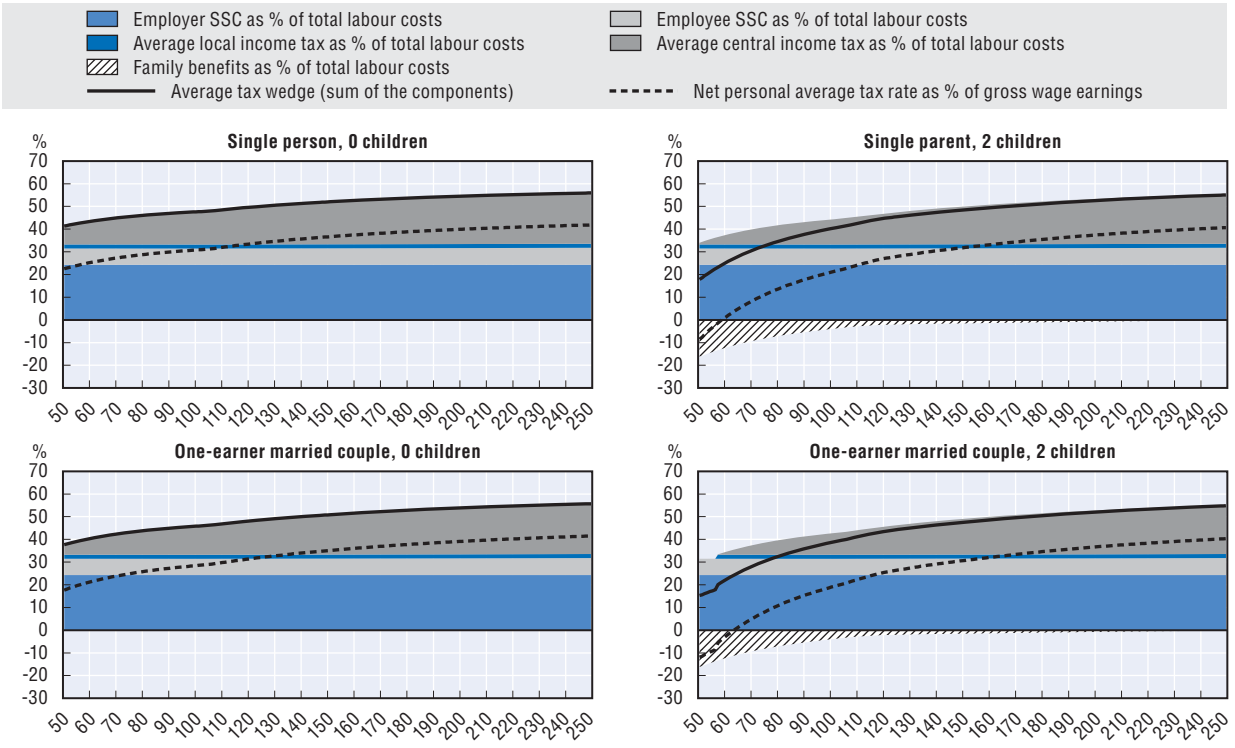
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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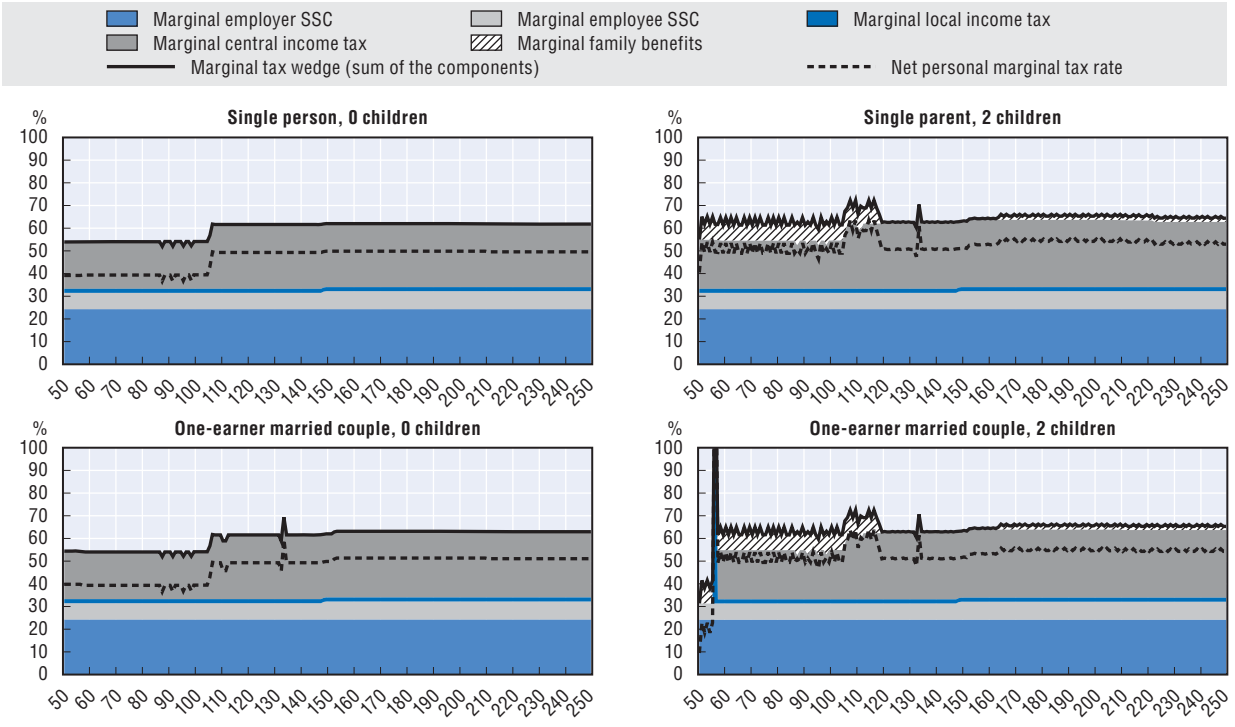
Italy, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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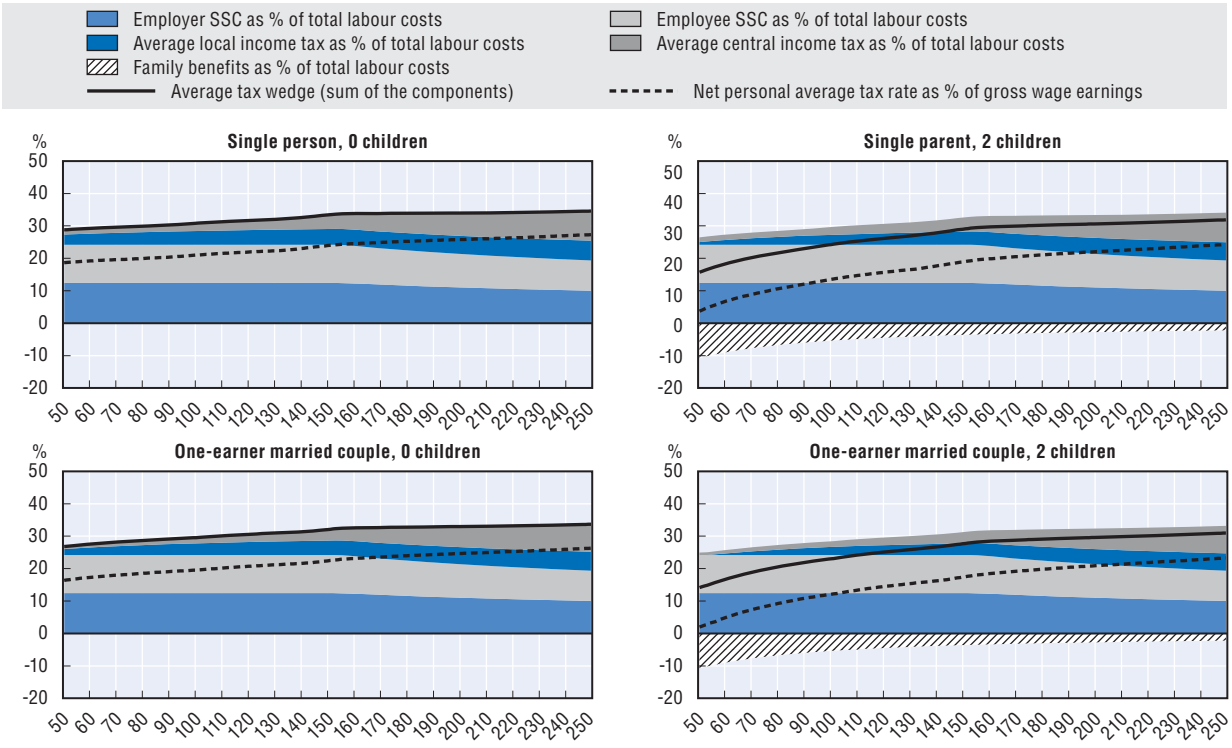
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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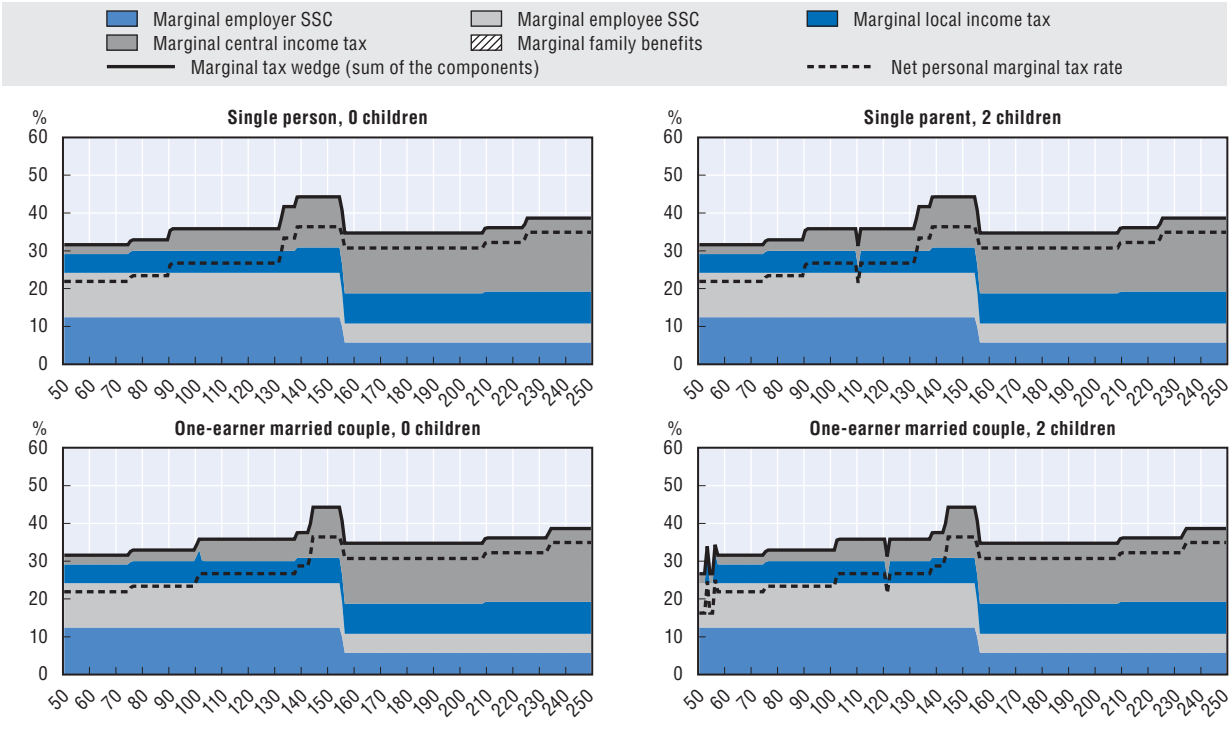
Japan, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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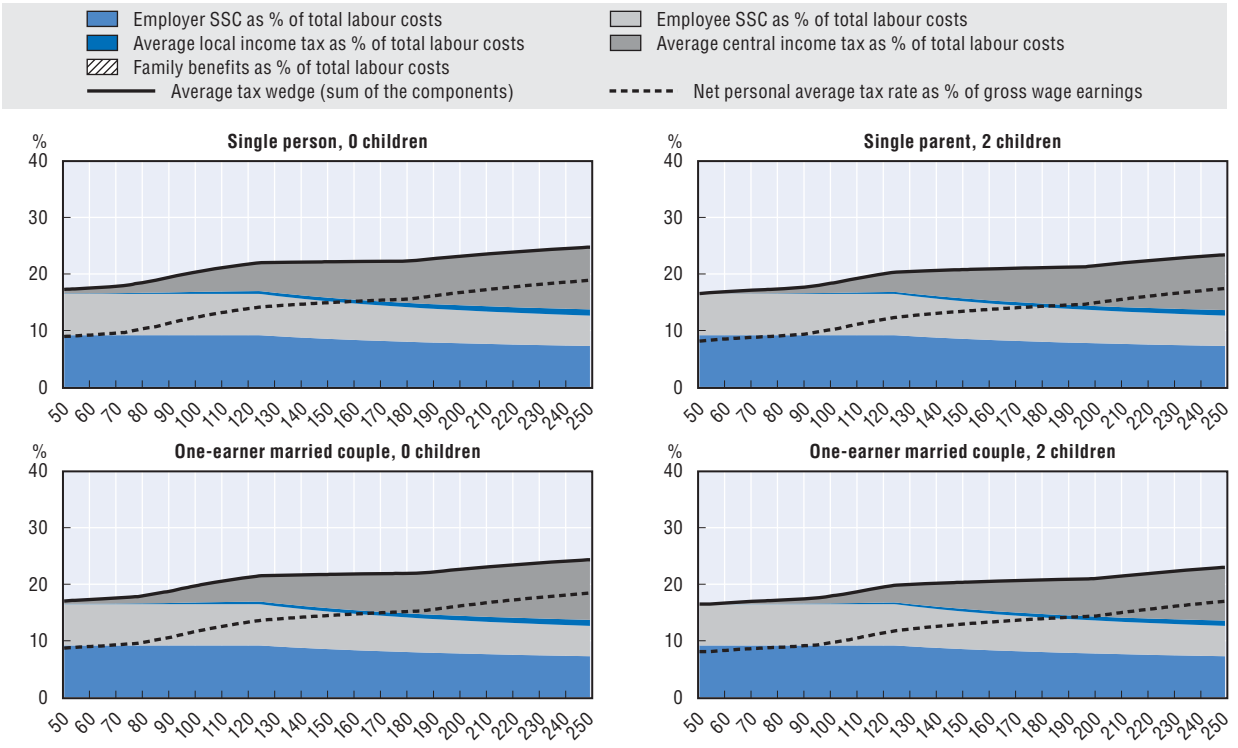
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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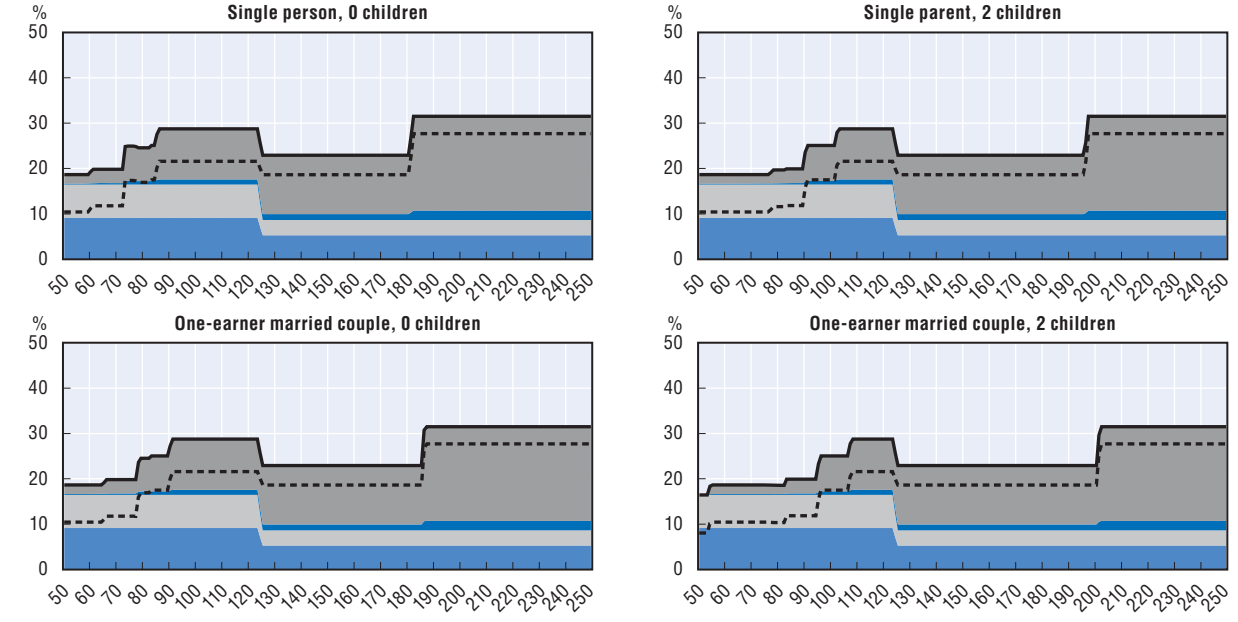
Korea, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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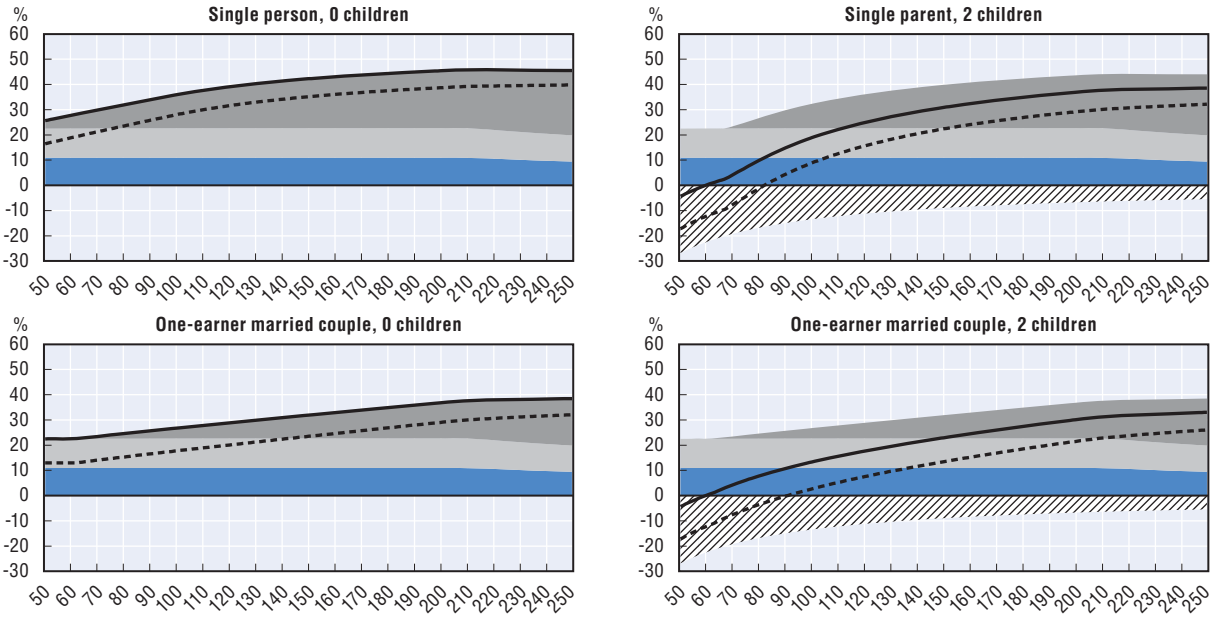
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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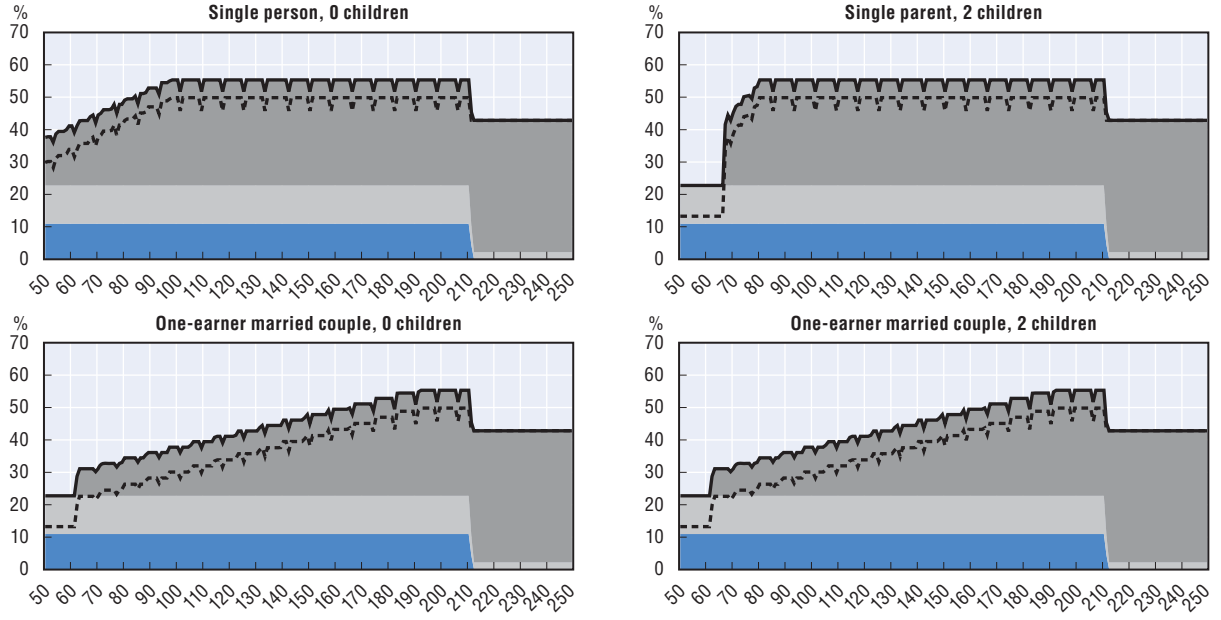
Luxembourg, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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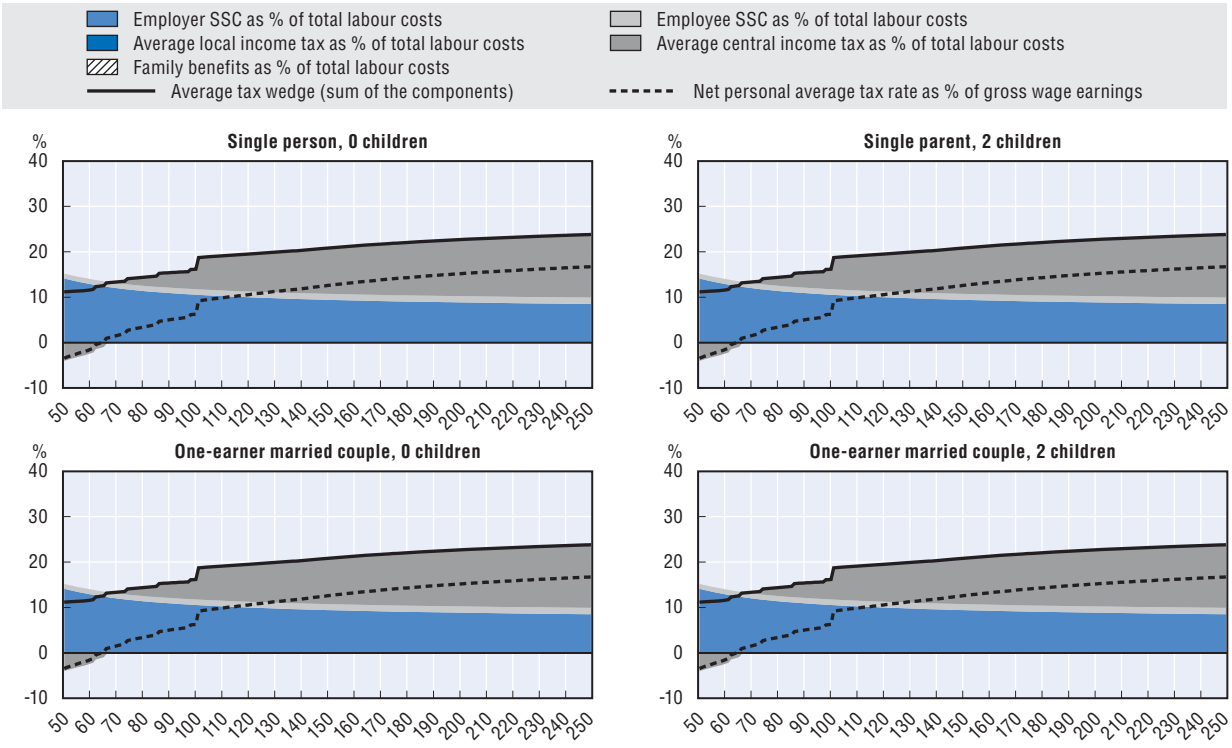
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588005

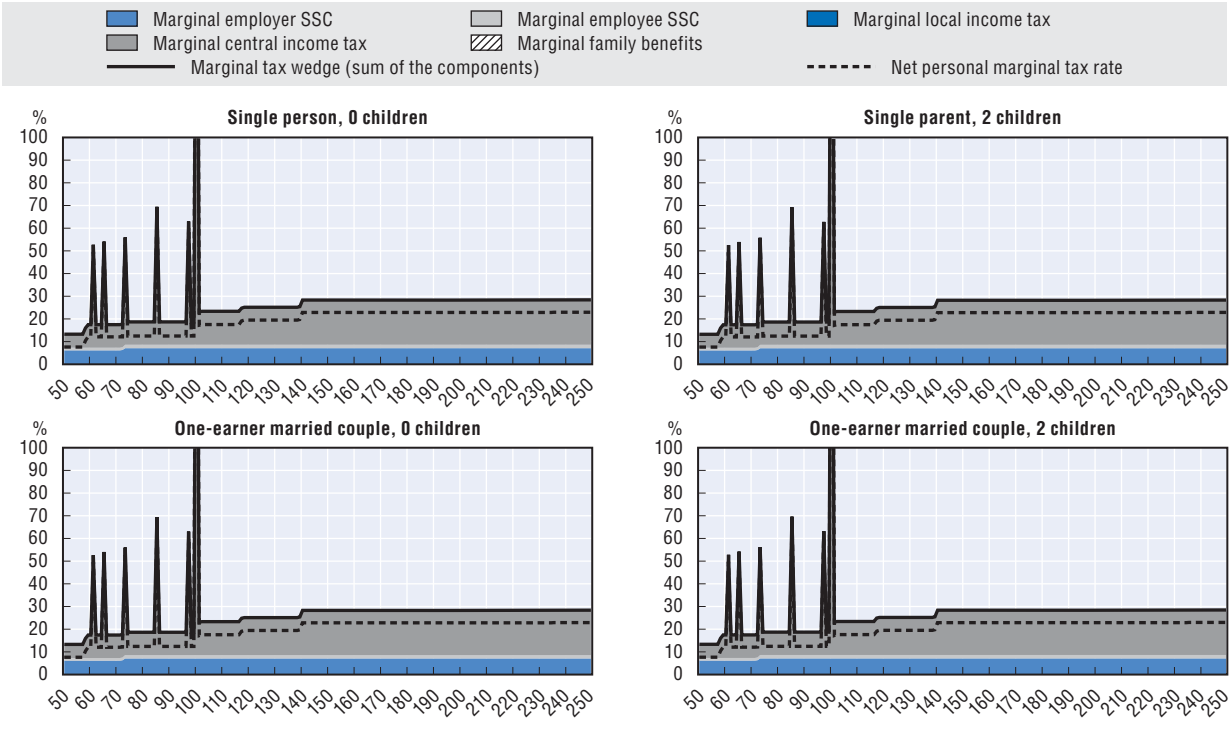
Mexico, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588024

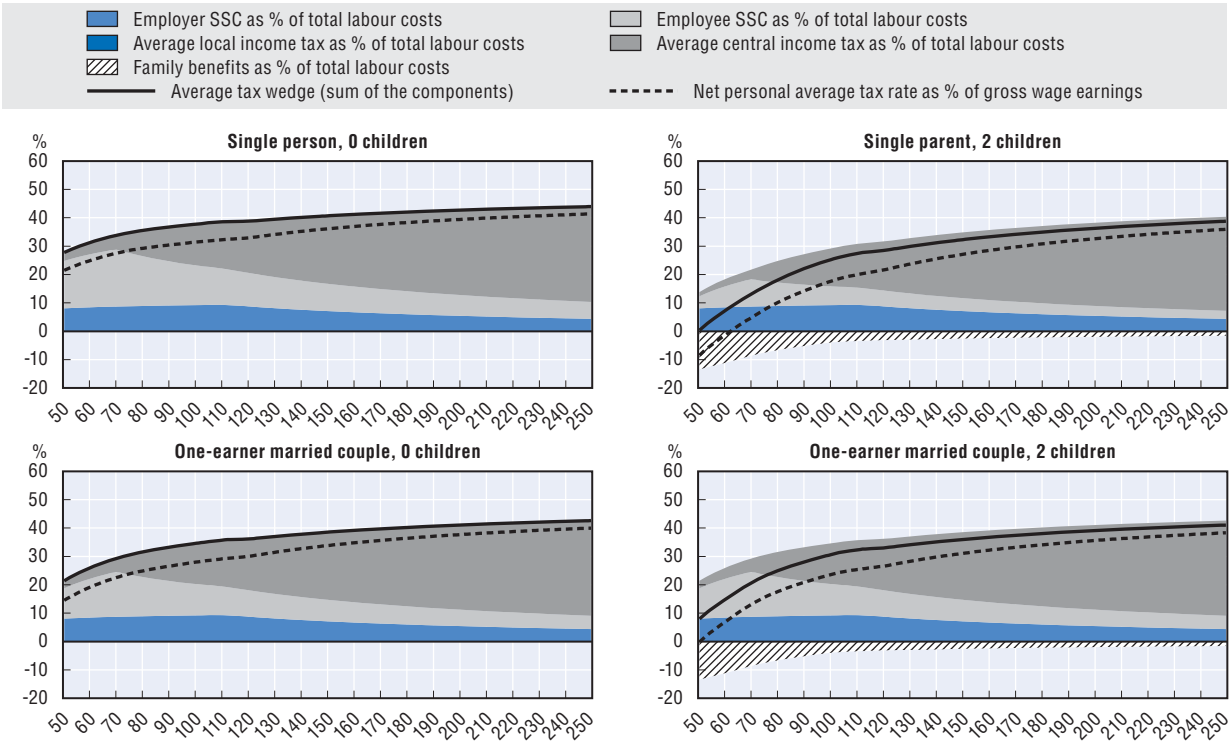
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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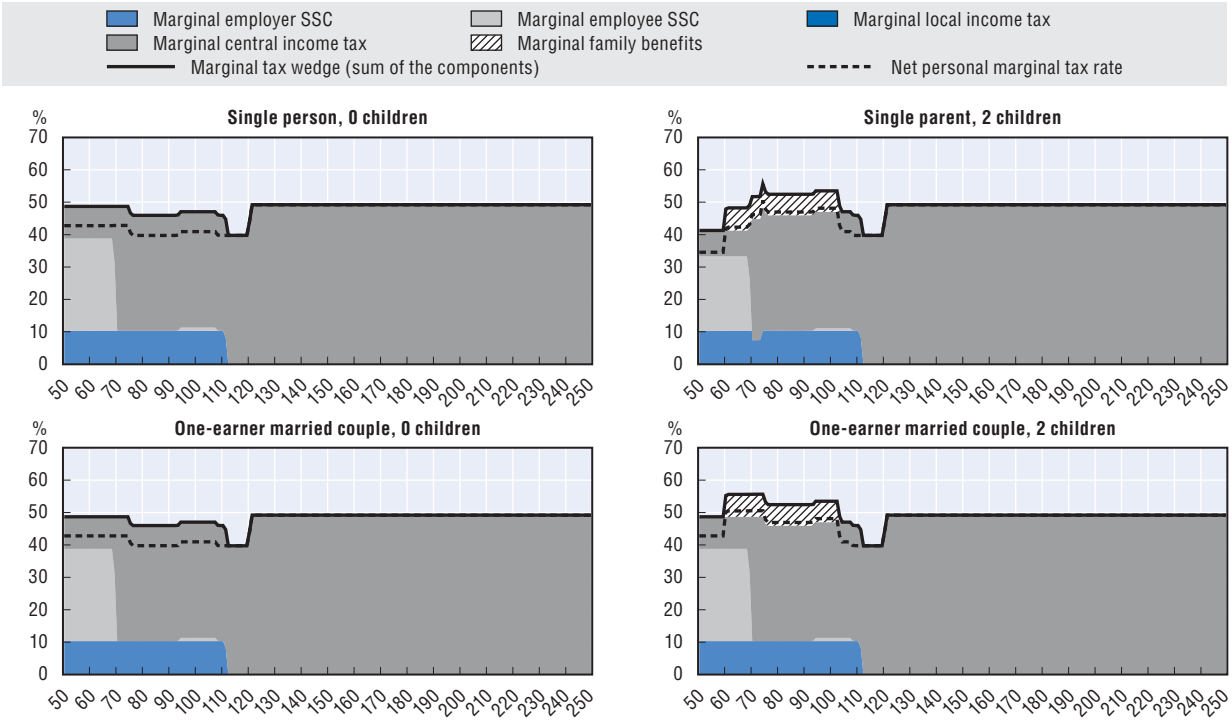
Netherlands, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588062

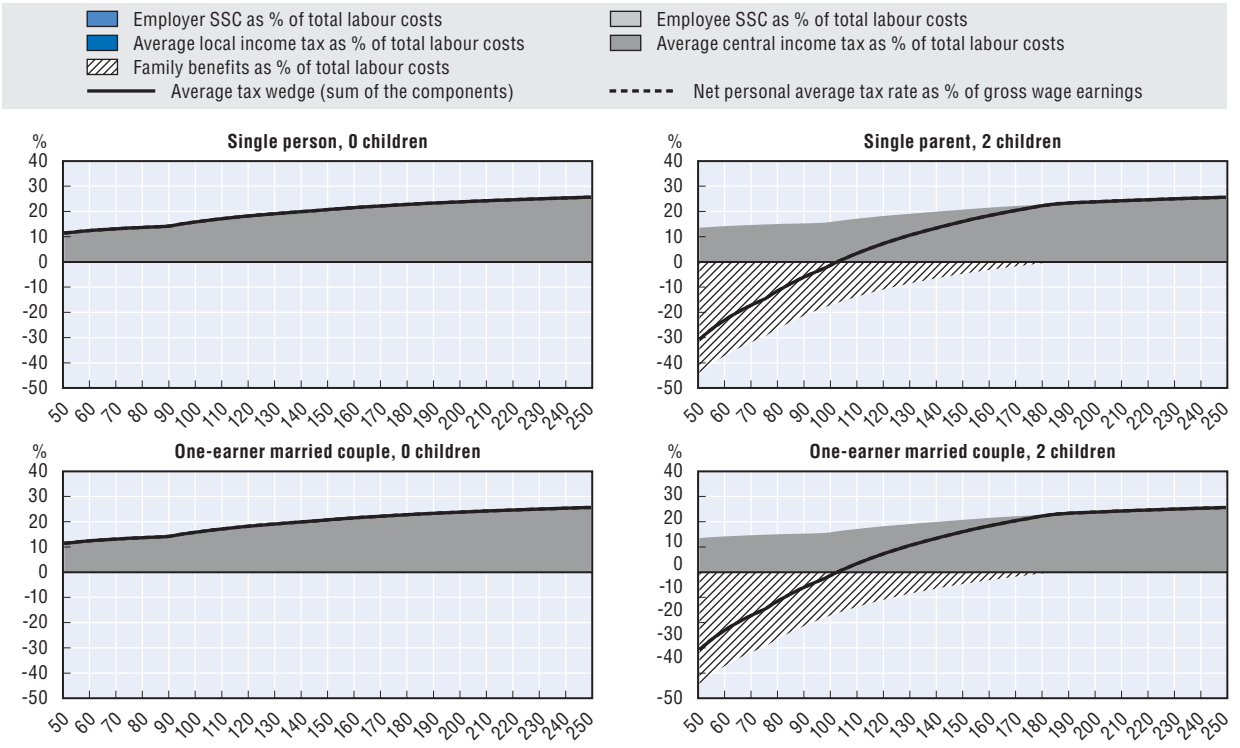
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588081

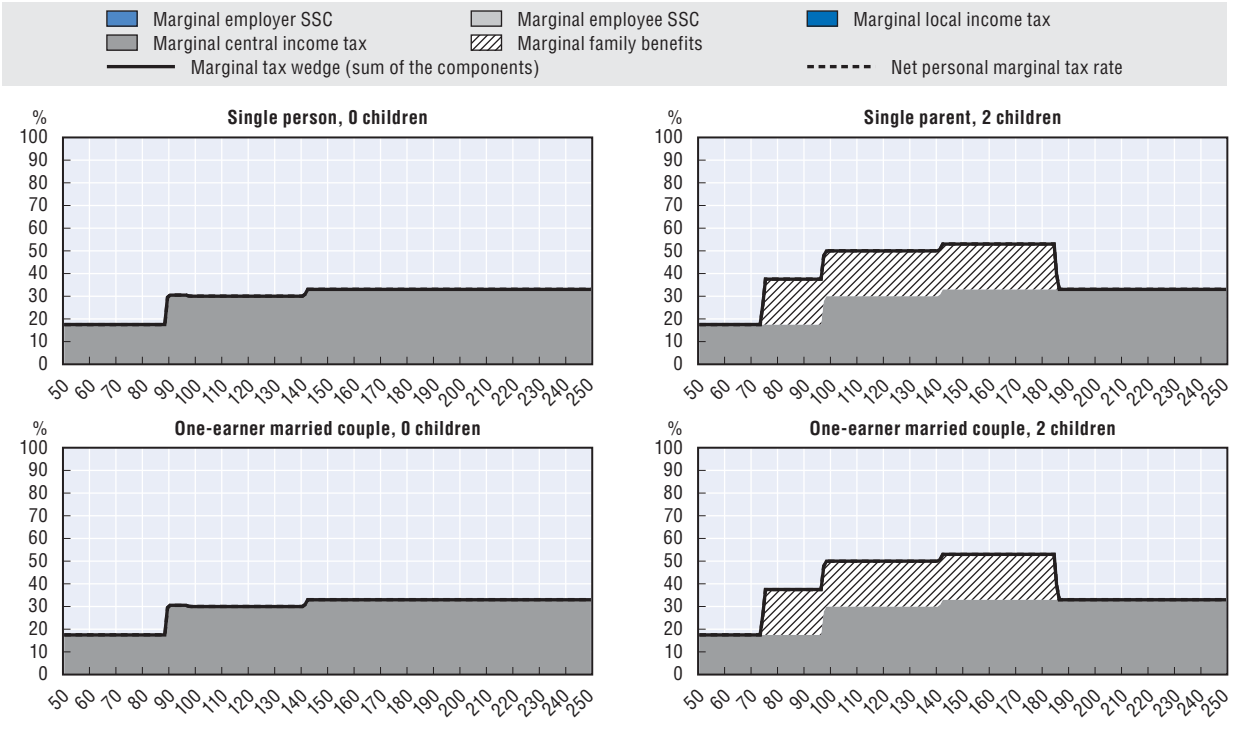
New Zealand, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588138

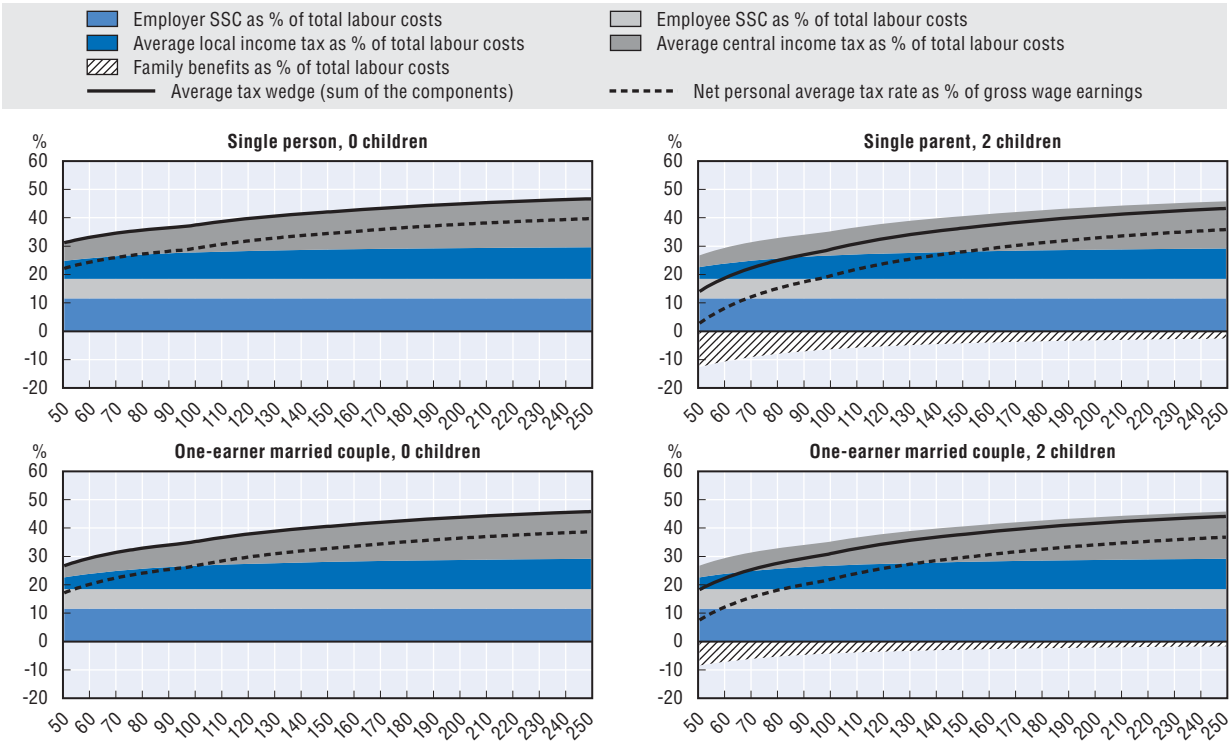
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588157

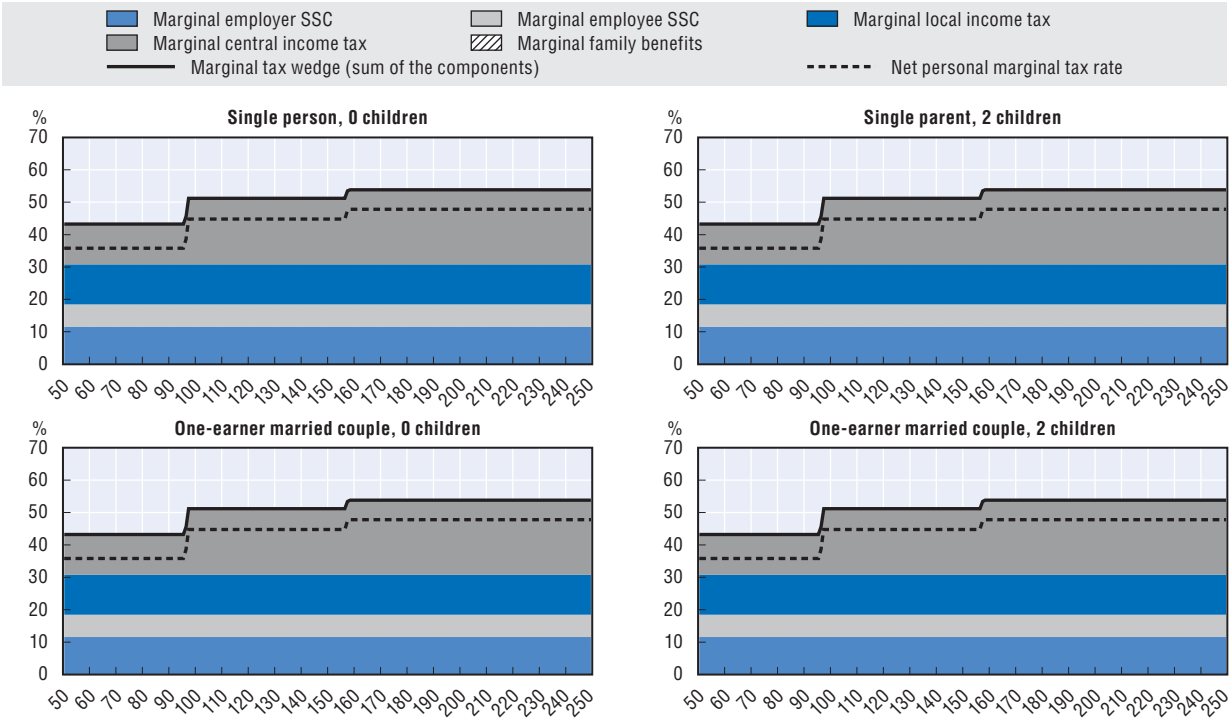
Norway, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588100

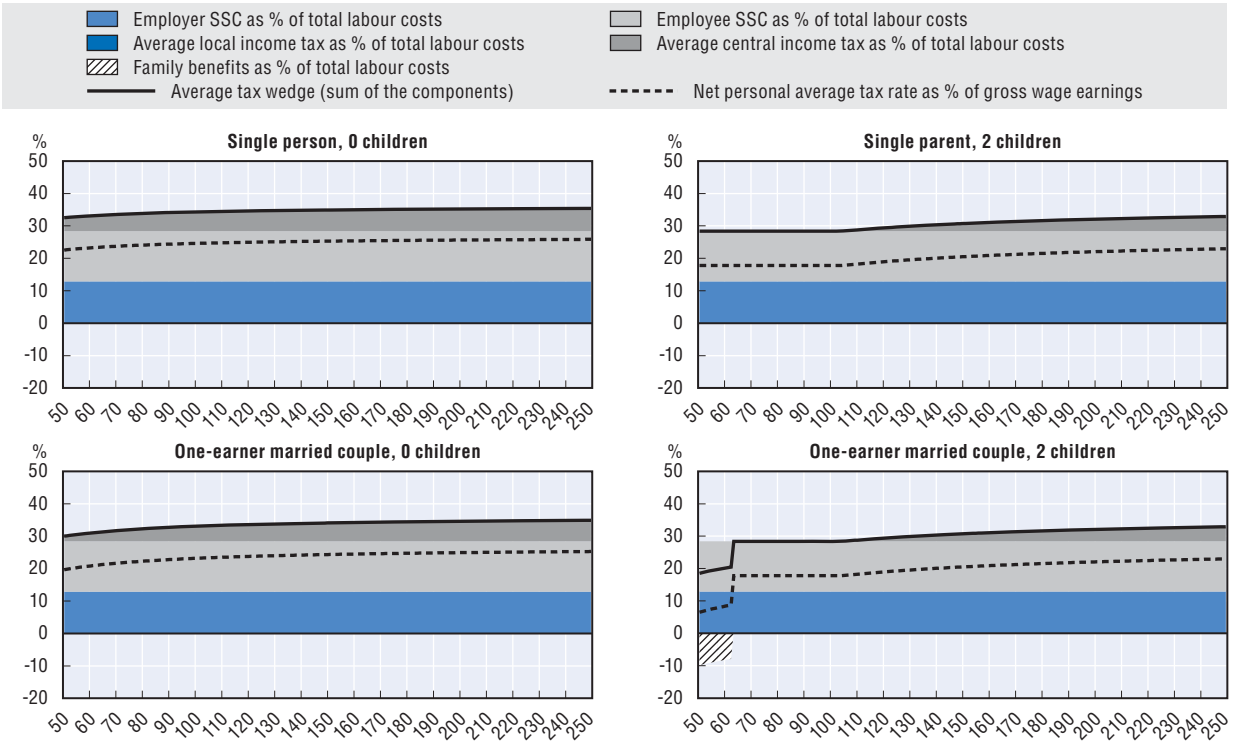
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588119

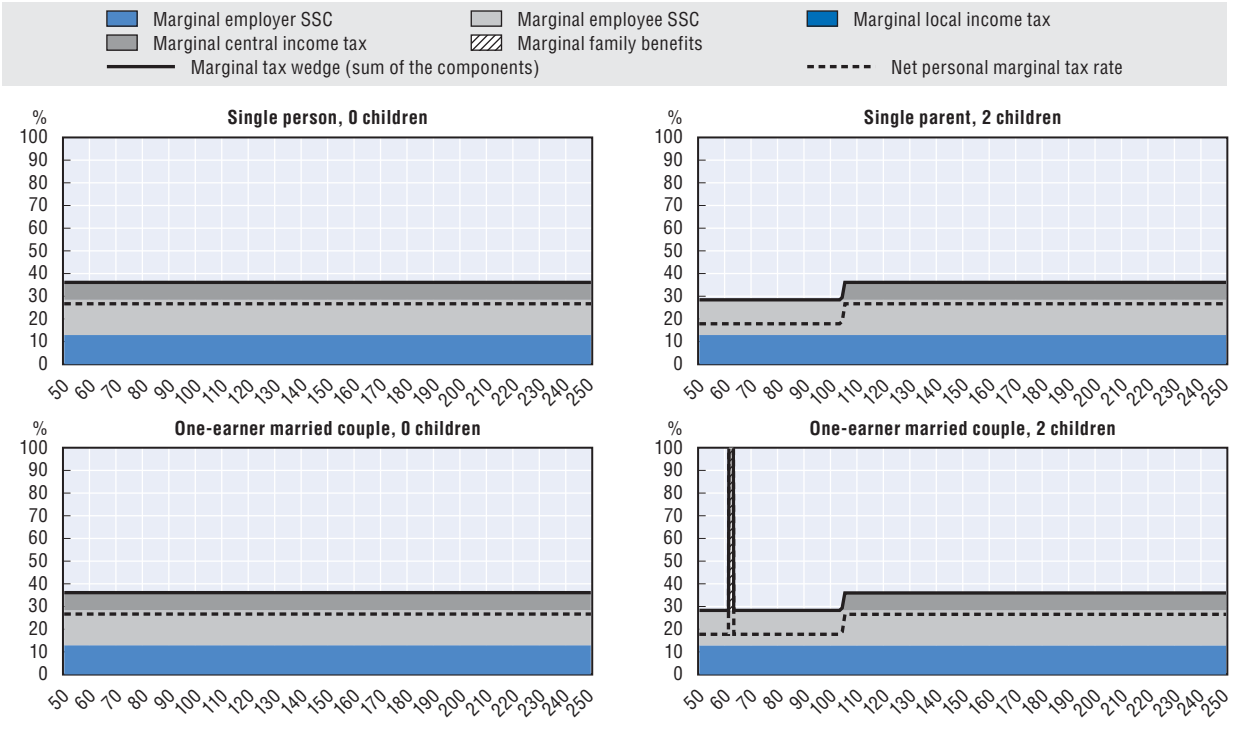
Poland, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588176

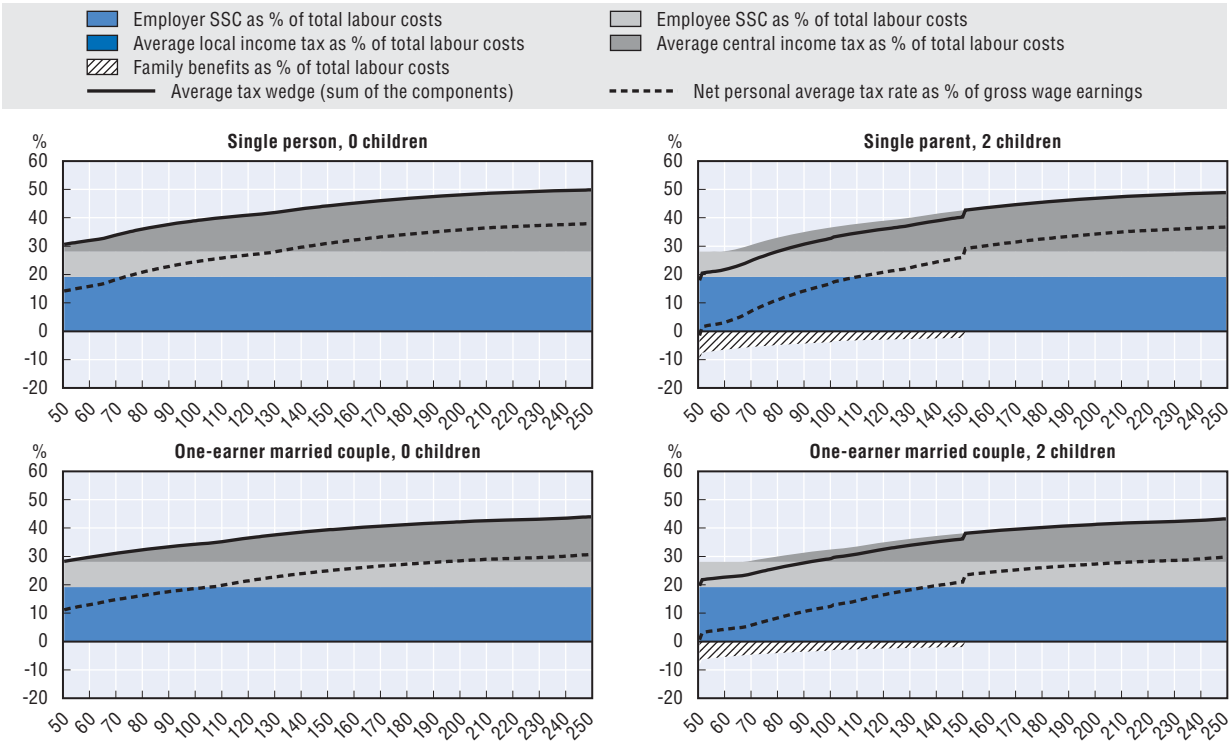
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588195

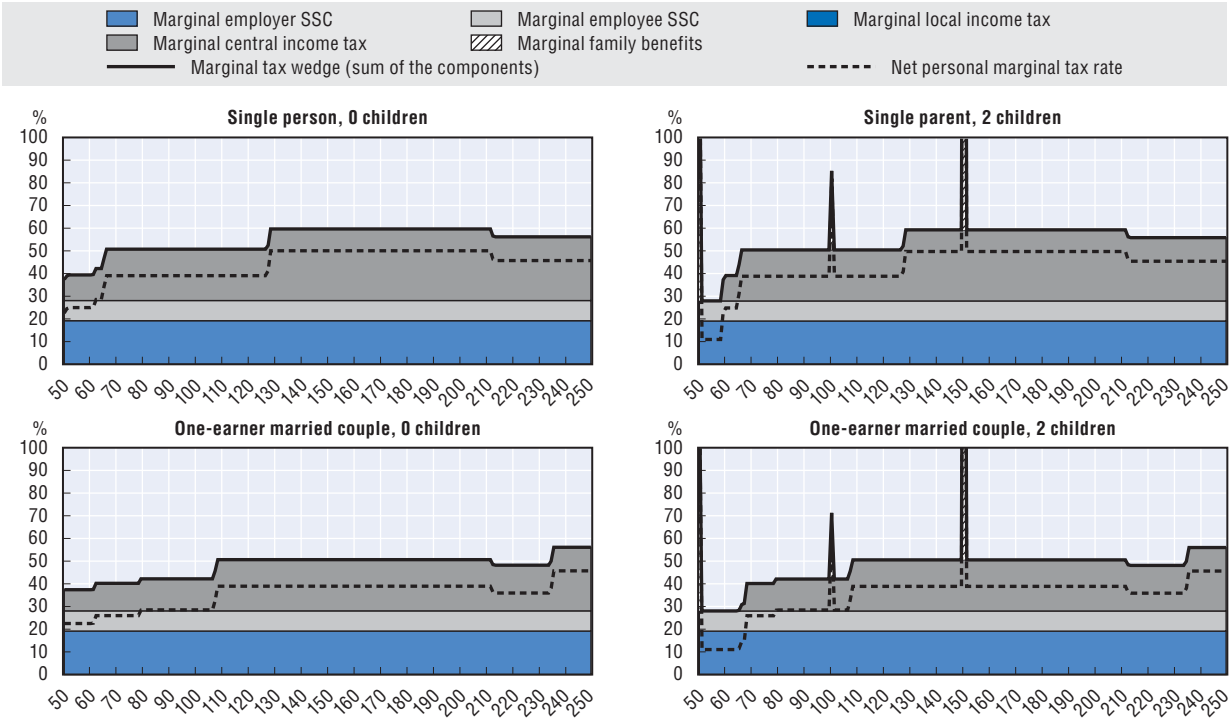
Portugal, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588214

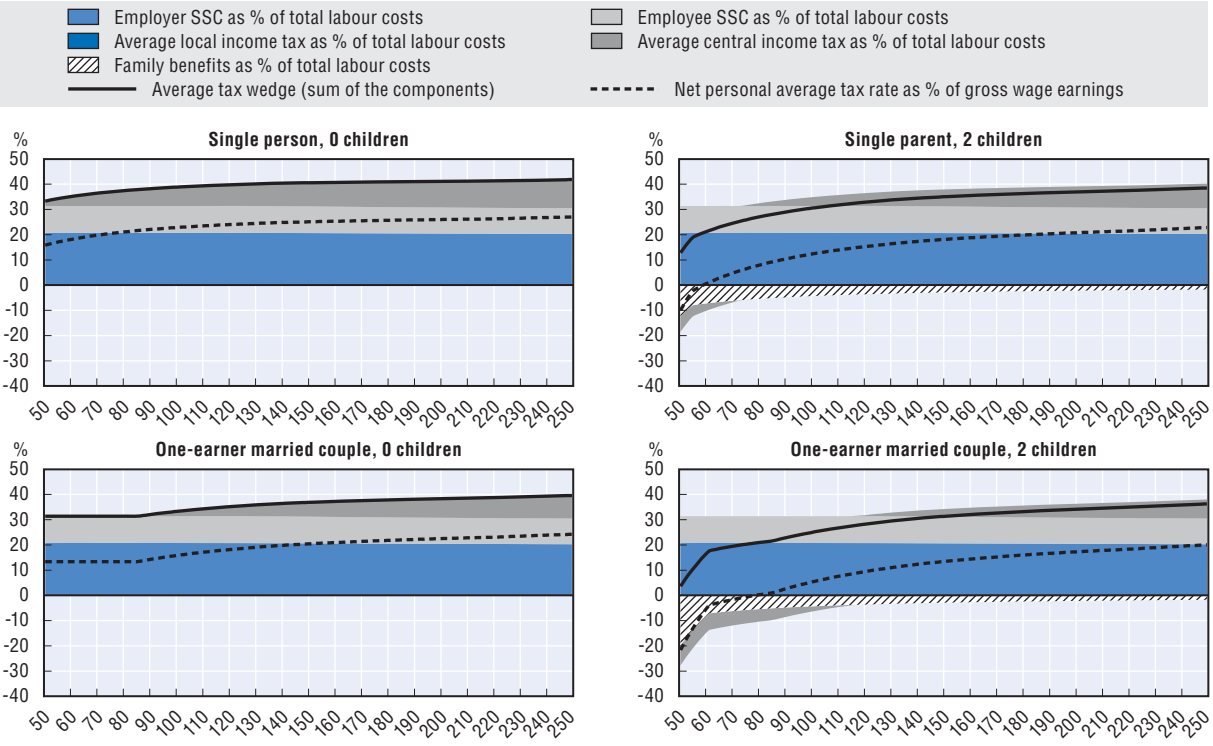
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588233

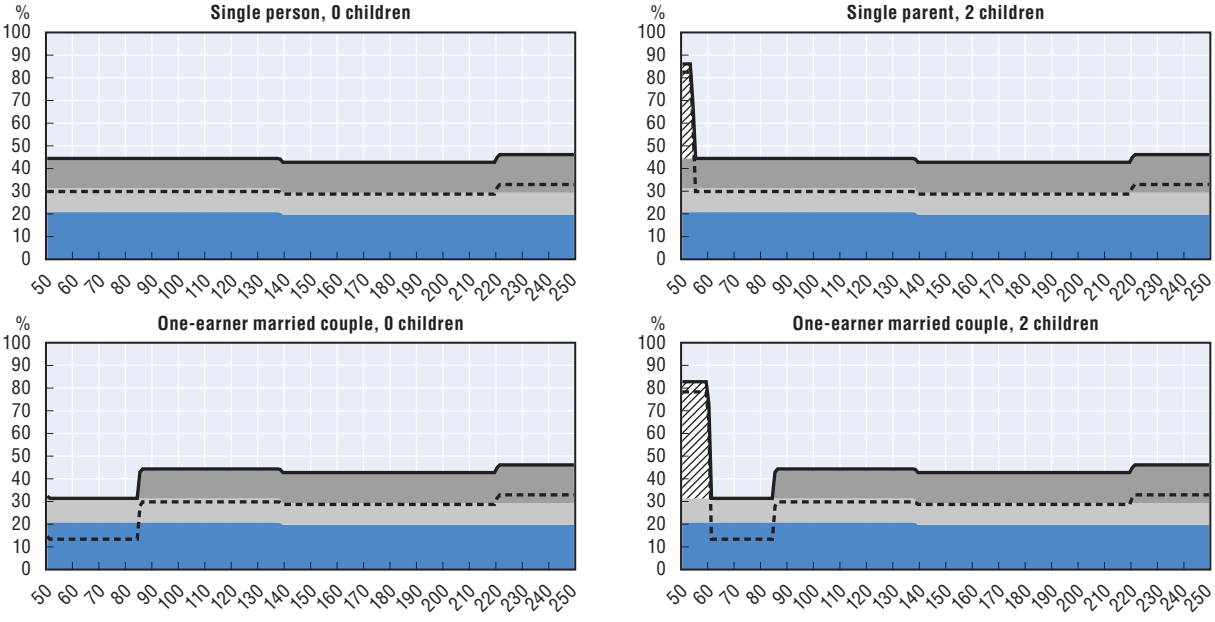
Slovak Republic, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588252

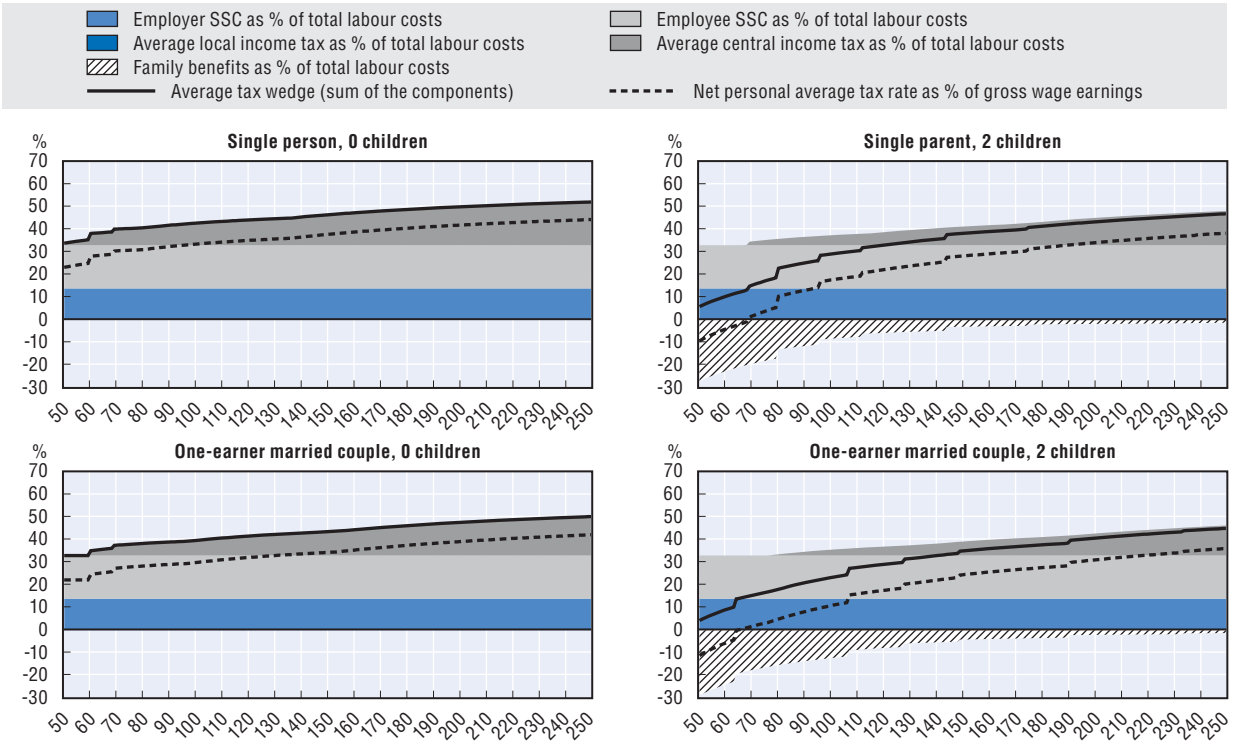
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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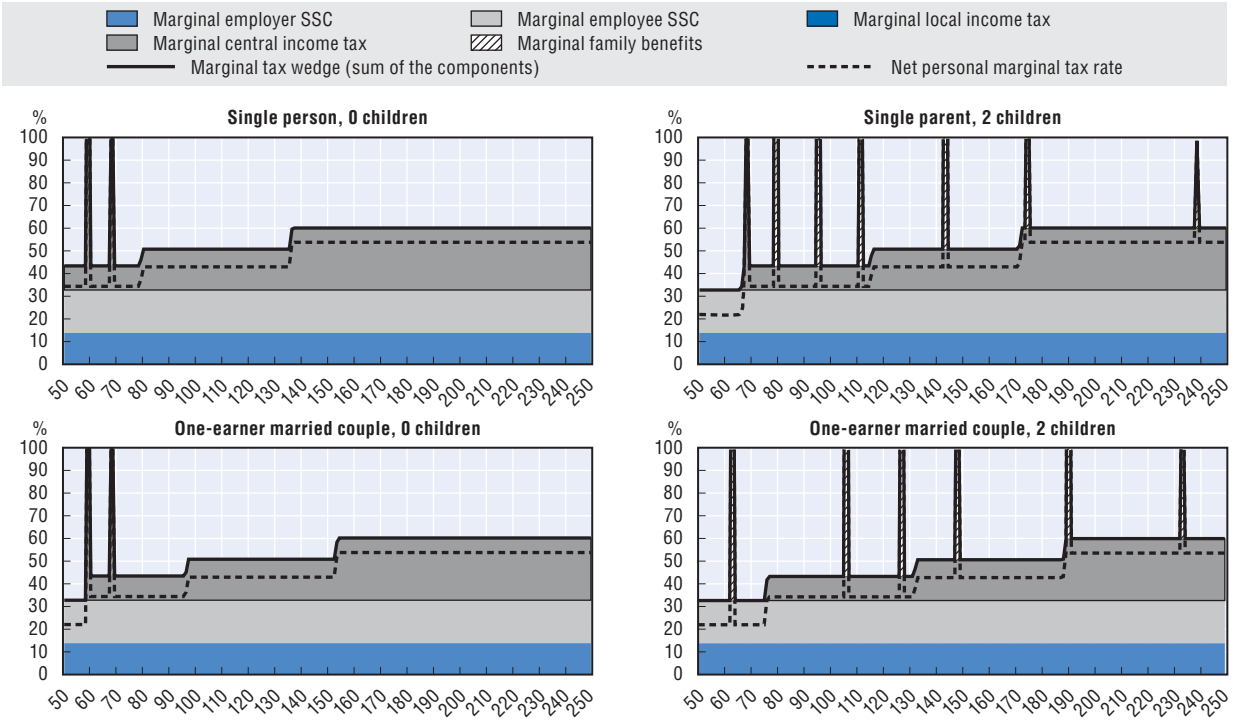
Slovenia, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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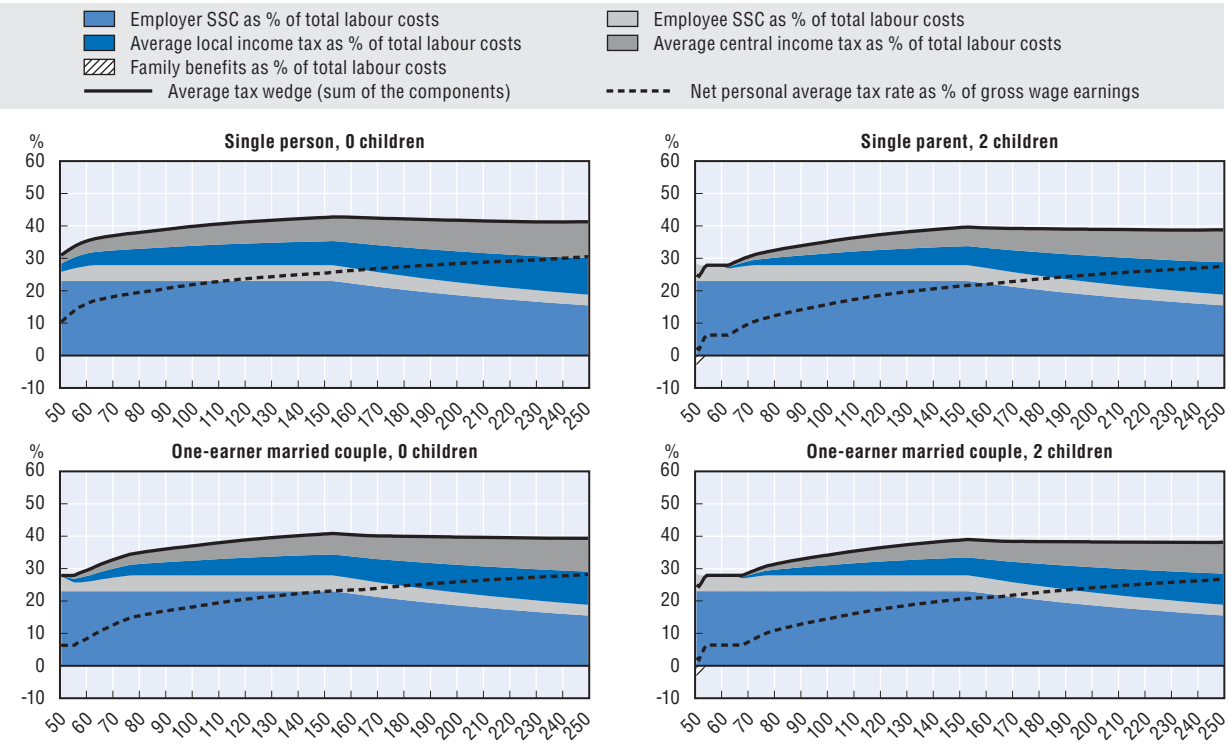
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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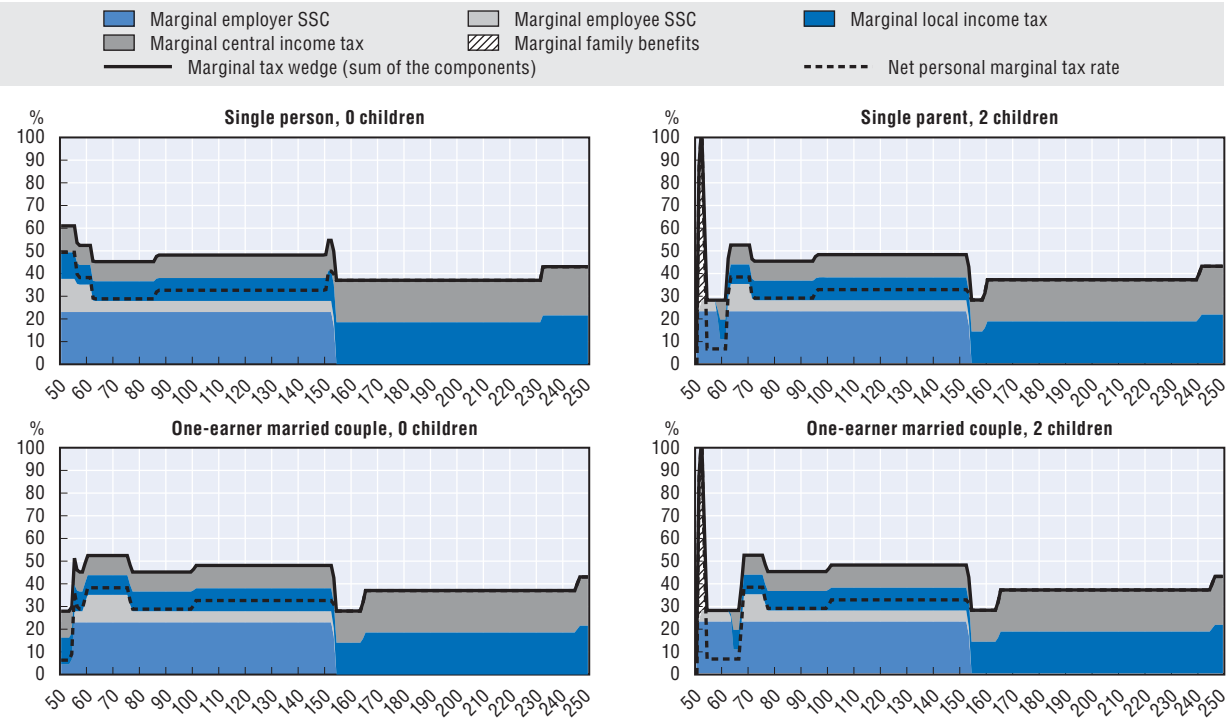
Spain, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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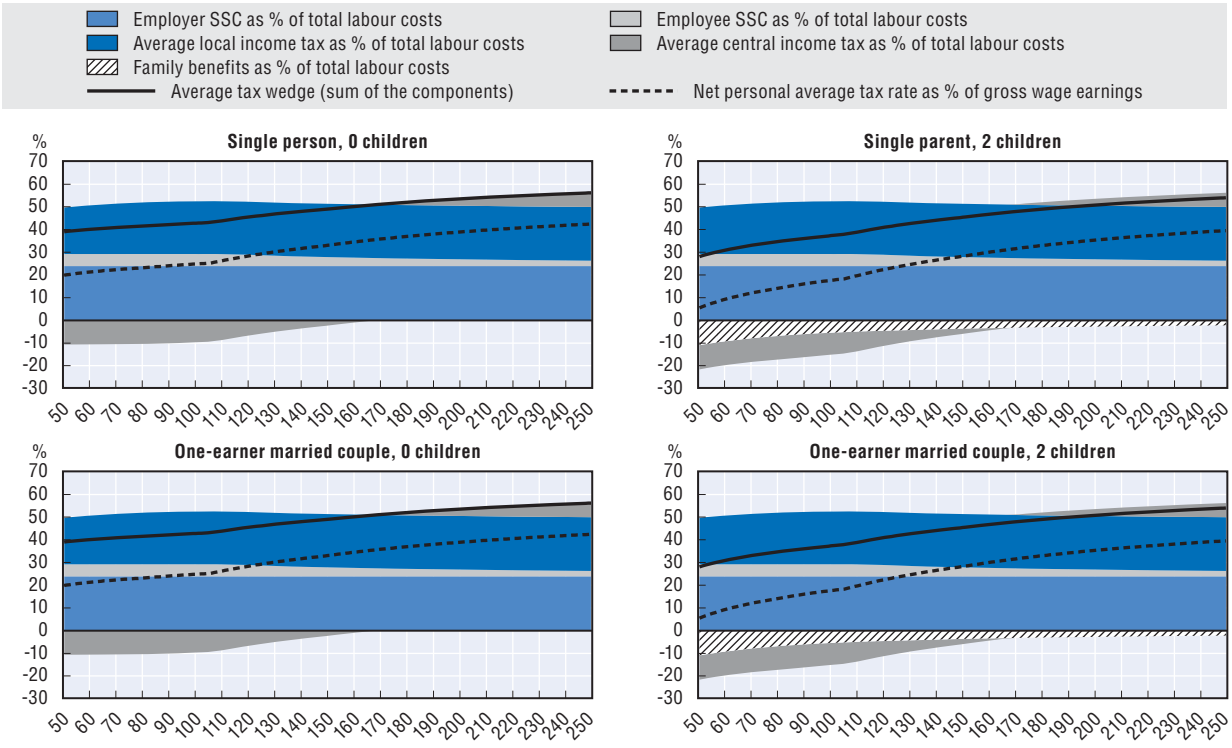
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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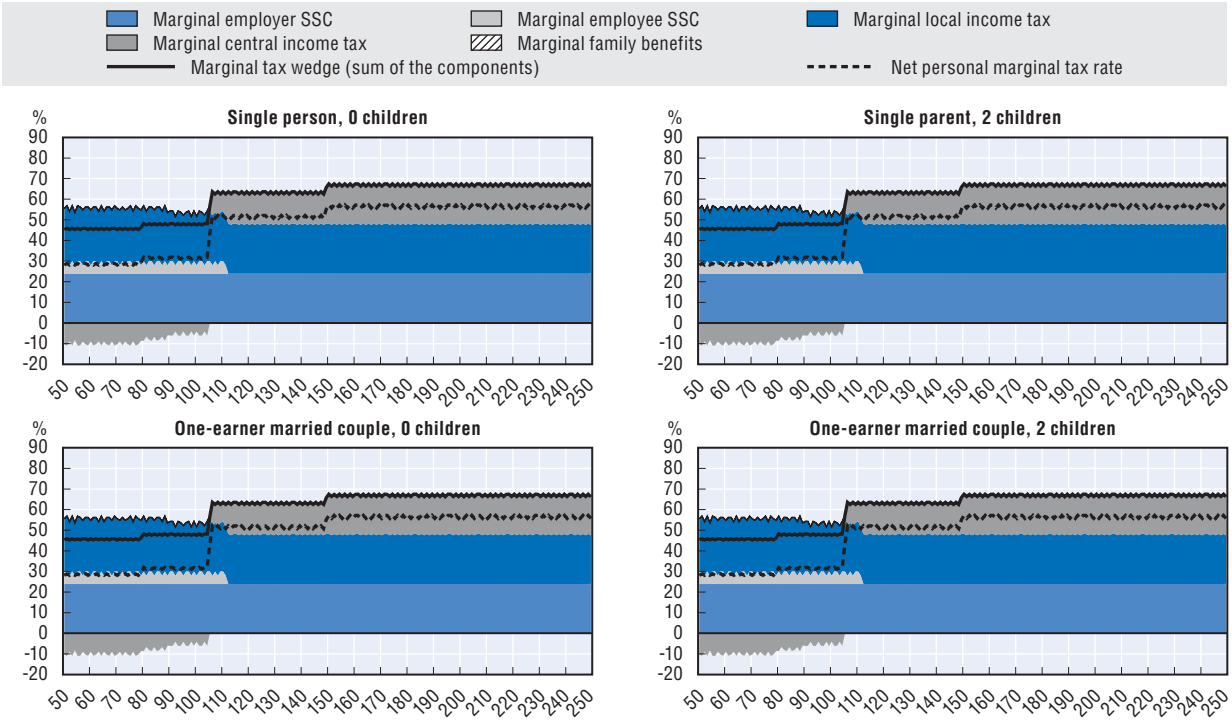
Sweden, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588328

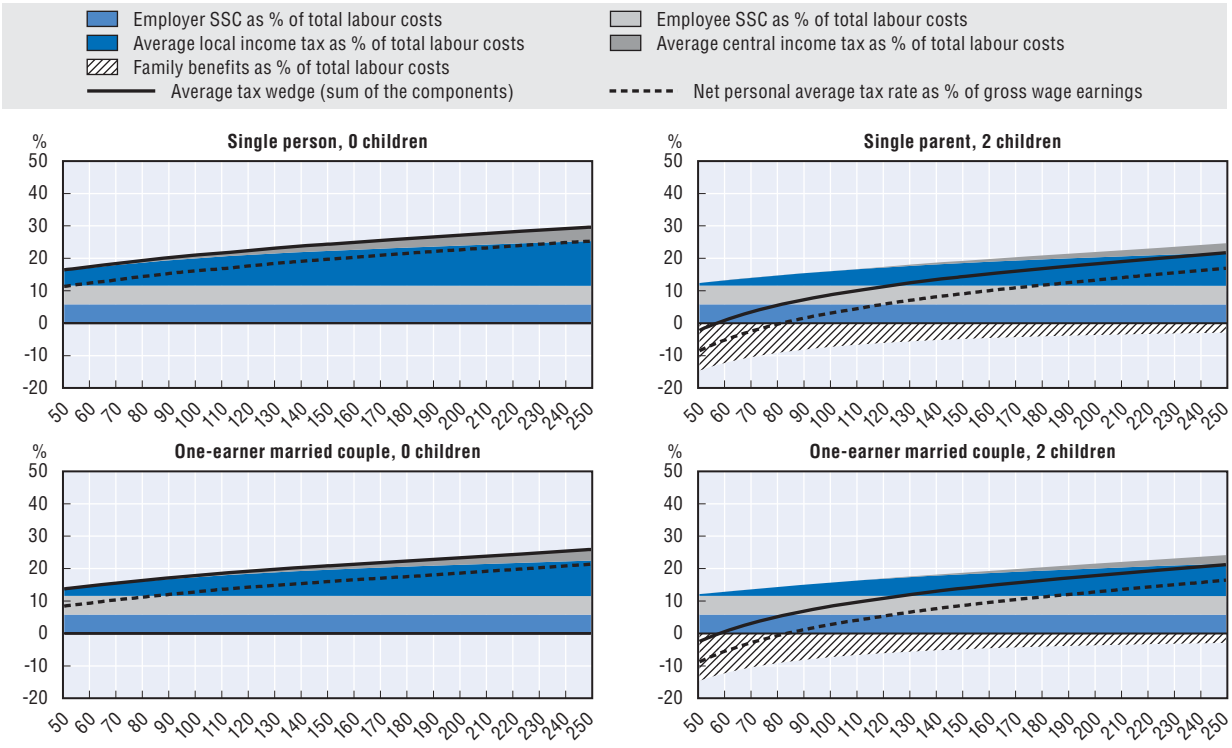
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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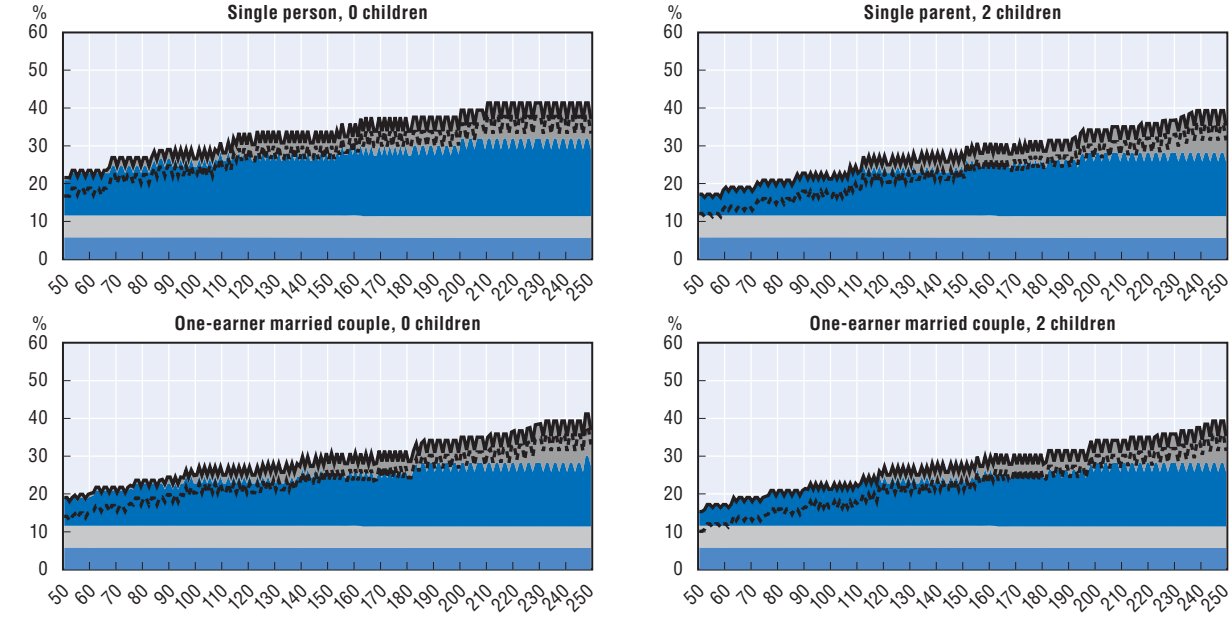
Switzerland, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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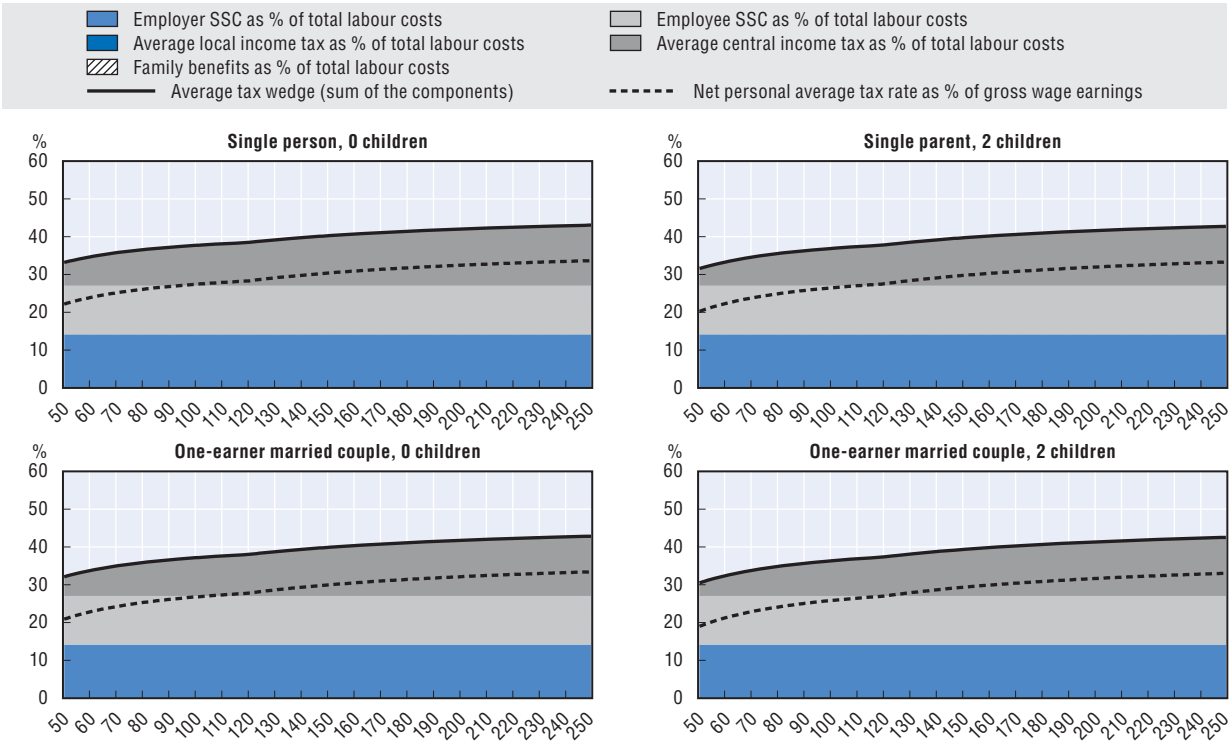
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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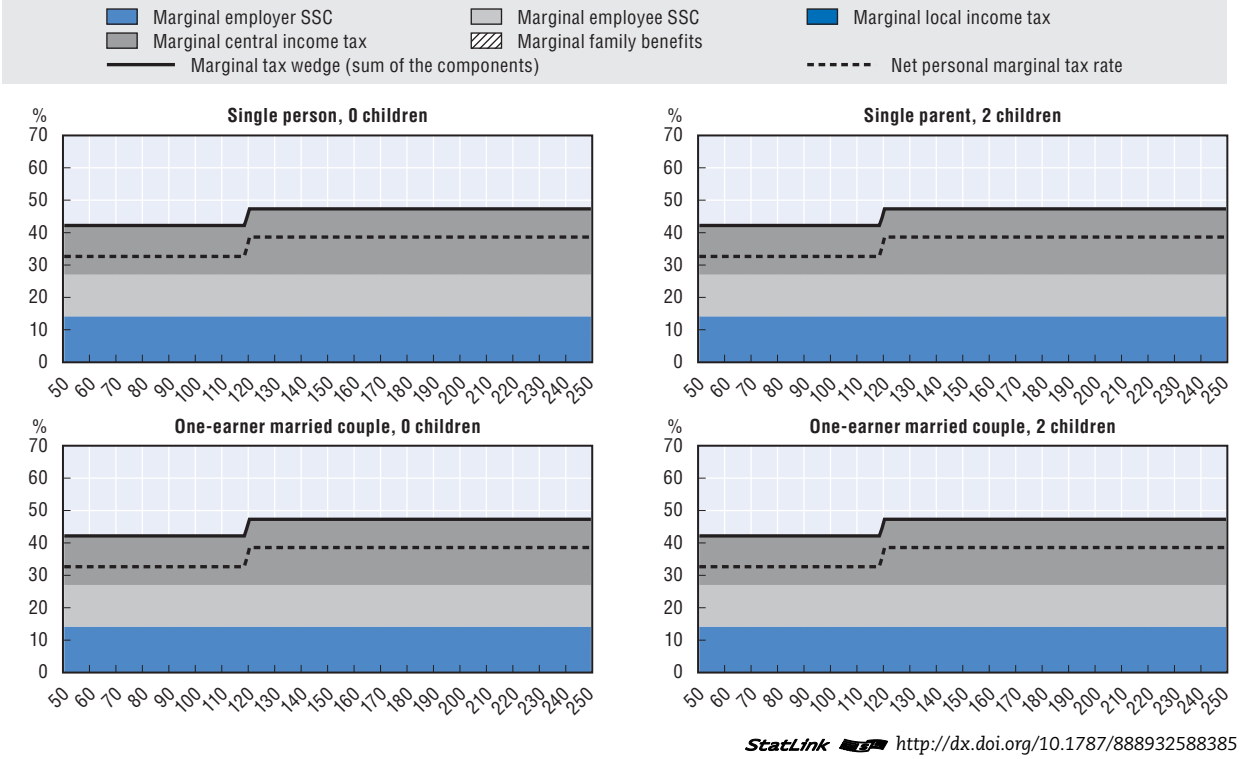
Turkey, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588366

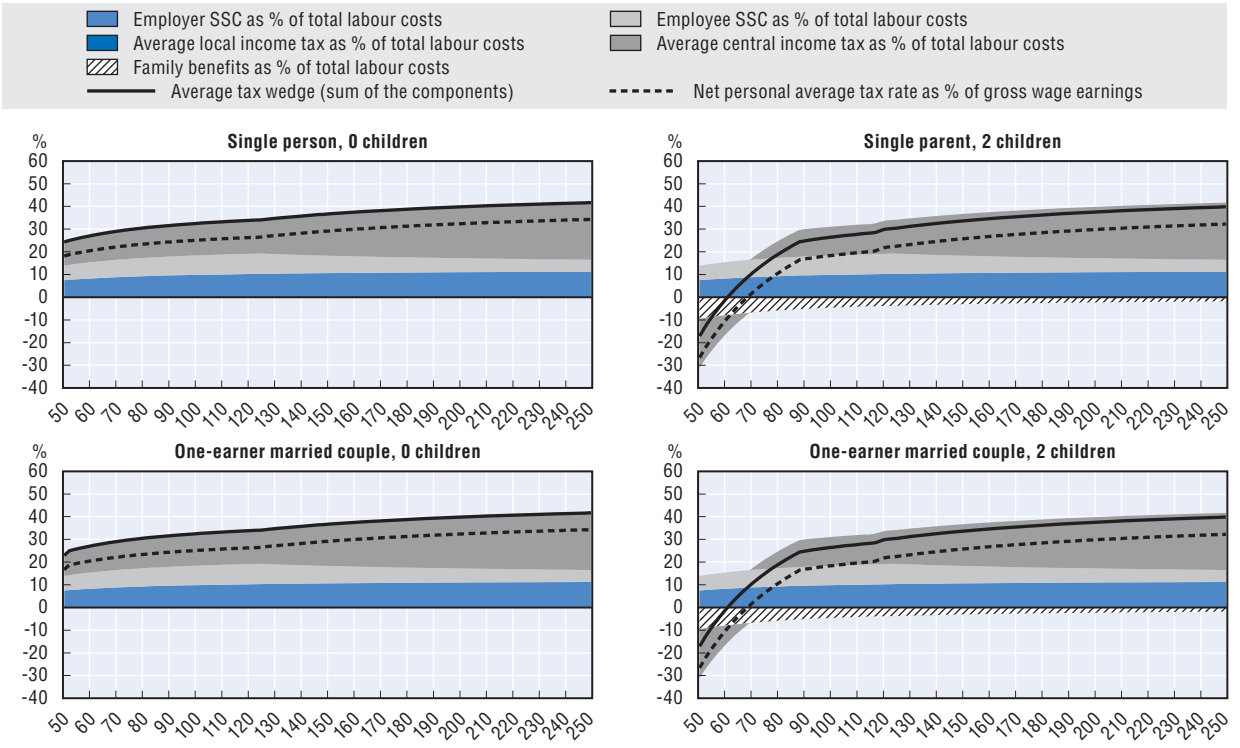
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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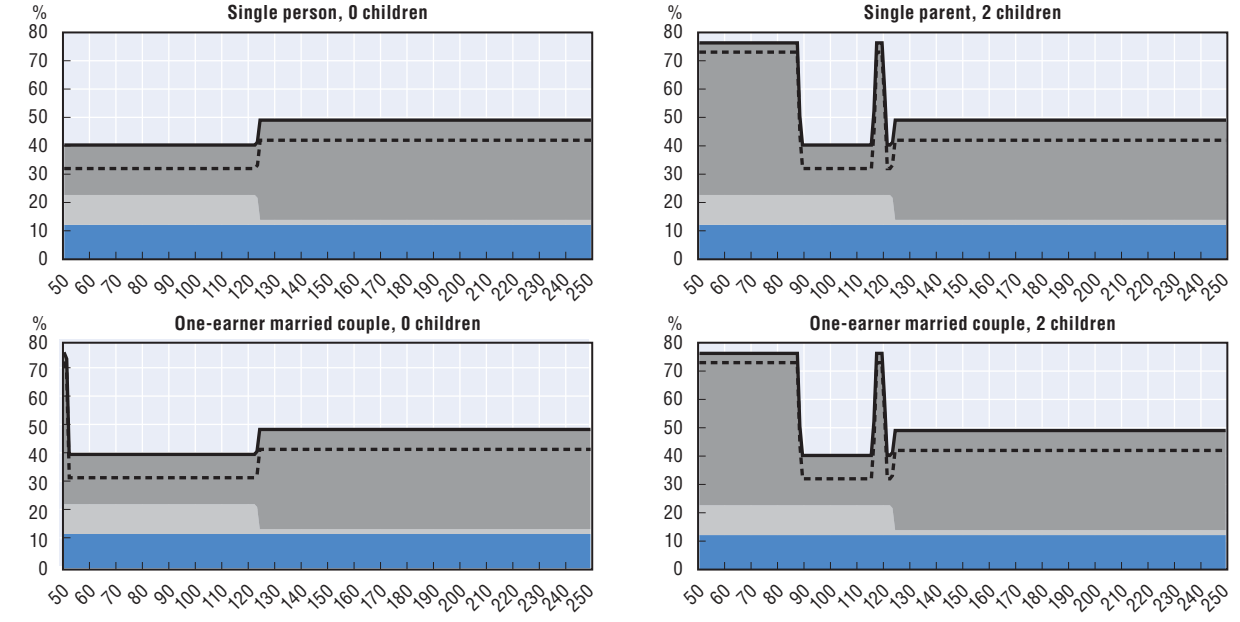
United Kingdom, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588404

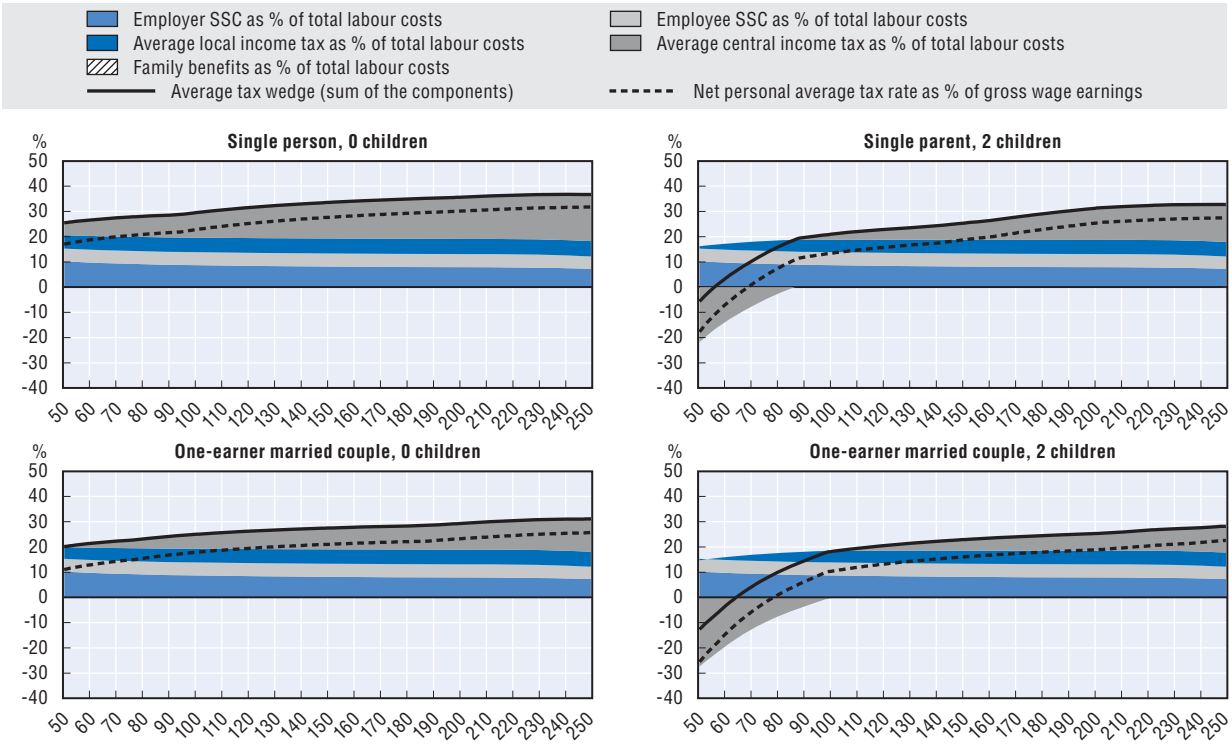
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588423

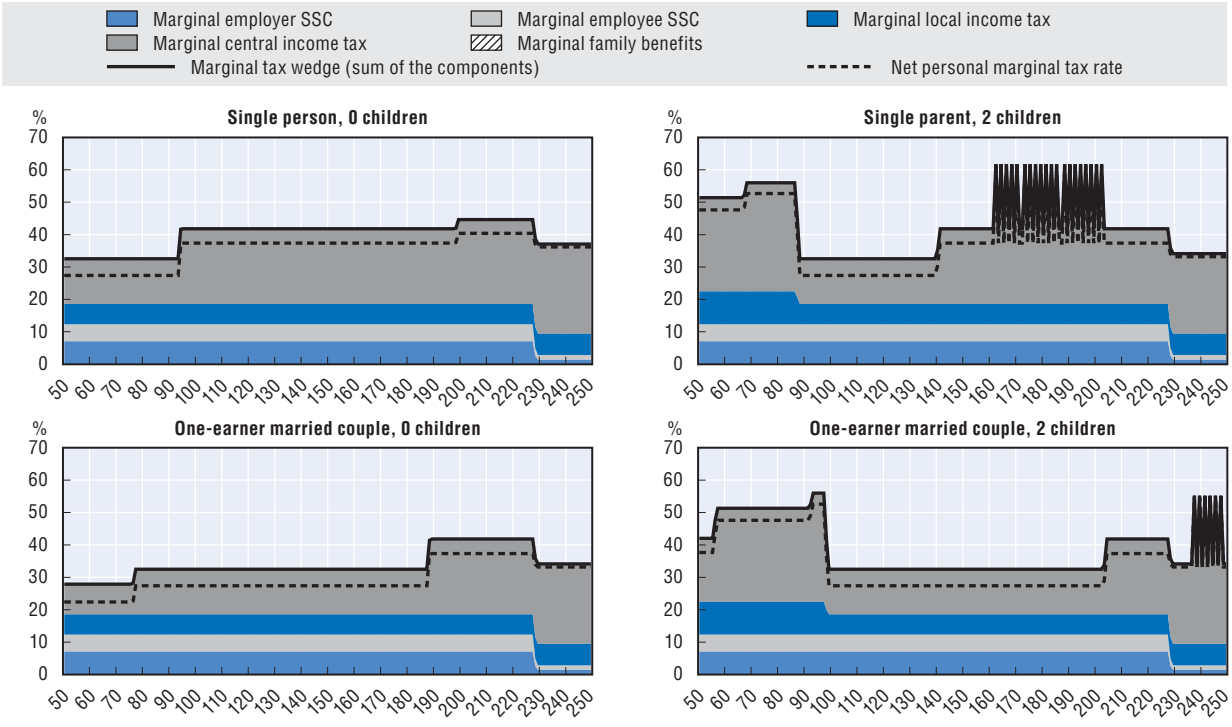
United States, 2011

Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588442

Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932588461

Tax burdens, 2010 definitive results (and changes to 2011)

This Section briefly reviews the definitive results for 2010 reported in Tables I.12-I.22 and what they show about changes between 2010 and 2011. The comparable 2011 data is shown in Tables I.1-I.11 and the formats of the two sets of tables are identical, meaning that the changes for each family-type between the two years can be traced by comparing the corresponding columns in the two sets of tables.

The following commentary focuses on changes in tax burdens and marginal tax rates for two of the eight family types – single employees without children at the average wage level (column 2 of the tables) and one-earner married families with two children at the average wage level (column 5 of the tables). Comparing the columns 1, 3-4 and 6-8 of the tables gives corresponding results for the six other family types. Generally, only those changes exceeding 1 percentage point for average effective rates and 5 percentage points for marginal effective rates are flagged.

Table I.12 presents the total tax wedge, income tax plus employee and employer's social security contributions less cash benefits by family type as a percentage of total labour costs [gross wage plus employers' social security contributions (including payroll taxes)]. In the majority of countries, changes in the gap between total labour costs and the corresponding net take-home pay in 2011 as compared to 2010 were within plus or minus one percentage point. Comparing column 2 in Tables I.1 and I.12, the wedge increased by more than one percentage point in Hungary (2.8 percentage points), Luxembourg (1.7 percentage points) and Portugal (1.4 percentage points) between 2010 and 2011, and it fell by more than one percentage point in New Zealand (–1.1 percentage points).

For one-earner married couples with two children (comparing column 5 of Tables I.1 and I.12), the wedge increased by more than one percentage point in five countries: Iceland (1.8 percentage points), Ireland (2.4 percentage points), Luxembourg (1.8 percentage points), Portugal (2.3 percentage points) and the Slovak Republic (2.1 percentage points). For this family type, the wedge decreased by more than one percentage point only in Hungary (–3.9 percentage points).

Table I.13 shows the combined burden of income tax and employee social security contributions in the form of personal average tax rates as a percentage of gross wage earnings. For single persons on average earnings, this increased by more than one percentage point between 2010 and 2011 in Hungary (3.6 percentage points), Ireland (1.1 percentage points), Luxembourg (1.3 percentage points), Portugal (1.7 percentage points) and the Slovak Republic (1.2 percentage points). For this family type, the rate decreased by more than one percentage point in New Zealand (–1.1 percentage points). For one-earner married couples with two children it increased by more than 1 percentage point in

Iceland (1.3 percentage points), Ireland (2 percentage points), Japan (1.4 percentage points), Luxembourg (1.1 percentage points), Portugal (1.6 percentage points) and the Slovak Republic (2.5 percentage points). It fell by more than one percentage point in Hungary (–5.6 percentage points) and New Zealand (–1.1 percentage points).

Table I.14 provides the combined burden of income tax and employee social security contributions less the amount of cash family benefits (net personal average tax rate). Comparing column 2 of Tables I.3 and I.14, for single persons at average earnings, there were increases of more than one percentage point between 2010 and 2011 in Hungary (3.6 percentage points), Luxembourg (1.4 percentage points), Portugal (1.7 percentage points), and the Slovak Republic (1.2 percentage points); in contrast the burden decreased more than one percentage point in New Zealand (–1.1 percentage points). Comparing column 5 of Tables I.3 and I.14, increases in the net personal average tax rate of one-earner married couples exceeding one percentage point are noted for Iceland (2 percentage points), Ireland (2.6 percentage points), Italy (1.1 percentage points), Japan (1.4 percentage points), Luxembourg (1.3 percentage points), Portugal (2.9 percentage points), and the Slovak Republic (2.7 percentage points). On the other hand, the net personal average tax rate decreased more than one percentage point in Hungary (–5.1 percentage points).

Table I.15 presents information on income tax due as a percentage of gross wage earnings. In most OECD member countries, the income tax for single persons at average earnings has changed only slightly between 2010 and 2011. Comparing column 2 of Tables I.4 and I.15, the income tax rate increased by more than one percentage point in Hungary (3.1 percentage points), Ireland (4.2 percentage points), Portugal (1.7 percentage points), the Slovak Republic (1.2 percentage points) and the United States (1.1 percentage points); there was only one country where the income tax rate decreased by more than one percentage point – New Zealand, by 1.1 percentage points.

For the one earner married couple with two children, increases by greater than one percentage point were observed in five countries, Iceland (1.3 percentage points), Ireland (5.2 percentage points), Portugal (1.6 percentage points), Slovak Republic (2.5 percentage points) and the United States (1.9 percentage points). There were decreases of more than one percentage point in Hungary (–6.1 percentage points) and New Zealand (–1.1 percentage points).

Table I.16 shows information on employee social security contributions as a percentage of gross wage earnings. Comparing columns 2 and 5 of Tables I.5 and I.16, there were only two countries – Ireland (–3.2 percentage points) and the United States (–2 percentage points) where there was a change in the average burden of employee social security contributions of more than one percentage point between 2010 and 2011 for either the average single person or the average one-earner married couple with two children.

Table I.17 shows the marginal tax wedge (rate of income tax plus employee and employer social security contributions minus benefits) in 2010. Comparing columns 2 and 5 respectively in Tables I.6 and I.17, changes between 2010 and 2011 in the marginal wedge were generally within the range of plus or minus five percentage points. For a single worker at the average earnings, a change of more than five percentage points was noted only for Ireland (+19.9 percentage points). For a one-earner married couple with two children, there were no changes of more than five percentage points.

Table I.18 presents the marginal rate of income tax plus employee social security contributions minus benefits by family-type and wage level. Comparing columns 2 and 5

respectively in Tables I.7 and I.18, the pattern of changes in the marginal rate between 2010 and 2011 was similar to that for the tax wedge discussed above. For the two family types being focused on, the only example of a change outside the range of plus or minus five percentage points was for the single worker on the average earnings in Ireland, (+22 percentage points).

Table I.19 shows the increase in net income (in per cent) after an increase of one currency unit in gross wage earnings for 2010.[1] Table I.20 provides the percentage increase in net income given an increase in one currency unit of gross labour costs for the same year.[2] The results shown in these two tables are directly dependent upon the marginal and average tax rates that have been discussed in the paragraphs above. Tables I.21 and I.22 report background information on levels of labour costs plus gross and net wages in 2010.

Notes

1. The reported elasticities in Table I.19 are calculated as (100 – METR)/(100 – AETR), where METR is the marginal rate of income tax plus employee social security contributions less cash benefits reported in Table I.18 and AETR is the average rate plus employee social security contributions less cash benefits reported in Table I.14.
2. The reported elasticities in Table I.20 are calculated as (100 – METR)/(100 – AETR), where METR is the marginal rate of income tax plus employee and employer social security contributions less cash benefits reported in Table I.17 and AETR is the average rate plus employee and employer social security contributions less cash benefits reported in Table I.12.

Table I.12. **Income tax plus employee and employer contributions less cash benefits, 2010**

As % of labour costs, by family-type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[2]	Married 2 ch 100-67 (% AW)[2]	Married no ch 100-33 (% AW)[2]
Australia	20.9	26.8	32.4	-6.9	14.6	18.0	23.7	23.1
Austria	43.4	48.2	51.4	25.9	36.4	36.7	40.0	44.5
Belgium	49.5	55.4	60.6	35.2	39.8	41.1	48.0	47.7
Canada	25.8	30.5	32.7	-7.2	18.1	23.4	26.6	27.3
Chile	7.0	7.0	7.6	6.0	6.3	4.8	6.6	7.0
Czech Republic	38.9	42.1	44.7	15.6	21.1	30.3	34.3	40.0
Denmark	36.7	38.3	44.5	11.1	27.2	31.9	33.7	36.8
Estonia	38.6	40.1	41.2	23.7	30.8	34.0	35.7	38.8
Finland	37.0	42.5	48.3	25.8	37.3	35.2	37.2	39.1
France	46.2	49.3	53.4	38.0	42.2	39.8	44.7	45.5
Germany	45.0	49.2	51.4	30.1	33.0	38.0	41.7	45.0
Greece	34.4	38.2	43.7	34.4	38.5	37.5	37.5	38.1
Hungary	43.8	46.6	53.1	27.3	36.7	36.4	39.5	43.8
Iceland	28.3	33.4	37.8	16.5	19.2	26.3	30.4	28.6
Ireland	16.7	25.8	36.4	-28.2	4.7	10.6	16.2	18.2
Israel	12.8	19.4	28.3	0.4	15.9	13.7	13.3	16.3
Italy	44.0	47.2	52.5	27.9	37.8	39.6	42.4	43.9
Japan	28.9	30.2	33.3	18.6	22.1	24.0	25.4	29.4
Korea	17.3	20.1	21.7	16.7	17.8	17.8	17.9	19.2
Luxembourg	27.7	34.3	41.6	0.7	11.6	16.0	21.3	26.2
Mexico	12.3	15.5	21.3	12.3	15.5	13.8	14.2	13.8
Netherlands	33.5	38.1	41.8	12.0	30.8	29.5	31.8	34.2
New Zealand	14.2	17.0	23.3	-17.9	-0.9	7.5	13.8	15.9
Norway	34.0	37.2	42.9	20.7	30.6	31.5	33.3	34.8
Poland	33.2	34.2	35.0	28.4	28.4	29.2	30.6	33.2
Portugal	32.7	37.6	43.6	21.5	26.9	28.9	33.2	32.7
Slovak Republic	34.7	37.9	40.3	21.8	22.9	27.2	31.5	33.7
Slovenia	38.6	42.5	47.6	12.3	22.9	30.4	34.0	40.1
Spain	36.5	39.7	42.4	29.1	34.0	35.7	36.7	36.8
Sweden	40.6	42.8	50.9	32.3	37.2	36.8	38.6	41.0
Switzerland	17.8	20.7	25.1	2.2	8.2	11.0	14.1	18.3
Turkey[1]	35.7	37.9	41.0	34.5	36.6	37.4	38.1	38.0
United Kingdom	29.4	32.6	37.2	9.0	26.5	24.8	28.4	29.4
United States	27.8	30.4	35.7	8.4	18.2	23.2	25.4	28.4
Unweighted average								
OECD-average	**31.3**	**35.0**	**39.5**	**15.8**	**25.0**	**27.1**	**30.0**	**32.0**
OECD-EU21	**37.2**	**41.1**	**45.8**	**20.7**	**29.8**	**31.9**	**35.1**	**37.6**

Note: ch = children.

1. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
2. Two-earner family.

StatLink http://dx.doi.org/10.1787/888932588936

Table I.13. **Income tax plus employee contributions, 2010**

As % of gross wage earnings, by family-type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[2]	Married 2 ch 100-67 (% AW)[2]	Married no ch 100-33 (% AW)[2]
Australia	15.9	22.3	28.2	14.2	21.1	17.4	19.0	18.3
Austria	27.0	33.1	38.3	23.7	30.8	28.0	30.3	28.4
Belgium	35.4	42.1	49.0	29.8	30.4	32.8	38.0	34.7
Canada	18.7	22.5	26.7	8.1	16.0	18.0	20.1	19.1
Chile	7.0	7.0	7.6	7.0	7.0	7.0	7.0	7.0
Czech Republic	18.1	22.5	25.9	6.0	5.7	13.5	15.9	19.6
Denmark	37.2	38.6	44.5	37.2	34.4	37.4	38.1	37.4
Estonia	17.5	19.4	20.9	11.9	11.9	14.7	16.4	17.5
Finland	22.9	29.7	36.8	22.9	29.7	25.5	27.0	25.5
France	26.0	27.9	33.5	21.2	22.1	21.5	24.9	26.0
Germany	34.4	39.4	43.8	16.5	20.0	26.0	30.4	34.4
Greece	16.0	20.9	27.9	16.0	21.3	19.9	19.9	20.7
Hungary	27.8	31.4	39.7	27.8	31.4	27.8	29.9	27.8
Iceland	22.1	27.6	32.4	22.1	17.5	22.4	25.4	22.4
Ireland	7.8	17.9	29.5	4.8	9.4	9.9	13.8	9.9
Israel	9.1	15.7	24.8	5.5	15.7	12.6	11.6	12.6
Italy	26.0	30.2	37.2	18.7	23.4	22.7	25.8	26.0
Japan	19.1	20.6	24.5	15.7	16.9	17.7	18.4	19.7
Korea	9.2	12.3	15.0	8.5	9.7	9.7	9.8	11.2
Luxembourg	19.3	26.7	34.8	12.1	16.7	17.7	21.4	17.7
Mexico	0.1	5.6	13.4	0.1	5.6	1.6	3.4	1.6
Netherlands	27.0	31.7	37.7	13.5	27.8	25.7	27.4	27.7
New Zealand	14.2	17.0	23.3	15.9	17.0	15.9	16.5	15.9
Norway	25.5	29.2	35.6	21.7	26.7	26.4	27.7	26.4
Poland	23.4	24.5	25.3	17.8	17.8	18.7	20.3	23.4
Portugal	16.7	22.8	30.3	12.4	14.8	15.0	19.0	16.7
Slovak Republic	17.6	21.7	24.8	9.8	8.3	12.4	16.9	16.3
Slovenia	28.7	33.3	39.1	22.1	25.0	25.9	27.7	30.5
Spain	17.5	21.7	26.4	7.9	14.2	16.5	17.8	17.9
Sweden	22.0	24.8	35.5	22.0	24.8	22.4	23.7	22.4
Switzerland	12.8	15.9	20.6	8.3	10.6	11.6	13.7	13.4
Turkey[1]	25.1	27.6	31.3	23.7	26.1	27.1	27.9	27.8
United Kingdom	22.6	25.4	30.0	8.0	23.8	21.4	24.1	22.6
United States	20.2	23.8	30.1	-1.2	10.4	15.1	18.0	20.9
Unweighted average								
OECD-average	**20.3**	**24.5**	**30.1**	**15.1**	**18.9**	**19.4**	**21.4**	**21.2**
OECD-EU21	**23.4**	**27.9**	**33.9**	**17.2**	**21.1**	**21.7**	**24.2**	**24.0**

Note: ch = children.

1. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
2. Two-earner family.

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Table I.14. **Income tax plus employee contributions less cash benefits, 2010**

As % of gross wage earnings, by family-type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[2]	Married 2 ch 100-67 (% AW)[2]	Married no ch 100-33 (% AW)[2]
Australia	15.9	22.3	28.2	-13.5	9.3	12.9	18.9	18.3
Austria	27.0	33.1	38.3	4.4	17.9	18.3	22.6	28.4
Belgium	35.4	42.1	49.0	17.1	21.9	26.4	32.9	34.7
Canada	17.4	22.5	26.7	-19.5	8.6	14.7	18.2	19.1
Chile	7.0	7.0	7.6	6.0	6.3	4.8	6.6	7.0
Czech Republic	18.1	22.5	25.9	-13.1	-5.7	6.6	11.9	19.6
Denmark	36.7	38.3	44.5	11.1	27.2	31.9	33.7	36.8
Estonia	17.5	19.4	20.9	-2.5	7.1	11.1	13.5	17.5
Finland	22.9	29.7	36.8	9.2	23.3	20.7	23.2	25.5
France	26.0	27.9	33.5	14.8	17.8	18.3	22.3	26.0
Germany	34.4	39.4	43.8	16.5	20.0	26.0	30.4	34.4
Greece	16.0	20.9	27.9	16.0	21.3	19.9	19.9	20.7
Hungary	27.8	31.4	39.7	6.6	18.7	18.3	22.3	27.8
Iceland	22.1	27.6	32.4	9.3	12.2	19.9	24.4	22.4
Ireland	7.8	17.9	29.5	-42.0	-5.5	1.5	7.1	9.9
Israel	9.1	15.7	24.8	-3.8	12.0	9.9	9.4	12.6
Italy	26.0	30.2	37.2	4.8	17.8	20.2	24.0	26.0
Japan	19.1	20.6	24.5	7.4	11.3	13.5	15.1	19.7
Korea	9.2	12.3	15.0	8.5	9.7	9.7	9.8	11.2
Luxembourg	19.3	26.7	34.8	-10.7	1.4	6.3	12.2	17.7
Mexico	0.1	5.6	13.4	0.1	5.6	1.6	3.4	1.6
Netherlands	27.0	31.7	37.7	3.4	23.6	22.6	24.9	27.7
New Zealand	14.2	17.0	23.3	-17.9	-0.9	7.5	13.8	15.9
Norway	25.5	29.2	35.6	10.6	21.7	22.7	24.7	26.4
Poland	23.4	24.5	25.3	17.8	17.8	18.7	20.3	23.4
Portugal	16.7	22.8	30.3	2.9	9.5	12.0	17.3	16.7
Slovak Republic	17.6	21.7	24.8	1.3	2.6	8.2	13.5	16.3
Slovenia	28.7	33.3	39.1	-1.8	10.4	19.2	23.3	30.5
Spain	17.5	21.7	26.4	7.9	14.2	16.5	17.8	17.9
Sweden	22.0	24.8	35.5	11.0	17.4	16.9	19.3	22.4
Switzerland	12.8	15.9	20.6	-3.7	2.6	5.6	8.9	13.4
Turkey[1]	25.1	27.6	31.3	23.7	26.1	27.1	27.9	27.8
United Kingdom	22.6	25.4	30.0	0.3	18.7	17.5	21.1	22.6
United States	20.2	23.8	30.1	-1.2	10.4	15.1	18.0	20.9
Unweighted average								
OECD-average	**20.2**	**24.5**	**30.1**	**2.4**	**12.7**	**15.4**	**18.6**	**21.1**
OECD-EU21	**23.4**	**27.9**	**33.9**	**3.6**	**14.2**	**17.0**	**20.6**	**23.9**

Note: ch = children.

1. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
2. Two-earner family.

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Table I.15. **Income tax, by family-type and wage level, 2010**

As % of gross wage earnings

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[2]	Married 2 ch 100-67 (% AW)[2]	Married no ch 100-33 (% AW)[2]
Australia	15.9	22.3	28.2	14.2	21.1	17.4	19.0	18.3
Austria	8.9	15.0	22.1	5.7	12.8	10.7	12.2	11.0
Belgium	21.5	28.1	34.9	15.9	16.4	22.0	24.0	23.9
Canada	11.6	15.2	21.8	1.0	8.7	11.2	12.9	12.3
Chile	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0
Czech Republic	7.1	11.5	14.9	-5.0	-5.3	2.5	4.9	8.6
Denmark	25.1	27.9	34.9	25.1	23.7	25.3	26.8	25.3
Estonia	14.7	16.6	18.1	9.1	9.1	11.9	13.6	14.7
Finland	15.9	22.6	29.6	15.9	22.6	18.6	19.9	18.6
France	12.3	14.2	20.5	7.4	8.4	7.8	11.2	12.3
Germany	13.9	18.9	27.4	-3.7	-0.2	5.8	10.2	13.9
Greece	0.0	4.9	11.9	0.0	5.3	3.9	3.9	4.7
Hungary	10.8	14.4	22.7	10.8	14.4	10.8	12.9	10.8
Iceland	21.4	27.1	32.1	21.4	17.0	21.7	24.8	21.7
Ireland	5.0	10.7	22.0	2.0	2.2	4.5	8.4	4.5
Israel	3.6	8.0	15.4	0.0	8.0	6.0	4.8	6.0
Italy	16.6	20.7	27.6	9.2	13.9	13.2	16.3	16.5
Japan	6.1	7.6	12.0	2.7	3.9	4.7	5.5	6.7
Korea	1.4	4.5	8.6	0.7	1.9	1.9	2.0	3.4
Luxembourg	7.2	14.5	22.6	0.0	4.5	5.6	9.2	5.6
Mexico	-1.1	4.2	11.9	-1.1	4.2	0.3	2.1	0.3
Netherlands	5.3	16.2	28.4	3.5	15.9	12.3	11.7	12.4
New Zealand	14.2	17.0	23.3	15.9	17.0	15.9	16.5	15.9
Norway	17.7	21.4	27.8	13.9	18.9	18.6	19.9	18.6
Poland	5.5	6.6	7.5	0.0	0.0	0.9	2.5	5.5
Portugal	5.7	11.8	19.3	1.4	3.8	4.0	8.0	5.7
Slovak Republic	4.2	8.3	11.6	-3.6	-5.1	-1.0	3.5	2.9
Slovenia	6.6	11.2	17.0	0.0	2.9	3.8	5.6	8.4
Spain	11.1	15.4	20.5	1.6	7.9	10.1	11.4	11.5
Sweden	15.0	17.8	30.8	15.0	17.8	15.4	16.7	15.4
Switzerland	6.7	9.9	14.6	2.2	4.5	5.6	7.7	7.3
Turkey[1]	10.1	12.6	16.3	8.7	11.1	12.1	12.9	12.8
United Kingdom	14.3	16.2	22.4	-0.3	14.6	13.1	15.3	14.3
United States	12.6	16.1	22.4	-8.9	2.8	7.5	10.3	13.2
Unweighted average								
OECD-average	**10.2**	**14.4**	**20.6**	**5.3**	**9.0**	**9.5**	**11.4**	**11.3**
OECD-EU21	**10.8**	**15.4**	**22.2**	**5.2**	**8.8**	**9.6**	**11.8**	**11.7**

Note: ch = children.

1. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
2. Two-earner family.

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Table I.16. **Employee contributions, 2010**

As % of gross wage earnings, by family-type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[2]	Married 2 ch 100-67 (% AW)[2]	Married no ch 100-33 (% AW)[2]
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Austria	18.1	18.1	16.2	18.1	18.1	17.3	18.1	17.3
Belgium	13.9	14.0	14.1	13.9	14.0	10.8	14.0	10.8
Canada	7.1	7.2	4.9	7.1	7.2	6.8	7.2	6.8
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Denmark	12.1	10.7	9.6	12.1	10.7	12.1	11.3	12.1
Estonia	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Finland	7.0	7.1	7.2	7.0	7.1	6.9	7.1	6.9
France	13.7	13.7	13.1	13.7	13.7	13.7	13.7	13.7
Germany	20.5	20.5	16.4	20.2	20.2	20.2	20.2	20.5
Greece	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Hungary	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Iceland	0.8	0.5	0.3	0.8	0.5	0.8	0.6	0.8
Ireland	2.8	7.2	7.5	2.8	7.2	5.4	5.4	5.4
Israel	5.5	7.7	9.4	5.5	7.7	6.6	6.8	6.6
Italy	9.5	9.5	9.6	9.5	9.5	9.5	9.5	9.5
Japan	13.0	13.0	12.5	13.0	13.0	13.0	13.0	13.0
Korea	7.8	7.8	6.4	7.8	7.8	7.8	7.8	7.8
Luxembourg	12.1	12.2	12.3	12.1	12.2	12.1	12.2	12.1
Mexico	1.2	1.4	1.5	1.2	1.4	1.3	1.3	1.3
Netherlands	21.7	15.5	9.3	10.0	11.9	13.4	15.8	15.3
New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Poland	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Portugal	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Slovak Republic	13.4	13.4	13.2	13.4	13.4	13.4	13.4	13.4
Slovenia	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1
Spain	6.4	6.4	5.9	6.4	6.4	6.4	6.4	6.4
Sweden	7.0	7.0	4.7	7.0	7.0	7.0	7.0	7.0
Switzerland	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Turkey[1]	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
United Kingdom	8.3	9.2	7.6	8.3	9.2	8.3	8.8	8.3
United States	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Unweighted average								
OECD-average	**10.1**	**10.1**	**9.5**	**9.7**	**10.0**	**9.8**	**10.0**	**9.9**
OECD-EU21	**12.6**	**12.5**	**11.6**	**12.0**	**12.3**	**12.1**	**12.4**	**12.2**

Note: ch = children.

1. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
2. Two-earner family.

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Table I.17. **Marginal rate of income tax plus employee and employer contributions less cash benefits, 2010**[1]

As % of labour costs, by family-type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	39.3	35.5	43.0	58.1	54.3	35.5	63.8	35.5
Austria	56.9	60.6	42.2	56.9	60.6	60.6	60.6	60.6
Belgium	66.3	66.3	69.4	66.3	66.3	66.3	66.3	66.3
Canada	33.4	40.8	38.2	60.4	68.1	44.4	44.4	40.8
Chile	7.0	7.0	11.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	48.6	48.6	48.6	55.7	54.0	54.0	54.0	48.6
Denmark	40.9	42.3	56.1	40.9	42.3	42.3	42.3	42.3
Estonia	42.9	42.9	42.9	42.9	42.9	42.9	42.9	42.9
Finland	53.0	57.0	57.0	53.0	57.0	57.0	57.0	57.0
France	63.2	51.3	59.7	57.7	48.3	46.9	51.3	51.3
Germany	55.4	59.8	44.3	53.7	54.1	55.2	57.4	55.4
Greece	34.4	50.1	55.4	34.4	50.1	50.1	50.1	50.1
Hungary	52.2	64.1	67.0	52.2	64.1	64.1	64.1	64.1
Iceland	43.4	43.4	48.7	50.5	50.5	47.8	47.8	43.4
Ireland	33.2	36.8	55.8	66.0	74.7	36.8	36.8	36.8
Israel	29.8	38.3	45.0	16.5	38.3	38.3	38.3	38.3
Italy	53.8	53.8	61.7	54.3	54.8	54.8	54.3	53.8
Japan	31.0	35.3	34.4	31.0	32.3	32.3	32.3	35.3
Korea	19.4	28.4	22.6	18.2	24.7	28.4	28.4	28.4
Luxembourg	41.0	52.5	52.5	41.0	36.1	39.4	46.0	39.4
Mexico	17.5	18.7	28.4	17.5	18.7	18.7	18.7	18.7
Netherlands	48.7	47.3	49.5	51.7	53.8	47.3	47.3	47.3
New Zealand	19.2	31.5	35.5	19.2	51.5	51.5	51.5	31.5
Norway	43.1	51.1	53.7	43.1	51.1	51.1	51.1	51.1
Poland	36.1	36.1	36.1	28.4	28.4	36.1	36.1	36.1
Portugal	47.5	47.5	56.3	47.5	39.1	47.5	47.5	47.5
Slovak Republic	44.4	44.4	42.8	44.4	44.4	44.4	44.4	44.4
Slovenia	43.6	51.0	60.4	32.9	43.6	43.6	43.6	51.0
Spain	45.2	48.1	37.0	52.4	45.2	48.1	48.1	48.1
Sweden	45.6	47.9	66.9	45.6	47.9	47.9	47.9	47.9
Switzerland	24.3	27.5	35.6	19.4	23.3	25.8	26.6	25.8
Turkey[2]	42.2	42.2	47.3	42.2	42.2	42.2	42.2	42.2
United Kingdom	38.8	38.8	47.7	73.4	38.8	38.8	44.7	38.8
United States	34.4	43.7	45.5	53.2	34.4	34.4	34.4	34.4
Unweighted average								
OECD-average	**40.5**	**43.8**	**47.0**	**43.8**	**45.4**	**43.6**	**45.0**	**43.0**
OECD-EU21	**47.2**	**49.9**	**52.8**	**50.1**	**49.8**	**48.8**	**49.7**	**49.0**

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 goes up, especially if partners are taxed individually.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
3. Two-earner family.

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Table I.18. **Marginal rate of income tax plus employee contributions less cash benefits, 2010**[1]

As % of gross wage earnings, by family-type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	35.5	31.5	39.5	55.5	51.5	31.5	61.5	31.5
Austria	44.4	49.1	37.9	44.4	49.1	49.1	49.1	49.1
Belgium	54.9	54.9	60.9	54.9	54.9	54.9	54.9	54.9
Canada	25.4	35.1	35.4	55.7	65.0	39.1	39.1	35.1
Chile	7.0	7.0	11.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	31.1	31.1	31.1	40.7	38.4	38.4	38.4	31.1
Denmark	40.9	42.3	56.1	40.9	42.3	42.3	42.3	42.3
Estonia	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2
Finland	42.5	47.5	47.5	42.5	47.5	47.5	47.5	47.5
France	31.7	30.4	42.3	21.5	26.1	24.0	30.4	30.4
Germany	46.8	52.0	44.3	44.8	45.2	46.5	49.1	46.8
Greece	16.0	36.2	42.9	16.0	36.2	36.2	36.2	36.2
Hungary	38.6	53.8	57.6	38.6	53.8	53.8	53.8	53.8
Iceland	38.5	38.5	44.3	46.2	46.2	43.3	43.3	38.5
Ireland	26.0	30.0	51.0	62.4	72.0	30.0	30.0	30.0
Israel	26.0	35.0	42.0	12.0	35.0	35.0	35.0	35.0
Italy	38.9	39.0	49.5	39.6	40.3	40.3	39.7	39.0
Japan	21.5	26.4	30.6	21.5	23.0	23.0	23.0	26.4
Korea	11.5	21.4	18.4	10.2	17.3	21.4	21.4	21.4
Luxembourg	34.3	47.0	47.0	34.3	28.8	32.4	39.7	32.4
Mexico	12.1	12.5	22.9	12.1	12.5	12.5	12.5	12.5
Netherlands	42.7	41.1	49.5	46.1	48.4	41.1	41.1	41.1
New Zealand	19.2	31.5	35.5	19.2	51.5	51.5	51.5	31.5
Norway	35.8	44.8	47.8	35.8	44.8	44.8	44.8	44.8
Poland	26.7	26.7	26.7	17.8	17.8	26.7	26.7	26.7
Portugal	35.1	35.1	45.9	35.1	24.6	35.1	35.1	35.1
Slovak Republic	29.9	29.9	28.7	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	28.8	32.6	37.0	38.2	28.8	32.6	32.6	32.6
Sweden	28.6	31.6	56.6	28.6	31.6	31.6	31.6	31.6
Switzerland	19.7	23.2	31.7	14.5	18.7	21.4	22.2	21.4
Turkey[2]	32.7	32.7	38.6	32.7	32.7	32.7	32.7	32.7
United Kingdom	31.0	31.0	41.0	70.0	31.0	31.0	37.7	31.0
United States	29.4	39.4	41.4	49.6	29.4	29.4	29.4	29.4
Unweighted average								
OECD-average	**30.6**	**34.9**	**40.3**	**34.2**	**36.4**	**34.5**	**36.1**	**34.0**
OECD-EU21	**34.6**	**38.5**	**44.3**	**37.7**	**38.3**	**37.2**	**38.3**	**37.5**

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 goes up, especially if partners are taxed individually.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
3. Two-earner family.

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Table I.19. **Increase in net income after an increase of 1 currency unit in gross wages, 2010**[1]

By family-type and wage level (%)

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	0.77	0.88	0.84	0.39	0.54	0.79	0.48	0.84
Austria	0.76	0.76	1.01	0.58	0.62	0.62	0.66	0.71
Belgium	0.70	0.78	0.77	0.54	0.58	0.61	0.67	0.69
Canada	0.90	0.84	0.88	0.37	0.38	0.71	0.74	0.80
Chile	1.00	1.00	0.96	0.99	0.99	0.98	1.00	1.00
Czech Republic	0.84	0.89	0.93	0.52	0.58	0.66	0.70	0.86
Denmark	0.93	0.94	0.79	0.66	0.79	0.85	0.87	0.91
Estonia	0.93	0.95	0.97	0.75	0.83	0.86	0.89	0.93
Finland	0.75	0.75	0.83	0.63	0.68	0.66	0.68	0.70
France	0.92	0.97	0.87	0.92	0.90	0.93	0.90	0.94
Germany	0.81	0.79	0.99	0.66	0.68	0.72	0.73	0.81
Greece	1.00	0.81	0.79	1.00	0.81	0.80	0.80	0.80
Hungary	0.85	0.67	0.70	0.66	0.57	0.56	0.59	0.64
Iceland	0.79	0.85	0.82	0.59	0.61	0.71	0.75	0.79
Ireland	0.80	0.85	0.70	0.26	0.26	0.71	0.75	0.78
Israel	0.81	0.77	0.77	0.85	0.74	0.72	0.72	0.74
Italy	0.83	0.87	0.80	0.63	0.73	0.75	0.79	0.82
Japan	0.97	0.93	0.92	0.85	0.87	0.89	0.91	0.92
Korea	0.98	0.90	0.96	0.98	0.92	0.87	0.87	0.89
Luxembourg	0.82	0.72	0.81	0.59	0.72	0.72	0.69	0.82
Mexico	0.88	0.93	0.89	0.88	0.93	0.89	0.91	0.89
Netherlands	0.78	0.86	0.81	0.56	0.68	0.76	0.78	0.81
New Zealand	0.94	0.82	0.84	0.68	0.48	0.52	0.56	0.81
Norway	0.86	0.78	0.81	0.72	0.70	0.71	0.73	0.75
Poland	0.96	0.97	0.98	1.00	1.00	0.90	0.92	0.96
Portugal	0.78	0.84	0.78	0.67	0.83	0.74	0.78	0.78
Slovak Republic	0.85	0.90	0.95	0.71	0.72	0.76	0.81	0.84
Slovenia	0.92	0.85	0.76	0.76	0.73	0.81	0.85	0.82
Spain	0.86	0.86	0.86	0.67	0.83	0.81	0.82	0.82
Sweden	0.92	0.91	0.67	0.80	0.83	0.82	0.85	0.88
Switzerland	0.92	0.91	0.86	0.82	0.84	0.83	0.86	0.91
Turkey[2]	0.90	0.93	0.89	0.88	0.91	0.92	0.93	0.93
United Kingdom	0.89	0.92	0.84	0.30	0.85	0.84	0.79	0.89
United States	0.88	0.80	0.84	0.50	0.79	0.83	0.86	0.89
Unweighted average								
OECD-average	**0.87**	**0.86**	**0.85**	**0.69**	**0.73**	**0.77**	**0.78**	**0.84**
OECD-EU21	**0.85**	**0.85**	**0.84**	**0.66**	**0.72**	**0.76**	**0.78**	**0.82**

Note: ch = children.

1. Net income is calculated as gross earnings *minus* personal income tax and employees' social security contributions *plus* family benefits. The increase reported in the Table represents a form of elasticity. In a proportional tax system, the *plus* elasticity would equal 1. The more progressive the system at these income levels, the lower is the elasticity.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
3. Two-earner family. Assumes a rise in the labour costs associated with the principal earner in the household.

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Table I.20. **Increase in net income after an increase of 1 currency unit in gross labour cost, 2010**[1]

By family-type and wage level (%)

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	0.77	0.88	0.84	0.39	0.54	0.79	0.48	0.84
Austria	0.76	0.76	1.19	0.58	0.62	0.62	0.66	0.71
Belgium	0.67	0.76	0.78	0.52	0.56	0.57	0.65	0.64
Canada	0.90	0.85	0.92	0.37	0.39	0.72	0.76	0.82
Chile	1.00	1.00	0.96	0.99	0.99	0.98	1.00	1.00
Czech Republic	0.84	0.89	0.93	0.52	0.58	0.66	0.70	0.86
Denmark	0.93	0.94	0.79	0.66	0.79	0.85	0.87	0.91
Estonia	0.93	0.95	0.97	0.75	0.83	0.87	0.89	0.93
Finland	0.75	0.75	0.83	0.63	0.68	0.66	0.68	0.70
France	0.68	0.96	0.86	0.68	0.90	0.88	0.88	0.89
Germany	0.81	0.79	1.15	0.66	0.68	0.72	0.73	0.81
Greece	1.00	0.81	0.79	1.00	0.81	0.80	0.80	0.80
Hungary	0.85	0.67	0.70	0.66	0.57	0.56	0.59	0.64
Iceland	0.79	0.85	0.82	0.59	0.61	0.71	0.75	0.79
Ireland	0.80	0.85	0.70	0.26	0.26	0.71	0.75	0.77
Israel	0.80	0.76	0.77	0.84	0.73	0.72	0.71	0.74
Italy	0.83	0.87	0.80	0.63	0.73	0.75	0.79	0.82
Japan	0.97	0.93	0.98	0.85	0.87	0.89	0.91	0.92
Korea	0.98	0.90	0.99	0.98	0.92	0.87	0.87	0.89
Luxembourg	0.82	0.72	0.81	0.59	0.72	0.72	0.69	0.82
Mexico	0.94	0.96	0.91	0.94	0.96	0.94	0.95	0.94
Netherlands	0.77	0.85	0.87	0.55	0.67	0.75	0.77	0.80
New Zealand	0.94	0.82	0.84	0.68	0.48	0.52	0.56	0.81
Norway	0.86	0.78	0.81	0.72	0.70	0.71	0.73	0.75
Poland	0.96	0.97	0.98	1.00	1.00	0.90	0.92	0.96
Portugal	0.78	0.84	0.78	0.67	0.83	0.74	0.78	0.78
Slovak Republic	0.85	0.90	0.96	0.71	0.72	0.76	0.81	0.84
Slovenia	0.92	0.85	0.76	0.76	0.73	0.81	0.85	0.82
Spain	0.86	0.86	1.09	0.67	0.83	0.81	0.82	0.82
Sweden	0.92	0.91	0.67	0.80	0.83	0.82	0.85	0.88
Switzerland	0.92	0.91	0.86	0.82	0.84	0.83	0.86	0.91
Turkey[2]	0.90	0.93	0.89	0.88	0.91	0.92	0.93	0.93
United Kingdom	0.87	0.91	0.83	0.29	0.83	0.81	0.77	0.87
United States	0.91	0.81	0.85	0.51	0.80	0.86	0.88	0.92
Unweighted average								
OECD-average	**0.86**	**0.86**	**0.87**	**0.68**	**0.73**	**0.77**	**0.78**	**0.83**
OECD-EU21	**0.84**	**0.85**	**0.87**	**0.65**	**0.72**	**0.75**	**0.78**	**0.81**

Note: ch = children.

1. Net income is calculated as gross earnings *minus* personal income tax and employees' social security contributions *plus* family benefits. The increase reported in the Table represents a form of elasticity. In a proportional tax system, the *plus* elasticity would equal 1. The more progressive the system at these income levels, the lower is the elasticity.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
3. Two-earner family. Assumes a rise in the labour costs associated with the principal earner in the household.

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Table I.21. **Annual gross wage and net income, 2010**

In US dollars using PPP, by family-type and wage level

	Single no ch 67 (% AW)		Single no ch 100 (% AW)		Single no ch 167 (% AW)		Single 2 ch 67 (% AW)	
	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes
Australia	29 461	24 765	44 192	34 345	73 653	52 872	29 461	33 439
Austria	30 105	21 990	45 157	30 223	75 262	46 426	30 105	28 793
Belgium	32 010	20 669	48 015	27 804	80 025	40 830	32 010	26 541
Canada	24 454	20 206	36 680	28 435	61 134	44 824	24 454	29 214
Chile	9 135	8 496	13 702	12 743	22 837	21 093	9 135	8 587
Czech Republic	13 471	11 029	20 207	15 670	33 678	24 951	13 471	15 242
Denmark	31 833	20 154	47 749	29 459	79 581	44 135	31 833	28 303
Estonia	12 195	10 057	18 293	14 739	30 489	24 104	12 195	12 506
Finland	29 016	22 365	43 523	30 616	72 539	45 862	29 016	26 332
France	26 618	19 689	39 927	28 781	66 546	44 235	26 618	22 692
Germany	34 907	22 903	52 361	31 729	87 268	49 056	34 907	29 130
Greece	19 287	16 201	28 930	22 881	48 217	34 782	21 215	17 821
Hungary	12 863	9 291	19 294	13 238	32 157	19 382	12 863	12 019
Iceland	25 838	20 117	38 756	28 060	64 594	43 677	25 838	23 436
Ireland	25 003	23 057	37 504	30 808	62 506	44 057	25 003	35 506
Israel	20 245	18 394	30 368	25 604	50 613	38 085	20 245	21 011
Italy	23 488	17 370	35 056	24 461	58 427	36 678	23 371	22 249
Japan	28 550	23 096	42 825	33 991	71 375	53 901	28 550	26 442
Korea	29 857	27 106	44 786	39 281	74 643	63 433	29 857	27 313
Luxembourg	35 652	28 755	53 479	39 174	89 131	58 069	35 652	39 483
Mexico	7 347	7 338	11 020	10 402	18 367	15 914	7 347	7 338
Netherlands	35 890	26 190	53 836	36 793	89 726	55 903	35 890	34 656
New Zealand	21 252	18 227	31 878	26 462	53 131	40 754	21 252	25 055
Norway	34 690	25 842	52 035	36 849	86 725	55 864	34 690	31 025
Poland	12 918	9 900	19 377	14 636	32 295	24 109	12 918	10 615
Portugal	18 124	15 104	27 185	20 987	45 309	31 596	18 124	17 603
Slovak Republic	11 939	9 843	17 908	14 031	29 846	22 456	11 939	11 779
Slovenia	17 566	12 528	26 349	17 578	43 916	26 738	17 566	17 890
Spain	23 091	19 052	34 637	27 110	57 728	42 463	23 091	21 258
Sweden	27 181	21 202	40 772	30 673	67 953	43 828	27 181	24 192
Switzerland	33 112	28 874	49 667	41 756	82 779	65 720	33 112	34 328
Turkey[1]	14 931	11 188	22 397	16 215	37 328	25 641	14 931	11 392
United Kingdom	34 691	26 855	52 036	38 824	86 727	60 744	34 691	34 599
United States	30 459	24 299	45 688	34 821	76 147	53 264	30 459	30 833
Unweighted average								
OECD-average	**24 035**	**18 887**	**36 047**	**26 741**	**60 078**	**41 042**	**24 088**	**23 489**
OECD-EU21	**24 183**	**18 295**	**36 266**	**25 725**	**60 444**	**39 067**	**24 269**	**23 296**

Note: ch = children.

1. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table I.21. **Annual gross wage and net income, 2010** *(cont.)*

In US dollars using PPP, by family-type and wage level

	Married 2 ch 100-0 (% AW)		Married 2 ch 100-33 (% AW)[2]		Married 2 ch 100-67 (% AW)[2]		Married no ch 100-33 (% AW)[2]	
	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes
Australia	44 192	40 073	58 923	51 325	73 653	59 698	58 923	48 135
Austria	45 157	37 061	60 210	49 192	75 262	58 291	60 210	43 138
Belgium	48 015	37 502	64 020	47 108	80 025	53 717	64 020	41 806
Canada	36 680	33 518	48 907	41 739	61 134	50 002	48 907	39 573
Chile	13 702	12 835	18 270	17 386	22 837	21 331	18 270	16 991
Czech Republic	20 207	21 362	26 943	25 158	33 678	29 657	26 943	21 664
Denmark	47 749	34 784	63 665	43 333	79 581	52 740	63 665	40 206
Estonia	18 293	17 002	24 391	21 684	30 489	26 366	24 391	20 113
Finland	43 523	33 366	58 031	45 995	72 539	55 731	58 031	43 245
France	39 927	32 817	53 236	43 487	66 546	51 686	53 236	39 382
Germany	52 361	41 889	69 814	51 639	87 268	60 743	69 814	45 806
Greece	34 716	27 339	46 288	37 059	57 860	46 335	42 431	33 639
Hungary	19 294	15 690	25 725	21 028	32 157	24 981	25 725	18 576
Iceland	38 756	34 030	51 675	41 388	64 594	48 864	51 675	40 080
Ireland	37 504	39 573	50 005	49 236	62 506	58 044	50 005	45 057
Israel	30 368	26 714	40 491	36 482	50 613	45 845	40 491	35 372
Italy	35 056	28 805	46 741	37 287	58 427	44 414	46 741	34 611
Japan	42 825	37 974	57 100	49 370	71 375	60 580	57 100	45 876
Korea	44 786	40 426	59 714	53 908	74 643	67 316	59 714	53 007
Luxembourg	53 479	52 711	71 305	66 826	89 131	78 240	71 305	58 669
Mexico	11 020	10 402	14 694	14 455	18 367	17 740	14 694	14 455
Netherlands	53 836	41 125	71 781	55 581	89 726	67 368	71 781	51 889
New Zealand	31 878	32 151	42 505	39 326	53 131	45 782	42 505	35 763
Norway	52 035	40 741	69 380	53 625	86 725	65 273	69 380	51 044
Poland	19 377	15 923	25 836	20 993	32 295	25 729	25 836	19 800
Portugal	27 185	24 598	36 247	31 884	45 309	37 465	36 247	30 208
Slovak Republic	17 908	17 435	23 877	21 924	29 846	25 810	23 877	19 988
Slovenia	26 349	23 599	35 133	28 384	43 916	33 668	35 133	24 420
Spain	34 637	29 709	46 182	38 572	57 728	47 461	46 182	37 922
Sweden	40 772	33 662	54 363	45 154	67 953	54 864	54 363	42 165
Switzerland	49 667	48 371	66 223	62 483	82 779	75 379	66 223	57 366
Turkey[1]	22 397	16 555	29 863	21 764	37 328	26 929	29 863	21 560
United Kingdom	52 036	42 320	69 381	57 207	86 727	68 451	69 381	53 710
United States	45 688	40 936	60 917	51 691	76 147	62 447	60 917	48 203
Unweighted average								
OECD-average	**36 217**	**31 265**	**48 289**	**40 402**	**60 362**	**48 498**	**48 176**	**37 454**
OECD-EU21	**36 542**	**30 870**	**48 723**	**39 940**	**60 903**	**47 703**	**48 539**	**36 477**

Note: ch = children.

1. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
2. Two-earner family.

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Table I.22. **Annual labour costs and net income, 2010**

In US dollars using PPP, by family-type and wage level

	Single no ch 67 (% AW)		Single no ch 100 (% AW)		Single no ch 167 (% AW)		Single 2 ch 67 (% AW)	
	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes
Australia	31 292	24 765	46 938	34 345	78 229	52 872	31 292	33 439
Austria	38 874	21 990	58 311	30 223	95 502	46 426	38 874	28 793
Belgium	40 937	20 669	62 331	27 804	103 649	40 830	40 937	26 541
Canada	27 244	20 206	40 907	28 435	66 591	44 824	27 244	29 214
Chile	9 135	8 496	13 702	12 743	22 837	21 093	9 135	8 587
Czech Republic	18 052	11 029	27 077	15 670	45 129	24 951	18 052	15 242
Denmark	31 833	20 154	47 749	29 459	79 581	44 135	31 833	28 303
Estonia	16 391	10 057	24 586	14 739	40 977	24 104	16 391	12 506
Finland	35 486	22 365	53 229	30 616	88 715	45 862	35 486	26 332
France	36 603	19 689	56 819	28 781	94 909	44 235	36 603	22 692
Germany	41 653	22 903	62 479	31 729	100 950	49 056	41 653	29 130
Greece	24 699	16 201	37 048	22 881	61 746	34 782	27 168	17 821
Hungary	16 529	9 291	24 793	13 238	41 321	19 382	16 529	12 019
Iceland	28 073	20 117	42 109	28 060	70 181	43 677	28 073	23 436
Ireland	27 690	23 057	41 535	30 808	69 226	44 057	27 690	35 506
Israel	21 100	18 394	31 773	25 604	53 117	38 085	21 100	21 011
Italy	31 022	17 370	46 302	24 461	77 170	36 678	30 868	22 249
Japan	32 478	23 096	48 716	33 991	80 828	53 901	32 478	26 442
Korea	32 795	27 106	49 192	39 281	80 986	63 433	32 795	27 313
Luxembourg	39 756	28 755	59 634	39 174	99 390	58 069	39 756	39 483
Mexico	8 368	7 338	12 315	10 402	20 224	15 914	8 368	7 338
Netherlands	39 379	26 190	59 437	36 793	96 072	55 903	39 379	34 656
New Zealand	21 252	18 227	31 878	26 462	53 131	40 754	21 252	25 055
Norway	39 130	25 842	58 696	36 849	97 826	55 864	39 130	31 025
Poland	14 827	9 900	22 241	14 636	37 068	24 109	14 827	10 615
Portugal	22 428	15 104	33 642	20 987	56 070	31 596	22 428	17 603
Slovak Republic	15 066	9 843	22 600	14 031	37 592	22 456	15 066	11 779
Slovenia	20 394	12 528	30 592	17 578	50 986	26 738	20 394	17 890
Spain	29 995	19 052	44 993	27 110	73 762	42 463	29 995	21 258
Sweden	35 722	21 202	53 583	30 673	89 304	43 828	35 722	24 192
Switzerland	35 115	28 874	52 672	41 756	87 787	65 720	35 115	34 328
Turkey[1]	17 395	11 188	26 092	16 215	43 487	25 641	17 395	11 392
United Kingdom	38 021	26 855	57 587	38 824	96 718	60 744	38 021	34 599
United States	33 664	24 299	50 058	34 821	82 847	53 264	33 664	30 833
Unweighted average								
OECD-average	**28 012**	**18 887**	**42 106**	**26 741**	**69 821**	**41 042**	**28 080**	**23 489**
OECD-EU21	**29 303**	**18 295**	**44 122**	**25 725**	**73 135**	**39 067**	**29 413**	**23 296**

Note: ch = children.

1. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table I.22. **Annual labour costs and net income, 2010** *(cont.)*

In US dollars using PPP, by family-type and wage level

	Married 2 ch 100-0 (% AW)		Married 2 ch 100-33 (% AW)[2]		Married 2 ch 100-67 (% AW)[2]		Married no ch 100-33 (% AW)[2]	
	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes
Australia	46 938	40 073	62 583	51 325	78 229	59 698	62 583	48 135
Austria	58 311	37 061	77 748	49 192	97 185	58 291	77 748	43 138
Belgium	62 331	37 502	79 945	47 108	103 267	53 717	79 945	41 806
Canada	40 907	33 518	54 458	41 739	68 151	50 002	54 458	39 573
Chile	13 702	12 835	18 270	17 386	22 837	21 331	18 270	16 991
Czech Republic	27 077	21 362	36 103	25 158	45 129	29 657	36 103	21 664
Denmark	47 749	34 784	63 665	43 333	79 581	52 740	63 665	40 206
Estonia	24 586	17 002	32 872	21 684	40 977	26 366	32 872	20 113
Finland	53 229	33 366	70 972	45 995	88 715	55 731	70 972	43 245
France	56 819	32 817	72 297	43 487	93 422	51 686	72 297	39 382
Germany	62 479	41 889	83 306	51 639	104 132	60 743	83 306	45 806
Greece	44 457	27 339	59 276	37 059	74 096	46 335	54 337	33 639
Hungary	24 793	15 690	33 057	21 028	41 321	24 981	33 057	18 576
Iceland	42 109	34 030	56 145	41 388	70 181	48 864	56 145	40 080
Ireland	41 535	39 573	55 099	49 236	69 226	58 044	55 099	45 057
Israel	31 773	26 714	42 285	36 482	52 873	45 845	42 285	35 372
Italy	46 302	28 805	61 736	37 287	77 170	44 414	61 736	34 611
Japan	48 716	37 974	64 955	49 370	81 194	60 580	64 955	45 876
Korea	49 192	40 426	65 590	53 908	81 987	67 316	65 590	53 007
Luxembourg	59 634	52 711	79 512	66 826	99 390	78 240	79 512	58 669
Mexico	12 315	10 402	16 769	14 455	20 683	17 740	16 769	14 455
Netherlands	59 437	41 125	78 843	55 581	98 815	67 368	78 843	51 889
New Zealand	31 878	32 151	42 505	39 326	53 131	45 782	42 505	35 763
Norway	58 696	40 741	78 261	53 625	97 826	65 273	78 261	51 044
Poland	22 241	15 923	29 655	20 993	37 068	25 729	29 655	19 800
Portugal	33 642	24 598	44 856	31 884	56 070	37 465	44 856	30 208
Slovak Republic	22 600	17 435	30 133	21 924	37 666	25 810	30 133	19 988
Slovenia	30 592	23 599	40 789	28 384	50 986	33 668	40 789	24 420
Spain	44 993	29 709	59 990	38 572	74 988	47 461	59 990	37 922
Sweden	53 583	33 662	71 443	45 154	89 304	54 864	71 443	42 165
Switzerland	52 672	48 371	70 230	62 483	87 787	75 379	70 230	57 366
Turkey[1]	26 092	16 555	34 790	21 764	43 487	26 929	34 790	21 560
United Kingdom	57 587	42 320	76 043	57 207	95 608	68 451	76 043	53 710
United States	50 058	40 936	67 328	51 691	83 722	62 447	67 328	48 203
Unweighted average								
OECD-average	**42 324**	**31 265**	**56 221**	**40 402**	**70 477**	**48 498**	**56 076**	**37 454**
OECD-EU21	**44 475**	**30 870**	**58 921**	**39 940**	**74 006**	**47 703**	**58 686**	**36 477**

Note: ch = children.

1. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
2. Two-earner family.

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PART II

Tax burden trends 2000-11

This Section presents detailed results of the evolution of the tax burden between 2000 and 2011. It provides information for each of the OECD countries on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers over this period.

1. Historical trends

The evolution of the tax burden for the eight family types over the period 2000 to 2011 is presented in Tables II.1 to II.8. Each of the Tables II.1 to II.8 corresponds to a particular family type and each is divided into three parts:

- part a.-tables containing the (average) tax wedge comprising income taxes plus employee and employer social security contributions (including any applicable payroll taxes) less cash benefits;
- part b.-tables providing the (average) burden of personal income taxes; and the
- part c.-tables depicting the (average) burden of income taxes plus employee social security contributions less cash benefits (*net* personal average tax rates).

The discussion will focus on the main observable trends over the period and highlights selected important year-to-year changes.

The OECD average tax wedge, the income tax burden and the net tax burden (personal income tax plus social security contributions less cash benefits) have all declined between 2000 and 2011 for each of the selected family types.

2. Tax wedge

Focusing on the overall (average) tax wedge (a.-tables), there are thirteen OECD member countries with a reduction of more than five percentage points between 2000 and 2011 for at least one of the family types – Australia, Canada, Denmark, Finland, Hungary, Ireland, Israel, the Netherlands, New Zealand, Poland, the Slovak Republic, Sweden and the United Kingdom. The largest decline is observed in Ireland where single parents have benefited from a reduction in the wedge of 23.7 percentage points. Married couple with two children on average earnings and 133 per cent of the average wage in Ireland also enjoyed reductions of 8.4 and 7 percentage points respectively. In New Zealand, married couples with two children earning the average wage level and single parents at 67 per cent of the average wage level enjoyed a reduction of more than 14 percentage points in the wedge.

A reduction of seven percentage points or more in the tax wedge for at least one family-type was observed in six other countries – Australia, Hungary, Israel, the Netherlands, Sweden and the United Kingdom. In Australia, the largest decreases were for the single parents earning 67 per cent of the average wage level and the one-earner married couples with children at the average earnings (–9.5 and –8.2 percentage points respectively). In Hungary, all the family types saw reductions of 5.3 percentage points or more. The largest decreases were for single parents earning 67 per cent of the average wage level (–13.8 percentage points), the one-earner married couples with 2 children at average earnings (–11.1 percentage points), the two-earning married couples with children where the spouse is earning 33 per cent of the average wage level (–10.5 percentage points), the two-earning married couples with children where the spouse is earning 67 per cent of the average wage level (–9.2 percentage points) and the single workers earning 167 per cent of the average wage level (–7.5 percentage points). In Israel, the tax wedge decreased with

more than 7 percentage points for all the household types except for the single parents earning 67 per cent of the average wage level (–1.62 percentage points). In the Netherlands, single parents earning 67 per cent of the average wage level (–14.8 percentage points) and single workers earning 67 per cent of the average wage (–9.1 percentage points) benefited most from the reduction in the tax wedge. In Sweden, all but one of the families enjoyed a reduction in the tax wedge of 7 to 8 percentage points, the exception being the single workers earning 167 per cent of the average wage level (–4.9 percentage points). In the United Kingdom, only the single parents earning 67 per cent of the average wage benefit from a reduction of more than 7 percentage points of the tax wedge (–7.9 percentage points). It is interesting to note that in Iceland the single worker earning 167 per cent of the average wage level enjoyed a reduction in the tax wedge (–1.3 percentage points), while the tax burden increased by more than 5 percentage points for all the other family types and notably by 12.8 percentage points for the single parents earning 67 per cent of the average wage.

The tax wedge has decreased for all family types in sixteen of the OECD member countries (Australia, Belgium, Canada, Denmark, Finland, Germany, Hungary, Israel, Luxembourg, New Zealand, Poland, the Slovak Republic, Slovenia, Sweden, Switzerland and the United States) while it has increased across all family types in four countries (Austria, Korea, Mexico and Spain).

3. Average income tax rate

Between 2000 and 2011, the average income tax burden (b.-tables) has decreased for all family types in fourteen of the OECD member countries: Australia, Belgium, Canada, Denmark, Estonia, Finland, Germany, Hungary, New Zealand, Slovenia, Sweden, Turkey, the United Kingdom and the United States. The most significant reductions affecting all of the family types are noted in Sweden where all the family types enjoyed decreases of around 9-10 percentage points except the single taxpayer earning 167 per cent of the average wage level where the decrease was –5.6 percentage points. In Estonia, the average income tax burden has decreased by at least five percentage points for all family types with single parents at 67 per cent of the average wage enjoying an income tax reduction of 10.5 percentage points. In Hungary, all families also enjoyed an average income tax rate reduction of more than 5 percentage points with a significant decrease of at least 10 percentage points for the single parents earning 67 per cent of the average wage level and the one-earner married couples with children earning the average wage. The income tax burden diminished by between 4 and 7 percentage points in all but one of the family types in Australia, the exception being the single worker with two children where the decrease was –1.2 per cent. Other decreases of more than 5 percentage points were observed in Canada (from –5 to –6.5 percentage points for families with children except where the earnings are 167 per cent of the average wage), Denmark (–5.6 percentage points for the single workers earning 167 per cent of the average wage), Finland (where the decrease was between –4.5 and –5.2 percentage points for all the eight family types) and New Zealand (–5.6 percentage points for the single workers earnings 67 per cent of the average wage without children). In the United Kingdom, a notable reduction of the average income tax burden is observed for the single parents earning 67 per cent of the average wage level (–10.6 percentage points). The decrease is less significant for the other family types ranging from –3.4 to –0.5 percentage points. Reductions of less than 5 percentage points in average income tax rates are observed for all family types in Belgium, Germany, Slovenia, Turkey and the United States.

There are thirteen other OECD member countries with reductions in the personal income tax in some family types: Chile, the Czech Republic, France, Iceland, Ireland, Israel, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic and Switzerland. In three of those countries the reductions in average income tax rates exceeded six percentage points: the Czech Republic (–8.6 percentage points for the one-earner married couples with children at the average wage level and –6.3 percentage points for the single parents earning 67 per cent of the average), the Slovak Republic (–7.3 percentage points for the one-earner married couples at the average wage level with children). The average income tax rate decreased by 6 to 10 percentage points in Israel for all family types except for single parents at 67 per cent of the average wage who do not have to pay income taxes. In the Netherlands, there was a small reduction for the single person on 67 per cent of average earnings but increases for all the other family types including one of 11 percentage points for the one-earner married couple with two children.

At the other extreme, the personal income tax burden has increased across all family types in five OECD member countries: Austria, Japan, Korea, Mexico and Spain. In Mexico the increases were in the range 4 to 6 percentage points for each family type. In contrast, in Chile the average income tax burden slightly increased only for the single worker earning 167 per cent of the average wage level (0.3 percentage points). The average income tax rates stayed constant for the other family types since they do not pay income taxes.

4. Net personal average tax rate

The *net* tax burden takes into account personal income taxes and employee social security contributions as well as cash benefits (c.-tables). It decreased between 2000 and 2011 for all family types in twelve OECD countries: Australia, Canada, Denmark, Finland, Germany, Hungary, Israel, New Zealand, Poland, Sweden, Switzerland and the United States. Of these, the most significant reductions were observed in Sweden, ranging from –9.8 percentage points (the two-earning married couples without children where the spouse is earning 33 per cent of the average wage) to –5.7 percentage points (single taxpayer earning 167 per cent of the average wage level). In Australia, the net personal average tax burden has significantly decreased for most family types, notably by 9.7 percentage points for single parents earning 67 per cent of the average wage and 8.3 percentage points for one-earner married couples at average earnings with children. Significant reductions were also observed in Israel for all but one family type (reductions ranging between 7.3 and 9.5 percentage points), the exception being single parents earning 67 per cent of the average wage where the reduction was only 0.9 percentage points. The net personal average tax rate also decreased strongly in Ireland for most families with children and especially for single parents at 67 per cent of the average wage (–28.5 percentage points), in the Netherlands and the United Kingdom for the single parents earning 67 per cent of the average wage level (–11.3 percentage points and –9.1 percentage points respectively) and in New Zealand for families with children and especially if these families have low earnings (single parents at 67 per cent of the average wage enjoyed a reduction of 15.4 percentage points).

There are six other OECD member countries with reductions in the net personal average tax rate exceeding five percentage points in some family types: Canada, Denmark, Finland, Germany, Hungary and Poland. In both Canada and Hungary, there were reductions of over 7 percentage points for the single parents at 67 per cent of the average wage and between 5 and 7 percentage points for one-earner married couples with two

children. In Denmark, there were reductions for single workers at the average wage level and at 167 per cent of it of –5.8 and –6.7 percentage points respectively. In Poland, the reduction for the tow-earning married couples with children at 167 per cent of the average wage was –6.5 percentage points.

Between 2000 and 2011, an increase of five or more percentage points in the net tax burden for one or more family types is only observed in six countries. In all of these, the Czech Republic, Estonia, Iceland, Mexico, Norway and the Slovak Republic, the single parents earning 67 per cent of the average wage saw increases of between 5 and 10 percentage points. There were increases of similar size for other family types in two countries. In Iceland, one-earner married couples with children at the average wage also saw an increase of 5.3 percentage points. In Mexico there were increases for the single workers earning 67 per cent of the average wage of 5.9 percentage points and for two-earner married couples with 133 per cent of the average wage with and without children of 5.2 percentage points.

5. Progressivity

In the discussion of the results for 2011, attention was paid to how they can be used to assess the progressivity of personal income taxes and the results presented in Part II can also be used to look at the evolution of this measure.

The degree of progressivity of the personal income tax system can be assessed by comparing the burden faced by single persons earning 67 per cent of the average wage with that faced by their counterparts earning 167 per cent of the average wage. Hence Table II.1b is compared with Table II.3b. For all OECD countries and for all years the lower paid worker always pays a lower percentage of income in personal income tax than the higher paid worker.

On average, the progressivity of the personal income taxes has not changed drastically in OECD countries. Comparing the situation in each OECD country, personal income taxes have become more progressive in nineteen countries. The most significant reductions were in Israel, where the burden of the lower paid worker was about 44 per cent of the higher paid worker in 2000 and 25 per cent in 2011; in New Zealand where the corresponding reduction was from 77 per cent to 59 per cent; and in Sweden, where it was from about 68 per cent to about 49 per cent.

Personal income taxes have become slightly less progressive (using this measure) in eleven OECD countries: Austria, Denmark, France, Hungary, Iceland, Italy, Japan, Korea, Norway, Poland and Spain. The most significant change occurred in Iceland where the burden of the lower paid worker was about 54 per cent the higher paid worker in 2000 and about 69 per cent in 2011.

6. Families

The results presented in Tables II.5 and II.2 can be used to compare the tax burdens faced by a one-earner married couple with two children at the average wage and the single worker without children at the same income level. Focusing on the net tax burden (personal income tax plus employee social security contributions less cash benefits which can be found in Part c. of the Tables), one observes that the OECD average fiscal savings for the married couple compared with the single worker increased slightly between 2000 and 2011 (about 1 percentage point).

The savings for the one-earner married couple have increased in eighteen countries and declined in fourteen others. There were three countries where the fiscal savings have increased by more than 5 percentage points; in New Zealand increasing by 11.3 percentage points from 5.8 to 17.1 per cent of income and in Ireland and Hungary where the increases were between 6 and 7 percentage points.

Table II.1a. **Income tax plus employee and employer contributions less cash benefits, single persons, 67% of average earnings**

Tax burden as a % of labour costs, single persons without children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	25.8	24.7	24.6	25.1	24.7	23.7	21.9	20.7	20.9	20.6
Austria	43.2	43.5	44.0	43.3	43.7	44.2	44.5	43.2	43.4	43.7
Belgium	51.3	49.6	49.0	49.3	49.4	49.6	50.2	49.4	49.5	49.7
Canada	27.8	27.2	27.5	27.4	27.4	26.5	26.6	26.1	25.8	26.1
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	41.3	41.7	41.9	42.0	40.0	40.5	40.1	38.7	38.9	39.5
Denmark	40.8	39.4	38.9	38.9	38.9	38.9	38.5	38.0	36.7	36.8
Estonia	39.8	40.9	39.6	38.1	37.3	37.6	37.0	37.7	38.6	38.8
Finland	43.0	40.0	39.4	39.5	38.8	38.6	38.6	37.1	37.0	37.2
France	47.4	45.0	42.4	41.8	45.8	45.8	46.0	45.9	46.2	46.5
Germany	47.5	47.9	46.9	47.3	47.4	47.0	46.6	46.0	45.0	45.6
Greece[1]	34.3	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4	..
Hungary	51.4	44.5	44.8	43.1	43.3	46.0	46.7	46.2	43.8	45.2
Iceland	23.8	27.1	27.7	28.2	28.2	27.0	27.6	26.1	28.3	29.2
Ireland	18.1	16.5	19.5	16.8	16.1	14.9	15.0	16.2	16.7	21.3
Israel	22.3	20.3	18.1	17.5	15.4	16.0	14.3	13.3	12.8	13.0
Italy	43.6	41.9	42.2	42.5	42.7	42.8	43.2	43.5	44.0	44.5
Japan	23.4	26.1	26.1	26.5	27.4	27.8	28.0	27.8	28.9	29.5
Korea	15.0	15.1	15.5	15.6	16.0	16.8	17.3	16.9	17.3	17.7
Luxembourg	31.1	27.8	28.1	28.7	29.1	29.9	28.2	27.4	27.7	29.2
Mexico	7.5	12.0	10.5	10.0	10.6	11.1	10.9	11.9	12.3	13.2
Netherlands	42.2	40.1	40.8	41.6	33.2	33.4	34.0	33.3	33.5	33.1
New Zealand	18.6	18.7	18.8	18.8	18.9	19.0	18.0	15.5	14.2	12.9
Norway	35.1	34.9	35.0	34.2	34.3	34.2	34.1	33.9	34.0	34.2
Poland	37.0	37.0	37.2	37.5	37.8	37.1	33.6	33.1	33.2	33.4
Portugal	33.2	32.8	32.8	32.1	32.3	32.9	32.9	32.7	32.7	33.1
Slovak Republic	40.6	40.8	39.2	34.8	35.2	35.5	36.0	34.4	34.7	36.1
Slovenia	42.6	43.5	43.6	41.8	41.3	40.9	40.3	39.7	38.6	38.6
Spain	34.8	34.8	35.3	35.7	35.9	35.7	34.0	34.3	36.5	36.6
Sweden	48.6	47.0	47.2	46.6	45.9	43.3	42.5	41.3	40.6	40.7
Switzerland	18.9	18.4	18.1	18.1	18.1	18.3	17.7	17.7	17.8	18.0
Turkey[2]	39.1	41.0	41.9	41.9	41.8	41.8	37.8	35.0	35.7	35.4
United Kingdom	29.1	30.3	30.5	30.5	30.6	30.8	29.7	29.1	29.4	28.5
United States	28.3	27.8	27.7	27.6	27.7	27.8	27.0	27.6	27.8	27.2
Unweighted average										
OECD-average	**33.3**	**32.9**	**32.8**	**32.5**	**32.3**	**32.3**	**31.8**	**31.2**	**31.3**	**31.6**
OECD-EU21	**40.0**	**39.0**	**38.9**	**38.4**	**38.1**	**38.1**	**37.7**	**37.2**	**37.2**	**37.9**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.1b. **Income tax, single persons, 67% of average earnings**

Tax burden as a % of gross wage earnings of single persons without children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	21.1	20.2	20.1	20.6	20.2	19.1	17.2	15.7	15.9	15.9
Austria	7.5	9.0	9.7	8.7	9.3	9.8	10.3	8.6	8.9	9.2
Belgium	22.7	21.7	21.6	21.7	21.6	21.8	22.1	21.3	21.5	21.7
Canada	15.1	13.9	13.9	13.0	13.0	12.2	12.4	11.9	11.6	11.7
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	8.2	8.8	9.0	9.2	6.6	7.2	6.6	6.9	7.1	7.9
Denmark	27.6	27.2	26.7	26.6	26.7	26.8	26.5	25.9	25.1	25.2
Estonia	19.9	20.1	18.4	16.3	15.8	16.2	15.5	14.9	14.7	14.9
Finland	21.2	19.6	18.8	18.8	17.5	17.2	17.7	16.4	15.9	16.0
France	12.3	12.2	12.1	12.4	12.4	12.2	12.3	12.2	12.3	12.4
Germany	16.3	15.9	15.0	14.9	14.9	15.2	15.5	14.9	13.9	14.0
Greece[1]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	..
Hungary	17.5	11.2	10.8	8.7	9.0	10.1	11.0	11.7	10.8	12.0
Iceland	19.9	22.6	23.3	23.9	23.9	22.9	23.0	20.7	21.4	22.4
Ireland	11.1	6.9	6.3	5.2	4.4	3.1	3.1	4.4	5.0	8.8
Israel	11.2	9.0	6.7	6.1	5.8	6.6	4.9	4.3	3.6	3.8
Italy	15.2	13.5	13.9	14.3	15.2	15.0	15.6	15.8	16.6	17.2
Japan	5.5	5.2	5.3	5.2	5.7	6.4	6.3	6.3	6.1	6.1
Korea	0.7	0.9	1.0	1.0	1.1	1.5	1.7	1.3	1.4	1.4
Luxembourg	10.2	6.5	6.8	7.2	7.8	8.3	8.1	6.8	7.2	7.5
Mexico	-6.1	-3.3	-2.7	-3.3	-2.8	-2.3	-2.6	-1.5	-1.1	-0.2
Netherlands	5.3	3.3	3.5	4.2	4.4	4.8	5.2	5.4	5.3	5.2
New Zealand	18.6	18.7	18.8	18.8	18.9	19.0	18.0	15.5	14.2	12.9
Norway	18.9	18.8	18.8	17.8	17.8	17.9	17.9	17.7	17.7	17.8
Poland	5.3	4.8	4.9	5.0	5.2	5.5	6.0	5.4	5.5	5.7
Portugal	6.3	5.8	5.8	4.9	5.2	6.0	6.0	5.7	5.7	6.3
Slovak Republic	6.0	5.4	4.4	4.3	4.9	5.1	5.9	3.8	4.2	6.0
Slovenia	10.2	10.2	10.2	8.1	8.0	7.9	8.0	7.9	6.6	6.7
Spain	8.5	8.5	9.2	9.6	10.0	10.0	7.8	8.4	11.1	11.3
Sweden	24.7	22.6	22.9	22.2	21.5	17.9	16.9	15.8	15.0	15.1
Switzerland	7.0	6.9	7.1	7.1	7.1	7.4	6.7	6.7	6.7	6.8
Turkey[2]	13.2	13.4	14.4	14.5	14.2	14.3	10.2	9.3	10.1	9.8
United Kingdom	15.1	15.3	15.4	15.4	15.5	15.6	14.6	14.2	14.3	13.5
United States	14.9	14.4	14.4	14.3	14.4	14.5	13.6	12.3	12.6	14.0
Unweighted average										
OECD-average	**12.1**	**11.5**	**11.4**	**11.1**	**11.0**	**11.0**	**10.7**	**10.2**	**10.2**	**10.9**
OECD-EU21	**12.9**	**11.8**	**11.7**	**11.3**	**11.2**	**11.2**	**11.2**	**10.8**	**10.8**	**11.8**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.1c. **Income tax plus employee contributions less cash benefits, single persons, 67% of average earnings**

Tax burden as a % of gross wage earnings, single persons without children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	21.1	20.2	20.1	20.6	20.2	19.1	17.2	15.7	15.9	15.9
Austria	25.6	27.0	27.7	26.7	27.3	27.9	28.4	26.6	27.0	27.3
Belgium	35.8	34.8	34.7	35.0	35.1	35.3	36.0	35.2	35.4	35.6
Canada	19.6	19.0	19.1	19.0	18.9	18.0	18.2	17.7	17.4	17.5
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	20.7	21.3	21.5	21.7	19.1	19.7	19.1	17.9	18.1	18.9
Denmark	40.9	39.4	38.9	38.9	38.9	38.9	38.5	38.0	36.7	36.8
Estonia	19.9	21.1	19.4	17.3	16.4	16.8	16.1	16.7	17.5	17.7
Finland	28.1	25.7	24.8	25.0	24.2	23.8	23.8	22.6	22.9	23.1
France	25.7	25.8	25.7	26.0	26.0	25.9	26.0	25.9	26.0	26.1
Germany	36.8	36.9	35.8	36.3	36.6	36.4	36.2	35.5	34.4	34.9
Greece[1]	15.9	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	..
Hungary	30.0	23.7	24.3	22.2	23.3	27.1	28.0	28.7	27.8	29.5
Iceland	20.1	22.9	23.5	24.1	24.1	23.1	23.7	21.5	22.1	23.1
Ireland	11.1	9.4	10.9	7.9	7.0	5.8	5.9	7.2	7.8	12.8
Israel	18.5	15.5	13.3	12.8	11.1	12.2	10.6	9.8	9.1	9.4
Italy	24.4	22.7	23.0	23.5	24.3	24.5	25.0	25.3	26.0	26.7
Japan	15.5	16.8	16.8	17.1	17.9	18.4	18.5	18.4	19.1	19.5
Korea	7.4	7.8	8.1	8.1	8.3	8.9	9.2	8.9	9.2	9.4
Luxembourg	21.8	18.0	18.3	18.9	19.4	20.3	20.1	19.0	19.3	20.5
Mexico	-4.8	-2.1	-1.4	-2.1	-1.6	-1.1	-1.4	-0.2	0.1	1.0
Netherlands	32.9	30.5	30.9	31.9	27.1	27.1	27.6	27.0	27.0	26.8
New Zealand	18.6	18.7	18.8	18.8	18.9	19.0	18.0	15.5	14.2	12.9
Norway	26.7	26.6	26.6	25.6	25.6	25.7	25.7	25.5	25.5	25.6
Poland	26.5	26.4	26.7	27.0	27.4	26.5	23.8	23.2	23.4	23.6
Portugal	17.3	16.8	16.8	15.9	16.2	17.0	17.0	16.7	16.7	17.3
Slovak Republic	18.0	18.2	17.8	17.7	18.3	18.5	19.3	17.2	17.6	19.4
Slovenia	32.3	32.3	32.3	30.2	30.1	30.0	30.1	30.0	28.7	28.8
Spain	14.9	14.9	15.5	16.0	16.3	16.3	14.2	14.7	17.5	17.7
Sweden	31.7	29.6	29.9	29.2	28.5	24.9	23.9	22.8	22.0	22.1
Switzerland	13.6	13.2	13.1	13.1	13.2	13.4	12.7	12.8	12.8	13.0
Turkey[2]	27.2	28.4	29.4	29.5	29.2	29.3	25.2	24.3	25.1	24.8
United Kingdom	22.7	23.6	23.7	23.8	23.8	24.0	22.9	22.4	22.6	21.7
United States	22.6	22.1	22.0	21.9	22.0	22.2	19.1	20.0	20.2	19.6
Unweighted average										
OECD-average	**21.9**	**21.5**	**21.5**	**21.3**	**21.1**	**21.1**	**20.6**	**20.2**	**20.2**	**20.8**
OECD-EU21	**25.4**	**24.5**	**24.5**	**24.1**	**23.9**	**23.9**	**23.7**	**23.3**	**23.4**	**24.4**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.2a. **Income tax plus employee and employer contributions less cash benefits, single persons, 100% of average earnings**

Tax burden as a % of labour costs, single persons without children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	31.0	28.2	28.2	28.5	28.3	27.7	26.9	26.7	26.8	26.6
Austria	47.3	47.4	48.3	48.1	48.5	48.8	49.0	47.9	48.2	48.4
Belgium	57.1	55.7	55.4	55.5	55.5	55.6	55.9	55.3	55.4	55.5
Canada	33.2	32.0	32.0	31.9	31.9	31.2	31.3	30.6	30.5	30.8
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	42.6	43.2	43.5	43.7	42.5	42.9	43.4	42.0	42.1	42.5
Denmark	44.1	42.4	41.0	40.9	41.0	41.1	40.9	39.5	38.3	38.4
Estonia	41.3	42.3	41.5	39.9	39.0	39.0	38.4	39.2	40.1	40.1
Finland	47.8	45.0	44.5	44.6	44.0	43.9	43.8	42.5	42.5	42.7
France	49.6	49.8	49.9	50.1	50.2	49.3	49.3	49.3	49.3	49.4
Germany	52.9	53.2	52.2	52.1	52.3	51.9	51.5	50.9	49.2	49.8
Greece[1]	35.2	35.2	35.8	35.2	35.8	37.0	37.0	38.2	38.2	..
Hungary	54.6	50.8	51.8	51.1	52.0	54.5	54.1	53.1	46.6	49.4
Iceland	28.8	31.5	31.9	32.1	31.8	30.5	30.9	30.5	33.4	34.0
Ireland	28.9	24.4	24.1	23.5	23.0	22.2	22.3	24.7	25.8	26.8
Israel	29.0	27.1	25.3	24.9	23.5	24.1	21.7	20.2	19.4	19.8
Italy	47.1	46.0	46.3	45.9	46.1	46.4	46.6	46.8	47.2	47.6
Japan	24.7	27.4	27.3	27.7	28.8	29.3	29.5	29.2	30.2	30.8
Korea	16.3	16.3	17.0	17.3	18.1	19.7	19.9	19.5	20.1	20.3
Luxembourg	37.1	33.5	33.9	34.7	35.3	36.3	34.7	33.9	34.3	36.0
Mexico	12.4	16.7	15.2	14.7	15.0	15.9	15.1	15.3	15.5	16.2
Netherlands	40.0	37.2	38.8	38.9	38.4	38.8	39.2	38.0	38.1	37.8
New Zealand	19.4	19.5	19.7	20.0	20.4	21.1	20.5	18.1	17.0	15.9
Norway	38.6	38.1	38.1	37.2	37.4	37.5	37.5	37.2	37.2	37.5
Poland	38.2	38.2	38.4	38.7	39.0	38.2	34.7	34.1	34.2	34.3
Portugal	37.3	37.4	37.4	36.8	37.1	37.7	37.6	37.5	37.6	39.0
Slovak Republic	41.9	42.5	42.2	38.0	38.3	38.4	38.8	37.7	37.9	38.9
Slovenia	46.3	46.2	46.3	45.6	45.3	43.3	42.9	42.2	42.5	42.6
Spain	38.6	38.6	38.8	39.0	39.1	39.0	38.0	38.3	39.7	39.9
Sweden	50.1	48.2	48.4	48.1	47.8	45.3	44.8	43.2	42.8	42.8
Switzerland	21.6	21.2	20.9	20.9	20.9	21.1	20.6	20.7	20.7	21.0
Turkey[2]	40.4	42.2	42.8	42.8	42.7	42.7	39.9	37.4	37.9	37.7
United Kingdom	32.6	33.8	33.9	33.9	34.0	34.1	32.8	32.4	32.6	32.5
United States	30.4	29.9	29.8	29.8	29.9	30.0	29.6	30.1	30.4	29.5
Unweighted average										
OECD-average	**36.6**	**36.1**	**36.1**	**35.9**	**35.9**	**35.9**	**35.5**	**35.0**	**35.0**	**35.2**
OECD-EU21	**43.4**	**42.4**	**42.5**	**42.1**	**42.1**	**42.1**	**41.7**	**41.3**	**41.1**	**41.7**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.2b. **Income tax, single persons, 100% of average earnings**

Tax burden as a % of gross wage earnings, single persons without children at 100% of average earnings

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	26.6	23.9	23.9	24.2	24.0	23.4	22.5	22.1	22.3	22.3
Austria	12.9	13.9	15.2	15.0	15.4	15.8	16.2	14.7	15.0	15.3
Belgium	29.0	28.0	27.9	28.0	27.9	28.1	28.5	28.0	28.1	28.2
Canada	19.5	17.5	17.1	16.4	16.4	15.8	16.2	15.3	15.2	15.5
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	10.0	10.8	11.2	11.5	9.9	10.4	11.1	11.3	11.5	12.0
Denmark	32.3	31.5	30.2	30.1	30.2	30.4	30.2	28.8	27.9	28.0
Estonia	21.9	22.0	20.9	18.8	18.1	18.1	17.3	16.8	16.6	16.8
Finland	27.2	25.8	25.0	25.0	23.8	23.7	24.2	23.0	22.6	22.7
France	15.4	15.3	15.2	15.4	15.5	14.1	14.2	14.2	14.2	14.3
Germany	22.7	22.4	21.4	20.8	20.8	21.1	21.3	20.8	18.9	19.0
Greece[1]	1.1	1.0	1.7	1.0	1.8	3.3	3.3	4.8	4.9	..
Hungary	23.2	20.5	20.9	20.2	21.0	21.8	21.3	20.8	14.4	17.5
Iceland	25.3	27.4	27.9	28.0	27.7	26.7	26.8	25.7	27.1	27.8
Ireland	15.2	11.3	10.8	10.2	9.6	8.7	8.8	10.2	10.7	14.9
Israel	17.5	15.0	13.0	12.7	11.9	12.7	10.2	8.9	8.0	8.4
Italy	19.9	18.9	19.3	18.8	19.6	19.7	20.0	20.2	20.7	21.3
Japan	7.0	6.6	6.6	6.7	7.2	8.1	8.0	7.9	7.6	7.6
Korea	2.1	2.3	2.7	2.7	3.4	4.7	4.5	4.1	4.5	4.3
Luxembourg	17.0	13.0	13.5	14.2	14.9	15.6	15.3	14.0	14.5	15.0
Mexico	0.7	3.1	3.7	3.1	3.5	4.6	3.8	4.1	4.2	4.9
Netherlands	9.6	10.3	10.8	11.2	13.2	14.6	15.5	16.6	16.2	16.0
New Zealand	19.4	19.5	19.7	20.0	20.4	21.1	20.5	18.1	17.0	15.9
Norway	22.9	22.4	22.3	21.2	21.3	21.7	21.7	21.3	21.4	21.5
Poland	6.6	6.3	6.3	6.4	6.5	6.8	7.2	6.6	6.6	6.8
Portugal	11.4	11.5	11.5	10.8	11.2	11.8	11.8	11.6	11.8	13.5
Slovak Republic	7.8	7.7	8.4	8.4	8.7	8.9	9.4	8.0	8.3	9.5
Slovenia	13.5	13.3	13.5	12.6	12.7	10.7	11.0	10.8	11.2	11.3
Spain	13.5	13.4	13.7	13.9	14.1	14.2	12.9	13.4	15.4	15.6
Sweden	26.7	24.2	24.5	24.2	23.9	20.6	19.9	18.4	17.8	17.8
Switzerland	9.9	9.9	10.1	10.1	10.1	10.3	9.8	9.9	9.9	10.0
Turkey[2]	14.7	14.8	15.5	15.5	15.4	15.4	12.7	12.1	12.6	12.4
United Kingdom	17.4	17.5	17.6	17.6	17.7	17.7	16.4	16.1	16.2	15.6
United States	17.3	16.8	16.7	16.6	16.8	16.9	16.5	15.7	16.1	17.2
Unweighted average										
OECD-average	**15.8**	**15.2**	**15.3**	**15.0**	**15.1**	**15.2**	**15.0**	**14.5**	**14.4**	**15.1**
OECD-EU21	**16.9**	**16.1**	**16.2**	**15.9**	**16.0**	**16.0**	**16.0**	**15.7**	**15.4**	**16.6**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.2c. **Income tax plus employee contributions less cash benefits, single persons, 100% of average earnings**

Tax burden as a % of gross wage earnings, single persons without children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	26.6	23.9	23.9	24.2	24.0	23.4	22.5	22.1	22.3	22.3
Austria	31.0	32.0	33.2	33.0	33.4	33.8	34.3	32.8	33.1	33.4
Belgium	43.0	42.0	41.9	42.0	41.9	42.1	42.5	41.9	42.1	42.2
Canada	25.4	24.1	23.9	23.9	23.9	23.2	23.5	22.6	22.5	22.7
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	22.5	23.3	23.8	24.0	22.4	22.9	23.6	22.3	22.5	23.0
Denmark	44.2	42.4	41.0	40.9	41.0	41.1	40.9	39.5	38.3	38.4
Estonia	21.9	23.0	21.9	19.8	18.7	18.7	17.9	18.6	19.4	19.6
Finland	34.2	31.9	31.1	31.3	30.6	30.4	30.4	29.3	29.7	29.8
France	28.8	28.9	28.8	29.0	29.1	27.8	27.9	27.9	27.9	28.0
Germany	43.2	43.4	42.3	42.2	42.5	42.2	42.0	41.4	39.4	39.9
Greece[1]	17.0	17.0	17.7	17.0	17.8	19.3	19.3	20.8	20.9	..
Hungary	35.7	33.0	34.4	33.7	35.3	38.8	38.3	37.8	31.4	35.0
Iceland	25.4	27.6	28.0	28.2	27.8	26.8	27.2	26.2	27.6	28.3
Ireland	20.3	16.3	15.9	15.2	14.7	13.9	13.9	16.7	17.9	18.9
Israel	25.5	22.8	20.9	20.6	19.4	20.4	18.1	16.6	15.7	16.1
Italy	29.0	28.1	28.5	28.0	28.7	29.2	29.5	29.7	30.2	30.8
Japan	17.0	18.2	18.2	18.5	19.4	20.2	20.2	20.0	20.6	21.0
Korea	8.8	9.2	9.7	9.9	10.6	12.0	12.1	11.7	12.3	12.3
Luxembourg	28.7	24.6	25.0	25.9	26.6	27.7	27.4	26.2	26.7	28.1
Mexico	2.2	4.6	5.2	4.6	5.0	6.0	5.1	5.4	5.6	6.3
Netherlands	33.6	31.1	32.6	32.5	32.5	32.5	32.8	31.8	31.7	31.4
New Zealand	19.4	19.5	19.7	20.0	20.4	21.1	20.5	18.1	17.0	15.9
Norway	30.7	30.2	30.1	29.0	29.1	29.5	29.5	29.1	29.2	29.3
Poland	27.8	27.8	28.1	28.4	28.7	27.8	25.0	24.4	24.5	24.6
Portugal	22.4	22.5	22.5	21.8	22.2	22.8	22.8	22.6	22.8	24.5
Slovak Republic	19.8	20.5	21.8	21.8	22.1	22.3	22.8	21.4	21.7	22.9
Slovenia	35.6	35.4	35.6	34.7	34.8	32.8	33.1	32.9	33.3	33.4
Spain	19.8	19.8	20.1	20.3	20.5	20.6	19.3	19.8	21.7	21.9
Sweden	33.7	31.2	31.5	31.2	30.9	27.6	26.9	25.4	24.8	24.8
Switzerland	16.5	16.2	16.1	16.2	16.1	16.4	15.8	15.9	15.9	16.1
Turkey[2]	28.7	29.8	30.5	30.5	30.4	30.4	27.7	27.1	27.6	27.4
United Kingdom	25.8	26.7	26.8	26.9	26.9	27.0	25.6	25.2	25.4	25.1
United States	24.9	24.4	24.4	24.3	24.4	24.6	22.7	23.3	23.8	22.8
Unweighted average										
OECD-average	**25.8**	**25.2**	**25.4**	**25.2**	**25.3**	**25.4**	**24.9**	**24.5**	**24.5**	**24.9**
OECD-EU21	**29.4**	**28.6**	**28.8**	**28.6**	**28.6**	**28.6**	**28.4**	**28.0**	**27.9**	**28.8**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.3a. **Income tax plus employee and employer contributions less cash benefits, single persons, 167% of average earnings**

Tax burden as a % of labour costs, single persons without children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	38.8	36.5	36.6	36.0	34.7	32.8	32.7	32.6	32.4	32.2
Austria	50.4	50.6	51.4	51.4	51.6	51.7	51.8	51.2	51.4	51.6
Belgium	62.6	61.3	61.3	60.9	60.8	60.9	61.1	60.6	60.6	60.7
Canada	35.3	33.0	33.2	33.2	33.2	32.9	32.9	32.6	32.7	32.9
Chile	7.4	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.6	7.8
Czech Republic	44.8	45.5	45.9	46.1	46.0	46.7	46.1	44.6	44.7	44.9
Denmark	51.4	50.0	49.4	49.2	49.4	49.6	49.6	48.5	44.5	44.8
Estonia	42.5	43.4	42.9	41.4	40.5	40.1	39.5	40.3	41.2	41.2
Finland	53.5	50.9	50.3	50.4	49.8	49.7	49.5	48.3	48.3	48.5
France	51.7	52.1	52.5	53.1	53.2	53.2	53.4	53.3	53.4	53.5
Germany	56.3	57.7	56.2	54.9	55.0	53.8	53.0	53.0	51.4	51.3
Greece[1]	39.2	41.4	42.2	42.2	43.1	43.6	43.0	43.2	43.7	..
Hungary	59.1	57.6	57.7	56.7	56.7	58.6	59.1	58.3	53.1	51.6
Iceland	39.6	39.8	39.1	37.0	34.6	33.4	33.6	34.1	37.8	38.2
Ireland	39.4	34.9	35.3	34.9	34.0	33.0	33.0	35.1	36.4	38.7
Israel	37.3	35.3	34.9	34.1	33.0	33.6	31.2	29.0	28.3	28.4
Italy	51.1	50.7	50.9	50.6	50.9	51.4	51.8	52.0	52.5	53.0
Japan	28.5	30.0	30.0	30.3	31.6	32.4	32.5	32.3	33.3	33.8
Korea	20.2	21.3	21.7	21.4	21.7	22.5	22.6	21.8	21.7	22.2
Luxembourg	45.1	41.1	41.4	41.9	42.3	43.0	41.7	41.3	41.6	43.5
Mexico	19.2	22.6	21.3	21.8	21.9	22.0	20.6	20.9	21.3	21.6
Netherlands	44.9	41.5	42.5	42.4	41.3	42.1	42.5	41.8	41.8	41.5
New Zealand	24.2	24.8	25.4	25.8	26.2	26.8	26.3	24.6	23.3	22.0
Norway	45.2	44.9	44.9	43.8	43.0	43.1	43.1	42.9	42.9	43.1
Poland	39.1	39.2	39.4	39.6	40.1	39.0	36.0	34.9	35.0	35.0
Portugal	42.3	42.7	42.7	42.3	42.7	43.4	43.5	43.3	43.6	45.8
Slovak Republic	45.2	46.0	44.2	40.2	40.4	40.5	40.7	40.1	40.3	40.8
Slovenia	51.0	50.9	52.6	52.3	51.6	49.0	48.3	47.1	47.6	47.7
Spain	41.0	42.1	42.2	42.4	42.6	42.3	41.4	41.6	42.4	42.5
Sweden	55.7	54.4	54.7	54.7	54.5	53.0	52.7	51.1	50.9	50.8
Switzerland	26.0	25.4	25.2	25.2	25.1	25.4	25.0	25.1	25.1	25.3
Turkey[2]	35.0	44.2	44.5	44.6	44.3	44.5	42.8	40.2	41.0	40.9
United Kingdom	35.8	37.5	37.7	37.7	37.8	37.9	37.5	36.9	37.2	37.9
United States	36.8	35.3	35.2	35.1	35.2	35.3	35.2	35.5	35.7	34.4
Unweighted average										
OECD-average	**41.0**	**40.9**	**41.0**	**40.6**	**40.5**	**40.4**	**40.0**	**39.6**	**39.5**	**39.6**
OECD-EU21	**47.7**	**47.2**	**47.3**	**46.9**	**46.9**	**46.8**	**46.4**	**46.0**	**45.8**	**46.3**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.3b. **Income tax, single persons at 167% of average earnings**

Tax burden as a % of gross wage earnings, single persons without children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	34.9	32.7	32.8	32.2	30.7	28.7	28.7	28.3	28.2	28.2
Austria	20.3	21.8	22.7	22.1	22.4	22.8	23.0	22.0	22.1	22.3
Belgium	36.0	34.7	34.7	34.7	34.7	34.9	35.2	34.8	34.9	35.0
Canada	25.9	23.1	22.8	22.4	22.4	22.1	22.3	21.7	21.8	22.0
Chile	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.8
Czech Republic	13.0	14.0	14.4	14.8	14.6	15.6	14.8	14.8	14.9	15.2
Denmark	40.7	40.3	39.7	39.5	39.7	40.0	40.0	38.9	34.9	35.1
Estonia	23.6	23.5	22.8	20.8	20.0	19.6	18.7	18.3	18.1	18.2
Finland	34.3	32.9	32.2	32.1	31.0	30.9	31.2	30.0	29.6	29.7
France	20.7	20.4	20.0	20.2	20.2	20.2	20.4	20.3	20.5	20.6
Germany	31.6	31.8	30.6	28.8	28.8	29.1	29.3	28.8	27.4	27.7
Greece[1]	6.3	9.0	10.0	10.0	11.1	11.7	11.0	11.3	11.9	..
Hungary	30.3	30.2	29.4	28.1	27.6	27.5	28.1	27.6	22.7	20.3
Iceland	36.6	36.3	35.5	33.3	30.7	29.7	29.8	29.7	32.1	32.6
Ireland	26.7	22.8	23.3	22.7	21.6	20.5	20.6	21.3	22.0	28.1
Israel	25.5	22.6	22.2	21.4	20.0	20.6	18.3	16.1	15.4	15.3
Italy	25.2	25.2	25.5	25.1	25.9	26.3	26.8	27.0	27.6	28.3
Japan	11.1	10.7	10.7	10.8	11.6	12.8	12.8	12.4	12.0	11.9
Korea	6.4	7.7	8.0	8.0	8.5	9.3	9.2	8.6	8.6	8.4
Luxembourg	26.2	21.7	22.0	22.4	22.8	23.3	23.1	22.3	22.6	23.4
Mexico	7.8	10.0	10.8	11.7	12.0	12.3	11.1	11.4	11.9	12.1
Netherlands	25.4	24.4	24.8	25.0	25.6	27.2	27.9	28.8	28.4	28.1
New Zealand	24.2	24.8	25.4	25.8	26.2	26.8	26.3	24.6	23.3	22.0
Norway	30.3	30.0	30.0	28.7	27.6	28.1	28.0	27.7	27.8	27.9
Poland	7.7	7.4	7.4	7.5	7.9	7.8	8.7	7.5	7.5	7.6
Portugal	17.6	18.1	18.1	17.6	18.1	19.0	19.0	18.9	19.3	21.9
Slovak Republic	12.4	12.5	11.7	11.7	11.9	12.0	12.3	11.4	11.6	12.3
Slovenia	19.1	19.0	19.1	18.8	18.7	16.3	16.7	16.5	17.0	17.2
Spain	18.5	18.4	18.7	18.8	19.1	19.1	18.5	19.1	20.5	20.8
Sweden	36.3	34.7	35.3	35.3	35.2	33.2	32.8	31.0	30.8	30.7
Switzerland	14.6	14.5	14.8	14.8	14.7	15.1	14.4	14.5	14.6	14.6
Turkey[2]	18.0	17.2	17.6	17.7	17.4	17.6	16.2	15.3	16.3	16.2
United Kingdom	23.0	23.8	24.0	24.1	24.2	24.5	23.2	21.9	22.4	22.5
United States	24.2	22.6	22.5	22.4	22.6	22.7	22.6	22.1	22.4	23.0
Unweighted average										
OECD-average	**22.2**	**21.7**	**21.8**	**21.5**	**21.3**	**21.4**	**21.2**	**20.7**	**20.6**	**21.2**
OECD-EU21	**23.6**	**23.2**	**23.2**	**22.9**	**22.9**	**22.9**	**22.9**	**22.5**	**22.2**	**23.3**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.3c. **Income tax plus employee contributions less cash benefits, single persons at 167% of average earnings**

Tax burden as a % of gross wage earnings, single persons without children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	34.9	32.7	32.8	32.2	30.7	28.7	28.7	28.3	28.2	28.2
Austria	36.3	37.6	38.6	38.3	38.6	38.8	39.0	38.1	38.3	38.5
Belgium	50.0	48.7	48.7	48.8	48.7	48.9	49.3	48.9	49.0	49.1
Canada	29.6	27.2	27.1	27.3	27.2	26.8	27.0	26.5	26.7	26.8
Chile	7.4	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.6	7.8
Czech Republic	25.5	26.5	26.9	27.3	27.2	28.1	27.3	25.8	25.9	26.2
Denmark	51.5	50.0	49.4	49.2	49.4	49.6	49.6	48.5	44.5	44.8
Estonia	23.6	24.5	23.8	21.8	20.6	20.2	19.3	20.1	20.9	21.0
Finland	41.4	39.1	38.4	38.6	37.8	37.6	37.4	36.4	36.8	36.9
France	32.5	32.6	32.6	33.2	33.3	33.3	33.5	33.4	33.5	33.6
Germany	48.8	50.0	48.4	46.9	47.1	46.2	45.7	45.5	43.8	43.8
Greece[1]	22.2	25.0	26.0	26.0	27.1	27.7	27.0	27.3	27.9	..
Hungary	42.8	42.7	42.9	41.6	41.9	44.5	45.1	44.6	39.7	37.8
Iceland	36.7	36.4	35.6	33.4	30.8	29.8	30.1	30.0	32.4	32.9
Ireland	32.1	27.9	28.4	27.9	26.9	25.8	25.8	28.2	29.5	32.1
Israel	34.2	31.4	31.0	30.3	29.4	30.1	27.8	25.5	24.8	24.7
Italy	34.5	34.4	34.7	34.3	35.1	35.8	36.3	36.6	37.2	37.9
Japan	21.1	21.7	21.7	21.9	23.1	24.1	24.2	24.0	24.5	24.8
Korea	13.1	14.6	14.9	14.7	15.1	15.8	15.8	15.1	15.0	15.3
Luxembourg	37.9	33.3	33.6	34.1	34.6	35.4	35.2	34.6	34.8	36.6
Mexico	9.8	11.9	12.6	13.4	13.7	13.9	12.6	12.9	13.4	13.6
Netherlands	40.6	37.5	38.4	38.3	37.5	38.1	38.5	37.9	37.7	37.4
New Zealand	24.2	24.8	25.4	25.8	26.2	26.8	26.3	24.6	23.3	22.0
Norway	38.1	37.8	37.8	36.5	35.4	35.9	35.8	35.5	35.6	35.7
Poland	28.9	29.0	29.2	29.5	30.1	28.8	26.6	25.3	25.3	25.4
Portugal	28.6	29.1	29.1	28.6	29.1	30.0	30.0	29.9	30.3	32.9
Slovak Republic	24.4	25.3	24.8	24.8	25.0	25.1	25.4	24.6	24.8	25.5
Slovenia	41.2	41.1	41.2	40.9	40.8	38.4	38.8	38.6	39.1	39.3
Spain	24.4	24.7	24.9	25.1	25.3	25.3	24.6	25.1	26.4	26.7
Sweden	41.1	39.4	39.9	40.0	39.8	37.8	37.4	35.8	35.5	35.4
Switzerland	21.1	20.8	20.8	20.8	20.6	21.0	20.5	20.6	20.6	20.7
Turkey[2]	26.9	32.2	32.6	32.7	32.4	32.6	31.2	30.3	31.3	31.2
United Kingdom	28.8	30.3	30.5	30.5	30.6	30.8	30.3	29.7	30.0	30.4
United States	31.9	30.3	30.2	30.1	30.2	30.3	29.4	29.8	30.1	28.6
Unweighted average										
OECD-average	**31.3**	**31.1**	**31.2**	**30.9**	**30.8**	**30.9**	**30.5**	**30.1**	**30.1**	**30.4**
OECD-EU21	**35.1**	**34.7**	**34.8**	**34.5**	**34.6**	**34.6**	**34.4**	**34.0**	**33.9**	**34.6**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.4a. **Income tax plus employee and employer contributions less cash benefits, single parent at 67% of average earnings**

Tax burden as a % of labour costs, single parent with two children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	3.5	-1.7	-7.7	-3.5	-3.5	-4.6	-5.2	-7.4	-6.9	-6.0
Austria	25.1	26.0	25.7	25.6	26.6	27.5	28.3	25.4	25.9	26.8
Belgium	36.3	35.4	34.9	35.2	35.4	35.4	35.8	34.7	35.2	35.5
Canada	0.5	-1.4	-0.8	-0.7	0.2	-3.2	-6.0	-9.5	-7.2	-6.3
Chile	2.8	2.9	2.9	3.0	3.0	3.1	3.1	3.2	6.0	6.0
Czech Republic	12.5	16.6	18.2	17.6	19.0	16.4	14.9	15.4	15.6	16.4
Denmark	14.7	13.6	12.8	12.5	12.9	13.6	13.5	12.9	11.1	11.4
Estonia	18.3	24.0	21.6	21.7	18.0	21.8	18.6	22.6	23.7	24.3
Finland	28.8	27.3	26.2	27.0	26.6	27.0	26.8	25.5	25.8	26.4
France	39.1	36.2	33.3	32.6	37.3	37.5	37.9	37.7	38.0	38.4
Germany	31.7	32.6	33.0	33.3	33.7	33.5	33.3	31.4	30.1	31.2
Greece[1]	34.3	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4	..
Hungary	33.8	25.9	27.1	26.0	25.9	29.0	29.8	29.6	27.3	20.0
Iceland	5.7	12.2	13.6	14.6	15.4	15.2	14.8	12.1	16.5	18.5
Ireland	-0.9	-16.4	-15.0	-19.6	-31.0	-26.1	-25.5	-29.9	-28.2	-24.6
Israel	1.7	3.1	4.0	4.2	1.5	1.7	1.5	0.8	0.4	0.1
Italy	29.4	27.1	27.7	27.4	27.9	24.9	26.3	26.7	27.9	29.0
Japan	21.0	23.7	22.1	22.5	21.6	21.7	21.9	21.5	18.6	19.7
Korea	14.3	14.7	14.9	15.3	15.7	16.1	16.6	16.3	16.7	17.0
Luxembourg	6.2	4.3	4.4	4.9	5.1	6.0	2.0	0.2	0.7	2.4
Mexico	7.5	12.0	10.5	10.0	10.6	11.1	10.9	11.9	12.3	13.2
Netherlands	26.3	22.6	22.5	22.7	12.8	12.9	13.6	11.2	12.0	11.5
New Zealand	-3.3	-0.9	0.5	-6.4	-15.3	-17.1	-17.5	-17.3	-17.9	-18.7
Norway	16.2	18.4	19.0	18.6	19.4	19.9	20.3	20.3	20.7	21.4
Poland	29.7	29.5	28.2	35.1	35.5	32.4	28.4	28.4	28.4	28.4
Portugal	26.5	23.2	24.2	23.5	24.0	24.8	24.1	21.3	21.5	23.7
Slovak Republic	25.2	26.2	25.8	20.9	21.5	22.7	24.1	21.5	21.8	23.6
Slovenia	13.3	16.2	16.7	14.8	15.0	15.4	13.5	12.4	12.3	12.7
Spain	28.5	29.2	29.6	30.0	30.2	28.2	28.3	27.9	29.1	29.5
Sweden	39.9	38.2	38.7	38.4	36.7	34.4	34.1	33.0	32.3	32.5
Switzerland	4.3	4.1	3.8	3.9	3.6	4.0	0.8	2.2	2.2	2.8
Turkey[2]	39.1	41.0	41.9	41.9	41.8	41.8	36.7	33.8	34.5	34.2
United Kingdom	15.0	13.1	13.2	13.4	14.1	15.6	11.3	8.2	9.0	7.1
United States	9.6	6.0	6.0	6.2	7.0	7.7	6.6	7.2	8.4	8.2
Unweighted average										
OECD-average	**18.7**	**18.2**	**18.1**	**17.9**	**17.1**	**17.2**	**16.4**	**15.5**	**15.8**	**15.6**
OECD-EU21	**24.5**	**23.1**	**23.0**	**22.7**	**22.0**	**22.3**	**21.6**	**20.5**	**20.7**	**20.3**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.4b. **Income tax, single parent at 67% of average earnings**

Tax burden as a % of gross wage earnings, single parent with two children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	15.3	20.0	20.2	20.5	20.2	18.8	17.1	13.9	14.2	14.2
Austria	5.7	7.3	6.6	5.7	6.4	7.1	7.6	5.3	5.7	6.1
Belgium	16.5	16.1	16.1	16.2	16.1	16.3	16.7	15.6	15.9	16.2
Canada	6.7	6.0	5.9	5.0	5.0	1.0	1.4	0.5	1.0	1.2
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	2.2	3.4	3.5	1.0	-1.2	0.1	-5.2	-4.5	-5.0	-4.1
Denmark	27.6	27.2	26.7	26.6	26.7	26.8	26.5	25.9	25.1	25.2
Estonia	19.9	20.1	18.4	16.3	8.7	10.5	4.6	9.2	9.1	9.4
Finland	21.2	19.6	18.8	18.8	17.5	17.2	17.7	16.4	15.9	16.0
France	7.6	7.3	7.3	7.4	7.4	7.4	7.4	7.4	7.4	7.5
Germany	-2.8	-2.6	-1.9	-1.6	-1.4	-0.7	-0.1	-2.3	-3.7	-3.0
Greece[1]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	..
Hungary	10.2	2.0	2.3	0.8	9.0	10.1	11.0	11.7	10.8	0.0
Iceland	19.9	22.6	23.3	23.9	23.9	22.9	23.0	20.7	21.4	22.4
Ireland	2.2	0.0	0.0	0.0	0.0	0.0	0.0	1.7	2.0	3.9
Israel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Italy	9.9	6.6	7.1	6.3	7.3	7.0	7.9	8.3	9.2	10.2
Japan	2.8	2.5	2.5	2.6	2.7	3.1	3.1	2.9	2.7	4.1
Korea	0.0	0.5	0.4	0.6	0.7	0.7	0.8	0.6	0.7	0.6
Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0	0.0	0.0
Mexico	-6.1	-3.3	-2.7	-3.3	-2.8	-2.3	-2.6	-1.5	-1.1	-0.2
Netherlands	3.0	2.2	2.2	2.5	2.2	2.4	3.5	3.5	3.5	3.4
New Zealand	18.6	18.7	18.8	18.8	18.9	19.0	18.0	17.2	15.9	14.5
Norway	13.2	15.1	15.0	14.0	14.1	14.2	14.2	13.9	13.9	14.0
Poland	2.5	1.8	2.0	2.2	2.5	0.0	0.0	0.0	0.0	0.0
Portugal	3.3	1.8	1.8	0.9	1.3	2.1	1.9	1.5	1.4	1.8
Slovak Republic	3.3	2.4	-3.0	-2.8	-3.8	-2.9	-1.8	-4.1	-3.6	-1.6
Slovenia	3.3	3.2	3.4	0.5	0.6	0.8	1.0	0.9	0.0	0.0
Spain	0.3	1.2	1.7	2.2	2.5	0.2	0.4	0.0	1.6	2.1
Sweden	24.7	22.6	22.9	22.2	21.5	17.9	16.9	15.8	15.0	15.1
Switzerland	3.0	3.0	3.1	3.1	2.6	2.8	2.3	2.2	2.2	2.2
Turkey[2]	13.2	13.4	14.4	14.5	14.2	14.3	8.9	7.9	8.7	8.4
United Kingdom	8.4	4.3	4.1	4.3	4.7	6.0	1.7	-1.0	-0.3	-2.2
United States	-5.2	-9.1	-9.1	-8.9	-8.0	-7.2	-8.0	-10.3	-8.9	-7.0
Unweighted average										
OECD-average	**7.4**	**6.9**	**6.8**	**6.5**	**6.5**	**6.3**	**5.9**	**5.3**	**5.3**	**5.5**
OECD-EU21	**8.0**	**7.0**	**6.7**	**6.2**	**6.1**	**6.1**	**5.8**	**5.3**	**5.2**	**5.3**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.4c. **Income tax plus employee contributions less cash benefits, single parent at 67% of average earnings**

Tax burden as a % of gross wage earnings, single parent with two children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	-2.7	-7.8	-14.2	-9.7	-9.8	-10.9	-11.5	-14.3	-13.5	-12.3
Austria	1.8	4.4	4.1	3.9	5.2	6.4	7.5	3.6	4.4	5.4
Belgium	15.9	16.5	16.6	16.9	17.1	17.1	17.5	16.3	17.1	17.3
Canada	-10.9	-12.9	-12.6	-12.4	-11.4	-15.1	-18.1	-21.9	-19.5	-18.7
Chile	2.8	2.9	2.9	3.0	3.0	3.1	3.1	3.2	6.0	6.0
Czech Republic	-18.1	-12.6	-10.4	-11.3	-9.3	-12.9	-14.8	-13.3	-13.1	-12.0
Denmark	14.9	13.6	12.8	12.5	12.9	13.6	13.5	12.9	11.1	11.4
Estonia	-8.6	-1.5	-4.7	-4.6	-9.2	-4.3	-8.5	-3.6	-2.5	-1.7
Finland	10.3	9.8	8.5	9.4	8.9	9.5	9.2	8.4	9.2	9.8
France	14.0	13.8	14.0	14.2	14.4	14.5	14.8	14.6	14.8	14.8
Germany	17.7	18.4	19.0	19.5	20.0	20.2	20.3	18.0	16.5	17.6
Greece[1]	15.9	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	..
Hungary	4.8	-1.8	0.0	-1.1	-0.2	4.0	5.2	6.8	6.6	-2.8
Iceland	1.2	7.2	8.7	9.7	10.5	10.6	10.2	6.6	9.3	11.5
Ireland	-9.5	-26.3	-27.4	-32.5	-45.1	-39.6	-39.0	-43.8	-42.0	-38.0
Israel	-3.2	-2.6	-1.7	-1.2	-3.6	-2.7	-2.7	-3.2	-3.8	-4.0
Italy	5.3	2.9	3.8	3.3	4.7	0.8	2.6	3.2	4.8	6.3
Japan	12.8	14.1	12.3	12.6	11.4	11.6	11.6	11.3	7.4	8.3
Korea	6.7	7.4	7.4	7.7	7.9	8.1	8.4	8.2	8.5	8.7
Luxembourg	-6.5	-8.7	-8.6	-8.1	-7.9	-6.8	-9.0	-11.3	-10.7	-9.6
Mexico	-4.8	-2.1	-1.4	-2.1	-1.6	-1.1	-1.4	-0.2	0.1	1.0
Netherlands	14.4	10.2	9.5	9.8	5.0	4.6	5.2	2.9	3.4	3.1
New Zealand	-3.3	-0.9	0.5	-6.4	-15.3	-17.1	-17.5	-17.3	-17.9	-18.7
Norway	5.5	8.0	8.5	8.0	8.7	9.6	10.1	10.1	10.6	11.1
Poland	18.0	17.6	16.1	24.2	24.7	21.0	17.8	17.8	17.8	17.8
Portugal	9.0	5.0	6.2	5.4	5.9	7.0	6.1	2.6	2.9	5.6
Slovak Republic	-3.2	-2.1	-0.3	0.2	0.9	2.4	4.3	0.9	1.3	3.6
Slovenia	-2.2	-0.5	0.1	-2.2	-1.3	-0.1	-1.3	-1.8	-1.8	-1.4
Spain	6.7	7.6	8.1	8.5	8.9	6.6	6.7	6.4	7.9	8.5
Sweden	20.1	17.9	18.7	18.4	16.3	13.1	12.7	11.9	11.0	11.3
Switzerland	-2.0	-2.0	-2.0	-1.9	-2.2	-1.8	-5.2	-3.7	-3.7	-3.2
Turkey[2]	27.2	28.4	29.4	29.5	29.2	29.3	23.9	22.9	23.7	23.4
United Kingdom	7.4	4.7	4.8	5.0	5.8	7.3	2.7	-0.6	0.3	-1.7
United States	2.4	-1.4	-1.4	-1.2	-0.3	0.5	-3.5	-2.6	-1.2	-1.3
Unweighted average										
OECD-average	**4.7**	**4.2**	**4.2**	**4.2**	**3.5**	**3.7**	**2.9**	**2.0**	**2.4**	**2.3**
OECD-EU21	**6.1**	**5.0**	**5.1**	**5.1**	**4.5**	**4.8**	**4.3**	**3.2**	**3.6**	**3.3**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.5a. **Income tax plus employee and employer contributions less cash benefits, married couple at 100% of average earnings**

Tax burden as a % of labour costs, one-earner married couple with two children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	23.4	20.2	15.8	17.0	17.1	14.9	14.9	14.2	14.6	15.2
Austria	35.2	35.7	36.1	36.3	37.0	37.7	38.2	36.0	36.4	37.1
Belgium	42.6	41.6	42.7	40.3	40.3	40.3	40.6	39.5	39.8	40.3
Canada	23.9	21.5	21.5	21.5	21.9	19.4	19.3	17.1	18.1	18.9
Chile	6.1	6.1	6.1	6.1	6.1	6.1	6.2	6.2	6.3	7.0
Czech Republic	22.0	27.2	28.9	27.0	26.0	21.3	20.8	20.9	21.1	21.7
Denmark	30.7	29.6	29.1	28.9	29.1	29.4	29.3	28.7	27.2	27.4
Estonia	32.8	34.7	31.8	30.7	27.3	29.5	26.8	29.8	30.8	31.2
Finland	40.7	38.7	38.0	38.4	37.9	38.2	38.4	37.2	37.3	37.7
France	40.7	41.1	41.4	41.7	41.9	42.0	42.2	41.9	42.2	42.3
Germany	35.3	35.9	35.0	35.4	35.8	35.6	35.3	33.8	33.0	34.0
Greece[1]	35.3	35.2	36.1	36.2	37.5	37.5	37.4	38.5	38.5	..
Hungary	43.9	39.4	41.0	40.7	41.2	44.0	43.9	43.2	36.7	32.8
Iceland	13.1	17.3	18.6	19.6	19.8	19.1	18.4	15.0	19.2	21.0
Ireland	15.5	7.0	6.6	5.7	1.9	4.0	3.8	2.8	4.7	7.1
Israel	24.8	23.7	22.5	22.2	20.2	21.0	18.6	17.0	15.9	16.0
Italy	39.3	36.6	37.2	36.3	36.6	35.7	36.6	36.9	37.8	38.6
Japan	21.0	23.8	23.5	23.9	23.6	23.8	24.0	23.6	22.1	23.0
Korea	15.6	15.8	16.0	16.2	16.8	17.4	17.8	17.1	17.8	17.9
Luxembourg	13.5	10.1	10.2	10.8	11.4	12.7	11.2	11.0	11.6	13.4
Mexico	12.4	16.7	15.2	14.7	15.0	15.9	15.1	15.3	15.5	16.2
Netherlands	29.9	27.9	29.6	29.7	29.1	29.7	30.3	29.7	30.8	30.7
New Zealand	13.6	15.6	17.0	12.8	0.5	0.8	0.7	-0.3	-0.9	-1.2
Norway	28.4	29.6	29.9	29.6	30.0	30.5	30.6	30.4	30.6	31.0
Poland	33.3	36.5	36.8	37.1	37.4	32.4	28.4	28.4	28.4	28.4
Portugal	30.2	27.7	28.4	27.5	27.8	28.0	27.1	26.6	26.9	29.2
Slovak Republic	30.8	31.3	27.1	22.1	23.0	23.9	25.3	22.8	22.9	25.0
Slovenia	25.0	25.9	26.2	24.2	24.2	24.5	23.1	22.1	22.9	23.2
Spain	32.3	32.6	33.0	33.4	33.6	32.9	32.0	32.4	34.0	34.2
Sweden	44.3	42.4	42.8	42.6	41.6	39.4	39.2	37.7	37.2	37.3
Switzerland	9.8	9.7	9.5	9.6	9.2	9.6	7.2	8.1	8.2	8.4
Turkey[2]	40.4	42.2	42.8	42.8	42.7	42.7	38.7	36.0	36.6	36.3
United Kingdom	27.8	27.5	27.8	27.9	28.0	28.4	26.9	26.2	26.5	26.4
United States	20.6	17.3	17.3	17.4	17.8	18.2	16.6	17.3	18.2	18.2
Unweighted average										
OECD-average	**27.5**	**27.2**	**27.1**	**26.7**	**26.2**	**26.1**	**25.4**	**24.8**	**25.0**	**25.0**
OECD-EU21	**32.4**	**31.6**	**31.7**	**31.1**	**30.9**	**30.8**	**30.3**	**29.8**	**29.8**	**29.9**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.5b. **Income tax, married couple at 100% of average earnings**

Tax burden as a % of gross wage earnings, one-earner married couple with two children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	25.6	23.9	23.9	24.2	24.0	23.4	22.5	20.9	21.1	21.1
Austria	11.7	12.8	13.2	13.0	13.5	13.9	14.4	12.5	12.8	13.1
Belgium	18.9	17.9	16.4	16.5	16.5	16.7	17.3	16.1	16.4	16.8
Canada	15.5	13.1	12.6	11.9	11.9	9.2	10.0	8.5	8.7	9.2
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	4.0	5.0	5.2	1.0	-2.6	-1.7	-5.8	-5.1	-5.3	-4.6
Denmark	25.6	25.5	25.0	24.9	25.0	25.2	24.9	24.3	23.7	23.8
Estonia	17.9	18.3	16.0	13.8	8.7	10.5	6.4	9.2	9.1	9.4
Finland	27.2	25.8	25.0	25.0	23.8	23.7	24.2	23.0	22.6	22.7
France	7.6	7.8	7.8	8.0	8.1	8.2	8.4	7.9	8.4	8.5
Germany	1.5	1.4	0.6	0.9	1.1	1.8	2.3	0.5	-0.2	0.4
Greece[1]	1.3	1.0	2.2	2.3	4.0	3.9	3.8	5.3	5.3	..
Hungary	18.3	14.3	15.3	14.9	21.0	21.8	21.3	20.8	14.4	8.3
Iceland	16.1	17.8	18.7	19.8	20.1	19.1	19.3	15.8	17.0	18.3
Ireland	5.0	2.6	2.7	5.2	1.6	0.6	0.4	1.7	2.2	7.4
Israel	17.5	15.0	13.0	12.7	11.9	12.7	10.2	8.9	8.0	8.4
Italy	15.6	12.3	12.9	11.4	12.4	12.1	12.8	13.2	13.9	14.7
Japan	2.9	2.6	3.5	3.5	3.8	4.3	4.3	4.1	3.9	4.8
Korea	1.4	1.7	1.6	1.5	1.9	2.2	2.1	1.4	1.9	1.6
Luxembourg	2.3	0.0	0.0	0.2	0.8	1.4	5.3	4.2	4.5	4.7
Mexico	0.7	3.1	3.7	3.1	3.5	4.6	3.8	4.1	4.2	4.9
Netherlands	4.8	10.1	10.6	10.9	12.8	14.2	15.1	16.3	15.9	15.8
New Zealand	19.4	19.5	19.7	20.0	20.4	21.1	20.5	18.4	17.0	15.9
Norway	18.1	19.4	19.3	18.7	18.8	19.3	19.2	18.8	18.9	19.0
Poland	4.8	4.3	4.4	4.5	4.7	0.0	0.0	0.0	0.0	0.0
Portugal	6.2	4.7	4.7	3.6	3.9	4.0	3.9	3.7	3.8	5.4
Slovak Republic	4.8	3.8	-4.5	-4.4	-4.8	-4.0	-2.8	-5.2	-5.1	-2.6
Slovenia	4.8	4.7	4.8	2.0	2.2	2.4	2.6	2.5	2.9	3.0
Spain	5.2	5.6	6.2	6.6	7.0	6.3	5.2	5.8	7.9	8.1
Sweden	26.7	24.2	24.5	24.2	23.9	20.6	19.9	18.4	17.8	17.8
Switzerland	5.0	5.2	5.4	5.4	4.9	5.1	4.6	4.5	4.5	4.4
Turkey[2]	14.7	14.8	15.5	15.5	15.4	15.4	11.2	10.5	11.1	10.8
United Kingdom	17.4	15.6	15.7	15.8	15.9	16.1	14.7	14.5	14.6	14.0
United States	6.8	3.2	3.2	3.3	3.7	4.2	3.7	1.7	2.8	4.7
Unweighted average										
OECD-average	**11.0**	**10.5**	**10.3**	**10.0**	**10.0**	**9.9**	**9.6**	**9.0**	**9.0**	**9.4**
OECD-EU21	**11.0**	**10.4**	**9.9**	**9.5**	**9.5**	**9.4**	**9.3**	**9.0**	**8.8**	**9.3**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.5c. **Income tax plus employee contributions less cash benefits, married couple at 100% of average earnings**

Tax burden as a % of gross wage earnings, one-earner married couple with two children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	18.4	15.4	10.7	12.0	12.1	9.8	9.8	8.7	9.3	10.1
Austria	15.1	16.9	17.5	17.8	18.7	19.5	20.3	17.4	17.9	18.7
Belgium	23.7	23.4	22.0	22.1	22.1	22.1	22.6	21.3	21.9	22.3
Canada	15.0	12.5	12.2	12.3	12.8	10.1	10.0	7.5	8.6	9.4
Chile	6.1	6.1	6.1	6.1	6.1	6.1	6.2	6.2	6.3	7.0
Czech Republic	-5.3	1.7	4.1	1.4	0.0	-6.2	-6.9	-6.0	-5.7	-4.9
Denmark	30.8	29.6	29.1	28.9	29.1	29.4	29.3	28.7	27.2	27.4
Estonia	10.6	12.8	8.9	7.5	3.1	6.0	2.5	6.1	7.1	7.6
Finland	25.3	23.9	23.1	23.6	23.1	23.3	23.6	22.7	23.3	23.7
France	16.3	16.7	16.8	17.0	17.3	17.5	17.8	17.3	17.8	17.9
Germany	22.0	22.4	21.5	22.0	22.6	22.7	22.7	20.9	20.0	21.0
Greece[1]	17.2	17.0	18.2	18.3	20.0	19.9	19.8	21.3	21.3	..
Hungary	20.4	17.5	19.7	19.6	20.8	24.7	24.6	24.7	18.7	13.6
Iceland	8.9	12.6	13.9	15.0	15.2	14.8	14.0	9.7	12.2	14.2
Ireland	5.4	-3.0	-3.5	-4.4	-8.7	-6.4	-6.6	-7.6	-5.5	-2.9
Israel	21.1	19.2	17.9	17.8	15.9	17.1	14.8	13.2	12.0	12.1
Italy	18.6	15.7	16.4	15.2	16.2	15.1	16.3	16.7	17.8	18.9
Japan	12.9	14.2	13.9	14.2	13.6	13.9	14.0	13.8	11.3	12.1
Korea	8.1	8.6	8.6	8.6	9.1	9.6	9.7	9.0	9.7	9.6
Luxembourg	1.9	-1.9	-1.9	-1.2	-0.6	0.9	1.3	0.8	1.4	2.7
Mexico	2.2	4.6	5.2	4.6	5.0	6.0	5.1	5.4	5.6	6.3
Netherlands	22.4	20.9	22.3	22.3	22.3	22.4	23.0	22.6	23.6	23.6
New Zealand	13.6	15.6	17.0	12.8	0.5	0.8	0.7	-0.3	-0.9	-1.2
Norway	19.3	20.6	20.8	20.3	20.7	21.6	21.8	21.5	21.7	22.0
Poland	22.1	25.8	26.1	26.5	26.9	21.0	17.8	17.8	17.8	17.8
Portugal	13.6	10.5	11.3	10.3	10.7	11.0	9.8	9.2	9.5	12.4
Slovak Republic	4.4	5.1	1.5	1.7	2.8	4.0	5.8	2.5	2.6	5.3
Slovenia	10.1	11.2	11.6	9.1	9.8	10.6	9.9	9.6	10.4	10.8
Spain	11.5	12.0	12.5	13.0	13.3	12.6	11.5	12.2	14.2	14.5
Sweden	26.0	23.5	24.1	24.0	22.8	19.8	19.4	18.1	17.4	17.6
Switzerland	3.9	4.1	4.0	4.1	3.7	4.1	1.6	2.6	2.6	2.8
Turkey[2]	28.7	29.8	30.5	30.5	30.4	30.4	26.2	25.5	26.1	25.8
United Kingdom	20.6	19.8	20.1	20.2	20.3	20.6	19.0	18.4	18.7	18.4
United States	14.4	10.8	10.9	10.9	11.4	11.8	8.6	9.4	10.4	10.4
Unweighted average										
OECD-average	**14.9**	**14.6**	**14.5**	**14.2**	**13.8**	**13.7**	**13.1**	**12.5**	**12.7**	**13.0**
OECD-EU21	**15.8**	**15.3**	**15.3**	**15.0**	**14.9**	**14.8**	**14.5**	**14.0**	**14.2**	**14.3**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.6a. **Income tax plus employee and employer contributions less cash benefits, married couple at 100% and 33% of average earnings**

Tax burden as a % of labour costs, two-earner married couple with two children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	24.6	22.0	18.7	20.8	20.5	19.6	19.1	18.0	18.0	17.9
Austria	36.3	36.4	37.2	37.3	37.8	38.3	38.7	36.4	36.7	37.2
Belgium	44.3	42.3	43.6	41.4	41.3	41.2	41.7	40.8	41.1	41.4
Canada	27.4	25.6	25.6	25.4	25.7	23.9	24.1	23.2	23.4	23.8
Chile	4.8	4.9	4.9	5.0	4.9	4.5	4.5	4.5	4.8	4.9
Czech Republic	31.1	34.3	35.6	35.1	33.5	29.5	30.5	30.3	30.3	30.7
Denmark	35.7	34.4	33.9	33.8	34.0	34.1	33.9	33.4	31.9	32.2
Estonia	35.7	37.3	35.1	34.0	31.1	32.6	30.4	33.1	34.0	34.2
Finland	39.7	37.3	36.5	36.9	36.4	36.4	36.4	35.2	35.2	35.5
France	41.0	41.0	40.1	40.1	39.7	39.5	39.7	38.8	39.8	40.0
Germany	41.2	41.4	40.6	40.8	41.1	40.8	40.5	39.2	38.0	38.9
Greece[1]	35.0	35.0	35.7	35.8	36.7	36.7	36.6	37.5	37.5	..
Hungary	44.7	39.1	40.4	40.0	40.3	42.8	42.8	42.1	36.4	34.3
Iceland	20.2	24.8	25.8	26.3	26.0	25.2	24.6	22.6	26.3	27.6
Ireland	20.3	11.7	10.8	9.6	8.6	7.3	7.4	8.8	10.6	13.3
Israel	21.1	20.2	19.3	19.1	17.1	17.6	15.7	14.5	13.7	12.2
Italy	41.2	38.2	38.6	38.2	39.2	37.8	38.6	39.0	39.6	40.3
Japan	22.4	25.1	24.3	24.7	24.8	25.1	25.2	24.9	24.0	25.1
Korea	15.3	15.6	15.8	16.0	16.6	17.2	17.6	17.1	17.8	17.9
Luxembourg	17.5	14.2	14.6	15.5	16.1	17.3	15.8	15.4	16.0	17.7
Mexico	9.5	14.2	12.9	12.2	12.7	13.7	13.1	13.5	13.8	14.4
Netherlands	34.4	31.5	32.2	32.2	29.6	29.7	30.2	29.2	29.5	29.2
New Zealand	18.6	18.7	18.9	19.2	9.6	9.8	9.3	8.1	7.5	7.0
Norway	30.8	31.6	31.9	31.3	31.3	31.4	31.5	31.3	31.5	31.9
Poland	34.6	37.0	37.2	37.5	37.8	32.5	29.1	29.0	29.2	29.6
Portugal	30.6	28.6	29.4	28.7	29.0	29.5	29.4	29.0	28.9	30.4
Slovak Republic	35.1	35.3	32.8	28.2	28.9	29.1	30.1	26.7	27.2	29.5
Slovenia	33.7	34.1	34.3	32.3	32.2	32.1	30.7	30.0	30.4	30.6
Spain	35.0	35.0	35.2	35.3	35.5	35.1	34.4	34.6	35.7	35.8
Sweden	44.7	42.6	43.0	42.5	41.6	39.1	38.8	37.3	36.8	36.9
Switzerland	12.4	12.2	12.0	12.1	11.7	12.1	10.3	11.0	11.0	11.1
Turkey[2]	39.7	41.4	42.2	42.4	42.3	42.3	39.5	37.1	37.4	37.3
United Kingdom	25.5	25.5	25.9	25.9	26.1	26.4	25.2	24.4	24.8	25.0
United States	24.2	21.6	21.6	21.6	21.9	22.2	21.2	22.9	23.2	22.7
Unweighted average										
OECD-average	**29.7**	**29.1**	**29.0**	**28.7**	**28.3**	**28.0**	**27.5**	**27.0**	**27.1**	**27.2**
OECD-EU21	**35.1**	**33.9**	**33.9**	**33.4**	**33.2**	**32.7**	**32.4**	**31.9**	**31.9**	**32.1**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.6b. **Income tax, married couple at 100% and 33% of average earnings**

Tax burden as a % of gross wage earnings, two-earner married couple with two children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	22.1	20.7	20.7	21.0	20.6	19.6	19.0	17.3	17.4	17.4
Austria	9.4	10.2	11.2	11.0	11.3	11.6	11.9	10.5	10.7	10.9
Belgium	24.0	22.3	20.5	21.9	22.0	22.1	22.6	21.8	22.0	22.2
Canada	16.6	14.8	14.4	13.7	13.6	11.8	12.2	11.2	11.2	11.5
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	5.2	6.1	6.3	5.1	2.7	3.7	2.5	2.8	2.5	3.0
Denmark	27.6	27.2	26.8	26.7	26.8	26.9	26.7	26.1	25.3	25.4
Estonia	19.9	20.1	18.4	16.3	12.2	13.4	10.1	12.0	11.9	12.2
Finland	23.7	22.1	21.3	21.2	20.1	19.8	20.2	19.1	18.6	18.6
France	9.5	8.4	8.3	8.2	7.9	7.4	7.6	6.4	7.8	8.0
Germany	8.7	8.1	7.3	7.4	7.5	8.0	8.5	7.0	5.8	6.2
Greece[1]	0.9	0.8	1.7	1.7	3.0	2.9	2.9	4.0	3.9	..
Hungary	15.7	10.7	11.5	11.2	15.7	16.4	16.1	15.9	10.8	7.2
Iceland	19.9	22.6	23.3	23.9	23.9	22.9	23.0	20.7	21.7	22.7
Ireland	11.1	6.9	6.3	5.2	4.4	3.1	3.1	4.0	4.5	9.2
Israel	13.1	11.2	9.8	9.5	8.9	9.5	7.7	6.7	6.0	4.6
Italy	14.4	10.8	11.2	10.7	11.8	11.1	12.1	12.4	13.2	14.0
Japan	4.4	4.1	4.1	4.2	4.5	5.1	5.0	4.9	4.7	5.6
Korea	1.0	1.5	1.4	1.4	1.8	2.0	1.9	1.5	1.9	1.6
Luxembourg	3.9	1.3	1.7	2.2	2.8	3.4	6.4	5.2	5.6	5.8
Mexico	-4.3	-1.5	-0.7	-1.5	-0.9	0.2	-0.4	0.0	0.3	0.9
Netherlands	7.8	7.9	8.1	8.5	10.1	11.1	11.7	12.5	12.3	12.1
New Zealand	18.6	18.7	18.9	19.2	19.5	20.1	19.2	17.2	15.9	14.8
Norway	19.2	20.0	20.0	19.1	18.7	18.9	18.9	18.6	18.6	18.7
Poland	5.3	4.8	4.9	5.0	5.2	0.2	0.7	0.6	0.9	1.4
Portugal	5.7	4.6	4.6	3.7	4.0	4.5	4.4	4.1	4.0	5.6
Slovak Republic	4.6	3.9	1.4	1.5	1.2	1.1	2.0	-1.6	-1.0	1.8
Slovenia	6.8	6.7	6.8	4.3	4.3	4.3	3.6	3.6	3.8	3.8
Spain	8.7	8.7	9.0	9.2	9.4	9.1	8.2	8.6	10.1	10.3
Sweden	25.3	22.6	22.9	22.3	21.8	18.2	17.5	16.1	15.4	15.5
Switzerland	5.8	6.0	6.2	6.2	5.7	6.1	5.6	5.5	5.6	5.3
Turkey[2]	14.0	13.8	14.8	15.0	14.9	14.9	12.2	11.7	12.1	12.0
United Kingdom	15.1	13.8	14.0	14.1	14.2	14.4	13.3	13.0	13.1	13.5
United States	10.5	7.7	7.8	7.8	8.1	8.5	8.2	7.1	7.5	9.0
Unweighted average										
OECD-average	**11.6**	**10.8**	**10.7**	**10.5**	**10.5**	**10.4**	**10.1**	**9.6**	**9.5**	**10.0**
OECD-EU21	**12.1**	**10.9**	**10.7**	**10.4**	**10.4**	**10.1**	**10.1**	**9.7**	**9.6**	**10.3**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.6c. **Income tax plus employee contributions less cash benefits, married couple at 100% and 33% of average earnings**

Tax burden as a % of gross wage earnings, two-earner married couple with two children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	19.8	17.3	13.8	16.1	15.7	14.8	14.3	12.7	12.9	13.0
Austria	16.5	17.8	18.9	19.1	19.7	20.3	20.9	17.9	18.3	18.9
Belgium	29.3	27.5	25.8	26.8	26.5	26.5	26.8	26.0	26.4	26.6
Canada	19.1	17.2	17.0	16.8	17.1	15.2	15.5	14.5	14.7	15.0
Chile	4.8	4.9	4.9	5.0	4.9	4.5	4.5	4.5	4.8	4.9
Czech Republic	7.0	11.3	13.1	12.4	10.2	4.8	6.2	6.5	6.6	7.2
Denmark	35.9	34.4	33.9	33.8	34.0	34.1	33.9	33.4	31.9	32.2
Estonia	14.4	16.3	13.4	11.8	8.2	10.1	7.2	10.2	11.1	11.5
Finland	24.0	22.2	21.3	21.7	21.1	21.1	21.2	20.3	20.7	21.0
France	19.4	18.5	18.5	18.4	18.2	17.8	18.1	16.9	18.3	18.5
Germany	29.2	29.1	28.2	28.6	29.0	28.9	28.9	27.4	26.0	26.8
Greece[1]	16.8	16.8	17.7	17.7	19.0	18.9	18.9	20.0	19.9	..
Hungary	20.4	16.2	18.2	18.0	19.2	22.8	22.8	23.1	18.3	15.5
Iceland	16.4	20.5	21.5	22.1	21.8	21.2	20.6	17.8	19.9	21.3
Ireland	11.4	2.7	1.7	0.4	-0.7	-2.2	-2.1	-0.5	1.5	4.5
Israel	17.2	15.5	14.5	14.5	12.8	13.7	12.0	10.8	9.9	8.3
Italy	21.2	17.8	18.2	17.8	19.7	17.9	19.0	19.4	20.2	21.1
Japan	14.4	15.7	14.8	15.1	14.9	15.3	15.4	15.2	13.5	14.4
Korea	7.7	8.4	8.4	8.5	8.9	9.3	9.5	9.1	9.7	9.7
Luxembourg	6.4	2.7	3.1	4.0	4.6	6.0	6.4	5.7	6.3	7.5
Mexico	-2.9	0.0	0.7	-0.1	0.5	1.5	0.9	1.3	1.6	2.2
Netherlands	26.7	23.9	24.3	24.2	23.2	22.9	23.3	22.5	22.6	22.4
New Zealand	18.6	18.7	18.9	19.2	9.6	9.8	9.3	8.1	7.5	7.0
Norway	22.0	22.9	23.0	22.3	22.1	22.6	22.7	22.5	22.7	22.9
Poland	23.6	26.4	26.7	27.0	27.4	21.2	18.6	18.5	18.7	19.2
Portugal	14.1	11.7	12.6	11.7	12.1	12.7	12.6	12.1	12.0	13.8
Slovak Republic	10.5	10.6	9.2	9.4	10.2	10.5	11.8	7.5	8.2	11.1
Slovenia	21.2	21.6	21.9	19.5	19.8	20.0	18.9	18.8	19.2	19.4
Spain	15.1	15.1	15.4	15.5	15.7	15.5	14.6	15.0	16.5	16.6
Sweden	26.5	23.8	24.3	23.9	22.7	19.4	18.9	17.6	16.9	17.1
Switzerland	6.6	6.7	6.7	6.8	6.4	6.8	4.9	5.6	5.6	5.7
Turkey[2]	28.0	28.8	29.8	30.0	29.9	29.9	27.2	26.7	27.1	27.0
United Kingdom	18.8	18.4	18.7	18.8	18.9	19.2	18.0	17.2	17.5	17.8
United States	18.2	15.4	15.4	15.4	15.8	16.1	12.7	14.8	15.1	14.6
Unweighted average										
OECD-average	**17.6**	**17.0**	**16.9**	**16.8**	**16.4**	**16.2**	**15.7**	**15.3**	**15.4**	**15.6**
OECD-EU21	**19.4**	**18.3**	**18.3**	**18.1**	**18.0**	**17.5**	**17.4**	**16.9**	**17.0**	**17.4**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.7a. **Income tax plus employee and employer contributions less cash benefits, married couple at 100% and 67% of average earnings**

Tax burden as a % of labour costs, two-earner married couple with two children, one at 100% average earnings and the other at 67%

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	26.7	24.3	21.6	23.5	23.9	23.4	22.9	22.3	23.7	24.2
Austria	39.0	39.4	40.2	40.0	40.6	41.1	41.6	39.7	40.0	40.5
Belgium	50.9	49.2	48.1	48.2	48.2	48.2	48.5	47.8	48.0	48.2
Canada	30.0	28.4	28.6	28.5	28.8	27.3	27.4	26.7	26.6	27.0
Chile	5.3	5.4	5.4	5.4	5.4	5.4	5.5	5.5	6.6	6.6
Czech Republic	36.3	39.0	39.3	38.9	37.8	34.1	34.5	34.2	34.3	34.7
Denmark	38.7	37.0	35.7	35.6	35.7	35.9	35.6	35.1	33.7	33.9
Estonia	37.4	38.9	37.1	35.9	33.4	34.4	32.5	34.7	35.7	35.9
Finland	41.6	39.2	38.5	38.9	38.3	38.3	38.5	37.1	37.2	37.5
France	44.2	43.5	42.7	42.7	44.3	44.4	44.6	44.5	44.7	44.9
Germany	45.4	45.6	44.7	44.7	45.0	44.6	44.3	43.2	41.7	42.5
Greece[1]	35.0	34.9	35.4	35.5	36.3	36.2	36.2	37.1	37.5	..
Hungary	46.9	41.4	42.5	41.6	42.0	44.8	45.0	44.4	39.5	37.7
Iceland	25.4	29.2	30.0	30.3	29.7	28.8	28.1	26.9	30.4	31.4
Ireland	21.8	15.5	16.2	14.6	13.8	12.7	12.8	14.5	16.2	19.0
Israel	20.7	19.1	18.2	18.0	16.1	16.5	15.0	13.9	13.3	13.4
Italy	44.2	41.7	42.1	41.7	41.9	41.1	41.6	41.9	42.4	43.1
Japan	22.9	25.6	25.0	25.4	25.7	26.0	26.2	25.9	25.4	26.4
Korea	15.4	15.6	15.9	16.1	16.7	17.4	17.8	17.2	17.9	18.1
Luxembourg	22.9	19.4	19.8	20.7	21.4	22.6	21.2	20.7	21.3	23.0
Mexico	10.4	14.8	13.3	12.8	13.2	14.0	13.4	13.9	14.2	15.0
Netherlands	38.0	35.3	36.2	36.5	32.7	33.0	33.5	31.6	31.8	31.5
New Zealand	19.0	19.2	19.3	19.6	15.9	16.1	15.6	14.7	13.8	13.1
Norway	33.0	33.3	33.5	32.8	33.1	33.2	33.4	33.1	33.3	33.6
Poland	37.7	37.7	38.0	38.2	38.5	34.1	30.6	30.4	30.6	30.9
Portugal	32.9	32.0	32.7	32.0	32.7	33.2	33.2	32.9	33.2	36.2
Slovak Republic	36.9	36.9	35.5	31.1	31.6	32.1	33.0	31.2	31.5	32.8
Slovenia	37.1	37.8	37.9	36.2	35.9	35.7	34.9	34.2	34.0	34.1
Spain	35.4	35.4	35.8	36.1	36.3	35.8	34.6	34.9	36.7	36.9
Sweden	46.0	44.2	44.6	44.2	43.3	41.0	40.5	39.1	38.6	38.7
Switzerland	15.6	15.2	15.0	15.1	14.7	15.1	13.5	14.1	14.1	14.2
Turkey[2]	39.8	41.5	42.2	42.5	42.3	42.4	40.0	37.6	38.1	37.9
United Kingdom	28.3	28.6	28.9	29.9	29.3	29.9	28.6	28.0	28.4	28.1
United States	26.3	24.1	24.1	24.1	24.3	24.6	23.8	25.2	25.4	24.6
Unweighted average										
OECD-average	**32.0**	**31.4**	**31.3**	**31.1**	**30.8**	**30.7**	**30.2**	**29.8**	**30.0**	**30.2**
OECD-EU21	**37.9**	**36.8**	**36.8**	**36.3**	**36.1**	**35.9**	**35.5**	**35.1**	**35.1**	**35.5**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.7b. **Income tax, married couple at 100% and 67% of average earnings**

Tax burden as a % of gross wage earnings, two-earner married couple with two children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	23.8	22.4	22.4	22.8	22.5	21.6	20.4	18.8	19.0	19.7
Austria	10.7	12.0	13.0	12.5	12.9	13.4	13.9	11.9	12.2	12.6
Belgium	26.4	24.9	23.9	24.0	23.9	24.0	24.5	23.7	24.0	24.1
Canada	17.7	16.1	15.8	15.0	15.1	13.5	13.8	13.1	12.9	13.1
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	6.8	7.5	7.6	7.1	5.5	6.2	4.6	5.0	4.9	5.3
Denmark	30.4	29.7	28.4	28.3	28.4	28.5	28.2	27.7	26.8	26.9
Estonia	21.1	21.3	19.9	17.8	14.3	15.1	12.2	13.8	13.6	13.8
Finland	24.8	23.3	22.5	22.5	21.3	21.1	21.6	20.3	19.9	20.0
France	10.7	10.8	10.7	11.1	11.1	11.0	11.2	11.1	11.2	11.3
Germany	13.7	13.1	12.3	12.1	12.2	12.6	13.0	11.8	10.2	10.5
Greece[1]	0.9	0.6	1.3	1.4	2.4	2.3	2.3	3.5	3.9	..
Hungary	18.0	13.1	13.5	12.4	16.2	17.1	17.2	17.1	12.9	9.8
Iceland	23.1	25.5	26.0	26.4	26.2	25.2	25.3	23.7	24.8	25.6
Ireland	13.3	9.5	9.0	8.2	7.5	6.5	6.5	7.8	8.4	12.5
Israel	11.7	9.2	7.8	7.6	7.1	7.6	6.1	5.3	4.8	5.0
Italy	16.8	14.1	14.5	14.0	14.8	14.8	15.3	15.6	16.3	17.0
Japan	4.9	4.7	4.7	4.7	5.2	5.8	5.7	5.6	5.5	6.2
Korea	1.3	1.5	1.5	1.4	1.8	2.1	2.1	1.6	2.0	1.8
Luxembourg	8.2	5.1	5.5	6.2	6.8	7.6	9.9	8.8	9.2	9.5
Mexico	-2.0	0.6	1.1	0.5	1.0	1.8	1.2	1.8	2.1	2.9
Netherlands	7.9	7.5	7.8	8.3	9.6	10.6	11.2	11.9	11.7	11.5
New Zealand	19.0	19.2	19.3	19.6	19.8	20.3	19.5	17.9	16.5	15.3
Norway	20.6	20.9	20.9	19.9	19.9	20.2	20.2	19.9	19.9	20.0
Poland	6.1	5.7	5.8	5.9	6.0	2.0	2.5	2.3	2.5	2.9
Portugal	8.1	8.0	8.1	7.3	7.8	8.3	8.2	8.0	8.0	10.0
Slovak Republic	5.8	4.9	3.9	4.0	3.7	4.2	4.9	3.2	3.5	5.0
Slovenia	8.1	8.0	8.1	5.9	6.0	6.0	6.1	6.0	5.6	5.7
Spain	9.3	9.3	9.8	10.2	10.5	10.0	8.5	9.1	11.4	11.7
Sweden	25.9	23.6	23.9	23.4	22.9	19.5	18.7	17.4	16.7	16.7
Switzerland	8.1	8.1	8.3	8.3	7.9	8.2	7.7	7.6	7.7	7.4
Turkey[2]	14.1	14.0	14.8	15.1	14.9	15.0	12.9	12.3	12.9	12.7
United Kingdom	16.5	15.5	15.6	16.7	16.0	16.5	15.4	15.0	15.3	14.8
United States	12.8	10.5	10.5	10.5	10.7	11.0	10.9	10.0	10.3	11.5
Unweighted average										
OECD-average	**13.1**	**12.3**	**12.3**	**12.1**	**12.1**	**12.1**	**11.8**	**11.4**	**11.4**	**11.9**
OECD-EU21	**13.8**	**12.7**	**12.6**	**12.3**	**12.4**	**12.3**	**12.2**	**12.0**	**11.8**	**12.6**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.7c. **Income tax plus employee contributions less cash benefits, married couple at 100% and 67% of average earnings**

Tax burden as a % of gross wage earnings, two-earner married couple with two children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	22.0	19.8	16.9	18.9	19.3	18.8	18.3	17.3	18.9	19.7
Austria	20.0	21.6	22.8	22.6	23.3	24.0	24.6	22.1	22.6	23.1
Belgium	34.9	33.8	32.8	32.9	32.9	32.9	33.3	32.5	32.9	33.0
Canada	22.0	20.2	20.2	20.2	20.5	18.8	19.0	18.2	18.2	18.5
Chile	5.3	5.4	5.4	5.4	5.4	5.4	5.5	5.5	6.6	6.6
Czech Republic	14.0	17.7	18.0	17.5	16.0	11.0	11.6	11.8	11.9	12.4
Denmark	38.8	37.0	35.7	35.6	35.7	35.9	35.6	35.1	33.7	33.9
Estonia	16.7	18.4	16.1	14.4	11.2	12.6	10.1	12.6	13.5	13.8
Finland	26.5	24.6	23.8	24.2	23.5	23.5	23.7	22.7	23.2	23.5
France	21.3	21.5	21.6	21.9	22.1	22.1	22.3	22.2	22.3	22.5
Germany	34.2	34.1	33.2	33.3	33.7	33.5	33.5	32.2	30.4	31.1
Greece[1]	16.8	16.6	17.3	17.4	18.4	18.3	18.3	19.5	19.9	..
Hungary	24.2	20.0	21.6	20.6	21.8	25.6	26.0	26.3	22.3	20.0
Iceland	21.8	25.2	26.0	26.3	25.6	25.0	24.3	22.3	24.4	25.5
Ireland	13.5	7.1	7.2	5.4	4.5	3.4	3.5	5.3	7.1	10.3
Israel	16.8	14.3	13.3	13.3	11.7	12.5	11.2	10.2	9.4	9.5
Italy	25.1	22.4	22.9	22.4	23.3	22.2	22.9	23.2	24.0	24.8
Japan	14.9	16.3	15.6	15.8	15.9	16.4	16.5	16.3	15.1	15.9
Korea	8.0	8.4	8.5	8.6	9.0	9.5	9.7	9.3	9.8	9.8
Luxembourg	12.6	8.5	9.0	10.0	10.7	12.1	12.4	11.6	12.2	13.5
Mexico	-0.6	2.0	2.5	1.9	2.3	3.2	2.5	3.2	3.4	4.2
Netherlands	30.0	27.4	28.0	28.3	26.4	26.3	26.8	24.9	24.9	24.7
New Zealand	19.0	19.2	19.3	19.6	15.9	16.1	15.6	14.7	13.8	13.1
Norway	24.4	24.8	24.9	24.0	24.2	24.7	24.8	24.6	24.7	24.9
Poland	27.3	27.3	27.5	27.8	28.2	23.0	20.4	20.1	20.3	20.7
Portugal	17.0	15.9	16.7	15.9	16.8	17.4	17.3	16.9	17.3	21.0
Slovak Republic	12.9	12.7	12.8	13.0	13.6	14.4	15.4	13.2	13.5	15.1
Slovenia	25.1	25.4	25.5	23.5	23.6	23.8	23.7	23.6	23.3	23.5
Spain	15.6	15.7	16.2	16.5	16.8	16.4	14.8	15.5	17.8	18.0
Sweden	28.3	25.9	26.4	26.1	25.0	21.8	21.2	20.0	19.3	19.4
Switzerland	10.0	9.9	9.9	10.0	9.6	10.0	8.3	8.9	8.9	8.9
Turkey[2]	28.1	29.0	29.8	30.1	29.9	30.0	27.9	27.3	27.9	27.7
United Kingdom	21.4	21.3	21.5	22.7	22.0	22.6	21.3	20.7	21.1	20.7
United States	20.5	18.1	18.1	18.1	18.4	18.7	16.0	17.7	18.0	17.2
Unweighted average										
OECD-average	**20.3**	**19.6**	**19.6**	**19.5**	**19.3**	**19.2**	**18.8**	**18.4**	**18.6**	**19.0**
OECD-EU21	**22.7**	**21.7**	**21.7**	**21.5**	**21.4**	**21.1**	**20.9**	**20.6**	**20.6**	**21.3**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.8a. **Income tax plus employee and employer contributions less cash benefits, married couple at 100% and 33% of average earnings**

Tax burden as a % of labour costs, two-earner married couple with no children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	27.4	25.1	25.1	25.5	25.1	24.2	23.5	23.1	23.1	22.9
Austria	44.6	44.5	45.1	45.1	45.3	45.5	45.7	44.3	44.5	44.7
Belgium	51.2	48.8	49.9	48.0	47.8	47.9	48.4	47.7	47.7	48.0
Canada	30.3	29.1	29.2	28.9	28.8	28.0	28.2	27.4	27.3	27.7
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	41.4	42.0	42.3	42.6	40.9	41.3	41.4	39.9	40.0	40.3
Denmark	40.8	39.4	39.0	38.9	38.9	39.0	38.7	38.1	36.8	37.0
Estonia	39.8	40.9	39.6	38.1	37.3	37.6	37.0	38.0	38.8	38.8
Finland	45.0	42.1	41.4	41.5	40.9	40.7	40.5	39.2	39.1	39.3
France	45.6	45.7	44.8	44.8	44.4	43.9	45.5	45.5	45.5	45.6
Germany	47.5	47.9	46.9	47.3	47.4	47.0	46.6	46.0	45.0	45.6
Greece[1]	35.6	35.6	36.0	35.7	36.6	37.5	37.4	38.1	38.1	..
Hungary	52.7	47.5	48.4	47.8	48.3	50.7	50.4	49.5	43.8	46.7
Iceland	23.8	27.1	27.7	28.2	28.2	27.0	27.6	26.1	28.6	29.5
Ireland	23.5	18.9	18.4	17.5	16.7	15.5	15.6	17.3	18.2	20.3
Israel	24.3	22.8	21.4	21.1	19.6	20.0	18.1	16.9	16.3	16.6
Italy	44.1	42.4	42.7	42.4	42.7	42.7	43.2	43.5	43.9	44.5
Japan	24.0	26.6	26.6	27.0	28.0	28.4	28.6	28.3	29.4	30.0
Korea	15.8	15.8	16.4	16.6	17.4	18.6	18.9	18.6	19.2	19.4
Luxembourg	28.9	26.2	26.5	27.1	27.5	28.3	26.6	25.9	26.2	27.7
Mexico	9.5	14.2	12.9	12.2	12.7	13.7	13.1	13.5	13.8	14.4
Netherlands	38.0	35.5	36.8	36.9	34.1	34.3	34.7	33.9	34.2	33.8
New Zealand	18.6	18.7	18.9	19.2	19.5	20.1	19.2	16.9	15.9	14.8
Norway	36.1	36.0	36.1	35.4	35.1	35.1	35.0	34.7	34.8	35.0
Poland	37.0	37.0	37.2	37.5	37.8	37.1	33.6	33.1	33.2	33.4
Portugal	33.8	33.1	33.1	32.4	32.6	32.9	32.9	32.7	32.7	34.0
Slovak Republic	40.7	41.5	39.7	35.3	35.7	35.5	36.0	33.2	33.7	35.8
Slovenia	44.5	44.4	44.5	43.3	43.0	41.4	40.4	39.9	40.1	40.2
Spain	36.0	36.0	36.2	36.3	36.4	36.3	35.5	35.7	36.8	36.9
Sweden	49.1	47.0	47.2	46.6	46.2	43.6	43.0	41.5	41.0	41.0
Switzerland	19.3	18.9	18.7	18.7	18.7	18.9	18.3	18.3	18.3	18.6
Turkey[2]	39.7	41.4	42.2	42.4	42.3	42.3	40.0	37.7	38.0	37.9
United Kingdom	29.1	30.3	30.5	30.5	30.6	30.8	29.7	29.1	29.4	28.5
United States	28.8	27.8	27.8	27.7	27.8	27.9	27.6	28.3	28.4	27.8
Unweighted average										
OECD-average	**33.9**	**33.4**	**33.4**	**33.1**	**33.0**	**32.9**	**32.6**	**32.0**	**32.0**	**32.2**
OECD-EU21	**40.4**	**39.4**	**39.3**	**38.8**	**38.6**	**38.5**	**38.2**	**37.7**	**37.6**	**38.1**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.8b. **Income tax, married couple at 100% and 33% of average earnings**

Tax burden as a % of gross wage earnings, two-earner married couple with no children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	22.8	20.7	20.7	21.0	20.6	19.6	19.0	18.2	18.3	18.3
Austria	9.4	10.2	11.2	11.0	11.3	11.6	11.9	10.8	11.0	11.3
Belgium	25.9	24.1	22.4	23.8	23.9	24.0	24.5	23.7	23.9	24.1
Canada	16.6	14.8	14.4	13.7	13.6	12.8	13.3	12.3	12.3	12.5
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	8.3	9.2	9.7	10.0	7.7	8.3	8.4	8.5	8.6	9.0
Denmark	27.6	27.2	26.8	26.7	26.8	26.9	26.7	26.1	25.3	25.4
Estonia	19.9	20.1	18.4	16.3	15.8	16.2	15.5	14.9	14.7	14.9
Finland	23.7	22.1	21.3	21.2	20.1	19.8	20.2	19.1	18.6	18.6
France	12.3	11.3	11.2	11.3	11.0	10.1	12.3	12.2	12.3	12.4
Germany	16.3	15.9	15.0	14.9	14.9	15.2	15.5	14.9	13.9	14.0
Greece[1]	1.6	1.6	2.0	1.6	2.9	3.9	3.8	4.7	4.7	..
Hungary	19.4	15.4	15.7	15.1	15.7	16.4	16.1	15.9	10.8	14.0
Iceland	19.9	22.6	23.3	23.9	23.9	22.9	23.0	20.7	21.7	22.7
Ireland	11.1	6.9	6.3	5.2	4.4	3.1	3.1	4.0	4.5	9.2
Israel	13.1	11.2	9.8	9.5	8.9	9.5	7.7	6.7	6.0	6.3
Italy	15.9	14.2	14.5	14.1	15.2	14.8	15.5	15.8	16.5	17.2
Japan	6.1	5.8	5.8	5.8	6.3	7.1	7.1	6.9	6.7	6.6
Korea	1.6	1.7	2.0	2.1	2.6	3.5	3.4	3.1	3.4	3.3
Luxembourg	7.7	4.8	5.1	5.5	5.9	6.5	6.4	5.2	5.6	5.8
Mexico	-4.3	-1.5	-0.7	-1.5	-0.9	0.2	-0.4	0.0	0.3	0.9
Netherlands	7.8	7.9	8.2	8.6	10.2	11.2	11.9	12.7	12.4	12.2
New Zealand	18.6	18.7	18.9	19.2	19.5	20.1	19.2	16.9	15.9	14.8
Norway	20.1	20.0	20.0	19.1	18.7	18.9	18.9	18.6	18.6	18.7
Poland	5.3	4.8	4.9	5.0	5.2	5.5	6.0	5.4	5.5	5.7
Portugal	7.1	6.2	6.2	5.3	5.6	6.0	6.0	5.7	5.7	7.3
Slovak Republic	6.2	6.3	5.0	5.0	5.5	5.1	5.9	2.3	2.9	5.6
Slovenia	11.9	11.8	11.9	10.4	10.5	8.9	8.2	8.1	8.4	8.5
Spain	10.1	10.1	10.3	10.5	10.6	10.7	9.7	10.1	11.5	11.7
Sweden	25.3	22.6	22.9	22.3	21.8	18.2	17.5	16.1	15.4	15.5
Switzerland	7.4	7.5	7.7	7.8	7.7	8.0	7.3	7.3	7.3	7.4
Turkey[2]	14.0	13.8	14.8	15.0	14.9	14.9	12.9	12.4	12.8	12.7
United Kingdom	15.1	15.3	15.4	15.4	15.5	15.6	14.6	14.2	14.3	13.5
United States	15.5	14.5	14.4	14.3	14.4	14.5	14.3	13.0	13.2	14.6
Unweighted average										
OECD-average	**12.9**	**12.3**	**12.2**	**12.0**	**12.1**	**12.1**	**11.9**	**11.4**	**11.3**	**12.0**
OECD-EU21	**13.7**	**12.8**	**12.6**	**12.3**	**12.4**	**12.3**	**12.4**	**11.9**	**11.7**	**12.8**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.8c. **Income tax plus employee contributions less cash benefits, married couple at 100% and 33% of average earnings**

Tax burden as a % of gross wage earnings, two-earner married couple with no children

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	22.8	20.7	20.7	21.0	20.6	19.6	19.0	18.2	18.3	18.3
Austria	27.5	28.3	29.2	29.0	29.4	29.7	30.0	28.1	28.4	28.6
Belgium	38.1	35.7	34.1	35.0	34.7	34.8	35.2	34.5	34.7	34.8
Canada	22.4	21.1	20.9	20.7	20.6	19.7	20.1	19.1	19.1	19.4
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	20.8	21.7	22.2	22.5	20.2	20.8	20.9	19.5	19.6	20.0
Denmark	40.9	39.4	39.0	38.9	38.9	39.0	38.7	38.1	36.8	37.0
Estonia	19.9	21.1	19.4	17.3	16.4	16.8	16.1	16.7	17.5	17.7
Finland	30.7	28.1	27.3	27.5	26.8	26.4	26.3	25.2	25.5	25.6
France	25.7	24.9	24.8	24.9	24.6	23.8	26.0	25.9	26.0	26.1
Germany	36.8	36.9	35.8	36.3	36.6	36.4	36.2	35.5	34.4	34.9
Greece[1]	17.5	17.6	18.0	17.6	18.9	19.9	19.8	20.7	20.7	..
Hungary	31.9	27.9	29.2	28.6	30.1	33.4	33.1	32.9	27.8	31.5
Iceland	20.1	22.9	23.5	24.1	24.1	23.1	23.7	21.5	22.4	23.4
Ireland	15.0	10.6	10.1	9.1	8.2	6.9	7.0	8.9	9.9	12.2
Israel	20.6	18.2	16.8	16.6	15.4	16.2	14.4	13.3	12.6	12.9
Italy	25.1	23.4	23.7	23.3	24.3	24.3	25.0	25.3	26.0	26.7
Japan	16.1	17.4	17.4	17.7	18.6	19.2	19.3	19.1	19.7	20.0
Korea	8.3	8.6	9.1	9.2	9.7	10.8	11.0	10.7	11.2	11.3
Luxembourg	19.3	16.2	16.6	17.1	17.6	18.5	18.4	17.4	17.7	18.9
Mexico	-2.9	0.0	0.7	-0.1	0.5	1.5	0.9	1.3	1.6	2.2
Netherlands	30.8	28.3	29.4	29.4	28.0	27.9	28.3	27.7	27.7	27.5
New Zealand	18.6	18.7	18.9	19.2	19.5	20.1	19.2	16.9	15.9	14.8
Norway	27.9	27.8	27.8	26.9	26.5	26.7	26.7	26.4	26.4	26.5
Poland	26.5	26.4	26.7	27.0	27.4	26.5	23.8	23.2	23.4	23.6
Portugal	18.1	17.2	17.2	16.3	16.6	17.0	17.0	16.7	16.7	18.3
Slovak Republic	18.2	19.1	18.4	18.4	18.9	18.5	19.3	15.7	16.3	19.0
Slovenia	34.0	33.9	34.0	32.5	32.6	31.0	30.3	30.2	30.5	30.6
Spain	16.5	16.4	16.7	16.8	16.9	17.0	16.1	16.4	17.9	18.0
Sweden	32.3	29.6	29.9	29.3	28.8	25.2	24.5	23.1	22.4	22.5
Switzerland	14.0	13.8	13.8	13.8	13.7	14.0	13.3	13.3	13.4	13.6
Turkey[2]	28.0	28.8	29.8	30.0	29.9	29.9	27.9	27.4	27.8	27.7
United Kingdom	22.7	23.6	23.7	23.8	23.8	24.0	22.9	22.4	22.6	21.7
United States	23.1	22.1	22.1	22.0	22.1	22.2	19.8	20.6	20.9	20.2
Unweighted average										
OECD-average	**22.8**	**22.2**	**22.2**	**22.0**	**22.0**	**22.0**	**21.7**	**21.1**	**21.1**	**21.6**
OECD-EU21	**26.1**	**25.1**	**25.0**	**24.8**	**24.7**	**24.7**	**24.5**	**24.0**	**23.9**	**24.7**

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Table II.9. **Annual average gross wage earnings, single individual no children, 2000-11**

In US dollars using PPP

	2000		2003		2004		2005		2006		2007		2008		2009		2010		2011	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Australia	31 505	23 125	35 540	27 031	36 812	28 020	37 866	28 695	39 048	29 685	40 012	30 666	40 783	31 587	43 820	34 154	44 192	34 345	44 853	34 863
Austria	33 031	22 804	36 486	24 812	37 684	25 165	38 385	25 704	41 039	27 316	41 784	27 646	43 705	28 730	44 709	30 050	45 157	30 223	46 211	30 785
Belgium	35 522	20 245	39 418	22 868	39 825	23 133	40 766	23 648	42 673	24 784	43 614	25 268	46 592	26 795	47 692	27 691	48 015	27 804	49 351	28 524
Canada	29 849	22 272	31 166	23 647	31 642	24 078	32 807	24 952	33 638	25 607	34 301	26 345	34 988	26 782	35 796	27 708	36 680	28 435	37 549	29 015
Chile	9 754	9 071	10 317	9 595	10 155	9 444	10 363	9 638	9 890	9 197	10 354	9 629	11 550	10 742	12 047	11 204	13 702	12 743	14 530	13 513
Czech Republic	11 324	8 777	13 970	10 710	14 630	11 156	15 301	11 623	16 643	12 913	17 988	13 870	19 117	14 598	20 259	15 743	20 207	15 670	20 868	16 077
Denmark	33 504	18 702	36 452	21 012	37 660	22 207	37 287	22 029	39 748	23 455	42 086	24 778	44 844	26 502	46 543	28 147	47 749	29 459	48 994	30 182
Estonia	8 637	6 742	11 088	8 538	11 776	9 201	12 559	10 073	14 335	11 650	16 117	13 104	18 302	15 032	18 191	14 814	18 293	14 739	18 639	14 995
Finland	27 180	17 875	30 086	20 501	32 213	22 186	33 552	23 042	35 316	24 513	37 823	26 320	40 727	28 362	42 465	30 035	43 523	30 616	43 798	30 729
France	28 470	20 273	30 748	21 852	31 499	22 433	33 055	23 459	34 755	24 635	36 316	26 216	38 062	27 445	39 296	28 348	39 927	28 781	41 361	29 798
Germany	35 582	20 210	40 530	22 953	42 495	24 530	44 643	25 797	46 756	26 878	48 542	28 042	51 007	29 588	51 086	29 943	52 361	31 729	54 949	33 019
Greece[1]	14 009	11 621	18 810	15 608	19 868	16 342	19 891	16 513	21 887	17 988	23 026	18 578	23 823	19 230	26 534	21 010	28 930	22 881		
Hungary	10 051	6 466	12 914	8 654	13 438	8 809	14 140	9 375	15 480	10 016	16 426	10 051	18 049	11 144	19 208	11 955	19 294	13 238	20 202	13 141
Iceland	32 172	23 988	35 548	25 739	38 198	27 490	41 785	30 019	42 887	30 960	44 901	32 854	46 397	33 754	39 730	29 305	38 756	28 060	40 507	29 049
Ireland	22 884	18 230	26 167	21 911	27 796	23 376	28 670	24 298	30 417	25 947	32 553	28 040	34 208	29 438	35 170	29 314	37 504	30 808	39 226	31 810
Israel	26 703	19 882	26 540	20 489	27 421	21 697	26 964	21 397	27 451	22 122	30 116	23 971	31 197	25 565	30 282	25 250	30 368	25 604	32 098	26 935
Italy	26 377	18 716	27 059	19 455	27 181	19 431	28 212	20 310	30 291	21 583	31 602	22 378	34 030	23 981	35 021	24 612	35 056	24 461	36 361	25 160
Japan	32 226	26 759	35 105	28 710	36 619	29 942	38 431	31 322	39 923	32 162	41 462	33 107	42 654	34 021	41 912	33 511	42 825	33 991	44 738	35 350
Korea	25 993	23 693	31 619	28 712	33 689	30 414	36 406	32 820	39 287	35 125	41 935	36 895	42 595	37 448	42 794	37 791	44 786	39 281	43 943	38 529
Luxembourg	38 178	27 234	42 015	31 691	43 974	32 968	44 142	32 714	47 615	34 962	48 977	35 411	51 902	37 683	53 161	39 210	53 479	39 174	53 480	38 464
Mexico	7 783	7 614	9 035	8 615	9 061	8 591	9 734	9 287	10 186	9 680	10 460	9 832	10 885	10 325	11 033	10 435	11 020	10 402	11 035	10 344
Netherlands	35 746	23 728	39 470	27 184	41 691	28 120	43 185	29 145	47 006	31 733	49 007	33 094	51 222	34 401	52 801	36 014	53 836	36 793	55 165	37 823
New Zealand	24 182	19 498	24 689	19 885	25 514	20 484	25 771	20 609	27 468	21 854	28 630	22 596	29 866	23 740	31 428	25 748	31 878	26 462	32 426	27 280
Norway	32 692	22 656	38 774	27 079	40 740	28 482	42 545	30 197	45 776	32 459	47 986	33 810	50 381	35 516	50 646	35 892	52 035	36 849	50 644	35 818
Poland	12 528	9 044	14 361	10 363	14 505	10 432	14 921	10 687	15 875	11 317	17 529	12 659	18 158	13 611	18 732	14 164	19 377	14 636	20 567	15 507
Portugal	15 612	12 107	18 902	14 650	19 130	14 820	20 519	16 049	22 506	17 512	24 398	18 824	25 709	19 846	26 951	20 855	27 186	20 987	27 836	21 013
Slovak Republic	9 604	7 706	10 332	8 209	11 062	8 650	12 114	9 477	13 366	10 407	14 662	11 390	16 559	12 781	17 618	13 848	17 908	14 031	18 589	14 341
Slovenia	16 730	10 781	18 927	12 219	20 362	13 116	21 225	13 857	22 519	14 672	23 252	15 614	24 858	16 642	25 241	16 927	26 349	17 578	27 578	18 363
Spain	23 596	18 913	25 740	20 647	26 403	21 100	26 953	21 483	28 779	22 885	30 201	23 982	32 288	26 058	34 049	27 309	34 636	27 110	35 528	27 741
Sweden	28 858	19 126	31 457	21 631	33 578	22 994	33 640	23 149	35 743	24 704	37 927	27 460	40 175	29 361	40 499	30 213	40 772	30 673	42 118	31 661
Switzerland	35 314	29 503	39 107	32 772	40 280	33 790	40 962	34 346	43 646	36 606	46 824	39 159	48 103	40 480	48 960	41 172	49 667	41 756	51 738	43 387
Turkey[2]	19 611	13 976	16 333	11 471	17 188	11 954	18 946	13 167	18 466	12 860	19 957	13 885	21 431	15 498	20 394	14 873	22 397	16 215	21 736	15 777
United Kingdom	39 173	29 063	43 705	32 027	46 342	33 908	47 682	34 879	50 143	36 661	51 494	37 585	51 290	38 168	51 045	38 163	52 036	38 824	52 013	38 952
United States	33 129	24 877	36 084	27 273	36 739	27 785	37 637	28 502	39 377	29 765	41 312	31 156	42 337	32 714	44 375	34 014	45 688	34 821	46 800	36 129
OECD Average	24 927	18 096	27 603	20 250	28 740	21 066	29 737	21 831	31 469	23 077	33 046	24 242	34 641	25 517	35 279	26 159	36 047	26 741	36 696	27 111

1. The 2011 average earnings figure for Greece was not available at the final compilation stage.
2. Turkey wage figures are based on the old definition of average worker (ISIC D, Rev. 3.1).

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Table II.10. **Annual average gross wage earnings, single individual no children, 2000-11 (national currency)**[1]

	2000		2003		2004		2005		2006		2007		2008		2009		2010		2011	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Australia	41 322	30 332	47 892	36 426	50 265	38 259	52 572	39 840	55 042	41 844	57 120	43 777	60 321	46 720	63 546	49 529	66 724	51 856	69 903	54 334
Austria	29 732	20 526	32 288	21 957	32 952	22 004	34 025	22 784	35 143	23 391	36 228	23 970	37 258	24 492	37 832	25 428	38 504	25 770	39 263	26 157
Belgium	31 644	18 035	34 643	20 098	35 704	20 739	36 673	21 273	37 674	21 880	38 659	22 397	40 698	23 405	40 998	23 805	41 499	24 030	42 740	24 703
Canada	36 764	27 431	38 220	29 000	38 945	29 636	39 816	30 283	40 628	30 928	41 546	31 909	43 189	33 060	42 879	33 191	44 717	34 665	46 163	35 671
Chile	2 770 353	2 576 428	3 163 503	2 942 058	3 255 122	3 027 263	3 458 172	3 216 100	3 594 042	3 342 459	3 856 095	3 586 168	4 218 584	3 923 283	4 478 647	4 165 142	5 508 104	5 122 537	5 907 326	5 493 813
Czech Republic	160 922	124 729	196 133	150 361	209 080	159 424	219 050	166 403	233 580	181 234	250 710	193 316	272 651	208 198	281 887	219 060	287 320	222 803	290 481	223 781
Denmark	281 700	157 242	311 300	179 444	316 500	186 627	320 300	189 227	330 900	195 259	346 400	203 947	359 300	212 344	367 051	221 974	376 073	232 025	382 850	235 854
Estonia	3 931	3 068	5 332	4 106	5 722	4 471	6 304	5 056	7 456	6 059	8 939	7 268	10 045	8 250	9 492	7 729	9 580	7 719	9 916	7 977
Finland	27 037	17 781	30 414	20 724	31 416	21 638	32 788	22 517	33 543	23 283	35 559	24 744	37 372	26 026	38 444	27 191	39 982	28 125	41 445	29 078
France	26 731	19 035	28 847	20 500	29 608	21 086	30 521	21 661	31 369	22 235	32 413	23 399	33 580	24 213	34 132	24 623	34 849	25 121	35 859	25 834
Germany	34 400	19 539	37 200	21 067	38 100	21 993	38 700	22 363	39 149	22 505	40 300	23 281	41 400	24 015	41 100	24 090	42 400	25 693	43 855	26 352
Greece[2]	9 496	7 877	12 960	10 753	13 819	11 367	14 203	11 791	15 301	12 575	16 539	13 344	16 700	13 480	18 541	14 681	20 457	16 180		
Hungary	1 084 214	697 527	1 556 892	1 043 367	1 697 268	1 112 667	1 818 360	1 205 600	1 988 652	1 286 740	2 156 184	1 319 406	2 336 124	1 442 307	2 436 408	1 516 415	2 511 852	1 723 482	2 624 088	1 706 947
Iceland	2 712 000	2 022 102	3 360 000	2 432 855	3 600 000	2 590 885	4 140 000	2 974 230	4 596 000	3 317 884	5 076 000	3 714 076	5 448 000	3 963 490	5 076 000	3 744 125	5 256 000	3 805 407	5 577 213	3 999 675
Ireland	22 008	17 532	26 546	22 228	27 963	23 517	28 963	24 547	29 931	25 533	31 185	26 861	32 550	28 011	31 802	26 507	32 308	26 540	32 841	26 633
Israel	91 884	68 412	96 324	74 362	96 912	76 682	100 224	79 531	101 388	81 708	108 516	86 375	111 936	91 726	112 908	94 149	113 280	95 509	119 016	99 874
Italy	21 550	15 291	23 113	16 618	23 723	16 959	24 450	17 602	25 241	17 985	25 805	18 273	26 845	18 918	27 419	19 270	28 224	19 694	29 030	20 088
Japan	4 987 116	4 140 942	4 903 985	4 010 618	4 921 998	4 024 511	4 978 855	4 057 883	4 979 155	4 011 225	4 988 400	3 983 177	4 983 948	3 975 163	4 828 001	3 860 274	4 773 076	3 788 423	4 781 406	3 778 126
Korea	19 395 847	17 679 599	25 114 192	22 805 660	26 816 239	24 209 198	28 721 809	25 892 253	30 440 171	27 215 346	32 233 620	28 359 362	33 467 499	29 423 684	34 410 564	30 387 885	36 929 183	32 390 144	36 154 826	31 700 925
Luxembourg	35 875	25 591	39 587	29 859	40 575	30 420	42 063	31 173	43 532	31 963	45 258	32 722	47 035	34 150	48 175	35 532	49 317	36 126	49 890	35 882
Mexico	47 469	46 441	61 574	58 713	65 394	62 005	69 370	66 184	73 208	69 572	77 145	72 518	81 306	77 124	84 727	80 135	87 324	82 428	89 944	84 307
Netherlands	31 901	21 176	36 600	25 207	37 900	25 563	38 700	26 118	40 800	27 543	42 000	28 362	43 146	28 977	44 412	30 292	45 215	30 901	45 904	31 473
New Zealand	34 923	28 159	36 993	29 794	38 611	30 999	39 559	31 635	40 843	32 495	43 022	33 955	44 521	35 389	46 653	38 221	48 007	39 850	49 395	41 557
Norway	298 385	206 788	353 448	246 837	366 161	255 986	378 498	268 644	397 765	282 046	420 917	296 570	440 936	310 835	451 967	320 298	469 247	332 303	487 324	344 661
Poland	23 061	16 649	26 450	19 086	26 999	19 416	27 889	19 975	29 271	20 867	32 292	23 320	33 711	25 270	34 878	26 372	36 121	27 284	38 557	29 070
Portugal	10 922	8 470	13 350	10 347	13 700	10 613	14 042	10 983	14 893	11 588	16 091	12 415	16 691	12 884	17 129	13 255	17 352	13 395	17 588	13 278
Slovak Republic	5 048	4 050	5 736	4 557	6 334	4 953	6 856	5 364	7 418	5 776	7 997	6 213	8 820	6 808	9 043	7 108	9 325	7 306	9 658	7 451
Slovenia	8 894	5 732	11 644	7 517	12 437	8 011	12 981	8 475	13 684	8 916	14 625	9 821	15 769	10 557	16 079	10 783	16 915	11 284	17 373	11 568
Spain	17 319	13 882	19 385	15 549	20 045	16 019	20 616	16 433	21 168	16 833	21 989	17 461	23 252	18 765	24 164	19 380	24 786	19 400	25 223	19 694
Sweden	263 581	174 686	293 776	202 004	305 732	209 363	315 492	217 096	324 618	224 362	336 818	243 870	352 470	257 589	362 291	270 277	368 208	277 001	375 436	282 221
Switzerland	65 370	54 613	69 487	58 230	70 649	59 267	71 386	59 856	72 378	60 703	74 923	62 659	74 495	62 690	75 085	63 142	75 331	63 332	77 414	64 920
Turkey[3]	5 545	3 952	12 636	8 874	13 959	9 708	15 737	10 937	15 645	10 895	17 238	11 993	19 074	13 794	18 709	13 644	21 661	15 683	22 636	16 430
United Kingdom	24 910	18 481	28 019	20 532	29 312	21 447	30 334	22 189	31 419	22 971	33 216	24 244	33 382	24 841	33 391	24 964	34 297	25 589	34 286	25 677
United States	33 129	24 877	36 084	27 273	36 739	27 785	37 637	28 502	39 377	29 765	41 312	31 156	42 337	32 714	44 375	34 014	45 688	34 821	46 800	36 129

1. The annual average gross wage earnings in euro area countries are expressed in euros for all years.
2. The 2011 earnings figure for Greece was not available at the final compilation stage.
3. Turkey wage figures are based on the old definition of average worker (ISIC D, Rev. 3.1).

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PART III

Country details, 2011

This part of the publication provides the individual country details for 2008 that lie behind the comparative analysis. For each country, a table of detailed country results is followed by a description of the tax/benefit system.

All thirty country tables in this part of the report have a similar format. The left hand page of each table specifies the tax-benefit position of single persons in four cases, which differ by wage level and the presence of children (0/2). The right hand page of the table specifies the tax-benefit position of married couples, again discerning between four cases, which now differ by wage level, the presence of children (0/2) and one-/two earner situations.

All tables start with gross wage earnings (line 1) and derive taxable income for the personal income tax levied by central government (line 4), taking into account a number of standard tax allowances (line 2) and taxable cash transfers (line 3). Taxable income allows one to determine central government income tax paid (line 7); including reductions in the form of tax credits (line 6). Total payments to general government (line 10) also include state and local income taxes (line 8) and employees' compulsory social security contributions (line 9). Take-home pay (line 12) is calculated as gross wage earnings less all payments to general government, plus universal cash transfers received from general government (line 11).

Line 13 reports employers' compulsory social security contributions (including payroll taxes).

Average tax rate (line 14) are then calculated as:

- *the share of income tax in gross wage earnings;*
- *the share of employees' social security contributions in gross wage earnings;*
- *the share of income tax and employees' social security contributions minus benefits in gross wage earnings; and*
- *the share of income tax and all social security contributions minus benefits in gross labour costs.*

Marginal tax rates (line 15) are calculated similarly as:

- *the increase in income tax and employees' contributions minus benefits as a share of the related increase in gross wage earnings (both for the principal earner and the spouse); and*
- *the increase in tax and all social security contributions minus benefits as a share of the related increase in gross labour costs (both for the principal earner and the spouse).*

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Australia

(2010-11 income tax year)

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Australia 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		46 602	69 903	116 505	46 602
	Principal Gross wage earnings		46 602	69 903	116 505	46 602
	Spouse Gross wage earnings		0	0	0	0
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		46 602	69 903	116 505	46 602
5.	**Central government income tax liability (exclusive of tax credits)**					
	Income tax		7 531	14 521	31 057	7 531
	Medicare Levy		699	1 049	1 748	699
		Total	8 230	15 569	32 804	8 230
6.	**Tax credits**					
	Basic credit		836	0	0	836
	Married or head of family		0	0	0	794
	Children					
	Other					
		Total	836	0	0	1 630
7.	**Central government income tax finally paid (5-6)**		7 394	15 569	32 804	6 600
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**		0	0	0	0
10.	**Total payments to general government (7 + 8 + 9)**		7 394	15 569	32 804	6 600
11.	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children		0	0	0	12 346
		Total	0	0	0	12 346
12.	**Take-home pay (1-10+11)**		39 208	54 334	83 701	52 348
13.	**Employers' payroll tax**		2 781	4 172	6 953	2 781
14.	**Average rates**					
	Income tax		15.87%	22.27%	28.16%	14.16%
	Employees' social security contributions		0.00%	0.00%	0.00%	0.00%
	Total payments less cash transfers		15.87%	22.27%	28.16%	-12.33%
	Total tax wedge including employer payroll taxes		20.60%	26.65%	32.20%	-6.00%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		35.50%	31.50%	38.50%	55.50%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		39.13%	35.36%	41.96%	58.01%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Australia 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		69 903	93 204	116 505	93 204
	Principal Gross wage earnings		69 903	69 903	69 903	69 903
	Spouse Gross wage earnings		0	23 301	46 602	23 301
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		69 903	93 204	116 505	93 204
5.	**Central government income tax liability (exclusive of tax credits)**					
	Income tax		14 521	17 116	22 052	17 116
	Medicare Levy		1 049	1 398	1 748	1 398
		Total	15 569	18 514	23 799	18 514
6.	**Tax credits**					
	Basic credit		0	1 500	836	1 500
	Married or head of family		794	794	0	0
	Children					
	Other					
		Total	794	2 294	836	1 500
7.	**Central government income tax finally paid (5-6)**		14 775	16 220	22 963	17 014
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**		0	0	0	0
10.	**Total payments to general government (7 + 8 + 9)**		14 775	16 220	22 963	17 014
11.	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children		7 686	4 125	0	0
		Total	7 686	4 125	0	0
12.	**Take-home pay (1-10+11)**		62 813	81 108	93 542	76 190
13.	**Employers' payroll tax**		4 172	5 562	6 953	5 562
14.	**Average rates**					
	Income tax		21.14%	17.40%	19.71%	18.25%
	Employees' social security contributions		0.00%	0.00%	0.00%	0.00%
	Total payments less cash transfers		10.14%	12.98%	19.71%	18.25%
	Total tax wedge including employer payroll taxes		15.20%	17.88%	24.23%	22.86%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		51.50%	31.50%	31.50%	31.50%
	Total payments less cash transfers: Spouse		21.48%	16.50%	35.50%	16.50%
	Total tax wedge: Principal earner		54.23%	35.36%	35.36%	35.36%
	Total tax wedge: Spouse		25.91%	21.20%	39.13%	21.20%

The national currency is the Australian dollar (AUD). For the 2010-11 income tax year AUD 0.97 was equal to USD 1. The average worker earned AUD 69 903 in 2010-11.

1. Personal income tax system

1.1. Federal government income tax

1.1.1. Tax unit

Members of the family are taxed separately.

1.1.2. Tax allowances and credits

1.1.2.1. Standard tax reliefs

- *Basic reliefs:* income earned up to AUD 6 000 by resident taxpayers is subject to tax at a zero rate.
- *Standard marital status reliefs:* Aa taxpayer may claim a tax credit where he or she contributes to the maintenance of a dependent spouse (legal or de facto). During 2010-11, this credit amount was AUD 2 286 for a dependent spouse without dependent children. The credit reduces by AUD 1 for every AUD 4 by which the spouse's adjusted taxable income exceeds AUD 282. From 1 July 2008, an income test was introduced so that the offset is not available where the primary earner's adjusted taxable income exceeds AUD 150 000.
- *Relief(s) for children:* a refundable tax offset called the First Child Tax Offset, is available for families with a child born between 1 July 2001 and 30 June 2004. Families with a child born on or after 1 July 2004 are eligible for a payment called the Baby Bonus which replaces the First Child Tax Offset. See Section 4.2 for more detail.
- *Relief for social security contributions and other taxes:* no such contributions are levied.
- *Reliefs for low income earners:* an AUD 1 500 tax credit is available for taxpayers whose taxable income was less than AUD 30 000. This credit is reduced by AUD 0.04 for every AUD 1 by which the taxpayer's taxable income exceeds AUD 30 000, and no tax credit is available once the taxpayer's taxable income exceeds AUD 67 500.
- *Relief for mature age workers:* taxpayers aged 55 or above who have net income from working may be eligible for the Mature Age Worker Tax Offset. It is worth a maximum of AUD 500, and part payment is possible when earned income is less than AUD 63 000.
- There are also tax rebates to ensure that those receiving certain social security pensions or benefits pay less tax. The Pensioner Tax Offset is designed to ensure that eligible persons can have certain (low) levels of income in addition to their pension without being liable for tax. In 2010-11 for single people it was worth at most AUD 2 732, with this amount reduced by AUD 0.125 for every dollar of private income over AUD 24 214. The Beneficiary Tax Offset is calculated so as to ensure that a person who receives a full rate rebatable benefit for a whole year, and has no other private income, will pay no tax.
- *Other:* no other standard relief available.

1.1.2.2. Main non-standard tax reliefs applicable to an average worker include:

- *Relief for school education expenses:* the Education Tax Refund is available to eligible families and independent students to help meet the cost of primary and secondary school education. Eligible families include those in receipt of Family Tax Benefit Part A [FTB(A)], or those with children in receipt of a government payment which prevented the family from receiving FTB(A). See Section 4.2 for FTB(A) eligibility requirements. The maximum refund available in 2010-11 is 50 per cent of eligible school education expenses up to AUD 794 for each eligible child in primary school (a refund of up to AUD 397) and up to AUD 1 588 for each eligible child in secondary school (a refund of up to AUD 794). The calculations in Table 1 and Table 2 assume dependents are of primary school age and are eligible for the maximum refund.
- *Relief for superannuation:* contributions to a low income spouse's superannuation attract an 18 per cent rebate up to a maximum rebate of AUD 540.
- *Relief for private health insurance:* there is a 30 per cent rebate on the cost of cover for eligible private health care.
- *Relief for medical expenses:* annual net medical expenses over AUD 2 000 attract a 20 per cent rebate on the excess.
- Other non-standard reliefs provided as deductions are:
  - subscriptions paid in respect of membership of a trade, business or professional association or union;
  - charitable contributions of AUD 2 or more to specified funds, authorities and institutions, including public benevolent institutions, approved research institutes for scientific research, building funds for schools conducted by non-profit organisations, etc.; and
  - work-related expenses including cost of replacement of tools of trade, cost of provision and of cleaning protective clothing and footwear, travelling between jobs or travelling in the course of employment.

1.1.3. Tax schedule

General rates of tax – resident individuals

Taxable income (AUD)		Tax at general rates on total taxable income
Not less than	Not more than	
0	6 000	NIL
6 000	37 000	NIL + 15c for each AUD in excess of AUD 6 000
37 000	80 000	AUD 4 650 + 30c for each AUD in excess of AUD 37 000
80 000	180 000	AUD 17 550 + 37c for each AUD in excess of AUD 80 000
180 000 and over		AUD 54 550 + 45c for each AUD in excess of AUD 180 000

To contribute towards the cost of basic medical and hospital care a Medicare Levy is imposed on the taxable incomes of resident taxpayers. In 2010-11 the levy applies at the rate of 1.5 per cent of the taxable income of an individual.

Certain thresholds are applied before the levy is imposed. In 2010-11, an individual taxpayer does not pay the levy where their taxable income does not exceed AUD 18 839. A taxpayer in a couple or sole parent family does not pay the levy if the taxable family income does not exceed AUD 31 789. The threshold is increased by AUD 2 919 for each

dependent child. Where an individual's taxable income exceeds AUD 18 839, or a family's income exceeds AUD 31 789 (plus AUD 2 919 for each dependent child), the levy shades in at a rate of 10 per cent of the excess of taxable income over the threshold, until the levy is equal to 1.5 per cent of the individual's or family's taxable income.

For 2010-11, individual pensioners under Age Pension age do not pay the levy where their taxable income does not exceed AUD 29 669. Where taxable income exceeds AUD 29 669 but does not exceed AUD 34 905 shading in provisions apply under which the levy payable is 10 per cent of the excess of taxable income over AUD 29 669.

High income taxpayers without adequate private health care cover face a Medicare levy surcharge of 1 per cent of income. This is typically not imposed as the cost of such cover is generally less than the surcharge. It is not included in this publication.

1.2. State and local income taxes

In Australia no states or territories levy a tax based on a resident's income.

2. Social security contributions

2.1. Employees' contributions

None. There is, however, a Medicare Levy which is based upon taxable income. See Section 1.1.3.

2.2. Employers' contributions

No contributions are collected from employers or employees specifically for pensions, sickness, unemployment or work injury benefits, family allowances or other benefits.

Part of Australia's retirement income system is the provision of compulsory employer contributions (the Superannuation Guarantee system). The Superannuation Guarantee requires employers to pay 9 per cent on top of employees' gross ordinary time earnings to an approved superannuation fund, provided they earn more than AUD 450 per month. However, they may choose to make contributions for workers earning less than this threshold. This threshold is not indexed. There is also a limit to the Guarantee. In each quarter any earnings beyond a threshold are not covered by the Superannuation Guarantee. This threshold is indexed to a measure of average earnings. In the 2010-11 tax year this threshold was AUD 42 220 per quarter.

These contributions are not reflected in the *Taxing Wages* calculations because they are not a form of taxation (they are not an unrequited transfer to general government). While the Superannuation Guarantee scheme is mandated by the Australian Government, superannuation is provided through private superannuation funds subject to Government regulation. Employers' contributions are generally made to individual accounts and form part of employees' personal superannuation assets. Some defined benefit schemes for government employees and private defined benefit schemes also exist. The employee may take superannuation benefits as either a lump sum payment or pension on retirement. Accordingly, superannuation contributions are reflected in the Non-Tax Compulsory Payment calculations.

3. Other taxes

3.1. Pay-roll tax

Australian State Governments levy pay-roll taxes on wages, cash or in kind, provided by larger employers to their employees. The rates of pay-roll tax, thresholds and deductions differ across States. In New South Wales, the State with the largest population, the pay-roll tax rate was 5.5 per cent from 1 July 2010 to 31 December 2010 and 5.45 per cent from 1 January 2011 to 30 June 2011 for employers with total Australian wages in excess of AUD 658 000 in 2010-11. The employer is entitled to an exemption from tax, or a pro-rated pay-roll tax threshold, on wages paid in New South Wales up to a maximum of AUD 658 000. The exempt amount is reduced based on the proportion of the employer's New South Wales pay-roll to total Australian pay-roll.

Pay-roll tax revenue is not used to fund social security payments. It forms part of the consolidated revenue of State Governments, which do not deliver social security.

4. Universal cash transfers

4.1. Transfers related to marital status

There are no cash transfers made on a universal basis to married couples.

4.2. Transfers related to dependent children

- For 2010-11, the base rate of FTB(A) is payable where the combined "adjusted" taxable income of parents does not exceed AUD 94 316 plus AUD 3 796 for each child after the first. The payment shades out at the rate of AUD 0.30 per AUD 1 of income over the ceiling. The base rate of payment is AUD 2 062.25 for a dependent child aged under 18, and AUD 2 518.50 for a dependent child aged 18 to 20 or a dependent full-time student aged 21 to 24. The base rate of payment is increased by a Large Family Supplement (LFS) for families with three or more children. The LFS is payable at a rate of AUD 288.35 for the third and each subsequent child. A higher benefit is available for lower income earners, and the value of this benefit is dependent on the age and number of children. Families may receive a maximum payment of AUD 4 905.60 for each child aged under 13 years and AUD 6 161.20 for each child aged 13 to 15 years for 2010-11. The higher benefit is also boosted by the LFS for families with three or more children. For 2010-11, the higher benefit tapers out at the rate of AUD 0.20 for each dollar of income over AUD 45 114 until the base payment is reached. However, people receiving any social security allowances or pensions automatically qualify for the maximum higher benefit. The attached calculations assume each dependant is less than 13 years of age.
- Family Tax Benefit Part B (FTB(B)) is targeted at single income couple and sole parent families. Eligibility for FTB(B) is contingent upon the existence of at least one dependent child under the age of 16 or a qualifying dependent full-time student up to and including the age of 18. There are two separate income tests applied to the parent(s). The parent earning the higher amount (or the sole parent, in the case of single parent families) must earn AUD 150 000 or less for the financial year for the family to be eligible. A secondary earner income threshold is also applied to the parent earning the lower amount. For 2010-11, this threshold is AUD 4 745, above which the entitlement is reduced by AUD 0.20 for each dollar of income. There is no secondary earner income test applied to sole parents. For 2010-11, the maximum payment is AUD 2 832.40 per year if the youngest dependent child is aged between 5 and 18 years, and AUD 3 909.15 per year if there is a

child under 5 years. The attached calculations assume each dependant is between 5 and 12 years of age.

- Recipients of the Family Tax Benefit may elect to receive the benefit in fortnightly instalments or as an end of year lump sum payment.
- From 1 July 2004, a one-off Baby Bonus is paid to families for each baby born. The average value of the payment in 2010-11 is AUD 5 294. This payment replaces the First Child Tax Offset for new births. However, claims for First Child Tax Offset are still being paid with respect to children aged under 5, born between 1 July 2001 and 30 June 2004.
- Parenting Payment is a taxable payment payable to partnered and sole parents for low income families with a qualifying child under six and eight years of age respectively; or to parents with a qualifying child under 16, provided the parent has been in continuous receipt of Parenting Payment prior to 1 July 2006. In 2010-11, the maximum annual amount of Parenting Payment (Partnered) [PP(P)] was AUD 11 019.06. Only one parent in a couple can be entitled to PP(P). The maximum annual amount of Parenting Payment (Single) [PP(S)] was AUD 15 943.72. These payments are subject to income and assets tests. The Parenting Payment (Partnered) tapers out at a rate of AUD 0.50 per AUD 1 of income over AUD 1 612 up to AUD 6 500 and reduces at a rate of AUD 0.60 per AUD 1 for income over AUD 6 500. Under the PP(P) income test, a spouse receives a reduced Parenting Payment, tapering at a rate of AUD 0.60, when the higher earning partner's income exceeds AUD 20 800. If the spouse has little or no income (less than AUD 1 612 *per annum*), he or she would not receive any Parenting Payment when the higher earning partner's income exceeds AUD 39 165.10 per year. PP(S) reduces by AUD 0.40 for each AUD 1 of income above AUD 4 435.60 plus AUD 639.60 for each child other than the first. A sole parent with two qualifying dependants may be entitled to some taxable PP(S) in 2010-11 where private income does not exceed AUD 44 934.50. The attached calculations assume dependants are aged six and seven.
- The Newstart allowance is a taxable payment payable to single persons and partnered individuals who are unemployed. It is also payable to a member of a couple if their youngest child is aged six years or more and to single parents if their youngest child is aged eight years or more. It is conditional on recipients fulfilling a personal Activity Agreement, which typically involves taking part in activities such as job seeking and training. In 2010-11, the Newstart allowance for singles without dependants was AUD 12 207.26 and for partnered individuals was AUD 11 019.06. These payments taper out at a rate of AUD 0.50 per AUD 1 for incomes over AUD 1 612 and reduces at a rate of AUD 0.60 for incomes over AUD 6 500. The Newstart allowance for partnered individuals also reduces by AUD 0.60 for each AUD 1 of their partner's income above AUD 20 800.
- A non-taxable supplementary payment called Pharmaceutical Allowance (PA) is payable with PP(S). This payment is added to the maximum basic rate of PP(S) before a person's entitlement is calculated. Anyone with a PP(S) entitlement, after PA has been added, receives the full amount of PA. For 2010-11, the payment is AUD 156.
- A Telephone Allowance is available on a quarterly basis to eligible individuals, including individuals who receive PP(S) or PA if their PP(S) entitlement is reduced to 0. The basic rate of the Telephone Allowance is AUD 24.02 per quarter for 2010-11, with a higher rate of AUD 36.12 available for recipients of Disability Support Pension who are under the age of 21 and where a home internet service is connected in the individual's or partner's name. The attached calculations assume the standard rate is applicable.

5. Recent changes in the tax/benefit system

5.1. *Education tax refund*

- From 1 July 2008, eligible parents of primary and secondary school students and independent secondary school students have been able to claim the Education Tax Refund (ETR). The ETR is a fully refundable tax offset of up to 50 per cent of expenditure on eligible education items. Eligible items include computers, education software, textbooks and stationery. See Section 1.1.2.1.

5.2. *General rates of tax – resident individuals*

- As part of tax reform, the personal income tax rates and thresholds have changed from those which applied in the 2009-10 income year. See Section 1.1.3.

5.3. *Welfare to work changes*

- There was a major reform of the welfare system from 1 July 2006 which aimed to move more working age Australians from welfare to work. Partnered parents on welfare were generally required to seek part-time work once their youngest child turned six. People with disabilities who could work part-time were required to seek part-time work if they applied for welfare after 1 July 2006. Existing recipients of the Disability Support Pension were not affected by these changes to participation requirements.

6. Memorandum items

6.1. *Identification of an average worker*

The source of the information used in replying to the questionnaire was the Australian Bureau of Statistics publication *Average Weekly Earnings – Australia*, catalogue number 6302.0. The survey is conducted on a quarterly basis and is based on a representative sample of employers in each industry.

In August 2009, the Australian Bureau of Statistics replaced the 1993 edition of the Australian and New Zealand Standard Industrial Classification (ANZSIC), which had been in use since 1994, with the 2006 edition of ANZSIC. The latter was developed to provide a more contemporary industrial classification system, taking into account issues such as changes in the structure and composition of the economy, changing user demands and compatibility with major international classification standards.

All wage and salary earners who received pay for the reference period are represented in the Survey of Average Weekly Earnings (AWE), except:

- members of the Australian permanent defence forces;
- employees of enterprises primarily engaged in agriculture, forestry and fishing;
- employees in private households employing staff;
- employees of overseas embassies, consulates, etc.;
- employees based outside Australia; and
- employees on workers' compensation who are not paid through the payroll.

Also excluded are the following persons who are not regarded as employees for the purposes of this survey:

- casual employees who did not receive pay during the reference period;
- employees on leave without pay who did not receive pay during the reference period;

- employees on strike, or stood down, who did not receive pay during the reference period;
- directors who are not paid a salary;
- proprietors/partners of unincorporated businesses;
- self-employed persons such as subcontractors, owner/drivers, consultants; and
- persons paid solely by commission without a retainer.

The sample for the AWE survey, like most ABS business surveys, is selected from the ABS Business Register which is primarily based on registrations to the Australian Taxation Office's (ATO) Pay As You Go Withholding (PAYGW) scheme (and prior to 1 June 2000 the Group Employer (GE) scheme). The population is updated quarterly to take account of:

- new businesses;
- businesses which have ceased employing;
- changes in employment levels;
- changes in industry; and
- other general business changes.

The survey data used in identifying the average production worker relates to that applying to full-time employees in the manufacturing sector being adult males and females without regard to marital status.

Earnings comprise weekly ordinary time earnings and weekly overtime earnings.

Weekly ordinary time earnings refers to one week's earnings of employees for the reference period attributable to award, standard or agreed hours of work. It is calculated before taxation and any other deductions (*e.g.* superannuation, board and lodging) have been made. Included in ordinary time earnings are award, workplace and enterprise bargaining payments, and other agreed base rates of pay, over award and over agreed payments, penalty payments, shift and other allowances; commissions and retainers; bonuses and similar payments related to the reference period; payments under incentive or piecework; payments under profit sharing schemes normally paid each pay period; payment for leave taken during the reference period; all workers' compensation payments made through the payroll; and salary payments made to directors. Excluded are overtime payments, retrospective pay, pay in advance, leave loadings, severance, termination and redundancy payments, and other payments not related to the reference period.

Weekly overtime earnings refers to payment for hours in excess of award, standard or agreed hours of work.

6.2. Employers' contribution to private health and pension scheme

In Australia, very few employers make any contributions towards health schemes for their employees, especially where the employee is at a wage level comparable to that of an average production worker.

From a survey of employment benefits conducted by the Australian Bureau of Statistics, the findings of which were published in 2001 as *Superannuation, Australia 2000* (ABS Catalogue No. 6360.0), it was estimated that 98 per cent of all employed persons with leave entitlements were covered by a superannuation scheme.

2011 Parameter values

	Year	**2011**	
Average earnings/yr	Ave_earn	69 903	
Spouse	spouse_cr	2 286	
income limit	sp_lim	282	
withdrawal rate	sp_redn	0.25	
income limit (primary earner)	sp_lim_p	150 000	
Low income credit	low_inc_cr	1 500	
	low_inc_lim	30 000	
	low_inc_redn	0.04	
Tax schedule	tax_sch	0	6 000
		0.15	37 000
		0.30	80 000
		0.37	180 000
		0.45	
Medicare levy	medic_rate	0.015	
exemption limits	sing_lim	18 839	
married/sole parent	m_lim	31 789	
+ per child	ch_lim	2 919	
shading-in rate	shade_rate	0.1	
Part A FTB max	FTB_A_max	4 905.6	
Part A FTB basic	FTB_A_base	2 062.25	
part A income limit 1	FTB_A_lim1	45 114	
part A income limit 2	FTB_A_lim2	94 316	
reduction rate 1	FTB_A_taper1	0.2	
reduction rate 2	FTB_A_taper2	0.3	
additional limit2 per extra child	FTB_A_child	3 796	
Large family supplement	FTB_A_large	288.35	
Part B FTB	FTB_B	2 832.4	
part B partner income limit	FTB_B_lim	4 745	
reduction rate	FTB_B_taper	0.2	
income limit (primary earner)	FTB_B_lim_p	150 000	
Parenting payment single	PPS	15 943.72	
reduction rate	PPS_taper	0.4	
income limit	PPS_lim	4 435.6	
additional limit per child	PPS_ch_lim	639.6	
Pharmaceutical allowance	PA	156	
State pay-roll tax rate (NSW)	Pay_roll_rate	0.05475	
Newstart allowance single	NSAS	12 207.26	
Newstart allowance partnered	NSAP	11 019.06	
reduction rate 1	NSA_taper1	0.5	
reduction rate 2	NSA_taper2	0.6	
income limit 1	NSA_lim1	1 612	
income limit 2	NSA_lim2	6 500	
Pensioner tax offset single	PTOS	2 732	
Pensioner tax offset threshold single	PTOS_thresh	24 214	
Pensioner tax offset taper rate	PTOS_taper	0.125	
Education tax refund	Edu_TR	397	
Telephone allowance	Tele_A	96.08	

2011 Tax Equations

The equations for the Australian system in 2011 are mostly repeated for each individual of a married couple. But the spouse credit is relevant only to the calculation for the principal earner and the calculation of employee social security contributions (Medicare levy) uses shading-in rules which depend on the levels of earnings of the spouses. The basis of calculation is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Where the calculation for one earner takes into account variables for the other earner, the affix "_oth" is used. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances	tax_al	B	0
3. Credits in taxable income:			
Credits in taxable income of principal	taxbl_cr_princ	P	IF(AND(Children>0,Married=0),Taper(PPS,earn_princ,PPS_lim+ PPS_ch_lim*(Children-1),PPS_taper),IF(AND(Children=0,Married=0), taper2(NSAS,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1, NSA_taper2),IF(Married>0,taper3(NSAP, earn_princ,earn_spouse,NSA_lim1,NSA_lim2,NSA_taper1, NSA_taper2),0)))
Credits in taxable income of spouse	taxbl_cr_spouse	S	IF(AND(Children>0,Married=0),0,IF(AND(Children=0,Married=0), 0,IF(Married>0,taper3(NSAP,earn_spouse, earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2),0)))
4. CG taxable income	tax_inc	B	earn+taxbl_cr
5. CG tax before credits			
Medicare Levy	med_levy	B	medicare(tax_inc,sing_lim,m_lim,ch_lim,shade_rate,medic_rate, Married,tax_inc_oth,Children)
Tax liability	liab	P	Tax(tax_inc, tax_sch)
	CG_tax_excl	B	liab + med_levy
6. Tax credits:			
Spouse credit	spouse_cr	P	Taper(IF(Children>0.0,spouse_cr*Married),earn_spouse+ taxbl_cr_spouse,sp_lim,sp_redn)
Low income credit	low_cr	B	Taper(low_inc_cr,tax_inc,low_inc_lim,low_inc_redn)
Pensioner tax offset	pen_cr	P	IF(AND(taxbl_cr_princ>0,NOT(AND(Children>0,Married=0))), Tax(taxbl_cr_princ,tax_sch),IF(taxbl_cr_princ>0,Taper(PTOS, tax_inc,PTOS_thresh,PTOS_taper),0)
Beneficiary tax offset	ben_cr	B	IF(AND(taxbl_cr>0, NOT(AND(Children>0, Married=0))), Tax(taxbl_cr, tax_sch), 0)
Total	tax_cr	B	spouse_cr+low_cr+pen_cr+ben_cr+Edu_TR
7. CG tax	CG_tax	B	Positive(liab-tax_cr) + med_levy
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	0

Line in country table and intermediate steps	Variable name	Range	Equation
11. Cash transfers:			
Family Tax Benefit (Part A)	ftbA	P	IF(PA>0,(FTB_A_max*Children+IF(Children>2,(Children-2)*FTB_A_large,0)),MAX((FTB_A_max*Children+IF(Children>2,(Children-2)*FTB_A_large,0)-Positive((princ_earn+taxbl_cr+spouse_earn+taxbl_cr_spouse)-FTB_A_lim1)*FTB_A_taper1),Positive(FTB_A_base*Children+IF(Children>2,(Children-2)*FTB_A_large,0)-Positive((princ_earn+taxbl_cr+spouse_earn+taxbl_cr_spouse)-(FTB_A_lim2+(Positive(Children-1))*FTB_A_child))*FTB_A_taper2)))
Family Tax Benefit (Part B)	ftbB	J	IF(earn_princ<FTB_B_lim_p,IF(Children>0,Taper(FTB_B,earn_spouse+taxbl_cr_spouse,FTB_B_lim,FTB_B_taper),0),0)
Pharmaceutical Allowance	PA	J	AND(Children>0,Married=0)*IF(Taper(PPS+PA,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)>0,PA,0)
	cash_trans	J	ftbA+ftbB+taxbl_cr_princ+PA+taxbl_cr_spouse+Tele_A
13. Employer's State pay-roll tax	tax_empr	B	earn*Pay_roll_rate

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis. Key refers to an optimisation of benefits, *i.e.* Parenting Payment for principal and Newstart allowance for spouse *versus* Parenting Payment for spouse and Newstart allowance for principal.

Austria

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Austria 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		26175	39263	65438	26175
2.	**Standard tax allowances**					
	Basic allowance		60	60	60	60
	Married or head of family					
	Dependent children		0	0	0	440
	Deduction for social security contributions and income taxes		4726	7090	10618	4726
	Work-related expenses		132	132	132	132
	Other		620	620	620	620
		Total	5538	7902	11430	5978
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		20637	31361	54008	20197
5.	**Central government income tax liability (exclusive of tax credits)**		2762	6361	14935	2602
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	669
	Children					
	Other		345	345	345	345
		Total	345	345	345	1014
7.	**Central government income tax finally paid (5 - 6)**		2417	6016	14590	1588
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4726	7090	10618	4726
	Taxable income					
		Total	4726	7090	10618	4726
10.	**Total payments to general government (7 + 8 + 9)**		7144	13106	25208	6314
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	4897
		Total	0	0	0	4897
12.	**Take-home pay (1-10+11)**		19031	26157	40230	24758
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		5661	8492	12718	5661
	payroll taxes		1963	2945	4908	1963
		Total	7624	11437	17625	7624
14.	**Average rates**					
	Income tax		9.2%	15.3%	22.3%	6.1%
	Employees' social security contributions		18.1%	18.1%	16.2%	18.1%
	Total payments less cash transfers		27.3%	33.4%	38.5%	5.4%
	Total tax wedge including employer's social security contributions		43.7%	48.4%	51.6%	26.8%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		44.4%	49.1%	37.9%	44.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		56.9%	60.6%	42.2%	56.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Austria 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		39263	52350	65438	52350
2.	**Standard tax allowances**					
	Basic allowance		60	120	120	120
	Married or head of family					
	Dependent children		440	440	528	0
	Deduction for social security contributions and income taxes		7090	9060	11816	9060
	Work-related expenses		132	264	264	264
	Other		620	1240	1240	1240
		Total	8342	11124	13968	10684
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		30921	41226	51470	41666
5.	**Central government income tax liability (exclusive of tax credits)**		6171	6171	8913	6361
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		669	0	0	0
	Children					
	Other		345	690	690	690
		Total	1014	690	690	690
7.	**Central government income tax finally paid (5 - 6)**		5157	5716	8223	5906
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		7090	9060	11816	9060
	Taxable income					
		Total	7090	9060	11816	9060
10.	**Total payments to general government (7 + 8 + 9)**		12247	14776	20039	14967
11.	**Cash transfers from general government**					
	For head of family					
	For two children		4897	4897	4897	0
		Total	4897	4897	4897	0
12.	**Take-home pay (1-10+11)**		31913	42471	50295	37384
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		8492	11323	14153	11323
	Payroll taxes		2945	3926	4908	3926
		Total	11437	15249	19061	15249
14.	**Average rates**					
	Income tax		13.1%	10.9%	12.6%	11.3%
	Employees' social security contributions		18.1%	17.3%	18.1%	17.3%
	Total payments less cash transfers		18.7%	18.9%	23.1%	28.6%
	Total tax wedge including employer's social security contributions		37.1%	37.2%	40.5%	44.7%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		49.1%	49.1%	49.1%	49.1%
	Total payments less cash transfers: Spouse		19.3%	15.1%	44.4%	15.1%
	Total tax wedge: Principal earner		60.6%	60.6%	60.6%	60.6%
	Total tax wedge: Spouse		37.5%	34.2%	56.9%	34.2%

The Austrian currency is the Euro (EUR). In 2011, EUR 0.72 was equal to USD 1. In that year, the average worker in Austria earned EUR 39 263 (Secretariat estimate).

1. Personal income tax

1.1. Central government income tax

1.1.1. Tax unit

Each person is taxed separately.

1.1.2. Tax allowances

1.1.2.1. Standard tax reliefs

- Work related expenses: a minimum allowance of EUR 132 is available to all employees.
- Minimum allowance for special expenses of EUR 60.
- Social security contributions and connected contributions (see Section 2).
- Children allowance of EUR 220 for one or EUR 132 for both parents per child. The parents have the choice between these opportunities.

1.1.2.2. Non-standard tax reliefs

- Mainly work-related expenses (*Werbungskosten*).
- Traffic relief according to the distance between home/address and working place.

The following allowances are deductible from income (EUR per year):

	Public transport	
	Available	Not available
More than 2 km	0	372
More than 20 km	696	1 476
More than 40 km	1 356	2 568
More than 60 km	2 016	3 672

- Special expenses allowance (*Sonderausgaben*): some personal expenses (for example, life insurance premiums, and expenses for the purchase of residence including repayments of housing loans) are partly deductible from income. The allowance is limited to EUR 2 920 per taxpayer or EUR 5 840 for sole earners or parents. A quarter of *Sonderausgaben* can be deducted up to a taxable income of EUR 36 400, whereas between EUR 36 400 and EUR 60 000 the deductible amount is (linearly) reduced to EUR 60. Unless higher special expenses can be proved, a standard deduction for *Sonderausgaben* of EUR 60 is granted (see Section 1.1.2.1). Grants to non-profit charitable organisations up to 10% of taxable income are deductible. Additionally, contributions to the church are deductible up to an amount of EUR 200.

- Tax-free supplements exist for dirty, hard, dangerous, night, weekend and holiday work and overtime. The supplement for 10 hours of overtime up to EUR 86 per month is tax free, the other supplements are tax free up to EUR 360 (EUR 540 for night workers) per month.

1.1.3. Rate schedule

The new tax schedule has a zero-zone up to EUR 11 000 and shows tax formulas for three tax brackets. The effective marginal tax rates resulting from these formulas are:

Income (EUR) up to	Marginal rate %
11 000	0
25 000	36.5
60 000	43.21429
Above	50

There is a special taxation other than the normal tax schedule for Christmas and leave bonus to the extent that their sum does not exceed two average monthly payments (1/6 of current income). If these bonuses before deduction of SSC are below EUR 2 100 p.a., no tax is calculated. Otherwise the tax is the minimum of 30 per cent of the amount net of SSC exceeding EUR 2 000 and of 6 per cent of total bonuses *minus* a tax-free amount of EUR 620.

1.1.4. Tax credits

Tax credits are available as follows:

- Employee's tax credit of EUR 54. In the overall tax calculation, negative tax is possible where the amount paid to the taxpayer would equal the gross tax minus tax credits but is limited to 10 per cent of social security contributions to a maximum of EUR 110. For employees with a traffic allowance (see Section 1.1.2.2) the maximum is EUR 251.
- Traffic (commuting) tax credit EUR 291.
- Sole earner's and sole parent's tax credit for families with children. The sole earner's credit is not given when a spouse's income exceeds EUR 6 000. This tax credit is EUR 494 for one child and increases by EUR 175 for the second and by EUR 220 for the third and every additional child. This tax credit is non-wastable and can be paid out as a negative income tax (in addition to the negative tax permitted in respect of the Employee's tax credit).
- Children's tax credit EUR 700.8 (58.40 per month) per child. As this tax credit is paid together with children allowances and not connected with income tax assessment, it is treated as a transfer in this Report (similar treatment as in *Revenue Statistics*).
- Tax credit for retired persons. The tax credit amounts to EUR 764 for sole earners with income up to EUR 13 100 and if the spouse's income does not exceed EUR 2 200. Otherwise the tax credit is EUR 400 and is linearly reduced to 0 between EUR 17 000 and EUR 25 000 of income.

1.2. State and local income taxes

None.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employee and employer social security contributions

	Ceilings (EUR)		Rates (%)	
	Regular wage per month	Christmas and leave bonus	Employee[2]	Employer[3]
Health insurance	4 200	8 400	3.95	3.70
Unemployment insurance	4 200	8 400	[4]	3.00
Pension insurance	4 200	8 400	10.25	12.55
Accident insurance	4 200	8 400	–	1.40
Contribution to the labour chamber	4 200	8 400	0.50	–
Contribution for the promotion of residential building	4 200	8 400	0.50	0.50
Addition to secure wage payments in the case of bankruptcy	4 200	8 400	–	0.55

1. No contributions on Christmas and leave bonus. In Revenue Statistics, the contribution to the labour chamber is accounted under Taxes on Income of Individuals (1110) the total of the contribution for the promotion of residential buildings is included in Taxes on payroll (3000).
2. There is a threshold for employee contributions of EUR 374.02 per month.
3. A new program has been introduced as of 1 January 2004 for severance payments. Employers are required to pay 1.53 per cent of gross wages to the Social Health Security Fund (*Krankenkassen*) for those whose employment starts after 1 January 2003 or where the employer and employee opt to participate in the new program. This contribution is seen as a non-tax compulsory wage-related payment.
4. Mid 2008, the employees' unemployment insurance rate was reduced for low earnings. In 2011, it is zero for monthly earnings up to EUR 1 179, 1% up to EUR 1 286, 2% up to EUR 1 447 and 3% above.

2.2. Payroll taxes

There are two payroll taxes which are levied on employers for all private sector employees with a monthly gross wage total of more than EUR 1 095: the contribution to the Family Burden Equalisation Fund (4.5 per cent) and the Community Tax (3 per cent). The wage-dependant part of the contribution to the Entrepreneurs' Chamber (listed under heading 1000, taxes on profits, in the *Revenue Statistics*) which is levied, together with the contributions to the Family Burden Equalisation Fund, at different rates depending upon the Länder Chamber (the average rate is approximately 0.4 per cent) is not taken into account. The contribution for the promotion of residential buildings (listed under heading 3000, taxes on payroll, in *Revenue Statistics*) is included in the social security contributions shown above as it is levied by the Health Insurance Companies on monthly income (current) along with the other social security contribution amounts.

3. Universal cash transfers

3.1. Amount for marriage

No recurrent payments.

3.2. Amount for children

A family allowance is granted for each child. In 2011, the monthly payment is EUR 105.40 for the first child, EUR 118.20 for the second, EUR 140.40 for the third and EUR 155.40 for each subsequent child. It is increased by EUR 7.30 for children above 3 years, EUR 25.50 for children above 10 years of age and by EUR 47.30 for students (above 19). Parents of children under the age of 3 years are entitled to a childcare transfer, introduced in 2002. Beginning 2010, the flexibility of the childcare transfer was increased significantly. The entitled parent can now choose between four alternatives: EUR 14.53 per day until the

36th month of birth, EUR 20.80 (24 month) or EUR 26.60 (18 month). Additionally instead of the fix amounts the entitled person can opt for 80% of the last net-earning, whereas the transfer is at least EUR 1 000 and EUR 2 000 at most (14 months). The children's tax credit (EUR 50.90 monthly, see § 1.14) is paid out together with the family allowance and therefore treated as a transfer.

There is a supplement to the family allowance of EUR 20.00 per month for the third and every additional child, if the family taxable income (*i.e.* the sum of the tax base for the progressive income tax schedule) of the preceding year did not exceed EUR 55 000. This supplement is paid out on application after an assessment of the very year.

An additional family allowance ("13th allowance") of EUR 100 is given for children in the age between 6 and 16 every September.

4. Main changes in tax/benefit systems since 1994

In 1994, a major tax reform took effect. Most measures concerned the taxation of firms. For employees the following points are important. The general tax credit was increased by ATS 3 840, *i.e.* ATS 320 per month. For employees with low income a negative income tax option was introduced (the negative income tax is limited to the wage earners tax credit, but it cannot exceed 10 per cent of social security contributions).

In 1995, family allowances were reduced by ATS 100 per month (ATS 1 200 per year).

In 1996, a consolidation package was introduced, some measures of which took effect already in 1996. The deductibility of special expenses was reduced (half to quarter) and abolished for incomes exceeding ATS 700 000. Tax free overtime supplements were limited to ATS 590 per month. The general tax credit was linearly reduced to zero for income between ATS 200 000 and ATS 500 000 and there was a change in the deductibility of social security contributions on non-current wages and salaries.

The family package of 1998 brought an increase of ATS 1 500 in the family allowances and the children's tax credits each in 1999. A supplement of ATS 2 400 in 1999, and ATS 4 800 in 2000 for the 3rd, etc., child for families earning less than ATS 504 000 was introduced. The sole earner's or sole parent's tax credit negative tax limit was abolished. For 2000 and the following years, there was an additional increase in the sum of family allowances and children's tax credits of ATS 3 000, but the differentiation according to the number of children was transferred to the allowances, *i.e.* from 2000 onwards there is a unique annual tax credit of ATS 8 400 per child.

The tax reform of 1999, effective from the beginning of 2000, brought a reduction in the tax schedule and an increase of the general tax credit leading to a (linearly increasing) tax reduction between ATS 4 000 and 7 000 p.a. The maximum reduction is reached at a gross income near the ceiling for social security contributions. The reform also included a number of other measures which concerned mainly enterprise taxation.

The budget consolidation measures for 2001 included an abolition of the general tax credit for incomes exceeding ATS 487 400, the halving of the employee's tax credit to ATS 750 and a phasing-out of the pensioner's tax credit for income between ATS 230 000 and 300 000. The adaptation of the tax laws to the Euro did not bring any substantive changes. In 2004 (effective), the family allowances for children above three years of age were increased by EUR 7.30 per month.

In 2004, the first step of a comprehensive tax reform came into force. The general tax credit was increased from EUR 887 to EUR 1 264 and the phasing-out rules were considerably simplified and made uniform for all groups of taxpayers.

The tax reform in 2005 brought a new income tax schedule. Apart from the top rate of 50 per cent for income exceeding EUR 51 000, it shows the average rates for two amounts of income. The tax amounts for incomes between these amounts have to be calculated by linear interpolation. The formulas that have to be applied are shown in the tax law. The tax reform included some measures which were made retrospective for 2004. These measures are the increase of the sole earner and the single parent tax credit depending on the number of children (together with a higher earnings limit for the spouse of a single earner) and an increase of the traffic reliefs by about 15 per cent. The maximum deductible amount for church contributions was increased as well. In 2006, the traffic reliefs were again increased by about 10 per cent.

In 2007, the traffic allowances were increased by 10 per cent (effective from 1 July), the maximum negative tax for employees with traffic allowances was increased from EUR 110 to EUR 240 (for 2008 and 2009). For 2008, the family allowances for the third and subsequent children were increased. In 2008, the unemployment insurance contributions of low-earning employees were reduced (effective from 1 July). In 2008 up to monthly earnings of EUR 1 100 the rate was zero, for earnings below EUR 1 200 the contribution was 1 per cent, below EUR 1 350 2 per cent and above the current rate of 3 per cent. These income limits are increased according to the raise of the ceiling levels of social security contributions every year.

In September 2008, the parliament decided some measures to compensate for the strong increase of food and energy prices: inter alia, the tax exemption of overtime supplements was increased and a 13th payment of children allowances introduced.

The tax reform 2009 (effective from 1 January) brought an increase of the zero bracket (from EUR 10 000 to EUR 11 000), a reduction of the income tax rates (except the top rate), an upward shift of the top rate bracket (from EUR 51 000 to EUR 60 000) and several measures for families with children: children allowance (EUR 220 or EUR 132 each parent p.a.), deductibility of cost for child care (up to EUR 2 300 p.a. per child), tax-free payments (up to EUR 500 p.a.) from employers to their employees for child care and an increase of the children tax credit.

5. Memorandum items

5.1. *Calculation of earnings data*

- Sector used: all private employees except apprentices employed full-time for the whole year.
- Geographical coverage: whole country.
- Sex: male and female.
- Earnings base:
  - ❖ Items excluded:
    - – Unemployment compensation.
    - – Sickness compensation.

- ❖ Items included:
  - Vacation payments.
  - Overtime payments.
  - Recurring cash payments.
  - Fringe benefits (taxable value).
- Basic method of calculation used: average annual earnings.
- Income tax year ends: 31 December.

  Period to which the earnings calculation refers to: one year.

2011 Parameter values

Average earnings/yr	Ave_earn	39 263	(Secretariat estimate)
Non current income as %	non_cur_pc	14.286%	
Tax free inc on non-current	Bonus	620	
Ceiling for taxing non-current income	nonc_ceil	2 000	
Work related	work_rel	132	
Allowance f. "Special expenses"	Basic_al	60	
Children allowance for 2 earning parents	Child_al_2	132	
Children allowance for sole earner/parent	Child_al_1	220	
Tax free inc.	tax_free	0%	
Basic tax credit	basic_cr		
Employee's tax credit	wage_cr	54	
Max. neg. employee's tax credit	neg_wage_cr	110	
Traffic (commuting) tax credit	traffic_cr	291	
Sole earner's (parent's) tax credit	sole_cr	0	
Children suppl.to SETC: 1st child	dsole1_cr	494	
2nd child	dsole2_cr	175	
3rd+ child	dsole3_cr	220	
Spouse income not more than	sole_lim0	0	
Spouse with children	sole_lim1	6 000	
Tax on non-current income	non_cur_rate	6%	
Altern.tax on non-current income	alt_nonc_rate	30%	
Income tax schedule	Tax_sch	0	11 000
		0.365	25 000
		0.43214	60 000
		0.5	
Ceiling f. soc. security contributions	SSC_ceil	4 200	
lower limit	SSC_low	374.02	
Employees' contr. rates	health_rate	3.95%	
	unemp_rate	0%	1 179
		1%	1 286
		2%	1 447
		3%	
	Pension_rate	10.25%	
Sum without unempl. and others	empl_14	14.20%	
	others_rate	1%	
Employers' contr.rates	health_empr	3.70%	
	unemp_empr	3%	
	Pension_empr	12.55%	
	accident_empr	1.40%	
	payinsur_empr	0.55%	
Sum without others	empr_14	21.20%	
	others_empr	0.50%	
Payroll taxes	payroll_rate	7.50%	
Child benefit: 1st child	CB_1	1 264.8	
2nd child	CB_2	1 418.4	
3rd child	CB_3	1 684.8	
4th+ child	CB_4	1 864.8	
suppl.>3 years	CB03sppl	87.6	
suppl.>10 years	CB10sppl	306.0	
suppl.>19 years	CB19sppl	567.6	
5years<suppl<17years	CB5to17	100.0	
Child tax credit	child_cr_1	700.8	

2011 Tax equations

The equations for the Austrian system are, in principle, on an individual basis. The only variable which is dependent on the marital status is the head of family (sole earner) tax credit which is also given to single people with children. For the Christmas and leave bonus (both amounting to one monthly wage or salary) there are special rules for the calculation of social security contributions (separate ceilings and slightly lower rate) and wage tax (reduced flat rate). The income tax schedule and the tax credits are applied only for "current pays". The children tax credit is in principle given to the mother (as a negative tax together with "family allowances" = transfer for children). The sole earner and the employee tax credit are connected with negative income tax rules. Therefore, the tax finally paid may be different from tax liability *minus* tax credits.

Bn	Variable	Code for docn equations	Excel-Function
3	earnings (%AW)	per cent	0, 1/3, 2/3, 1 or 5/3 in Taxing Wages output tables (but model can be applied to all earnings levels)
4	number of children	child	0 or 2 in Taxing Wages output tables
5	Gross earnings	earn	=Ave_earn*per cent
6	Current income	cearn	=(1-non_cur_pc)***earn**
7	Basic allowance	allow	=(**earn**>14*SSC_low)*Basic_al
8	SSC on curr.inc.	SSCc	=(empl_14+unemp(**earn**,unemp_rate)+others_rate)* MIN(12*SSC_ceil;**cearn**)*(**cearn**>12*SSC_low)
9	Work related expenses	work_rel	=work_rel
10	Tax-free income	taxfrinc	=tax_free***earn**
11	Child allowance	Child_al_princ Child_al_spouse	IF(**cearn**_spouse-**allow**_spouse-SSCc_spouse-work_rel_spouse-**taxfrinc_spouse**-11945<0,Child_al_1, Child_al_2)*child IF(Child_al_princ=child*Child_al_2, Child_al_2, 0)*Child
12	Tax base for schedule	ctbase	=(**earn**>14*SSC_low)*(**cearn-allow-SSCc**-work_rel-**taxfrinc**-child_al*child)
13	Gross tax on current income	gtaxcur	=Tax(**ctbase**;tax_sch)
14	Basic tax credit	btaxcr	=0
15	Married or head of family	headcr	=(**earn**_sp<IF(child>0;sole_lim1;sole_lim0))*(sole_cr+(child>0)*dsole1_cr+(child>1)*dsole2_cr+(child>2)*(child-2)*dsole3_cr
16	Other	othcr	=min(wage_cr;10%*SSC)+traffic_cr
17	Interm. tax on current income	itcur	=**gtaxcur-btaxcr-headcr-othcr**
18	Net tax on current income	ntaxcur	=IF(**itcur**>-**headcr**; **itcur**;MAX(-0.1***SSC**-(child>0)***headcr**; -neg_wage_cr-(child>0)***headcr**))
19	Non current income	ncearn	=**earn-cearn**
20	SSC on non-curr. inc.	SSCnc	=(health_rate+unemp(**earn**,unemp_rate)+pension_rate)* MIN(2*SSC_ceil;**ncearn**)*(**ncearn**>2*SSC_low)
21	Non current income-SSC	ncearn_adj1	=**ncearn-SSCnc**
22	of which tax free	taxfree	=MIN(bonus;**ncearn_adj**)
23	Non-curr. tax base	ncearn_adj2	=**ncearn_adj-taxfree**
24	Tax on non current income	taxnc	=Positive(MIN((**ncearn_adj1**-nonc_ceil)*alt_nonc_rate;**ncearn_adj2***non_cur_rate))
25	Taxable income	taxinc	=**ctbase**+**ncearn_adj2**
26	Tax liability excl. tax credits	inctax_ex	=**gtaxcur**+**taxnc**
27	Income tax finally paid	inctax	=**ntaxcur**+**taxnc**
28	Employee's SSC	SSC	=**SSCc**+**SSCnc**
29	Employer's SSC	SSCf	=((empr_14+others_empr)*MIN(12*SSC_ceil;**cearn**)+empr_14*MIN(12*SSC_ceil;**ncearn**))
30	Pay-roll taxes	payroll	=payroll_rate***earn**
31	Cash transfers	cash	=IF(child=0;0;IF(child=2;CB_1+CB_2+child*CB10sppl+child*(child_cr_1+CB5to17)))
32	Take-home pay		=**earn-inctax-SSC**+**cash**
33	Wage cost		=**earn**+**SSCf**+**payroll**

unemp is a Visual Basic Function which chooses lower unemployment SSC rates for low earnings.
Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Belgium

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Belgium 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		28493	42740	71233	28493
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		3724	5586	9310	3724
	Work-related expenses		2611	2983	3670	2611
	Other					
		Total	6335	8569	12980	6335
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		22158	34171	58253	22158
5.	**Central government income tax liability (exclusive of tax credits)**		7463	12869	24865	7463
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		1708	1643	1643	2066
	Children		0	0	0	1111
	Other					
		Total	1708	1643	1643	3177
7.	**Central government income tax finally paid (5-6)**		5756	11226	23223	4287
8.	**State and local taxes**		426	831	1718	317
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3724	5586	9310	3724
	Taxable income		237	393	706	237
		Total	3961	5979	10017	3961
10.	**Total payments to general government (7 + 8 + 9)**		10143	18037	34958	8565
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	3623
		Total	0	0	0	3623
12.	**Take-home pay (1-10+11)**		18350	24703	36275	23551
13.	**Employer's compulsory social security contributions**		8022	12833	21061	8022
14.	**Average rates**					
	Income tax		21.7%	28.2%	35.0%	16.2%
	Employees' social security contributions		13.9%	14.0%	14.1%	13.9%
	Total payments less cash transfers		35.6%	42.2%	49.1%	17.3%
	Total tax wedge including employer's social security contributions		49.7%	55.5%	60.7%	35.5%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		54.9%	54.9%	60.9%	54.9%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		66.3%	66.3%	69.4%	66.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Belgium 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		42740	56986	71233	56986
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		5586	5586	9310	5586
	Work-related expenses		2983	5213	5594	5213
	Other					
		Total	8569	10799	14904	10799
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		34171	46187	56329	46187
5.	**Central government income tax liability (exclusive of tax credits)**		11045	16124	20332	16124
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		3350	3350	3350	3350
	Children		1002	1002	1002	0
	Other					
		Total	4352	4352	4352	3350
7.	**Central government income tax finally paid (5-6)**		6693	11772	15980	12774
8.	**State and local taxes**		495	871	1183	945
9.	**Employees' compulsory social security contributions**					
	Gross earnings		5586	5586	9310	5586
	Taxable income		393	550	681	550
		Total	5979	6136	9992	6136
10.	**Total payments to general government (7 + 8 + 9)**		13168	18779	27154	19855
11.	**Cash transfers from general government**					
	For head of family					
	For two children		3623	3623	3623	0
		Total	3623	3623	3623	0
12.	**Take-home pay (1-10+11)**		33195	41831	47702	37131
13.	**Employer's compulsory social security contributions**		12833	14445	20855	14445
14.	**Average rates**					
	Income tax		16.8%	22.2%	24.1%	24.1%
	Employees' social security contributions		14.0%	10.8%	14.0%	10.8%
	Total payments less cash transfers		22.3%	26.6%	33.0%	34.8%
	Total tax wedge including employer's social security contributions		40.3%	41.4%	48.2%	48.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		54.9%	54.9%	54.9%	54.9%
	Total payments less cash transfers: Spouse		39.4%	42.0%	54.9%	42.0%
	Total tax wedge: Principal earner		66.3%	66.3%	66.3%	66.3%
	Total tax wedge: Spouse		45.5%	61.4%	66.3%	61.4%

The national currency is the euro. In 2011, EUR 0.72 was equal to USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 42 740.

1. Personal income tax system

1.1. Federal government income tax

1.1.1. Tax unit

Spouses are taxed separately. As from 2004, the principle of separate taxation applies to all categories of income. A non-earning spouse is taxed separately on a notional share of income that can be transferred to him or her (see "non-earning spouse allowance", below). Married couples nonetheless file joint income tax returns.

1.1.2. Tax allowances

1.1.2.1. Deduction of social security contributions

Unless stated otherwise, social insurance contributions are deductible from gross income.

1.1.2.2. Work-related expenses

Salaried employees and self-employed professionals are entitled to a standard deduction for work-related expenses. This deduction may under no circumstances exceed EUR 3 670 per spouse and is computed as follows:

Gross earnings less social insurance contributions (EUR)	Rate (%)
Below 5 300	28.7
Between 5 190 and 10 530	10
Between 10 530 and 17 530	5
Above 17 530	3

Paid company directors are also entitled to a standard deduction for work-related expenses; this is equal to 5% of gross income (less social insurance contributions) and may not exceed EUR 3 670 per spouse.

An additional allowance may be granted to wage-earners if their workplace is more than a certain distance from their home.

Actual expenses incurred in order to acquire or retain earned income are deductible if they exceed the standard deduction. The deductibility of certain categories of work-related expenses (cars, clothing, restaurant meals and business gifts) is limited, however. Taxpayers who report actual expenses may deduct EUR 0.15 per kilometre, up to 100 km per single journey, for travel between their home and their workplace by means other than private car.

1.1.2.3. Non-earning spouse allowance (*quotient conjugal*)

A notional amount of income can be transferred between spouses if one of them earns no more than 30 per cent of the couple's combined earned income. In this case, the amount transferred is limited to 30 per cent of aggregate net earned income, less the individual income of the spouse to whom the notional share is transferred. This allowance is limited to EUR 9 470.

1.1.2.4. Exempt income

The base amount is:

Taxable income (S)	Fixed amount	Variable amount
0-24 410	6 830	0
24 410-24 670	6 570	24 670-S
24 670 and up	6 570	0

These amounts vary with regards to the family situation. Additional exemptions for dependent children (a handicapped child counts as two children):

- 1 child: 1 400.
- 2 children: 3 590.
- 3 children: 8 050.
- 4 children: 13 020.
- > 4 children: 4 970 per additional child.

Dependent child exemptions in excess of available income give rise to a reimbursable tax credit. This reimbursable tax credit is calculated at the marginal rate and capped at EUR 400 per dependent child.

Additional special exemptions are also granted for certain household members (in euro):

- Other dependants: 1 400.
- Handicapped spouse: 1 400.
- Other handicapped dependants: 1 400.
- Widow(er) with dependent child(ren): 1 400.
- Single father or mother: 1 400.

These additional exemptions are applied first to the taxable income of the spouse having the most income, with any remainder then being applied to the income of the other spouse.

The basic exemption plus any additional exemptions for dependants and single parents is applied against each bracket from the bottom up; in other words, the lowest brackets are depleted first.

1.1.2.5. Schedule

The basic exemption plus any additional exemptions is applied from the bottom up.

Taxable income (EUR)	Marginal rate (%)
0-8 070	25
8 070-11 480	30
11 480-19 130	40
19 130-35 060	45
35 060 and above	50

1.2. Local government taxes

Local taxes are levied as a percentage of federal tax liability before deduction of reimbursable tax credits (for low earned income and for children). The rate of this surtax is set by each municipality, and there is no upper limit. The average rate is deemed to be 7.4%.

1.3. Tax credits

A refundable tax credit is granted for low earned income other than wage income. For wages, the credit is replaced by an "employment bonus" that reduces individual social security contributions (see below). However, civil servants that do not qualify for the "employment bonus", because they are not subject to social security contributions regulations that apply to the private sector, may qualify for the refundable tax credit.

The tax credit is based on the net amount of earned income other than wage income. The net amount is computed after deduction of work-related expenses.

The base for the credit is income before any transfer of notional income between spouses.

Tax credits are granted by spouse according to the following schedule:

Tax credit schedule

Net income brackets (R) in EUR		Amount of tax credit in EUR
L_1	L_2	
	4 610	0
4 610	6 150	B x (**R** – L_1)/(L_2 – L_1)
6 150	15 380	B
15 380	19 990	B x (L_2 – **R**)/(L_2 – L_1)
19 990	And above	0

For 2011 income, the amount of the base (B) was EUR 620.

1.4. Rebate on the wage withholding tax

Employers benefit from a rebate on the wage withholding tax, at the rate of 1%. The rebate does not affect the PIT liability of the employee and the amount of the withholding tax he may credit on its PIT liability: it just reduces the amount of withholding tax that the employer has to be to the tax administration. This means that the rebate operates like a wage subsidy, or like a negative payroll tax. The rebate is a standard one: it applies in an unconditional way to any wage earners in Sectors C-K.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Rates and ceiling

a) Payroll deductions

The rates of employer and employee contributions are set by law. The applicable rates (in %) are as follows (for businesses having 20 or more employees):

2011	Employee	Employer	Total
Unemployment	0.87	3.16	4.03
Health insurance indemnities	1.15	2.35	3.5
Health care	3.55	3.8	7.35
Placement services		0.05	0.05
Family allowances		7	7
Pensions	7.50	8.86	16.36
Child care		0.05	0.05
Work-related illnesses		1.01	1.01
Work-related accidents		0.32	0.32
Education leave		0.05	0.05
Business closures		0.52	0.43
Wage restraint		7.60	7.59
Total	13.07	34.77	47.84

Vacation pay is not subject to the social security contributions applicable to salaries, but a social security levy of 13.07% is deducted when the money is attributed.

b) Reduction of employer contributions

The schedule applicable as from 01.01.2010 is as follows:

Gross annual earnings (S) in EUR	Fixed amount	Variable amount
0-24 120	1 600	0.162 (24 120 – S)
24 120-48 000	1 600	0
48 000 and up	1 600	0.06 (S – 48 000)

c) Reduction of individual social security contributions

A reduction of individual social security contributions is granted monthly for low-income earners, depending on wage level. The schedule below is restated in annual terms.

The schedule applicable as from 01.09.2010 is as follows:

Gross annual salary (S) in EUR	Reduction in Euros
0 < S < 16 982.88	2 100
16 982.88 < S < 20 728.44	Min (2100, (2100 – 0.2743 (S – 16 982.88))
20 728.44 < S < 26 973.96	Min (1716, (1716 – 0.1718 (S – 16 760.88))
S > 26 973.96	0

The schedule applicable as from 01.05.2011 is as follows:

Gross annual salary (S) in EUR	Reduction in Euros
0 < S < 17 322.48	2 100
17 322.48 < S < 21 142.80	Min (2100, (2100 – 0.2743 (S – 17 322.48))
21 142.80 < S < 27 511.92	Min (1716, (1716 – 0.1718 (S – 17 322.48))
S > 27 511.92	0

d) Special social security contribution

All persons totally or partially subject to the social security scheme for salaried workers are liable for this special contribution. In theory, the amount of the contribution is determined according to aggregate household income. Aggregate household income is equal to combined gross earnings less ordinary social security contributions and work-related expenses. The amount of the contribution is as follows:

Taxable income (EUR)	Amount due on the lower limit	% above the lower limit
from 0 to 18 592.02	0	0
from 18 592.02 to 21 070.96	0	9
from 21 070.96 to 60 161.85	223.10	1.3
60 161.85 and above	731.29	0

e) Work accidents

All employers are required to insure their employees against accidents that occur in the workplace or while travelling to or from the workplace. The insurance is written by a private company. The usual premiums are approximately 1% of gross pay for office workers and 3.3% for labourers. The premiums are based on capped gross wages: in 2011, these premiums apply to gross wages (including holiday pay and extra-legal remunerations) with a minimum of EUR 6 068 and a maximum of EUR 37 546 (EUR 5 949 and EUR 36 810 respectively in 2010). Higher rates apply in certain industries in which risks are greater. The premium rate for construction workers, for example, varies between 7 and 8%.

2.2. Deductions according to family status or gender

None.

3. Universal cash transfers

Family allowances are granted for children. The annual amounts of these benefits (in euro) are as follows:

	< 5 years	5-6 years	7-10 years	11-12 years	12-16 years	17-18 years	> 18 years
1st child	1 060.97	1 090.75	1 270.99	1 293.51	1 387.71	1 388.47	1 473.47
2nd child	1 940.57	1 970.35	2 329.79	2 352.31	2 541.99	2 542.75	2 691.87
3rd child	2 884.41	2 914.19	3 273.63	3 296.15	3 485.83	3 486.59	3 635.71

To determine the resources available to the average worker, the *Taxing Wages* calculations assume that one child was between seven and ten years of age and that the other child was between eleven and twelve years of age.

4. Main changes in the tax/benefit system

None.

2011 Parameter values

	Ave_earn	42 740	Secretariat estimate		
Work-related expenses	work_rel_max	3 670			
	work_rel_sch	0.287	5 300		
		0.1	10 530		
		0.05	17 530		
		0.03			
Tax credits (tranche exonérée)	single_cr	6 570			
	Married_cr	6 570			
	Supp_cr_base	260			
	supp_cr_thrsh1	24 410			
One child	child_cr1	1 400			
Two children	child_cr2	3 590			
Single parents	s_parent_cr	1 400			
Maximum Child Credit Payment	child_cr_max	400			
Basic Credit	basic_cr_base	0			
	basic_cr_thrsh1	4 610			
	basic_cr_thrsh2	6 150			
	basic_cr_thrsh3	15 380			
	basic_cr_thrsh4	19 990			
Income tax schedule		tax_rate1			
	tax_sch	0.25	8 070		
		0.30	11 480		
		0.40	19 130		
		0.45	35 060		
		0.50			
	quote_max	9 470			
	quote_rate	0.3			
Local tax	local_rate	0.074			
Unemployment	unemp_rate	0.0087			
Medical care	med_rate	0.0115			
Sickness	sickness_rate	0.0355			
Pension	pension_rate	0.0750			
Employee contribution	SSC_rt	0.1307			
	SSC_redn	0	0	2 100	0
	(annual)	17 209.28	17 209.28	2 100	0.2743
		21 004.68	17 209.28	1 716	0.1718
		27 332.60	0	0	0
		99 999 999	0	0	
Special annual contribution	SSC_special	0.000	18 592.02		
		0.090	21 070.96		
		0.013	60 161.85		
		0.000			
Employer contributions	SSC_empr_rt	0.3477			
	SSC_empr_redn	0	1 600	0.1620	24 120
		24 120	1 600	0	48 000
		48 000	1 600	–0.06	48 000
		9 999 999	0	0	
Structural reduction on the withholding tax on wages	PrP_redn	0.01			
Child benefit (age 7-10)	CB_1	1 293.51			
second child (age 11-12)	CB_2	2 329.79			
third child (age 11-12)	CB_3	3 273.63			

2011 Tax equations

The equations for the Belgian system in 2011 are mostly calculated on an individual basis. But central government tax for a married couple is calculated on two bases and the lower value is used. One of the bases takes account of the combined income of the couple. Also, tax credits may be used against the tax liability of the secondary earner if the principal earner is unable to use them.

The functions which are used in the equations (Taper, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse respectively. Equations for a single person are as shown for the principal with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:	tax_al	B	MIN(work_rel_max, Tax(earn-SSC, work_rel_sch))+SSC
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc_int	B	earn-tax_al
Quote part	Q	J	IF(married, Positive(MIN(tax_inc_int_total*quote_rate, quote_max)-tax_inc_int_spouse), 0)
CG adjusted taxable income – principal	tax_inc_adj_princ	P	Positive(tax_inc_int_princ – Q)
CG adjusted taxable income – spouse	tax_inc_adj_spouse	S	Positive(tax_inc_int_spouse + Q)
5. CG tax before credits	CG_tax_excl	J	Tax(tax_inc_adj, tax_sch)
6. Calculation of credits			
Child exemption amount	child_ex_inc	P	(children=1)*child_cr1+(children=2)*child_cr2
Family exemption amount	fam_ex_inc	B	IF(Married,married_cr,single_cr+(Children>0)*s_parent_cr)+IF(tax_inc_adj<=0.0,IF(tax_inc_adj<=supp_cr_thrsh1,supp_cr_base,MAX(0,supp_cr_base+supp_cr_thrsh1-tax_inc_adj)))
Initial exempt income – principal	ex_inc_int_princ	P	child_ex_inc+fam_ex_inc_princ
Initial exempt income – spouse	ex_inc_int_spouse	S	fam_ex_inc_spouse
Transferable amount	ex_inc_tran	J	married*IF(ex_inc_int_princ<tax_inc_adj_princ, MIN(MAX((ex_inc_int_spouse-tax_inc_adj_spouse), 0), tax_inc_adj_princ-ex_inc_int_princ), -(MIN(MAX((ex_inc_int_princ-tax_inc_adj_princ), 0), MAX(0, tax_inc_adj_spouse-ex_inc_int_spouse))))
Final exempt income – principal	ex_inc_fin_princ	P	ex_inc_int_princ+ex_inc_tran
Final exempt income – spouse	ex_inc_fin_spouse	S	ex_inc_int_spouse-ex_inc_tran
Tax credits	tax_credits	J	Tax(ex_inc_fin, tax_sch)
Basic Credit	basic_cr	B	basic_cr_base*IF(tax_inc<=basic_cr_thrsh1, 0, IF(tax_inc<=basic_cr_thrsh2, (tax_inc-basic_cr_thrsh1)/(basic_cr_thrsh2-basic_cr_thrsh1), IF(tax_inc<=basic_cr_thrsh3, 1, IF(tax_inc<=basic_cr_thrsh4, (basic_cr_thrsh4-tax_inc)/(basic_cr_thrsh4-basic_cr_thrsh3), 0))))
7. CG tax			
Tax prior to non-wasteable credits	CG_tax_init	B	Positive(CG_tax_incl-tax_credits)
Non-wasteable child credit	child_credit_nw	J	MIN(Tax(MIN((children=1)*child_cr1+(children=2)*Parameters!child_cr2), (positive(ex_inc_int-tax_inc_int), tax_sch), children*child_cr_max)
Final CG tax	CG_tax_final	J	CG_tax_init-basic_cr_total-child_credit_nw
8. State and local taxes	local_tax	J	local_rate*CG_tax_init
9. Employees' soc security	SSC	B	Positive((earn)*SSC_rt-MIN(VLOOKUP(earn, SSC_redn,3), VLOOKUP(earn, SSC_redn, 3)-VLOOKUP(earn, SSC_redn, 4)*(earn-VLOOKUP(earn, SSC_redn, 2))))
	SSC_special	J	positive(Tax(tax_inc_total, SSC_special)
	SSC_total		SSC+SSC_special
11. Cash transfers	cash_trans	J	(Children>0)*CB_1+(Children>1)*CB_2
13. Employer's soc security	empr_sch	B	Positive(earn*(SSC_empr_rt- PrP_redn)-(VLOOKUP(earn, SSC_empr_redn, 2)-VLOOKUP(earn, SSC_empr_redn, 3)*(earn-VLOOKUP(earn, SSC_empr_redn, 1))))

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Canada

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Canada 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	30775	46163	76938	30775
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	30775	46163	76938	30775
5.	**Central government income tax liability (exclusive of tax credits)**	4616	7248	14018	4616
6.	**Tax credits**				
	Basic credit	1739	1739	1739	1739
	Married or head of family	0	0	0	1579
	Children	0	0	0	639
	Other(CPP & EI)	285	435	451	285
	Total	2023	2174	2189	4242
7.	**Central government income tax finally paid (5-6)**	2593	5074	11829	374
8.	**State and local taxes**	999	2069	5073	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1898	2899	3004	1898
	Taxable income (Provincial Health Care Levy)	300	450	750	300
	Total	2198	3349	3754	2198
10.	**Total payments to general government (7 + 8 + 9)**	5789	10492	20657	2572
11.	**Cash transfers from general government**				
	For head of family	397	0	0	491
	For two children	0	0	0	7835
	Total	397	0	0	8326
12.	**Take-home pay (1-10+11)**	25383	35671	56282	36529
13.	**Employer's compulsory social security contributions**	3573	5397	6958	3573
14.	**Average rates**				
	Income tax	11.7%	15.5%	22.0%	1.2%
	Employees' social security contributions	7.1%	7.3%	4.9%	7.1%
	Total payments less cash transfers	17.5%	22.7%	26.8%	-18.7%
	Total tax wedge including employer's social security contributions	26.1%	30.8%	32.9%	-6.3%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	25%	35.1%	35.4%	55.7%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	33.5%	40.8%	38.3%	60.5%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Canada 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	46163	61551	76938	61551
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	46163	61551	76938	61551
5.	**Central government income tax liability (exclusive of tax credits)**	7248	9556	11864	9556
6.	**Tax credits**				
	Basic credit	3318	3478	3478	3478
	Married or head of family	1579	0	0	0
	Children	639	639	639	0
	Other(CPP & EI)	435	564	719	564
	Total	5971	4681	4836	4042
7.	**Central government income tax finally paid (5-6)**	2856	4875	7028	5514
8.	**State and local taxes**	1381	2197	3068	2197
9.	**Employees' compulsory social security contributions**				
	Gross earnings	2899	3761	4796	3761
	Taxable income (Provincial Health Care Levy)	450	450	750	450
	Total	3349	4211	5546	4211
10.	**Total payments to general government (7 + 8 + 9)**	7586	11282	15642	11922
11.	**Cash transfers from general government**				
	For head of family	0	0	0	0
	For two children	3258	2057	1441	0
	Total	3258	2057	1441	0
12.	**Take-home pay (1-10+11)**	41835	52325	62738	49629
13.	**Employer's compulsory social security contributions**	5397	7097	8969	7097
14.	**Average rates**				
	Income tax	9.2%	11.5%	13.1%	12.5%
	Employees' social security contributions	7.3%	6.8%	7.2%	6.8%
	Total payments less cash transfers	9.4%	15.0%	18.5%	19.4%
	Total tax wedge including employer's social security contributions	18.9%	23.8%	27.0%	27.7%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	65.0%	39.1%	39.1%	35.1%
	Total payments less cash transfers: Spouse	31.8%	34.1%	29.4%	30.1%
	Total tax wedge: Principal earner	68.1%	44.5%	44.5%	40.8%
	Total tax wedge: Spouse	38.6%	41.3%	37.1%	37.7%

The national currency is the Canadian dollar (CAD). In 2011, CAD 0.99 was equal to USD 1. In that year, the average worker earned CAD 46 163 (Secretariat estimate).

1. Personal income tax systems

1.1. Central/federal government income taxes

1.1.1. Tax unit

Under the present system, tax is levied on individuals separately; certain tax reliefs depend on family circumstances.

1.1.2. Tax allowances and credits

1.1.2.1. Standard credits

- *Basic personal amount:* all taxpayers qualify for a basic personal tax credit of CAD 1 579.05
- *Credit for Spouse or Eligible Dependant:* a taxpayer supporting a spouse or other eligible dependant receives a tax credit of CAD 1 579.05 which is reduced by 15 cents for each dollar of the dependant's income.
- *Child Tax Credit:* a tax credit that provides up to CAD 319.65 of tax relief for each dependent child under the age of 18. The credit can be claimed by either parent.
- *Social security contributions:* taxpayers are entitled to claim 15 per cent of their contributions to the Canada or Quebec Pension Plans (to a maximum of CAD 2 217.60) and their Employment Insurance premiums (to a maximum of CAD 786.76).
- *Working Income Tax Benefit (WITB):* the WITB provides a non-wastable tax credit equal to 25 per cent of each dollar of earned income in excess of CAD 3 000 to a maximum credit of CAD 944 for single individuals without dependents and CAD 1 714 for families (couples and single parents). The credit will be reduced by 15 per cent of net family income in excess of CAD 10 711 for single individuals and CAD 14 791 for families. This is the default national design; provinces may choose to propose jurisdiction-specific changes to this design, subject to certain principles.
- *Canada Employment Tax Credit:* a tax credit of up to CAD 159.75 on employment income.

1.1.2.2. Main non-standard tax reliefs applicable to an average worker:

A number of non-standard tax reliefs are available to the average worker in Canada. The main ones are:

- *Medical expenses credit:* taxpayers are entitled to a 15 per cent tax credit for an amount of eligible medical expenses that exceeds the lesser of 3 per cent of net income or CAD 2 052.
- *Charitable donations credit:* the credit is 15 per cent on the first CAD 200 of eligible charitable donations and 29 per cent on eligible donations in excess of CAD 200. Eligible donations are those made to registered charities, to a maximum of 75 per cent of net income.

- *Registered pension plan contributions:* employees who are members of a registered pension plan are entitled to deduct their contributions to the plan in respect of current and/or past service. Generally, employee contributions to a defined benefit registered pension plan are not subject to any limit; however, limits apply to the benefits that a plan may provide. Individuals can deduct their contributions to a defined contribution registered pension plan up to a limit of 18 per cent of earned income, to a maximum of CAD 22 970.
- *Registered retirement savings plan (RRSP) premiums:* individuals can deduct their contributions to an RRSP up to a limit of 18 per cent of the previous year's earned income, to a maximum of CAD 22 450 a year, unless they are also accruing benefits under a registered pension plan or a deferred profit sharing plan. Members of those other plans are limited to RRSP contributions of 18 per cent of the previous year's earned income to a maximum of CAD 22 450, minus a pension adjustment amount based on pension benefits accrued in the previous year.
- *Union and professional dues:* individuals with annual dues paid to a trade union or an association of public servants or paying dues required to maintain a professional status recognised by statute are allowed to deduct such fees in computing taxable income.
- *Moving expenses:* eligible moving expenses are deductible from income if the taxpayer moves at least 40 kilometres closer to a new place of employment.
- *Child care expenses:* a portion of child care expenses is deductible if incurred for the purpose of earning business or employment income, studying or taking an occupational training course or carrying on research for which a grant is received. The lower-income spouse must generally claim the deduction. The amount of the deduction is limited to the least of:
  1. the expenses incurred for the care of a child;
  2. two-thirds of the taxpayer's earned income; and
  3. CAD 7 000 for each child who is under age seven, and CAD 4 000 per child between seven and sixteen years of age. The amount for a disabled child under seventeen is CAD 10 000.

1.1.3. *Tax schedule*

2011 Federal income tax rates

Taxable income (CAD)	Rate (%)
0-41 544	15
41 544-83 088	22
83 088-128 800	26
128 800 and over	29

1.2. *State and local income taxes*

1.2.1. *General description*

All provinces and territories levy their own personal income taxes. All, with the exception of Québec, have a tax collection agreement with the federal government, and thus use the federal definition of taxable income. They are free to determine their own tax brackets, rates and credits. Québec collects its own personal income tax and is free to determine all of the tax parameters, including taxable income. In practice, its definition of taxable income is similar to the federal definition.

1.2.2. Tax regime selected for this study

The calculation of provincial tax for the average worker study assumes the worker lives in Ontario, the most populous of the 10 provinces and 3 territories. The main features of the Ontario tax system relevant to this report are summarised below:

Tax Schedule

Income bracket	Rate (%)
CAD 0 to CAD 37 774	5.05
CAD 37 774 to CAD 75 550	9.15
Over CAD 75 550	11.16

Surtax

Provincial tax after accounting for wastable credits	Surtax rate
Amounts Exceeding CAD 4 078	20% of the excess amount
Amounts Exceeding CAD 5 219	36% of the excess amount

Wastable tax credits

- A basic tax credit of CAD 459.76.
- A maximum credit of CAD 390.39 for a dependant spouse or eligible dependant that is withdrawn as the income of the spouse or eligible dependant exceeds CAD 773 and is completely withdrawn when the income of the spouse is at least CAD 8 503.42.
- 5.05 per cent of contributions made to the Canada Pension Plan and of Employment Insurance premiums.

Tax Reduction

An earner is entitled to claim a tax reduction where the initial entitlement is equal to CAD 210 plus CAD 389 for each dependent child under the age of 19. Where someone has a spouse, only the spouse with the higher net income can claim the dependent child tax reduction. If this amount is greater or equal to the liable provincial tax, then no tax is due. If the amount is less than the liable tax, then the actual tax reduction is equal to twice the initial entitlement amount less the liable tax (if this calculation is zero or negative, the reduction is equal to zero).

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employees' contributions

2.1.1. Pensions

Generally, all employees are eligible for coverage under the Canada Pension Plan (Québec Pension Plan in the province of Québec). For 2011, all employees are required to contribute to the Canada Pension Plan at a rate of 4.95 per cent of income up to a maximum contribution of CAD 2 217.60. Income subject to contributions is earnings (wages and salaries) less a CAD 3 500 basic exemption. The maximum contribution of CAD 2 217.60 is reached at an earnings level of CAD 48 300 *i.e.* (CAD 48 300 – CAD 3 500) x 0.0495 = CAD 2 217.60. For employees, each contribution to the CPP or QPP gives rise to a tax credit equal to 15 per cent of the contributed amount. Employers are also required to contribute

to the Canada Pension Plan on behalf of their employees at the same rate and can deduct their contributions from taxable income (refer § 2.21).

Self-employed persons must also contribute to the Canada Pension Plan (Québec Pension Plan in the province of Québec) on their own behalf. However, the self-employed are required to contribute at the combined employer/employee rate of 9.90 per cent of earnings up to a maximum of CAD 4 435.20. The self-employed can deduct the employer portion of their contribution from income, equal to 50 per cent of the total contribution or CAD 2 217.60. The remaining 50 per cent, representing the employee portion, is then claimed as a tax credit at 15 per cent.

2.1.2. Sickness

There is no national sickness benefit plan administered by the federal government. However, all provinces have provincially-administered health care insurance plans. Three provinces, Québec, Ontario, and British Columbia, levy health insurance premiums on individuals separately from the personal income tax to help finance their health programmes.

In the case of Ontario, the premium is determined based on taxable income. Individuals who earn up to CAD 20 000 are exempt. The premium is phased in with a number of different rates to a maximum of CAD 900 for taxable income levels greater than CAD 200 600. The following table provides further details on the structure that is applicable in 2011.

The Ontario Health Premium

Taxable Income	Fixed Component (CAD)	Variable Component
0 to CAD 20 000	0	
CAD 20 000 to CAD 25 000	0	6% of the taxable income in excess of CAD 20 000
CAD 25 000 to CAD 36 000	300	
CAD 36 000 to CAD 38 500	300	6% of the taxable income in excess of CAD 36 000
CAD 38 500 to CAD 48 000	450	
CAD 48 000 to CAD 48 600	450	25% of the taxable income in excess of CAD 48 000
CAD 48 600 to CAD 72 000	600	
CAD 72 000 to CAD 72 600	600	25% of the amount of taxable income in excess of CAD 72 600
CAD 72 600 to CAD 200 000	750	
CAD 200 000 to CAD 200 600	750	25% of the amount of taxable income in excess of CAD 200 000
Over CAD 200 600	900	

2.1.3. Unemployment

In general, all employees are eligible for employment insurance. Eligibility to receive benefits is determined by insurable hours worked (with a minimum entry threshold of 420 hours). For 2011, employees are required to contribute at the rate of 1.78 per cent of insurable earnings. Insurable earnings are earnings (wages and salaries) up to a maximum of CAD 44 200 per year. The maximum employee contribution is therefore CAD 786.76 per year. Employment insurance contributions give rise to a tax credit equal to 15 per cent of the amount contributed. Employers are also required to contribute to the plan (see Section 2.2.3).

2.1.4. Work injury

See Section 2.2.4.

2.2. Employers' contributions

2.2.1. Pensions

Employers are required to contribute to the Canada Pension Plan on behalf of their employees an amount equal to their employees' contributions. Thus, employers also contribute at the rate of 4.95 per cent of earnings (less the CAD 3 500 earnings exemption) to a maximum of CAD 2 217.60.

2.2.2. Sickness

There is no national sickness benefit plan administered by the federal government. However, all provinces have provincially-administered health care insurance plans. Three provinces levy a special tax on employer payrolls to finance health services (Québec and Ontario) or health services and education (Manitoba). These payroll taxes are deductible from the employer's income subject to tax. In the case of the province of Ontario, employers pay a 1.95 per cent Employer Health Tax on the value of their payroll that exceeds CAD 400 000.

2.2.3. Unemployment

Employers are required to contribute to the employment insurance scheme. The general employer contribution is 1.4 times the employee contribution, that is, 2.49 per cent of insurable earnings. Premiums are adjusted for employers who provide sick pay superior to payments provided under the employment insurance regime. All employment insurance contributions are deductible from the employer's income subject to tax.

2.2.4. Work injury

There is no national work injury benefit plan administered by the federal government. However, employers are required to contribute to a provincial workers' compensation plan which pays benefits to workers (or their families in case of death) for work-related illness or injury. The employer contribution rates, which vary by industry and province, are related to industry experience of work-related illness and injury. Premiums are deductible from the employer's income subject to tax. In the case of Ontario, employers in the C to K industry sector pay, on average, 2.78 per cent of the wages paid to each employee to a maximum of CAD 79 600.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

3.2.1. Federal

The Canada Child Tax Benefit (CCTB) provides CAD 1 405 per child under age 18 plus a CAD 98 supplement for the 3rd child and each additional child. This basic benefit is reduced by 4 per cent of family net income in excess of CAD 42 707 for families with two or more children and 2 per cent for families with one child. In addition, a National Child Benefit supplement (NCB) is provided to low-income families with children. The maximum NCB is CAD 2 177 for one child, plus CAD 1 926 for a second child, plus CAD 1 832 for the third and each additional child. The NCB is phased out based on family net income in

excess of CAD 24 863. The reduction rates are 12.2 per cent for families with one child, 23.0 per cent for families with two children and 33.3 per cent for larger families.

The Universal Child Care Benefit (UCCB) provides all families with CAD 1 200 for each child under age six. Amounts received under the UCCB are taxable in the hands of the lower-income spouse but are not used to reduce other income-tested benefits such as the CCTB. In the case of single parents, the UCCB can be taxable in the hands of the eligible dependant. Since the Taxing Wages model assumes that children are at least six years old, this benefit is not applicable for these estimates.

The Goods and Services Tax Credit provides a relief of CAD 260 for each adult 19 years of age or older and CAD 137 for each dependent child under the age of 19. Single tax filers without children and with an employment income higher than CAD 8 439 receive an additional CAD 137 that is phased in at a rate of 2 per cent. Single tax filers with children receive an additional CAD 137 that is not subject to phase-in. The credit received for the first dependent child of a single parent is also increased from CAD 137 to CAD 260. The total amount is reduced at a rate of five per cent of net family income over CAD 33 884. The amount is paid directly to families.*

3.2.2. Provincial

The province of Ontario announced the creation of the Ontario Child Benefit (OCB) in its 2007 budget. This measure is replacing the Ontario Child Care Supplement for Working Families (OCCS). For each child under eighteen, qualifying families can receive up to CAD 1 100 from the OCB. The benefit is withdrawn at a rate of 8 per cent of family income that exceeds CAD 20 000.

Qualifying families will receive whichever entitlement is more generous during the transition period. The calculation of the OCCS is as follows: For each child under seven, qualifying two-parent families can receive up to CAD 1 100 annually while qualifying single parent families can receive up to CAD 1 310. The actual OCCS is calculated as being either the greater of qualifying child care expenses or a percentage of the earnings of a family over CAD 5 000. The percentage used depends upon the number of children. For a one child family, the rate is 21 per cent. For a two child family, the rate is 42 per cent. For families with more than two children, the rate is 63 per cent. The OCCS is withdrawn at a rate of 8 per cent of family income that exceeds CAD 20 000. Children born before 1 July 2009 and under age seven remain eligible for the OCCS in the transition period to the OCB.

Ontario has a Sales Tax Credit that provides a relief of up to CAD 273 for each adult and each child. It is reduced by four per cent of adjusted family net income over CAD 21 032 for single people and over CAD 26 290 for families. The amount is paid directly to families.

* The payments that relate to the 2011 tax year are payable between July 2012 and June 2013. The amounts shown in this Report assume indexation of 2.3% for the 2011 tax year (and 2012-13 benefit year); the actual indexation parameter was announced in December 2011.

4. Main changes in the tax/benefit system since 2009

5. Memorandum items

5.1. *Identification of an average worker*

The earnings data refer to production workers in the industries C to K. To obtain the annual average wage figure, the average weekly earnings for the year for employees (including overtime) are multiplied by 52.

5.2. *Employer contributions to private health and pension schemes*

These do exist but no information is available on the amounts involved.

2011 Parameter values

Average earnings/yr	Ave_earn	46 163	Secretariat estimate
Tax credits	Basic_cred	1 579.05	
Spouse	Spouse_cred	1 579.05	
withdrawal rate	Sp_crd_wth	0.15	
threshold	Sp_crd_thrsh	0	
Canada Employment Tax Credit	Empl_crd	159.75	
Child tax credit	Dep_ch_crd	319.65	
Canada Child Tax Benefit	Ch_credit	1 405	
Child under 7	Ch_crd_und7	0	
additional for 3rd+	Ch_crd_3rd	98	
reduction rate: 1 child	Ch_crd_red1	0.02	
Redn. rate: 2 or more	Ch_crd_red2	0.04	
threshold	Ch_crd_thrsh	42 707	
National Child Benefit Supplement	WIS_crd_1st	2 177	
	WIS_crd_2nd	1 926	
	WIS_crd_3rd	1 832	
threshold to start phase-out	WIS_phout_st	24 863	
threshold to end phase-out	WIS_phout_end	42 707	
reduction rate	WIS_redn1	0.122	
	WIS_redn2	0.230	
	WIS_redn3	0.333	
Working Income Tax Benefit	WITB_phzin_thrsh	3 000	
WITB – Phase-in Rate	WITB_phzn_rt	0.25	
WITB – Maximum Credit (per Adult/Equiv.)	WITB_max	944	
WITB – Addl. Maximum Credit (Fam.)	WITB_max_fam	770	
WITB – Reduction Rate	WITB_phzout_rt	0.15	
WITB – Threshold	WITB_phzout_thrsh	10 711	
WITB – Addl. Threshold (Fam.)	WITB_phzn_thrsh_fam	4 080	
Federal tax schedule	Fed_sch	0.15	41 544
		0.22	83 088
		0.26	128 800
		0.29	
High-income surtax rate	H_sur_rate	0	
threshold	H_sur_thrsh	18 500	
Canada pension plan rate	CPP_rate	0.0495	
exemption	CPP_ex	3 500	
max contrib.	CPP_max	2 217.60	
Unemployment ins.rate	Unemp_rate	0.0178	
max contrib.	Unemp_max	786.76	
tax credit rate	Unemp_crd_rate	0.15	
employer contrib. mult.	Unemp_emplr	1.4	
GST adult credit	GST_crd_ad	260	
child credit	GST_crd_ch	137	
threshold	GST_crd_thrsh	33 884	

2011 Parameter values *(cont.)*

reduction rate	GST_crd_redn	0.05		
single supplement	GST_crd_sgsp	137		
single supplement eligibility threshold	GST_sgsp_thrsh	8 439		
single supplement phase-in rate	GST_sgsp_rate	0.02		
Province: Ontario				
Tax Credits	P_basic_crd	459.76		
Spouse	P_spouse_crd	390.39		
withdrawal rate	P_sp_crd_wd	0.0505		
threshold	P_sp_crd_thr	773		
% of BFT	P_pct_bft	0.375		
Unemployement tax credit rate	P_unem_tc_rt	0.0505		
Surtax rate 1	P_sur_rt1	0.20		
threshold	P_sur_thr1	4 078		
rate 2	P_sur_rt2	0.36		
threshold	P_sur_thr2	5 219		
Tax reduction	P_tax_red	210		
amount per dependent	P_tr_chld	389		
amount per disabled dep	P_tr_dis_ch	389		
Provincial tax schedule	Prov_sch	0.0505	37 774	
		0.0915	75 550	
		0.1116		
Ontario Child Care Supplement				
% per child of earnings over threshold				
For 1 Child under 7	P_pct_earn	0.21		
threshold	P_ch_crd_th	5 000		
max per child under 7	P_und7_max	1 100		
Single parent sup per ch under 7	P_sps_und7	210		
threshold reduction	P_thrsh_red	20 000		
reduction rate	P_redn_rate	0.08		
Ontario Child Benefit				
Amount per child	P_ch_amt	1 100		
threshold	P_ch_thresh	20 000		
Reduction rate	P_ch_redn_rate	0.08		
Sales tax credits				
Sales tax credit adult	P_sales_cred	273		
Sales tax credit child	P_salcr_chd	273		
threshold	P_ps_thresh	21 032		
threshold seniors/families	P_ps_thr_sen	26 290		
reduction rate	P_ps_red_rt	0.04		
reduction rate seniors	P_ps_rr_sen	0.04		
Ontario Health Premium	P_hlth_sch	20 000	0	0
		25 000	0.06	0
		36 000	0	300
		38 500	0.06	300
		48 000	0	450
		48 600	0.25	450
		72 000	0	600
		72 600	0.25	600
		200 000	0	750
		200 600	0.25	750
maximum	P_hlth_max	900		
Employer Health Tax	emp_healthtax	0.0195		
Employer Workers Compensation Levy	emp_workcomp	0.0278		
Employer Workers Compensation Levy Ceiling	emp_workcomp_ceil	79 600		
Maximum number of children under the age of 7	children_und7_max	1		

2011 Tax equations

The equations for the Canadian system are mostly repeated for each individual of a married couple. But the spouse credit is relevant only to the calculation for the principal earner and the non-wastable credits are calculated only once. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances	tax_al	B	0
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Earn
5. CG tax before credits:	Basic_Fed_tax	B	Tax(earn, Fed_sch)
Basic Federal tax	Basic_Fed_tax	B	Tax(earn, Fed_sch)
6. Tax credits:			
Basic credit	basic_cr	B	IF (Earn>0, (Basic_cred + Empl_crd) , Basic_cred)
Spouse credit	spouse_cr	P	((married+children)>0)*Taper(Spouse_cred, earn_spouse, Sp_crd_thrsh, Sp_crd_wth)
Unemployment insurance	unemp_cr	B	Unemp_crd_rate*SSC
Child tax credit	dep_ch_crd	P	IF(Children>0, Children*Dep_Ch_crd, 0)
Total (wastable) tax credits	tax_cr	B	basic_cr+spouse_cr+unemp_cr+dep_ch_crd
Working Income Tax Benefit	WITB	P	IF(Married>0,MAX(0,MIN(WITB_max+WITB_max_fam,(WITB_phzn_rt*MAX(0,earn_total-WITB_phzin_thrsh)))-MAX(0,WITB_phzout_rt*MAX(0,earn_total-(WITB_phzout_thrsh+WITB_phzn_thrsh_fam)))), IF(Children>0,MAX(0,MIN(WITB_max+WITB_max_fam,(WITB_phzn_rt*MAX(0,earn_total-WITB_phzin_thrsh)))-MAX(0,WITB_phzout_rt*MAX(0,earn_total-(WITB_phzout_thrsh+WITB_phzn_thrsh_fam)))), MAX(0,MIN(WITB_max,(WITB_phzn_rt*MAX(0,earn_total-WITB_phzin_thrsh)))-MAX(0,WITB_phzout_rt*MAX(0,earn_total-WITB_phzout_thrsh)))))
7. CG tax	CG_tax	B	Positive(Basic_Fed_tax-tax_cr)-WITB
8. State and local taxes			
Liable provincial tax	Prov_tax_sch	B	Tax(earn, Prov_sch)
Provincial tax credits	Prov_tax_cred	B	P_basic_crd+P_unem_tc_rt*SSC+IF(AND(Married=0, Children>0), P_spouse_crd, Married*Taper(P_spouse_crd, earn_spouse, P_sp_crd_thr, P_sp_crd_wd))
Provincial surtax	Prov_surtax	B	P_sur_rt1*Positive(Prov_tax_sch-Prov_tax_cred-P_sur_thr1)+P_sur_rt2*Positive(Prov_tax_sch-Prov_tax_cred-P_sur_thr2)
Provincial tax reduction	Prov_tax_redn	B	MAX(2*(P_tax_red+Children*P_tr_chld)-(Prov_tax_sch-Prov_tax_cred+Prov_surtax), 0)
Provincial sales tax credit	Prov_tax_stcred	P	Taper(IF(Married=1, 2, 1)*P_sales_cred+Children*P_salcr_chd, earn_total, P_ps_thresh, P_ps_red_rt)
Liable provincial tax	Prov_tax	B	Positive(Prov_tax_sch-Prov_tax_cred+Prov_surtax-Prov_tax_redn)
9. Employees' soc security:			
Canada Pension Plan	CPP	B	MIN(CPP_rate*Positive((earn-CPP_ex), CPP_max)
Unemployment insurance	Unemp	B	MIN(Unemp_rate*earn, Unemp_max)
State health premium	Prov_health	B	MIN(Hstep(tax_inc, P_hlth_sch), P_hlth_max)
Total Employees'soc security	SSC	B	CPP+Unemp+Prov_health

Line in country table and intermediate steps	Variable name	Range	Equation
11. Cash transfers (nonwastable)			
Child Tax Benefit	CTB	P	(Children>0)*(Taper(Children*Ch_credit +MAXA((Children-2), 0)*Ch_crd_3rd+MINA(Children, children_und7_max)*Ch_crd_und7, earn_total, Ch_crd_thrsh, IF(Children=1, Ch_crd_red1, Ch_crd_red2)))+MAXA(IF(Children>0, IF(Children<2, WIS_crd_1st, IF(Children<3, WIS_crd_1st+WIS_crd_2nd, WIS_crd_1st+WIS_crd_2nd+(Children-2)* WIS_crd_3rd)), 0)-MAXA((earn_total-WIS_phout_st), 0)*IF(Children=1, WIS_redn1, IF(Children=2, WIS_redn2, WIS_redn3)), 0)
GST Credit – Total	GST_cr	P	Taper((GST_crd_ad+(Married=1)*(GST_crd_ad+Children*GST_crd_ch)+(Married=0)*(Children>0)*(GST_crd_ad+GST_crd_sgsp+Positive(Children-1)*GST_crd_ch)+(Married=0)*(Children=0)*Positive(MIN(GST_crd_sgsp, (earn_total-GST_sgsp_thrsh)*GST_sgsp_rate))), earn_total, GST_crd_thrsh, GST_crd_redn)
GST Credit – Adult	GST_cr_adult	P	Taper((GST_crd_ad+(Married=1)*(GST_crd_ad)+(Married=0)*Positive(MIN(GST_crd_sgsp, (earn_total-GST_sgsp_thrsh)*GST_sgsp_rate))), earn_total, GST_crd_thrsh, GST_crd_redn)
GST Credit – Child	GST_cr_child	P	GST_cr-GST_cr_adult
Ontario child benefit	Prov_child_ben	P	MAX(Taper(MIN(((earn_total)-P_ch_crd_th)*MIN(Children,children_und7_max,3)*P_pct_earn,Positive((P_und7_max+IF(Married=0,P_sps_und7.0))*MIN(Children,children_und7_max))),earn_total,P_thrsh_red,P_redn_rate),Taper(Children*P_ch_amt,(earn_total)),P_ch_thresh,P_ch_redn_rate))
Ontario sales tax credit	Prov_sales_cr	P	Taper(IF(Married=1.2,1)*P_sales_cred+Children*P_salcr_chd,earn_total, IF(Married+Children=0, P_ps_thresh,P_ps_thr_sen),P_ps_red_rt)
Total Cash Transfers	Cash_tran	P	CTB+GST_cr+Prov_child_ben+ Prov_sales_cr
13. Employer's soc security			
Canada Pension Plan	CPP_empr	B	CPP*Unemp_emplr
Unemployment insurance	Unemp_empr	B	Unemp*Unemp_emplr
Ontario Employers Health Tax	Health_empr	B	earn*emp_healthtax
Ontario Workers Compensation	Comp_empr	B	MAX(earn, emp_workcomp_ceil)*emp_workcomp
Total Employer's soc security	SSC_empr	B	CPP_empr+Unemp_empr+Health_empr+Comp_empr

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Chile

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Chile 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		3938217	5907326	9845543	3938217
2.	**Standard tax allowances**					
	Basic allowance		3154512	4731768	6321402	3154512
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		275675	413513	689188	275675
	Work-related expenses					
	Other		508030	762045	1270075	508030
		Total	3938217	5907326	8280665	3938217
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		0	0	1564878	0
5.	**Central government income tax liability (exclusive of tax credits)**		0	0	78244	0
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		0	0	78244	0
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		275675	413513	689188	275675
	Taxable income					
		Total	275675	413513	689188	275675
10.	**Total payments to general government (7 + 8 + 9)**		275675	413513	767432	275675
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	37788
		Total	0	0	0	37788
12.	**Take-home pay (1-10+11)**		3662542	5493813	9078111	3700330
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		0.0%	0.0%	0.8%	0.0%
	Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers		7.0%	7.0%	7.8%	6.0%
	Total tax wedge including employer's social security contributions		7.0%	7.0%	7.8%	6.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		7.0%	7.0%	11.0%	7.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		7.0%	7.0%	11.0%	7.0%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Chile 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		5907326	7876434	9845543	7876434
2.	**Standard tax allowances**					
	Basic allowance		4731768	6309024	7886280	6309024
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		413513	551350	689188	551350
	Work-related expenses					
	Other		762045	1016060	1270075	1016060
		Total	5907326	7876434	9845543	7876434
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		0	0	0	0
5.	**Central government income tax liability (exclusive of tax credits)**		0	0	0	0
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		0	0	0	0
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		413513	551350	689188	551350
	Taxable income					
		Total	413513	551350	689188	551350
10.	**Total payments to general government (7 + 8 + 9)**		413513	551350	689188	551350
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	167352	37788	0
		Total	0	167352	37788	0
12.	**Take-home pay (1-10+11)**		5493813	7492436	9194143	7325084
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		0.0%	0.0%	0.0%	0.0%
	Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers		7.0%	4.9%	6.6%	7.0%
	Total tax wedge including employer's social security contributions		7.0%	4.9%	6.6%	7.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers: Spouse		-1.5%	7.0%	7.0%	7.0%
	Total tax wedge: Principal earner		7.0%	7.0%	7.0%	7.0%
	Total tax wedge: Spouse		-1.5%	7.0%	7.0%	7.0%

Chile's national currency is the peso (CLP). For 2011, the average exchange rate was CLP 483.54 to USD 1. That same year, the average worker in Chile earned CLP 5 907 326 (Secretariat estimate).

Taxes allowances and tax thresholds for the personal income tax system and upper earnings limits for social security contributions are determined using and expressed in CPI-indexed units. At 31 December 2011, the following currency values applied to these units:

Major revenue items	Unit	CLP	USD
Social security contributions	Unidad de Fomento (UF)	22 294.03[1]	46.12
Monthly tax thresholds	Unidad Tributaria Mensual (UTM)	39 021	80.73
Annual tax thresholds	Unidad Tributaria Anual (UTA)	468 252	968.74

1. This amount is subject to daily adjustment in line with the CPI and is compared with monthly earnings in the assessment of social security contributions

1. Personal income tax system

1.1. *Central/federal government income taxes*

1.1.1. *Tax unit*

Each family member declares and pays taxes separately.

1.1.2. *Tax allowances and credits*

1.1.2.1. Standard tax reliefs

- *A general basic allowance* of UTA 13.5, around CLP 6 321 402 is deductible from income in 2011.
- *Relief for social security contributions:* employee's compulsory social insurance contributions are deductible for income tax purposes regardless of whether they are paid to government or private health insurers (see Section 2.1 below).

1.1.2.2. Main non-standard tax reliefs

- *Voluntary contributions and APV (Voluntary Pension Fund Savings):* voluntary contributions to pension funds and voluntary pension savings fund (APV) may be deducted from taxable income, with an annual upper limit of CLP 13 376 418 (UF 600).
- *DFL2 Housing Mortgage Loan Payments:* the annual amounts paid in respect of mortgage obligations assumed in purchasing newly built houses under legislation DFL 2 of 1959 can be deducted from taxable income. These properties correspond to low-cost housing having a surface not exceeding 140 square meters. The discounts, subject to upper limits, may be applied over the entire duration of the debt.
- *Mortgage Interest:* taxpayers whose annual income falls below CLP 42 142 680 (UTA 90) may deduct from their taxable income 100% of interest paid within a year for mortgage loans. This percentage is reduced in the case of taxpayers with higher incomes up to CLP 70 237 800 (UTA 150). This relief cannot be granted along-side the *DFL2 Housing Mortgage Loan Payments* benefit, and cannot exceed CLP 3 746 016 (UTA 8) per annum.

1.1.3. Tax schedule

Tax rates are applied on monthly income and these taxes are retained and paid by employers. In order to estimate taxes, tax rates are applied proportionately to annual average income.

Taxable income (UTA-UTM)	Taxable income (CLP thousands)	Tax rates
0-13.5	0-6 321	0%
13.5-30	6 321-14 048	5%
30-50	14 048-23 413	10%
50-70	23 413-32 778	15%
70-90	32 778-42 143	25%
90-120	42 143-56 190	32%
120-150	56 190-70 238	37%
150 and over	70 238 and over	40%

1.2. State and local income taxes

No taxes apply to income at state or local government level.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employees' contributions

Employees have mandatorily to contribute 7% of their income to a health insurance plan subject to an upper earnings limit of CLP 17 327 669 (UF 66). They are free to choose whether to pay into a government-managed plan or alternatively to a private insurer* (Isapres). The public insurance is based on a joint system that, in general, operates on an equal basis for all its beneficiaries, irrespective of the risk and the amount of the individual contribution. Its financing is partly covered by the contributions and partly by way of a government subsidy. Premiums paid to the plans offered by Isapres are based on the contributors' individual risk and these plans are exclusively financed with the employees' contributions. These contributions are included in the modeling as the majority of employees pay into plans managed by the government sector.

Employee social security contributions in respect of pensions and unemployment are not classified as taxes in this report; though they are included in modeling as deductions for income tax.

- The mandatory contributions to pension funds and unemployment insurance plans are not classified as taxes, since the payments are made to private institutions. In 1980, the public social security system was replaced with a privately managed individual capitalization system. This system is obligatory to all employees who have joined the labor force since 1983, and of a voluntary nature to all contributing to the former system and free-lance workers. The contributions to the old government operated pension fund system are not included in the modeling because they relate to a minority of employees and the system will eventually disappear once the contributions and related benefit payments to those individuals remaining in it have ceased.
- The modeling allows that the contributions to pension funds and unemployment insurance managed by private institutions are deducted from gross income. In the case of their pension funds, these payments amount to 10% of their gross income, with an upper

* Enrollement in the private health system during 2010 amounted to 16.5% of all beneficiaries.

earnings limit of CLP 17 327 669 (UF 66). Added to that is an amount that varies depending on the managing company that covers the management of each pension fund account.* The monthly unemployment insurance premium is 0.6% of the employee's gross income, with an upper earnings limit of CLP 25 991 504 (UF 99) limit. Employees do not pay the monthly unemployment insurance premium when they have a fixed-term contract.

- There are also mandatory contributions to managed funds by members of the police force and the army which are classified as taxes but are not included in the modeling as they relate to a minority of the overall workforce.
- If the employee has a high risk job, he has to make an additional contribution of up to 2% of his gross income to the pension fund manager.

2.2. Employers' contributions

There are three categories of employer social security contribution, none of which are classified as tax revenues in this report.

- 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. For the majority of employees the payments are made to employers' associations of labor security which are private non-profit institutions. Those remaining 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. The employers also 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%.
- In addition, employers make payments of 2.4% of each employee's income (3% for fixed-term contracts) to finance unemployment insurance. These funds are managed privately.
- Employers have to pay a disability insurance of 1.49 per cent** of the employees' gross income, to the pension fund manager.

If the employee has a high risk job, the employer has to pay up to 2% of the employee's gross income to the pension fund manager.

3. Universal cash transfers

3.1. Marital status-related transfers

No such transfers are paid.

3.2. Transfers related to dependent children

The "Family Allowance" is paid on a monthly basis to any employee making social security contributions who has dependant children. The definition of dependants includes;

- adopted children as well as those born to the parents;
- children up to the age of 18 or 24 years provided they are single and are regular students in an elementary, secondary, technical, specialised or higher education establishment, and whose income is less than or equal to half the minimum wage.

* Average cost in 2011 was 2.3% of income.
** Since July 2011.

- The amount of the payment depends on the number of dependent children and the beneficiary's level of income according to the table below. The modelling assumes that the benefit is assessed on the spouse with the lower earning level where both spouses are working.

2011 transfer by dependant	
Annual income range (CLP)	Annual payment (CLP)
0-2 188 374	83 676
2 188 375-3 635 358	59 796
3 635 359-5 669 922	18 894
5 669 923 and over	0

4. Memorandum items

4.1. *Identification of an average worker*

- The source of information is a survey conducted by the National Statistics Institute (INE) to determine the Salary and Labour Cost Index. This nationwide survey is carried out on a monthly sample and gathers information on salaries and labour costs. It applies to companies with at least 5-worker payrolls grouped in accordance with UN ISIC Rev. 3 international economic activity standard.
- The average gross earnings was obtained by multiplying the average hourly wage by the average number of hours worked. It covers both full and part-time workers.

4.2. *Employers' contribution to private health and pension schemes*

- In Chile, very few employers make any contributions towards health schemes for their employees, and the relevant information is not available.

2011 Parameter values

Average earnings/yr	Ave_earn	5 907 326	Secretariat estimate
Allowances	Basic_al	6 321 402	
Income tax	Tax_sch	0.05	14 047 560
		0.1	23 412 600
		0.15	32 777 640
		0.25	42 142 680
		0.32	56 190 240
		0.37	70 237 800
		0.4	
Employees SSC		0.07	
Upper threshold	SSC_sch	0	17 327 669
Family allowance		0	83 676
Child element	CTR_child	2 188 374	59 796
		3 635 358	18 894
		5 669 922	0

2011 Tax equations

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:	Tax_al	B	Min(Basic_al,earn)
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al)
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6. Tax credits:	tax_cr	B	0
7. CG tax	CG_tax	B	CG_tax_excl
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	Tax(earn, SSC_sch)
11. Family allowance	cash_trans	P/S	IF(Children=0.0, IF(earn_spouse>0, VLOOKUP (earn_spouse, CTR_child) , VLOOKUP (earn_princ, CTR_child)) * children)
13. Employer's soc security	SSC_empr		0

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Czech Republic

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Czech Republic 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		193654	290481	484135	193654
2.	**Standard tax allowances**					
	Basic allowance		0	0	0	0
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other					
		Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3 + 13)**		259496	389245	648741	259496
5.	**Central government income tax liability (exclusive of tax credits)**		38924	58387	97311	38924
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		23640	23640	23640	46848
		Total	23640	23640	23640	46848
7.	**Central government income tax finally paid (5-6)**		15284	34747	73671	-7924
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		21302	31953	53255	21302
	Taxable income					
		Total	21302	31953	53255	21302
10.	**Total payments to general government (7 + 8 + 9)**		36586	66700	126926	13378
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	36667
		Total	0	0	0	36667
12.	**Take-home pay (1-10+11)**		157068	223781	357209	216942
13.	**Employer's compulsory social security contributions**		65842	98764	164606	65842
14.	**Average rates**					
	Income tax		7.9%	12.0%	15.2%	-4.1%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		18.9%	23.0%	26.2%	-12.0%
	Total tax wedge including employer's social security contributions		39.5%	42.5%	44.9%	16.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		31.1%	31.1%	31.1%	40.7%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		48.6%	48.6%	48.6%	55.7%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Czech Republic 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		290481	387308	484135	387308
2.	**Standard tax allowances**					
	Basic allowance		0	0	0	0
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other					
		Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3 + 13)**		389245	518993	648741	518993
5.	**Central government income tax liability (exclusive of tax credits)**		58387	77849	97311	77849
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		71688	46848	46848	23640
		Total	71688	46848	46848	23640
7.	**Central government income tax finally paid (5-6)**		-13301	11539	25623	34747
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		31953	42604	53255	42604
	Taxable income					
		Total	31953	42604	53255	42604
10.	**Total payments to general government (7 + 8 + 9)**		18652	54143	78878	77351
11.	**Cash transfers from general government**					
	For head of family					
	For two children		32787	26268	18605	0
		Total	32787	26268	18605	0
12.	**Take-home pay (1-10+11)**		304616	359433	423862	309957
13.	**Employer's compulsory social security contributions**		98764	131685	164606	131685
14.	**Average rates**					
	Income tax		-4.6%	3.0%	5.3%	9.0%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		-4.9%	7.2%	12.4%	20.0%
	Total tax wedge including employer's social security contributions		21.7%	30.7%	34.7%	40.3%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		38.4%	38.4%	38.4%	31.1%
	Total payments less cash transfers: Spouse		43.4%	20.5%	38.4%	11.0%
	Total tax wedge: Principal earner		54.0%	54.0%	54.0%	48.6%
	Total tax wedge: Spouse		57.8%	40.6%	54.0%	33.6%

The national currency is the Koruny (CZK). In 2011, CZK 17.66 equal to USD 1. In that year, the average worker earned CZK 290 481 (Country estimate).

1. Personal income tax system

1.1. Central government income taxes

1.1.1. Tax unit

- The tax unit is the individual.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- *Relief for social and health security contributions*. Employees' social security contributions (see Section 2.1) are not deductible for income tax purposes.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- *Charitable donations allowance:* a tax allowance of up to 10 per cent of taxable income is available for donations made to municipalities or legal entities for the financing of social, health, cultural, humanitarian, religious, ecological and sport activities. The minimum limit for donations is the lesser of 2 per cent of taxable income or CZK 1 000.
- *Interest payments:* taxpayers may claim an allowance of up to CZK 300 000 for mortgage interest payments or other interest payments related to the purchase or the improvement of their house. If more than one individual living in the same household apply for this allowance, the sum of their annual deductions is subject to the above-mentioned ceiling, *i.e.* CZK 300 000.
- *Supplementary pension scheme contributions:* taxpayers who are members of a registered supplementary private pension scheme are entitled to deduct the individually paid (*i.e.* paid by employee) annual contributions to a registered pension scheme reduced by CZK 6 000 from the earned income. The maximum allowance is CZK 12 000 a year.
- *Private life insurance premiums:* taxpayers may claim an allowance of up to CZK 12 000 for premiums paid according to a contract between the taxpayer and an insurance company if the benefit (lump sum or recurrent pension) is paid out 60 months after the signature of the contract and in the year in which the taxpayer reaches the age of 60.

1.1.2.3. Tax schedule

From January 2008, a progressive system of taxation is replaced by a single rate of 15%, levied on gross earnings augmented with employer social security contributions net of non-standard tax reliefs. The non-standard tax reliefs are not included in the tax equations underlying the *Taxing Wages* results.

1.1.2.4. Tax credits

- Credit of CZK 23 640 per taxpayer, change only for the year 2011.
- Credit of CZK 24 840 per spouse (husband or wife) living with a taxpayer in one household provided that the spouse's own income does not exceed CZK 68 000 in the taxable period.
- Credit for children: payable tax credit of CZK 11 604 (irrespective of the child's own income) if the child satisfies one or more of the following criteria:
  - ❖ age below 18;
  - ❖ age below 26 and receiving full-time education;
  - ❖ age below 26 and physically or mentally disabled provided that the child is not in receipt of a state disability payment.

  Non-standard tax credits:
- Credit of CZK 2 520 if the taxpayer is in receipt of a partial disability pension or is entitled to both an old-age pension and a partial disability pension.
- Credit of CZK 5 040 it the taxpayer is in receipt of a full disability pension, or another type of pension conditional on his full disability pension, or if the taxpayer is entitled to both old-age pension and full disability pension or deemed to be fully disabled under statutory provisions, but his application for a full disability pension was rejected for reasons other than that he was not fully disabled (handicapped).
- Credit of CZK 16 140 if the taxpayer is a "ZTP-P" card holder (ZTP-P means handicapped person requiring an escort).
- Credit of CZK 4 020 if the taxpayer takes part in a systematic educational or training programme under statutory provisions in order to prepare for his future vocation (profession) by means of such studies or prescribed training until completion of his/her 26 or 28 years (Ph.D. programme).

1.2. State and local income tax

There are no regional or local income taxes.

2. Compulsory social security contributions to schemes operated within the government sector

A ceiling on social security contributions of four times the average wage was introduced in 2008. The estimate of the ceiling on social security contributions is CZK 148 440 per month for 2011, *i.e.* CZK 1 781 280 per year.

2.1. Employees' contributions

Compulsory contributions of 11 per cent of gross wages and salaries are paid by all employees into government operated schemes. The total is made up as follows (in %):

Health insurance	4.5
Social insurance	6.5

2.2. Employers' contributions

The total contribution for employers is 34 per cent of gross earnings.

The contribution consists of the health insurance contribution (9 per cent of gross wages and salaries) and social insurance (25 per cent).

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

Non-taxable family allowances are paid as follows:

Family income	Up to 2.4 LM
Age of child	Total payment CZK per month
Below 6	500
6-15	610
15-26	700

The central government pays this allowance in respect of each dependent child based on the family income level and provided that family income does not exceed 2.4 times the relevant living minimum (LM). Family income includes the earnings of both parents net of income tax and the employees' social security and health insurance contributions. The monthly LM for the AW-type family with children can be calculated by summing the following amounts (in CZK):

Living minimum	
Basic personal requirement	
Single	3 126
First person in household	2 880
Second and other persons who are not a dependent child	2 600
Child aged below 6	1 600
Child aged between 6 and 15	1 960
Child aged between 15 and 26	2 250
Household expenses	
One person household	2 880
Two person household	5 480
Three person household	7 080
Four person household	9 040
Five person household	11 290

A family is also entitled to a social allowance if there is at least one child in the family and the net monthly income of the family is below two times the LM. The transfer is calculated based on the following formula:

$$\text{child's basic personal requirement} - \frac{\text{child's basic personal requirement} * \text{net family income}}{\text{LM} * 2}$$

If the net family income is below the LM, then the LM is to be used in this formula instead of the net family income. The central government pays this allowance monthly.

3.3. Additional transfers

An additional allowance is paid by local government to low income families. The amount transferred varies according to the budget capacity and is provided if total family income including family allowances is less than the LM. This allowance is not included in the computation.

4. Main changes in tax/benefit systems since 2011

Main changes in the tax and benefit systems in force since January 2010:

- The tax credit for taxpayer was reduced from CZK 24 840 to CZK 23 640 in the taxable period.

5. Memorandum items

5.1. Identification of AW and valuation of earnings

The Ministry of Finance estimates the average earnings of the AW based on the data supplied by the Czech Statistical Office. The data supplied cover years up to 2010. The calculation of the average earnings AW is made by CZ-NACE division, which is compatible with ISIC classifications Rev. 4.

5.2. Employers' contributions to private pension, health and related schemes

There are supplementary private pension schemes only, but employers' contributions vary. Relevant information is not available.

2011 Parameter values

	Ave_earn	290 481	Country estimate
Income tax rate	tax_rate	0.15	
Social security contributions	SSC_rate	0.11	
Employers	SSC_empr_rate	0.34	
Child Tax credit	child_ cr	11 604	
Tax credit for individuals	tax_cr_base	23 640	
Tax credit for spouse	tax_cr_spo	24 840	
Tax credit for spouse income ceiling	Tax_cr_spo_inc_ceil	68 000	
Living minimum (LM)			
	basic_adult	3 126	
	basic_household	5 480	
	basic_child	1 960	
	house_exp	1	2 880
		2	5 480
		3	7 080
		4	9 040
		5	11 290
Cash transfers	transf_1	610	
Social security contribution – ceiling	soc_sec_contr_ceil	1 781 280	

2011 Tax equations

The equations for the Czech system are on an individual basis. But the spouse tax credit is relevant only to the calculation for the principal earner and cash transfers are calculated only once. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

	Variable name	Range	Equation
1. Earnings	earn	B	
2. CG taxable income	tax_inc_princ	B	Earn+(earn*SSC_empr_rate)
3. CG tax before credits			
CG tax before credits principal	CG_tax_excl_princ	B	Tax(tax_inc_princ, tax_rate)
4. Tax credits:			
Tax credit for children	tax_cr_ch	P	children*child_cr
Basic tax credit	tax_cr_bas	B	tax_cr_bas
Tax credit for spouse	tax_cr_spouse	P	Married*tax_cr_spo
5. CG tax			
CG tax principal	CG_tax_princ	B	Max(CG_tax_excl_princ - tax_cr_bas_princ - tax_cr_spo , 0) - tax_cr_ch
6. State and local taxes	local_tax	B	0
7. Employees' soc security	SSC	B	MIN(earn,soc_sec_contr_ceil)*SSC_rate
8. Cash transfers			
Net family income	net_inc	J	earn_total-CG_tax_total-SSC_total
9. Living minimum (monthly)	LM	J	(1-Married)*basic_adult+Married*basic_household +Children*basic_child+ VLOOKUP((1+Married+Children), house_exp, 2, FALSE)
10. Total cash transfers	cash_trans	J	Children*IF(net_inc<=(2.4)*LM*12, transf_1*12) +Children*12*IF(net_inc<LM*12, basic_child*(1/2), IF(net_inc<2*LM*12, basic_child*(1- net_inc/ (2*LM*12)),0))
11. Employer's soc security	SSC_empr	B	MIN(earn,soci_sec_contr_ceil)*SSC_empr_rate

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Denmark

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Denmark 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		255234	382850	638084	255234
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		20419	30628	51047	20419
	Work-related expenses		10431	10431	10431	10431
	Other					
		Total	30850	41059	61478	30850
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
	Earnings tax credit deduction		10847	13600	13600	10847
		Total	-10847	-13600	-13600	-10847
4.	**Central government taxable income (1 - 2 + 3)**		213536	328191	563006	213536
5.	**Central government income tax liability (exclusive of tax credits)**		25591	39037	95658	25591
6.	**Tax credits**					
	Basic credit		4994	4994	4994	4994
	Married or head of family					
	Children					
	Other					
		Total	4994	4994	4994	4994
7.	**Central government income tax finally paid (5-6)**		20597	34043	90665	20597
8.	**State and local taxes**		43778	73194	133438	43778
9.	**Employees' compulsory social security contributions**					
	Gross earnings		30850	41059	61478	30850
	Taxable income					
		Total	30850	41059	61478	30850
10.	**Total payments to general government (7 + 8 + 9)**		95225	148297	285581	95225
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	64352
	Green check		1300	1300	0	1900
		Total	1300	1300	0	66252
12.	**Take-home pay (1-10+11)**		161308	235854	352503	226260
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		25.2%	28.0%	35.1%	25.2%
	Employees' social security contributions		12.1%	10.7%	9.6%	12.1%
	Total payments less cash transfers		36.8%	38.4%	44.8%	11.4%
	Total tax wedge including employer's social security contributions		36.8%	38.4%	44.8%	11.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		40.9%	42.3%	56.1%	40.9%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		40.9%	42.3%	56.1%	40.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Denmark 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		382850	510467	638084	510467
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		30628	40837	51047	40837
	Work-related expenses		10431	20862	20862	20862
	Other					
		Total	41059	61699	71909	61699
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
	Earnings tax credit deduction		13600	13600	13600	13600
		Total	-13600	-13600	-13600	-13600
4.	**Central government taxable income (1 - 2 + 3)**		328191	429744	541728	429744
5.	**Central government income tax liability (exclusive of tax credits)**		39037	51395	64628	51395
6.	**Tax credits**					
	Basic credit		14981	9987	9987	9987
	Married or head of family					
	Children					
	Other					
		Total	14981	9987	9987	9987
7.	**Central government income tax finally paid (5-6)**		29050	41408	54641	41408
8.	**State and local taxes**		62188	88242	116973	88242
9.	**Employees' compulsory social security contributions**					
	Gross earnings		41059	61699	71909	61699
	Taxable income					
		Total	41059	61699	71909	61699
10.	**Total payments to general government (7 + 8 + 9)**		132297	191350	243522	191350
11.	**Cash transfers from general government**					
	For head of family					
	For two children		24036	24036	24036	0
	Green check		3200	3200	3200	2600
		Total	27236	27236	27236	2600
12.	**Take-home pay (1-10+11)**		277790	346353	421798	321717
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		23.8%	25.4%	26.9%	25.4%
	Employees' social security contributions		10.7%	12.1%	11.3%	12.1%
	Total payments less cash transfers		27.4%	32.1%	33.9%	37.0%
	Total tax wedge including employer's social security contributions		27.4%	32.1%	33.9%	37.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		42.3%	42.3%	42.3%	42.3%
	Total payments less cash transfers: Spouse		46.3%	40.9%	40.9%	40.9%
	Total tax wedge: Principal earner		42.3%	42.3%	42.3%	42.3%
	Total tax wedge: Spouse		46.3%	40.9%	40.9%	40.9%

The national currency is the Kroner (DKK). In 2011, DKK 5.36 was equal to USD 1. In that year, the average worker earned DKK 382 850 (Secretariat estimate).

1. Personal income tax system

In the Danish personal income tax system, the income of the individual taxpayer is split into three categories:

- *Personal income,* which consists of employment income, business income, pensions, unemployment benefits, etc.
- *Capital income* (*e.g.* interest income and some capital gains) is calculated as a net amount (the sum of positive and negative capital income net of interest expenses). Dividend income and the property value of owner-occupied dwellings are taxed at different tax rates.
- *Taxable income* – the aggregate of personal income and capital income less deductions (*e.g.* work-related expenses, etc.).

All three categories are relevant for various tax rates, see Section 1.2.1.

The employees' social security contributions and their payments to labour market supplementary pension schemes (see Section 2.1) are not included in personal income (or taxable income).

Regarding the tax unit, the earned income of each spouse is taxed separately. However, as is mentioned in Section 1.2.1, some unutilised personal allowances can be transferred between them.

1.1. Tax allowances and tax credits

1.1.1. Standard reliefs

Wage or salary earners who make expenses in order to earn their income (*e.g.* transport expenses, trade union membership dues, unemployment premiums) can fully deduct these expenses from taxable income. In this Report, contributions to unemployment insurance are therefore regarded as a standard tax allowance (and as a social security contribution).

The tax credit scheme allows the taxpayer to deduct 4.25 per cent of earned income to a maximum of DKK 13 600 in order to calculate taxable income. The effective value of the credit is equal to the municipality tax (24.9 per cent), the church tax rate (0.7 per cent) plus the 8.0 per cent health tax rate that is paid to the state (33.6 per cent on average) multiplied by the value of the deduction.

1.1.2. Main non-standard tax reliefs applicable to an AW

- *Interest payments* are fully deductible from capital income.
- The *non-standard deduction for wage and salary earners:* the actual costs that are made in order to acquire income are deductible from taxable income. The main items are:
  - Contributions paid to trade unions.

- Transportation costs: up to 24 km per day: no deduction. 24-100 km: DKK 2.00 per km. Above 100 km: DKK 1.00 per km as a standard, but transport from municipalities placed in the outskirts of the country gives a credit of DKK 2.00 also above 100 km.
- Other costs above DKK 5 500.

- *Contributions/premiums* paid to *private pension saving plans* are in general deductible from personal income. From 1999 onwards, contributions/premiums paid to private pension saving plans with sum payments are no longer deductible from income subject to the top tax bracket rate.
- Other reliefs:
  - alimonies, if according to contract, are deductible from taxable income;
  - contributions to certain non-profit institutions are deductible from taxable income (limit DKK 14 500);
  - losses incurred from unincorporated business in earlier years are, in principle, deductible from personal income.

1.1.3. *Tax credits*

Each individual is granted a personal allowance, which is converted into a wastable tax credit by applying the marginal tax rate of the first bracket of the income tax schedule. For taxpayers who are 18 years of age or are older, the tax credit amounts to:

For central government income tax	3.64 per cent of DKK 42 900 = DKK 1 562
For central government health tax	8.00 per cent of DKK 42 900 = DKK 3 432
For local government income tax and church tax (average rate)	25.656 per cent of DKK 42 900 = DKK 11 006

Special personal allowance for an individual younger than 18: DKK 32 200.

If a married person cannot utilise the personal allowance, the unutilised part is transferred to the spouse.

1.2. *Central government income taxes*

1.2.1. *Tax schedule*

Low tax bracket to the central government is assessed on the aggregate of personal income and positive net capital income at the rate of 3.64 per cent.

From 2010 and onwards, the medium tax bracket was suspended.

Top tax bracket to the central government is assessed on the excess of DKK 389 900 of the aggregate of personal income and positive net capital income at the rate of 15 per cent. If a married individual cannot utilise the total allowance of DKK 389 900, the unutilised part is *not* transferred to the spouse.

If the marginal tax rate including local tax but excluding church tax exceeds 51.5 per cent, the top tax bracket rate is reduced by the difference between the marginal tax rate and 51.5 per cent. The reduction at the average local tax rate is 0.1 per cent in 2011.

1.2.2. *Health care tax*

Central government levies an additional health care tax of 8 per cent. The tax base is taxable income (see Section 1).

1.3. State and local income taxes

1.3.1. General description

Local income taxes are levied only by the municipalities (and the church). The rates vary across jurisdictions.

1.3.2. Tax base

The tax base is taxable income (see Section 1). Tax credit varies with tax rates. The average amount is given below.

1.3.3. Tax rates

Lowest rate: 22.8 per cent (municipalities).

Highest rate: 27.8 per cent (municipalities).

Average rate: 25.656 per cent (municipalities: 24.921 per cent; church: 0.735 per cent).

The average rate is used in this study. It is applied to the tax base less personal allowances (see Section 1.1).

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employees' contributions

Employees make a fixed contribution of DKK 10 431 for unemployment insurance. From 1999 onwards, the contribution for unemployment insurance is split into two: one part consists of the contribution for unemployment insurance (DKK 3 672) while the other part consists of a voluntary contribution to an early retirement scheme (DKK 5 364). In addition an administration fee of DKK 1 395 on average is added.

Contributions to the unemployment funds are not mandatory. Nevertheless these payments are defined as social security contributions and classified as taxes in the Danish national accounts because there is no direct link between what members pay to the schemes and what they receive and the funds are subsidised by the state. In this Report, both contributions as well as the administration fee are included. Additional social security contributions are assessed on the basis of employees' gross earnings at the rate of 8.0 per cent.* Social security contributions are not assessed on social transfers or on capital income.

In addition, there is a compulsory fixed contribution to a general Labour Market Supplementary Pension Scheme of DKK 1 080 for workers who work at least 117 hours per month (for workers who work less than 117 hours but not less than 78 hours, the rate is DKK 720; for workers who work less than 78 hours but not less than 39 hours, the rate is DKK 360); their employer makes a corresponding contribution that is double this amount. Under this scheme, each employee has a plan and it should be noted that the contribution that is ascribed to this plan is determined by the level of employment and does not necessarily relate to the actual amount described above. The employee contribution of DKK 1 080 is modelled as a standard tax relief from the personal income tax. As the employee and employer contribution is paid to a privately-managed pension scheme, these contributions are not considered to be taxes but rather as non-tax compulsory payments and are therefore not included in the tax calculations.

* In the *Revenue Statistics*, this payment is not reported as a social security contribution, but as a separate type of personal income tax. For presentational reasons it is included here as a social security contribution.

2.2. Employers' contributions

From 2000 onwards, the social security contribution is zero. The employer only contributes to a Labour Market Supplementary Pension scheme, which in case of a full-time employee corresponds to a fixed amount of DKK 2 160 (being twice the fixed amount of DKK 1 080 mentioned in Section 2.1).

3. Universal cash transfers

The transfers for each dependent child are as follows:

Age group	Quarterly amount (DKK) for each child
0-2	4 248
3-6	3 363
7-17	2 646

The transfer is independent of the parents' income. There are additional special amounts for single parents: the transfer for each dependent child is DKK 4 960 per year and a yearly transfer of DKK 5 052 regardless of the number of children. In addition, there is a state transfer of DKK 12 672 per year for each dependent child in case an "absent parent" does not contribute (this amount) to the family. This transfer is included in this Report's calculations for single parents.

Individuals older than 18 years receive a "green check" of DKK 1 300; this amount is increased with DKK 300 per child for up to two children. Only one partner in a married couple receives the increased "green check" for children. The "green check" is nominally fixed and is quickly phased out at a rate of 7.5 per cent for income above DKK 362 800.

4. Main changes in tax/benefit systems

From 2000 to 2002, the low tax bracket rate has been reduced from 7 per cent to 5.5 per cent. The low tax bracket is assessed on the aggregate of personal income and positive net capital income.

After the parliamentary elections in 2001, the Conservative/Liberal government adopted a tax freeze policy, which implied that tax rates could not be increased, either in nominal or relative terms, during that government term. Taxes were therefore not increased during the period 2002-05. After the parliamentary elections in February 2005, the Conservative/Liberal government and the tax freeze policy were confirmed.

In order to respect the "tax freeze", the low tax bracket has been reduced by 0.36 per cent from 2004 to 2010 as a compensation for increases in local income taxes from 33.31 per cent in 2004 to 33.66 per cent in 2011.

In the spring of 2003, the government agreed with one of the opposition parties to implement a tax package. The aim of this package was to decrease the level of labour taxation in Denmark, and thereby to reduce the distortions in the labour market and to improve the incentives to work. The package contained two main elements: an increase of the threshold for the medium tax bracket of nearly DKK 50 000 and the introduction of a tax credit scheme whereby the taxpayer can deduct 2.5 per cent of earned income to a maximum of DKK 7 500 (in 2007) in the calculation of taxable income.

Before 2004, a compulsory contribution of 1 per cent of employees' gross earnings was paid to an individual Labour Market Supplementary Pension Scheme established for the

employee – this contribution is not considered as a social security contribution but rather as savings being made by the individual. However, from 2004 to 2010, this contribution was suspended and finally abolished and the deposits paid out as of April 2010.

In September 2007, the tax cuts from the 2003-package was extended. The threshold for the medium tax bracket was to be raised with DKK 57 900 in 2009 to meet with the top tax bracket threshold. The deductible tax credit was increased to 4.0 per cent of earned income in 2008 and to 4.25 per cent in 2009; thus raising the maximum to 12 300 in 2008 and to 13 600 in 2009. The effective value of the credit and of the personal income allowance is equal to the local income tax rate, the church tax plus the health care tax rate (33.5 per cent on average) multiplied by the value of the deduction.

From the 1 January 2007, a Local Government Reform has come into force, which changes the structure of labour taxation. The reform however had only a minimal impact on the overall level of taxation. The number of municipalities has been cut from 270 to 98 and five regions have replaced the 14 counties. The regions will not impose taxes but will be financed through state subsidies and by contributions from the municipalities. The reform implied an increase in the average municipal tax rate from 24.134 per cent in 2006 to 24.577 per cent in 2007. Since then, there has been a further increase in the average municipal tax to 24.903 per cent in 2010. The county tax has been replaced by a new health care tax of 8 per cent which is levied by central government. The health care tax rate has remained 8 per cent since 2008. The county tax was part of state income taxation. The levels of taxation have thus been reduced from three to two: only the central and local governments now levy taxes.

In the spring of 2009, the government and one of the opposition parties agreed upon a major tax reform to be phased in from 2010 to 2019. The reform aims at reducing the high marginal tax rates on personal income and thus to stimulate labour supply in the medium to long-term. The reform decreases income taxes by DKK 29 billion in 2010. The tax reform is planned to be revenue neutral as a whole, but is underfinanced in the short run (2010-12) in order to stimulate the economy. The main measures taken in 2010 include the reduction of the rate of the bottom tax bracket from 5.26 per cent to 3.67 per cent, abolition of the medium tax bracket with the 6 per cent rate altogether, and increase the top tax bracket threshold by DKK 28 800 to DKK 389 000. The reform will decrease the lowest marginal tax rate from 42.4 per cent to 41.0 per cent and the highest marginal tax rate on labour income from 63.0 per cent to 56.1 per cent. The marginal tax rate on positive net capital income (up to 51.5 after abolition of the middle tax bracket) is further reduced for the vast majority by introduction of an extra allowance of DKK 40 000 (DKK 80 000 for married couples) for positive net capital income in the top bracket tax.

The reform is partly financed by higher energy, transport and environmental taxes to support the energy and climate policy objectives of the government, and also by increases of excise rates on health-related goods (fat, candy, sugary drinks, tobacco). These increases are partly compensated by giving a "green check" to households (see Section 3). The tax reform is also partly financed by base broadening measures. The measures include a gradual reduction from 2012 to 2019 of the tax value (from 33.5 to 25.5%) of assessment oriented deductions and limitations of the tax deductibility of net interest payments over a nominal threshold of DKK 50 000 (DKK 100 000 for married couples). Also the deductibility of payments above DKK 100 000 a year to individual pension insurance schemes with less than life-long coverage has been limited, as well as tightening of the tax

treatment of company cars and other fringe benefits. Furthermore, a 6% tax is imposed from 2011 on pension payments exceeding DKK 362 800.

To consolidate the budget, a *Fiscal Consolidation Agreement* was reached in May 2010, somewhat modifying the prescriptions of the Spring Package of 2009.

The specific provisions of the *Fiscal Consolidation Agreement* include:

- The suspension from 2011 until 2013 of automatic adjustments in various tax thresholds (including personal allowances).
- Postponing from 2011 to 2014 the increase of the threshold for the top income tax rate (15%) from DKK 389 900 to 409 100 (EUR 52 316 to 54 892). The increase was an element of the *Spring Package 2.0*.
- The labour union membership fees' tax deductibility is limited to DKK 3 000 (EUR 403) from the year 2011. The threshold is not adjusted.
- From 2011, the annual amount of child allowance is limited to DKK 35 000 (EUR 4 696), irrespective of the number of children. Child allowances will be gradually reduced by 5% until 2013.

5. Memorandum items

5.1. *Identification of an AW*

The AW is identified as an average worker employed at firms which are members of the Danish Employers' Confederation.

5.2. *Employers' contribution to private schemes*

The employer must provide his employees with work injuries' insurance.

Employees typically participate in a private occupational (labour market) pension scheme to which both the employee and the employer make contributions. The employee's contribution is deductible for income tax purposes and is treated in this Report as a non-standard tax relief. The employer's contribution is not included in the gross wage income of the employee.

2011 Parameter values

Average worker	Ave_earn	382 850	Secretariat estimate
Central taxes	Health_tax_rate	0.08	
	Low_rate	0.0364	
	Top_thrsh	389 900	
	Top_rate	0.15	
	Marg_rate_ceil	0.515	
	Adj_top_rate	0.14939	
	Temp_tax_rate	0	
	Temp_tax_thrsh	0	
	Personal_al	42 900	
Green check	Green_check	1 300	
	Green_check_thrsh	362 800	
	Green_check_child	300	
	Green_check_children	600	
	Green_check_taper_rate	0.075	
Local taxes	gener_rate	0.24921	
	church_rate	0.00735	
total local tax rate	Local_rates	0.25656	
Earned income tax credit scheme	earncredit_rate	0.0425	
	earncredit_max	13 600	
Child transfers	Child_3to6	13 452	
	Child_7to17	10 584	
for single parents	Sing_par_basic	5 052	
	Sing_par_ch	17 632	
Individual Labour Market Pension Scheme	Pension_rate	0	
Employees soc. security:			
suppl. pension scheme	Pension	1 080	
unempl. insurance	Unemp	10 431	
SSC rate	SSC_rate	0.08	
Employer soc. security:			
suppl. pension scheme	Pension_empr	2 160	
refunded by government	Pension_ref	0.00	
SSC rate	SSC_empr	0	

2011 Tax equations

The equations for the Danish system in 2011 are mostly on an individual basis but there is an interaction in the calculation of Central Government tax between spouses and the child benefit is calculated only once. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:	tax_al	B	SSC+Pension_rate*earn
	earncredit	B	Min(earn*earncredit_rate, earncredit_max)
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al-earncredit+taxbl_cr)
Personal income	pers_inc	B	Positive(earn-pension-pension_rate*earn-ssc_rate*earn)
5. CG tax before credits	CG_tax_excl_princ	P	Low_rate*tax_inc_princ+Medium_rate*Positive(tax_inc_princ-Medium_thrsh-Married*Positive(Medium_thrsh-pers_inc_spouse))+Adj_top_rate*Positive(tax_inc_princ-Top_thrsh)
	CG_health_tax_excl_princ	P	Health_tax_rate*tax_inc_princ
	CG_tax_excl_spouse	S	Low_rate*tax_inc_spouse+Medium_rate*Positive(tax_inc_spouse-Medium_thrsh)+Adj_top_rate*Positive(tax_inc_spouse-Top_thrsh)
	CG_health_tax_excl_spouse	S	(Married=1)*Health_tax_rate*tax_inc_spouse
6. Tax credits:	tax_cr_princ	P	Personal_al*Low_rate+Married*Positive(Personal_al-pers_inc_spouse)*Low_rate
	health_tax_cr_princ	P	Health_tax_rate*(Personal_al+Married*Positive(Personal_al-tax_inc_spouse))
	tax_cr_spouse	S	Personal_al*Low_rate
	health_tax_cr_spouse	S	(Married=1)*Health_tax_rate*Personal_al
7. CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)+Positive(CG_health_tax_excl-health_tax_cr)
8. State and local taxes	local_tax_princ	P	Positive((Local_rates)*(tax_inc_princ-Personal_al-Married*Positive(Personal_al-tax_inc_spouse)))
	local_tax_spouse	S	(Local_rates)*Positive(tax_inc_spouse-Personal_al)
9. Employees' soc security			
relevant earnings	SSC_earn	B	Earn
contribution	SSC	B	(earn>0)*(Unemp+SSC_rate*SSC_earn)
10. Total payments	tot_payments	J	Positive(CG_tax_total+local_tax_total+SSC_total)
11. Cash transfers	cash_trans	J	(Children>0)*(Child_3to6+(Children>1)*(Children-1)*Child_7to17+(Married=0)*(Sing_par_basic+Children*Sing_par_ch))+IF(Married=1,(Taper(green_check,pers_inc_princ,Green_check_thrsh,Green_check_taper_rate)+Taper(green_check+MIN(Children* Green_check_child, Green_check_children),pers_inc_spouse,Green_check_thrsh,Green_check_taper_rate)),Taper(green_check+MIN(Children* Green_check_child, Green_check_children),pers_inc_princ, Green_check_thrsh,Green_check_taper_rate))
13. Employer's soc security	SSC_empr	B	0

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Estonia

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Estonia 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		6611	9916	16527	6611
2.	**Standard tax allowances**					
	Basic allowance		1728	1728	1728	3456
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		185	278	463	185
	Work-related expenses		0	0	0	0
	Other					
		Total	1913	2006	2191	3641
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		4698	7910	14336	2970
5.	**Central government income tax liability (exclusive of tax credits)**		986	1661	3011	624
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		986	1661	3011	624
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		185	278	463	185
	Taxable income					
		Total	185	278	463	185
10.	**Total payments to general government (7 + 8 + 9)**		1172	1939	3473	809
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	921
		Total	0	0	0	921
12.	**Take-home pay (1-10+11)**		5439	7977	13053	6723
13.	**Employer's compulsory social security contributions**		2274	3411	5685	2274
14.	**Average rates**					
	Income tax		14.9%	16.8%	18.2%	9.4%
	Employees' social security contributions		2.8%	2.8%	2.8%	2.8%
	Total payments less cash transfers		17.7%	19.6%	21.0%	-1.7%
	Total tax wedge including employer's social security contributions		38.8%	40.1%	41.2%	24.3%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		23.2%	23.2%	23.2%	23.2%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		42.9%	42.9%	42.9%	42.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Estonia 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		9916	13221	16527	13221
2.	**Standard tax allowances**					
	Basic allowance		5184	5184	5184	3456
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		278	370	463	370
	Work-related expenses		0	0	0	0
	Other					
		Total	5462	5554	5647	3826
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		4454	7667	10880	9395
5.	**Central government income tax liability (exclusive of tax credits)**		935	1610	2285	1973
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		935	1610	2285	1973
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		278	370	463	370
	Taxable income					
		Total	278	370	463	370
10.	**Total payments to general government (7 + 8 + 9)**		1213	1980	2748	2343
11.	**Cash transfers from general government**					
	For head of family					
	For two children		460	460	460	0
		Total	460	460	460	0
12.	**Take-home pay (1-10+11)**		9163	11701	14239	10878
13.	**Employer's compulsory social security contributions**		3411	4558	5685	4558
14.	**Average rates**					
	Income tax		9.4%	12.2%	13.8%	14.9%
	Employees' social security contributions		2.8%	2.8%	2.8%	2.8%
	Total payments less cash transfers		7.6%	11.5%	13.8%	17.7%
	Total tax wedge including employer's social security contributions		31.2%	34.2%	35.9%	38.8%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		23.2%	23.2%	23.2%	23.2%
	Total payments less cash transfers: Spouse		0.0%	23.2%	23.2%	23.2%
	Total tax wedge: Principal earner		42.9%	42.9%	42.9%	42.9%
	Total tax wedge: Spouse		0.0%	24.3%	42.9%	24.3%

The Estonian currency is the Euro (EUR). In 2011, EUR 0.72 was equal to USD 1. In 2011, the average worker in Estonia earned EUR 9 916 (Country estimate).

1. Personal income tax system

1.1. Central government income tax

1.1.1. Tax unit

The tax unit is the family.

1.1.2. Tax allowances

1.1.2.1. Standard tax reliefs

- *A general (basic) allowance* of EUR 1 728 is deductible from individual income in 2011.
- *A child* allowance of EUR 1 728 is also deductible from income for each of the second and any subsequent children up to and including the age of 16.
- *Relief for social security contributions:* employee's compulsory contributions for unemployment insurance are deductible for income tax purposes.
- *Tax credits*: none for employees.

1.1.2.2. Non-standard tax reliefs applicable to income from employment

- *II pillar pension contributions:* in 2011, these represent voluntary payments to private funds for all employees and are paid at a rate of 2% of earnings.
- Occupational accident and illness benefits that are not paid as insurance benefits are deductible from taxable income within the limit of EUR 768 per year.
- *Housing loan interest, educational costs, gifts and donations* are deductible from taxable income within upper limits of EUR 3 196 and 50% of taxable income per year.
- *Voluntary pension contributions (III pillar):* contributions paid by a resident to the provider of a pension plan based in Estonia or in another EU member State according to a pension plan that is approved and entered into a special register in accordance with the pension legislation are deductible from taxable income. In 2011, such deductions are subject to an annual limit of a sum equal to 15% of the employee's income from employment.

1.1.3. Tax schedule

The rate of 21% applies for all levels of taxable income.

1.2. Regional and local income tax

There are no regional or local income taxes.

2. Compulsory social security insurance system

The compulsory social security insurance system consists of three schemes as follows:

- pension insurance;
- health insurance;
- unemployment insurance.

2.1. Employees' contributions

Employees pay 2.8% of their earnings in contributions for unemployment insurance. The taxable base is the total amount of the gross wage or salary including vacation payments, fringe benefits and remuneration of expenses related to work above a certain threshold. The assessment period is the calendar month.

2.2. Employers' contributions

Social security insurance contributions are also paid by employers on behalf of their employees. The taxable base and the assessment period are the same as for employees' contributions. The employers' contribution rates are applied in two parts:

- Unemployment insurance – 1.4% of employee earnings.
- Pension and health insurance – as follows for monthly earnings above EUR 278.02.

Scheme name	Rate of contribution (%)
Pension insurance	20.00
Health insurance	13.00
Total	**33.00**

In addition there is a lump sum payment for each employee of EUR 91.75 per month (split between pensions and health insurance on a 20:13 basis)

3. Payroll tax

None.

4. Universal cash transfers

4.1. Transfers related to marital status

None.

4.2. Transfers for dependent children

Estonia's family benefits are designed to provide partial coverage of the costs families incur in caring for, raising and educating their children.

The state pays family benefits to all children until they reach the age of 16. Children enrolled in basic or secondary schools or vocational education institutions operating on the basis of basic education have the right to receive family benefits until the age of 19. Applications for the allowance are made on an annual basis and the payments are not taxable. The values of these benefits in 2011 are shown in the table below. The single parent child allowance is paid for each child.

In addition there are nine other types of family benefits for which payment depends on either the age of the child(ren) and/or the status of the person(s) looking of them:

maternity benefit; childbirth allowance; parental benefit; child care allowance; conscript's child allowance; child's school allowance, child allowance for a child under guardianship or foster care; start in independent life allowance; adoption allowance (single payment). These are not included in the modelling.

Type of benefit	Annual amount of benefit (in EUR)
Child allowance (paid until children turn 16 or until the end of the academic year in which they turn 19 if they continue studying).	
For the first and second child	230.16
For the third and any subsequent children	690.48
Single parent's child allowance	230.16
Parents allowance for families with seven or more children	2 024.88

5. Main changes in tax/benefit system since 2005

- The personal income tax rate was steadily reduced from 24% in 2005 to 21% in 2008.
- The child tax allowance applied for the third and subsequent children for 2005 and the second and subsequent children in 2006 and 2007. It applied to all children in 2008 and then returned to the 2007 position in 2009.
- The employee unemployment contribution rate was reduced from 1 to 0.6% in 2006 and then raised in 2 stages to 2.8% at the end of 2009. The corresponding rates for employers were a reduction from 0.5 to 0.3% in 2006 increasing to 1.4%.

6. Memorandum items

6.1. Average gross annual wage earnings calculation

In Estonia, the gross earnings figures cover wages and salaries paid to individuals in formal employment including payment for overtime. They also include bonus payments and other payments such as pay for annual leave, paid leave up to seven days, public holidays, absences due to sickness for up to 30 days, job training, and slowdown through no fault of the person in formal employment.

The average gross wage earnings figures of all adult workers covering industry sectors B-N by NACE Rev. 2 are estimated with average wage growth rate forecast of Estonian Ministry of Finance.

6.2. Employer contributions to private pension and health schemes

Some employer contributions are made to private health and pension schemes but there is no relevant information available on the amounts that are paid.

2011 Parameter values

Average earnings/yr	Ave_earn	9 916	Country estimate
Allowances	Basic_al	1 728	
	Child_al	1 728	
Income tax	Tax_rate	0.21	
Employers SSC	SSC_rate1	0.33	
	Threshold	3 336.24	
	lump_sum	1 101	
	SSC_rate2	0.014	
Employees SSC	SSC_rate3	0.028	
Child allowances			
First & second child	CA_first&second	230.16	
Other children	CA_others	690.48	
Additional for children of lone parents	CA_onepar	230.16	
Days in tax year	numdays	365	

2011 Tax equations

The equations for the Estonian system are mostly on an individual basis.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:	tax_al	J	Min(Basic_al*(1+married)+SSC_empee+(children>1)*child_al*(Children-1),earn)
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al)
5. CG tax before credits	CG_tax_excl	B	Tax_inc*tax_rate
6. Tax credits:	tax_cr	B	0
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC_empee	B	earn*SSC_rate3
11. Cash transfers	cash_trans	J	IF(Children<3,CA_firstsecond*Children,(2*CA_firstsecond)+(CA_other*(Children-2)))+(Married=0)*Children*CA_onepar
13. Employer's soc security	SSC_empr	B	IF(earn>0,IF(earn>threshold,earn*SSC_rate1,lump_sum),0)+earn*SSC_rate2

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Finland

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Finland 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		27630	41445	69075	27630
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		1691	2536	4227	1691
	Work-related expenses		620	620	620	620
	Other					
		Total	2311	3156	4847	2311
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		25319	38289	64228	25319
5.	**Central government income tax liability (exclusive of tax credits)**		873	3162	8739	873
6.	**Tax credits**					
	Basic credit		740	646	315	740
	Married or head of family					
	Children					
	Other					
		Total	740	646	315	740
7.	**Central government income tax finally paid (5-6)**		133	2516	8424	133
8.	**State and local taxes**		4282	6887	12098	4282
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1691	2536	4227	1691
	Taxable income		266	428	751	266
		Total	1957	2964	4978	1957
10.	**Total payments to general government (7 + 8 + 9)**		6371	12367	25501	6371
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	3659
		Total	0	0	0	3659
12.	**Take-home pay (1-10+11)**		21259	29078	43574	24918
13.	**Employer's compulsory social security contributions**		6217	9325	15542	6217
14.	**Average rates**					
	Income tax		16.0%	22.7%	29.7%	16.0%
	Employees' social security contributions		7.1%	7.2%	7.2%	7.1%
	Total payments less cash transfers		23.1%	29.8%	36.9%	9.8%
	Total tax wedge including employer's social security contributions		37.2%	42.7%	48.5%	26.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		42.6%	47.5%	47.5%	42.6%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		53.1%	57.2%	57.2%	53.1%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Finland 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		41445	55260	69075	55260
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		2536	3382	4227	3382
	Work-related expenses		620	1240	1240	1240
	Other					
		Total	3156	4622	5467	4622
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		38289	50638	63608	50638
5.	**Central government income tax liability (exclusive of tax credits)**		3162	3162	4035	3162
6.	**Tax credits**					
	Basic credit		646	1314	1386	1314
	Married or head of family					
	Children					
	Other					
		Total	646	1314	1386	1314
7.	**Central government income tax finally paid (5-6)**		2516	2516	2649	2516
8.	**State and local taxes**		6887	7760	11168	7760
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2536	3382	4227	3382
	Taxable income		428	482	693	482
		Total	2964	3864	4921	3864
10.	**Total payments to general government (7 + 8 + 9)**		12367	14140	18738	14140
11.	**Cash transfers from general government**					
	For head of family					
	For two children		2536	2536	2536	0
		Total	2536	2536	2536	0
12.	**Take-home pay (1-10+11)**		31614	43656	52873	41120
13.	**Employer's compulsory social security contributions**		9325	12433	15542	12433
14.	**Average rates**					
	Income tax		22.7%	18.6%	20.0%	18.6%
	Employees' social security contributions		7.2%	7.0%	7.1%	7.0%
	Total payments less cash transfers		23.7%	21.0%	23.5%	25.6%
	Total tax wedge including employer's social security contributions		37.7%	35.5%	37.5%	39.3%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		47.5%	47.5%	47.5%	47.5%
	Total payments less cash transfers: Spouse		12.8%	23.2%	42.6%	23.2%
	Total tax wedge: Principal earner		57.2%	57.2%	57.2%	57.2%
	Total tax wedge: Spouse		28.8%	37.3%	53.1%	37.3%

The national currency is the Euro (EUR). In 2011, EUR 0.72 was equal to USD 1. In that year, the average worker earned EUR 41 445 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income taxes

1.1.1. Tax unit

Spouses are taxed separately for earned income.

1.1.2. Standard tax allowances and tax credits

1.1.2.1. Standard reliefs

- *Work-related expenses:* a standard deduction for work-related expenses equal to the amount of wage or salary, with a maximum amount of EUR 620 is granted.
- *Tax credit*: an earned income tax credit is granted against the central government income tax. If the credit exceeds the amount of central government income tax, the excess credit is deductible from the municipal income tax and the health insurance contribution for medical care. The credit is calculated on the basis of taxpayers' income from work. The credit amounts to 5.9 per cent of income exceeding EUR 2 500, until it reaches its maximum of EUR 740. The amount of the credit is reduced by 1.2 per cent of the earned income minus work related expenses exceeding EUR 33 000. The credit is fully phased out when taxpayers' income is about EUR 95 000.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- *Interest:* interest on loans associated with the earning of taxable income, loans for the purchase of an owner-occupied dwelling, and student loans guaranteed by the state can be deducted against capital income. Of the excess of interest over capital income, 28 per cent can be credited against income tax up to a maximum of EUR 1 400.
- *Membership fees:* membership fees paid to employees' organisations or trade unions.
- *Travelling expenses:* travelling expenses from the place of residence to the place of employment using the cheapest means in excess of EUR 600 up to a maximum deduction of EUR 7 000.
- *Double housing expenses:* if the place of employment is located too far from home in order to commute (distance > 100 km), the taxpayer can deduct the costs of hiring a second dwelling located near the job up to EUR 250 per month. This deduction can be claimed only by one person per household.
- *Other work-related outlays:* outlays for tools, professional literature, research equipment and scientific literature, and expenses incurred in scientific or artistic work (unless compensated by scholarships).

Travelling expenses and other work-related outlays are deductible only to the extent that their total amount exceeds the amount of the standard deduction for work-related expenses.

1.1.3. *Rate schedule*

Central government income tax:

Taxable income (EUR)	Tax on lower limit (EUR)	Tax on excess income in bracket (%)
15 600-23 200	8	6.5
23 200-37 800	502	17.5
37 800-68 200	3 057	21.5
68 200 and more	9 593	30.0

1.2. Local income tax

1.2.1. *Tax base and tax rates*

The tax base of the local income tax is taxable income as established for the income tax levied by central government.

Municipal tax is levied at flat rates. In 2011, the tax rate varies between 16.25 and 21.50 per cent, the average rate being approximately 19.17 per cent.

Municipal tax is not deductible against central government taxes. Work-related expenses and other non-standard deductions are deductible, as for purposes of the central government income tax.

1.2.2. *Tax allowances in municipal income taxation*

- An earned income tax allowance is calculated on the basis of taxpayer's income from work. The allowance amounts to 51 per cent of income between EUR 2 500 and EUR 7 230, and 28 per cent of the income exceeding EUR 7 230, until it reaches its maximum of EUR 3 570. The amount of the allowance is reduced by 4.5 per cent of the earned income *minus* work related expenses exceeding EUR 14 000.
- A basic tax allowance is granted on the basis of taxable income remaining after the other allowances have been subtracted. The maximum amount, EUR 2 250, is reduced by 20 per cent of the income exceeding EUR 2 250.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employee contributions

2.1.1. *Rate and ceiling*

In 2011, the rate of the health insurance contribution for medical care paid by an employee is 1.19 per cent. The tax base for thiscontribution is net taxable income for municipal income tax purposes.

In addition there is an employees' pension insurance contribution which amounts to 4.7 per cent of gross salary, an employees' unemployment insurance contribution equal to 0.6 per cent of gross salary and a health insurance contribution for daily allowance equal to 0.82 per cent of gross salary. For employees aged 53 or older, the pension insurance contribution amounts to 6.0 per cent of gross salary. These contributions are deductible for income tax purposes.

2.1.2. Distinction by marital status or sex

The rates do not differ.

2.2. Employers' contributions

The average rate of the employers' social security contribution in 2011 is 22.5 per cent of gross wage.

3. Universal cash transfers

3.1. Amount for marriage

None.

3.2. Amount for children

The central government pays in 2011 the following allowances (EUR):

For the first child	1 204.8
For the second child	1 331.3
For the third child	1 698.7
For the fourth child	1 945.8
Fifth and subsequent child	2 192.8

The child subsidy for a single parent is increased by an annual amount of EUR 561.5 for each child.

4. Main changes in the tax/benefit system since 2010

In January 2011, all central government tax brackets were adjusted by about 3%.

The maximum amount of the earned income tax credit in state taxation was raised from EUR 650 to EUR 740.

The maximum amount of the basic allowance in municipal taxation was raised from EUR 2 200 to EUR 2 250.

The rate of the employees' health insurance contribution for medical care was lowered from 1.47 per cent to 1.19 per cent and the rate of the employees' health insurance contribution for daily allowance was lowered from 0.93 per cent to 0.82 per cent. The rate of the employees' unemployment insurance contribution was raised from 0.4 per cent to 0.6 per cent and the rate of the employees' pension insurance contribution was raised from 4.5 per cent to 4.7 per cent.

5. Memorandum items

5.1. Calculation of average gross annual wage

The Finnish figures are generally calculated as follows:

- Gross annual earnings are calculated at an individual level on the basis of the hour's usually worked, average hourly pay for the fourth quarter, and the share of annual periodic bonuses.
- The earnings exclude sickness and unemployment compensations, but include all normal overtime compensations, bonuses, holiday remunerations and remunerations for public holidays.

5.2. Employer contributions to private pension and health schemes

No information is available.

2011 Parameter values

	Ave_earn	41 445	Secretariat estimate
Expenses	Work_exp_max	620	
	Work_exp_rate	1	
Allowances	al_SSC_rate	0.0583	
State tax	Tax_min	8	
Tax schedule	Tax_sch	0	15 200
		0.065	22 600
		0.175	36 800
		0.215	66 400
		0.30	
Earned income tax credit	eitc_thrsh	2 500	
	eitc_rate	0.052	
	eitc_redn_thrsh	33 000	
	eitc_redn_rate	0.012	
	eitc_max	650	
Earned income tax allowance	al_thrsh	2 500	
	al_thrsh2	7 230	
	al_rate	0.51	
	al_rate2	0.28	
	al_redn_thrsh	14 000	
	al_redn_rate	0.045	
	al_max	3 570	
low income	SL_max	2 200	
	SL_rate	0.2	
Local intax	Local_rate	0.1898	
	Church_rate	0	
	Local_tot	0.1898	
Soc sec taxpayer	SSC_rate	0.0147	
soc.sec empr	SSC_empr	0.223	
Cash transfer	ch_1	1 204.8	
	ch_2	1 331.3	
	ch_3	1 698.7	
	ch_4	1 945.8	
	ch_5	2 192.8	
	ch_small	0	
	ch_lone	561.5	

2011 Tax equations

The equations for the Finnish system are mostly on an individual basis except for the child benefit which is calculated only once. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
Work related expenses	work_rel	B	MIN(Work_exp_max, Work_exp_rate*earn)
SSC deduction	SSC_al	B	earn*al_SSC_rate
2. Allowances:	tax_al	B	work_rel+SSC_al
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al)
5. CG tax before credits	CG_tax_excl	B	=Tax(tax_inc, Tax_sch)+Tax_min* (tax_inc>Tax_thrsh)
6. Tax credits:	tax_cr	B	MINA(eitc_max,eitc_rate*Positive(earn-eitc_thrsh))-MINA(eitc_max,eitc_red n_rate*Positive(earn-work_rel-eitc_redn_thrsh))
7. CG tax	CG_tax	B	Positive(CG_tax_excl - tax_cr)
Earned income allowance	earninc_al	B	MIN(al_max, IF(earn>al_thrsh2, al_rate*(al_thrsh2-al_thrsh1)+al_rate2*(earn-al_thrsh2), Positive(earn-al_thrsh)))- MIN(al_max, al_redn_rate* Positive(earn-work_rel-al_redn_thrsh))
Low income	low_inc	B	Positive(MIN(earn-work_rel-low_al-SSC_al, SL_max)- SL_rate*Positive(earn- work_rel- low_al-SSC_al-SL_max))
Taxable income (local)	tax_inc_l	B	tax_inc-earninc_al-low_inc
8. State and local taxes	local_tax	B	Positive(tax_inc_l*Local_tot-(local_tot/ (local_tot+SSC_rate))*Positive(Tax_cr-CG_tax_excl))
9. Employees' soc security	SSC	B	Positive(SSC_rate*tax_inc_l – (SSC_rate/ (local_tot+SSC_rate))*Positive(Tax_cr-CG_tax_excl)) + SSC_al
11. Cash transfers	cash_trans	J	(Children>0)*ch_1+(Children>1)*ch_2+ (Children>2)*ch_3+ (Children>3)*ch_4+ Positive(Children-4)*ch_4 +(Married=0)*Children*ch_lone
13. Employer's soc security	SSC_empr	B	earn*SSC_empr

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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France

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

France 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		23906	35859	59765	23906
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		4458	6679	10766	4458
	Work-related expenses		1945	2918	4900	1945
	Other					
		Total	6403	9597	15666	6403
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		17503	26262	44099	17503
5.	**Central government income tax liability (exclusive of tax credits)**		2966	5120	12301	1855
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		0	0	0	72
		Total	0	0	0	72
7.	**Central government income tax finally paid (5-6)**		2966	5120	12301	1783
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3275	4905	7809	3275
	Taxable income					
		Total	3275	4905	7809	3275
10.	**Total payments to general government (7 + 8 + 9)**		6242	10025	20110	5058
11.	**Cash transfers from general government**					
	For head of family (Gross)					
	For two children (Gross)		0	0	0	1517
	CRDS Deducted		0	0	0	-8
		Total	0	0	0	1509
12.	**Take-home pay (1-10+11)**		17664	25834	39654	20357
13.	**Employers' compulsory social security contributions**		9115	15172	25476	9115
14.	**Average rates**					
	Income tax		12.4%	14.3%	20.6%	7.5%
	Employees' social security contributions		13.7%	13.7%	13.1%	13.7%
	Total payments less cash transfers		26.1%	28.0%	33.6%	14.8%
	Total tax wedge including employer's social security contributions		46.5%	49.4%	53.5%	38.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		31.7%	30.4%	42.3%	21.5%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		63.2%	51.3%	59.7%	57.7%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

France 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		35859	47812	59765	47812
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		6679	8908	11136	8908
	Work-related expenses		2918	3890	4863	3890
	Other					
		Total	9597	12798	15999	12798
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		26262	35014	43765	35014
5.	**Central government income tax liability (exclusive of tax credits)**		3040	4652	6748	5934
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		0	836	0	0
		Total	0	836	0	0
7.	**Central government income tax finally paid (5-6)**		3040	3816	6748	5934
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4905	6542	8180	6542
	Taxable income					
		Total	4905	6542	8180	6542
10.	**Total payments to general government (7 + 8 + 9)**		7945	10358	14927	12476
11.	**Cash transfers from general government**					
	For head of family (Gross)					
	For two children (Gross)		1517	1517	1517	0
	CRDS Deducted		-8	-8	-8	0
		Total	1509	1509	1509	0
12.	**Take-home pay (1-10+11)**		29423	38963	46347	35336
13.	**Employers' compulsory social security contributions**		15172	17121	24287	17121
14.	**Average rates**					
	Income tax		8.5%	8.0%	11.3%	12.4%
	Employees' social security contributions		13.7%	13.7%	13.7%	13.7%
	Total payments less cash transfers		17.9%	18.5%	22.5%	26.1%
	Total tax wedge including employer's social security contributions		42.3%	40.0%	44.9%	45.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		26.1%	24.0%	30.4%	30.4%
	Total payments less cash transfers: Spouse		20.2%	24.8%	31.7%	31.7%
	Total tax wedge: Principal earner		48.3%	46.9%	51.3%	51.3%
	Total tax wedge: Spouse		31.4%	35.3%	63.2%	41.3%

The national currency is now the euro (EUR). In 2011, EUR 0.72 equalled USD 1. In that year, the average worker earned EUR 35 859 (Secretariat estimate).

1. Personal income tax system

*1.1. Tax levied by the central government on 2010 income**

1.1.1. Tax unit

The tax unit is aggregate family income, but children are included only if their parents claim them as dependants. Other persons may be included on certain conditions: unlike spouses, who are always taxed jointly, children and other members of the household may opt to be taxed separately. Beginning with the taxation of 2004 income, the law provides for joint taxation of partners in a French civil union (*pacte civilde solidarité*, or PACS), as soon as the PACS is signed. Reporting obligations for "PACSed" partners are similar to those of married couples.

Earned income is reported net of compulsory employer and employee payroll deductions, except for 2.4 percentage points' worth of CSG (*contribution sociale généralisée*) and the 0.5% CRDS (*contribution pour le remboursement de la dette sociale*), which are not deductible from the income tax base.

1.1.2. Tax reliefs and tax credits

1.1.2.1. Standard tax reliefs

- Work-related expenses, corresponding to actual amounts or a standard allowance of 10% of net pay (with a minimum of EUR 421 and a ceiling of EUR 14 157).
- Family status: the "family quotient" (*quotient familial*) system takes a taxpayer's marital status and family responsibilities into account. It involves dividing net taxable income into a certain number of shares [two shares for a married (or "PACSed") couple, one share for a single person, one half-share for each dependent child, an additional half-share for the third and each subsequent dependent child, an additional half-share for each dependent child of a single parent, and so on]: the total tax due is equal to the amount of tax corresponding to one share multiplied by the total number of shares. The tax benefit for a half-share is limited, however, to EUR 2 336 per half-share in excess of two shares for a couple, or one share for a single person, except for the first two half-shares granted for the first child of a lone parent, in which case the maximum benefit is EUR 4 040.

* Income tax calculations in this report for 2011 are based on rules for the taxation of 2010 income and projected gross earnings for 2011. The timing difference in relation to the other OECD countries stems from the specificity of the French tax system, which does not collect taxes on income received in 2010 (withholding tax) but taxes the 2010 income reported by French taxpayers in March 2011 (reporting system). Insofar as tax legislation covering 2011 income is not known until a year later (early 2012), this report cannot apply to 2011 income the rules that will be applicable thereto. In this version, after-tax income nonetheless remains very close economically for comparisons with that of other OECD countries.

1.1.2.2. Main non-standard reliefs available to the average worker

Certain expenditures to improve or maintain the taxpayer's primary residence, including outlays for heat insulation or heating adjustments, major capital expenditures and money spent to equip a home to produce energy from a renewable source (15%, 25%, 40% or 50% tax credits, subject to a multi-year maximum); compensatory allowances if paid in a lump sum (25% reduction, capped at EUR 30 500); child care costs for children under seven (50% reduction, up to annual expenditure of EUR 2 300), dependent children attending secondary school or in higher education; donations to charities or other organisations assisting the needy; trade union dues, etc.

1.1.2.3. Refundable tax credit: employment premium (*prime pour l'emploi*, or PPE)

This is a tax credit for households comprising wage-earners whose equivalent full-time net taxable earned income was between EUR 3 743 and EUR 26 572 in 2010. The credit is determined in a multi-step calculation. First, the amount of the premium is calculated for each eligible wage-earner, and then the individual amounts are aggregated. The resulting amount may then be increased under certain conditions (dependent children or single-parent wage-earner). It is this final amount that is deducted from the family's tax liability. However, the credit is attributed only if the household's reference taxable income does not exceed the following limits: EUR 16 251 for a single person, EUR 25 231 for a single-parent family with two children, EUR 32 498 for a married or PACSed couple with no children, EUR 41 478 for a married or PACSed couple with two children. The credit was increased sharply, since the maximum amount was raised to EUR 948 in 2007 (on 2006 income), versus EUR 714 in 2006 (on 2005 income). The PPE is not paid if it is less than EUR 30.

In the event of part-time work, the income used to compute the amount of the credit is converted to a full-time equivalent, and the resultant credit is then adjusted to the actual amount of time worked and increased. The increase has been raised: in 2007 (2006 income), the PPE of persons whose work ratio is 50% (persons working half-time all year or full-time for six months) amounts to 92.5% of the PPE of persons working full-time all year, *versus* 82.5% in 2006.

The following table shows the applicable schedule for computing the employment premium by income level and type of family, as selected by the OECD:

Family status	Full-time equivalent annual earnings between	Amount of employment premium (PPE)	Increase for family responsibilities	
Single person with no children	EUR 3 743 < R < = EUR 12 475 EUR 12 475 < R < = EUR 17 451	R * 7.7% (EUR 17 451 – R) * 19.3%		
			Childless	Two children
Two-earner couple (married/PACSed)	EUR 3 743 < R < = EUR 12 475 EUR 12 475 < R < = EUR 17 451	R * 7.7% (EUR 17 451 – R) * 19.3%	– -	EUR 72 EUR 72
			Childless	Two children
Single-earner couple (married/PACSed)	EUR 3 743 < R < = EUR 12 475 EUR 12 475 < R < = EUR 17 451 EUR 17 451 < R < = EUR 24 950 EUR 24 950 < R < = EUR 26 572	R * 7.7% + EUR 83 (EUR 17 451 – R) * 19.3%+ EUR 83 EUR 83 (EUR 26 572 – R) * 5.1%	– – – –	EUR 72 EUR 72 EUR 36 EUR 36
Single-parent family with two children	EUR 3 743 < R<= EUR 12 475 EUR 12 475 < R < = EUR 17 451 EUR 17 451 < R < = EUR 26 572	R * 7.7% (EUR 17 451 – R) * 19.3% 0	EUR 108 EUR 108 EUR 72	

The PPE is increased for dependants in a household, and whether a married/PACSed couple has one or two earners can also affect the amount of the credit (with the amount for single-earner couples increased by EUR 83). The PPE is increased by EUR 36 for each dependent child, except in special cases (*e.g.* single-earner married/PACSed PPE recipients in the top two income brackets).

For the third consecutive year, the government decided to continue the freeze on the PPE scale for 2011.

Since 2010, the PPE is partly replaced by a new cash transfer benefit implemented in July 2009: the RSA (active solidarity income). This cash transfer ensures households earn a minimum income that increases with the number of hours worked. The RSA is not assessed here because to do so the knowledge of every cash transfer of the households (such as cash transfers for housing, unemployment, etc.) is needed. The RSA is designed to meet three goals:

- encourage people to enter or return to the labour market, by guaranteeing them a lasting improvement in income;
- reduce poverty by providing recipients with a decent income;
- improve social support and occupational reintegration.

The RSA is a new benefit that supersedes two existing basic welfare payments, the so called "revenu minimum d'insertion" (minimum unemployment benefit – RMI) and the so called "allocation de parent isolé" (single-parent allowance – API). It also replaces temporary payments for welfare recipients who return to work ("prime de retour à l'emploi", "prime forfaitaire de retour à l'emploi" bonuses and the "intéressement proportionnel" system of benefits combined with part-time work). However, the eight family types studied here earn too high an income to benefit from this credit.

1.1.2.4. Tax exemption on overtime work

Since the 21 August 2007 Act, overtime work is exempted from employee social contributions, universal social contributions and personal income tax. Employer contributions are also reduced.

*1.1.3. Tax schedule**

	Fraction of taxable income (1 share, in euros)	Rate (in %)
1st bracket	Up to 5 963	0
2nd bracket	From 5 963 to 11 896	5.5
3rd bracket	From 11 896 to 26 420	14
4th bracket	From 26 420 to 70 830	30
5th bracket	Above 70 830	41

A special rebate for taxpayers with a low tax liability is applied to the amount of tax resulting from the above schedule before reductions and tax credits. To be eligible, the tax on the household's income must be less than EUR 866, in which case the rebate is equal to one-half the difference between this ceiling and the amount of tax before the rebate. If the final tax is less than EUR 61, no tax is payable.

* This is the 2011 tax schedule which is assumed to apply to 2011 estimated income in the calculations of this report.

1.2. Taxes levied by decentralised authorities

Local taxes levied on working households are:

- residency tax (*taxe d'habitation*), which is set by municipalities;
- property taxes on developed and undeveloped land;
- there are common rules for each type of tax, to which certain municipalities make certain adjustments.

These local taxes, the rates of which vary widely, depending on the municipality, are not assessed here.

1.3. Universal social contribution (contribution sociale généralisée – CSG)

The universal social contribution (CSG) was introduced on 1 February 1991. Since 1 January 2005, the rate of CSG has been 7.5%. This rate has been applied to a base of 97% of gross pay since 1998. The CSG is deductible against taxable income, but at a lower rate of 5.1%.

1.4. Contribution to the reimbursement of social debt (contribution au remboursement de la dette sociale – CRDS)

The contribution to the reimbursement of social debt has been in effect since 1 February 1997. Like the universal social contribution, its base has passed to 97% of gross pay as of 1 January 2005. The rate is set at 0.5%. Unlike social security contributions, CRDS payments are not deductible from taxable income.

2. Compulsory social security contributions to schemes operated within the government sector

Some contributions are levied on a capped portion of monthly earnings. Since 1997, this ceiling has been adjusted once a year on 1 January. In January 2011, the ceiling was EUR 2 946 (or EUR 35 352 per year).

2.1. Employee contributions

2.1.1. Pension

- 6.65% on earnings up to the ceiling.
- 0.10% on total earnings.

2.1.2. Illness, pregnancy, disability, death

- 0.75% on total earnings.

2.1.3. Unemployment

2.4% on earnings up to 4 times the ceiling.

2.1.4. Other

- Supplemental pension for non-managers: minimum 3% up to the ceiling and 8% between one and three times the ceiling.
- The AGFF contribution replaces ASF, which had previously been included in "unemployment" levies. The rate of this contribution for non-managerial workers is 0.8% of earnings up to the social security ceiling plus 0.9% of any income in excess of the ceiling but not exceeding triple the amount of the ceiling.

2.2. Employer contributions

2.2.1. Pensions

8.3% of gross pay, up to the ceiling, plus a 1.6% levy on total pay.

2.2.2. Illness, pregnancy, disability, death

13.1% of total earnings.

A contribution of 0.3% (contribution de solidarité autonomie – CSA) has been levied on total salary.

2.2.3. Unemployment

4% of earnings, up to four times the ceiling; in addition, 0.15% up to four times the ceiling to endow the salary guarantee fund (AGS).

2.2.4. Work-related accidents

Contribution rates for work-related accidents vary by line of business and are published annually in the official gazette (*Journal officiel de la République française*). For the sectors of NACE sections C to K, the average rate is 2.30%.

2.2.5. Family allowances

5.4% of total pay.

2.2.6. Other

- Supplemental pension: for non-managers, 4.5% up to the ceiling and 12% between one and three times the ceiling.
- The AGFF contribution is 1.2% for non-managers up to the ceiling, and 1.3% for managers plus for non-managers between one and three times the ceiling. In the table, this is combined with the rates for supplemental pensions.
- Others (construction, housing, apprenticeship, further training): 3.05% of pay up to the social security ceiling plus 2.95% above the ceiling. The transport tax is not included because it varies geographically.
- Since 1 January 2011, the "Fillon act" (device designed for low wages, up to 1.6 SMIC, to reduce the amount of employer contributions and totally exempt from these dues pay at level of the SMIC) is modified and included an annualised calculation of the general tax reliefs of employer contributions.

2.2.7. Reduction of employer-paid social insurance contributions

Act No. 2003-47 of 17 January 2003 on salaries, working time and the development of employment (the "Fillon Act") amended how the reduction of contributions is calculated.

As a result, since 1 July 2005 the maximum reduction has been 26% for a worker paid the minimum wage. It then declines gradually to zero at 160% of the monthly minimum wage. It applies irrespective of the number of hours worked.

The Budget Act for 2007 (Article 41 V) bolsters this measure for very small enterprises with effect from 1 July 2007. For employers with between 1 and 19 employees, the maximum deduction was raised to 28.1% at the minimum wage, declining gradually – here too – to zero at 160% of the minimum wage.

For part-time wage-earners, the relief is computed using an equivalent full-time salary and is then adjusted proportionally to the number of hours paid.

The gross annual minimum wage (for 1 820 hours) in 2010 was an estimated EUR 16 380. The minimum wage is adjusted each year at 1 July.

The over-time hours of work are not taken into account in the calculation of the reduction as far as there are not paid more than 25 or 50% more than a normal hour of work.

3. Universal cash transfers

3.1. Main family benefits (in respect of dependent children)

- Family allowances: monthly base for family allowances (BMAF) = EUR 395.04 as of 1 January 2011.
- Rate: two children: 32%; per additional child: 41%.
- Family supplement: 41.65% of the BMAF at 1 January 2011. Subject to need, this is paid to families as of the first child (not incorporated into the model).
- The CRDS is levied on family allowances at a rate of 0.5%.

4. Main changes in the tax system and social benefits regime since the taxation of 2004 income

- Tax system: reduction of marginal tax rates.

5. Memorandum items

To assess the degree of comparability between countries, the following additional information should be taken into account:

- Coverage is of the private and semi-public sectors of NACE sections C to K up to 2007 and NACE Rev. 2 sections B to N from 2008.
- The category "employees" encompasses all full-time dependent employees (excluding apprentices and interns).
- The figures presented are obtained by applying income tax and social contribution scales to gross salaries as listed in annual social data reports (DADS) in NACE.

2011 Parameter values

AW earnings	Ave_earn	35 859	Secretariat estimate
Work expenses	work_rel_fl	421	
	work_rel_ceil	14 157	
	work_rel_rate	0.1	
Basic allowance	basic_al_rate		
	basic_al_max		
Tax schedule	tax_sch	0	5 963
		0.055	11 896
		0.14	26 420
		0.30	70 830
		0.41	
	limit_demipart	2 336	
	limit_sp_demipart1	4 040	
Décote value	decote	866	
	tax_min	61	
Prime Pour l´Emploi	rev_ref_sing	16 251	
	rev_ref_mar	32 498	
	maj_dem_part	4 490	

2011 Parameter values *(cont.)*

	rate1	0.077	
	rate2	0.193	
	extra_pers	36	
	rate3	0.051	
	seuil1	3 743	
	seuil2	12 475	
	seuil3	17 451	
	seuil4	24 950	
	seuil5	26 572	
	Seuil_min	30	
	ppe_mar_1earn	83	
	maj_tp_seuil	0.5	
	maj_tp	0.85	
CSG+CRDS	CSG_rat_noded	0.02328	
	CRDS_rat_noded	0.00485	
	CSG_CRDS_rat_noded	0.02813	
	CSG_rat_ded	0.04947	
	CRDS_special	0.005	
Social security contributions	pension_rate	0.0665	
	Pension_rate	0.001	
	SSC_ceil	35 352	
	sickness_rate	0.0075	
	unemp_rate1	0.0240	
	unemp_rate2	0.0240	
Extra pension (non-cadres) (incl. AGFF)	pens_rate_ex	0.038	
	pens_rate_ex2	0.089	
Employer contributions	pens_empr1	0.083	
	pens_empr2	0.016	
	sickness_empr	0.131	
	CSA	0.003	
Unemployment (incl. “garantie de salaire”)	unemp_empr	0.0415	
Accidents	accidents_empr	0.023	
Family Allowance	SMIC	16 380	estimate
	fam_empr	0.054	
Extra pension (incl. AGFF)	pens_empr_ex	0.057	
	pens_empr_ex2	0.133	
Others	others_empr1	0.0305	
	others_empr2	0.0295	
Employer SSC reduction rate	SSC_empr_redrate2	0.6	
Employer SSC reduction maximum	SSC_empr_red_max	0.26	
Employer SSC reduction SMIC reference	SSC_empr_SMIC_ref	1.6	
Child benefit (second child)	CB_2	1 516.95	
third & subsequent	CB_3	1 943.60	
Derivation of minimum income	SMIC_horraire	9.00	
	SMIC_heures	1 820	
	minrevtp	16 380	

2011 Tax equations

The equations for the French system are mostly calculated on a family basis.

Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
Quotient for tax calculation	quotient	J	1+Married+IF(Children<3, Children/2, Children-1)+ 0.5*(Married=0)*(Children>0)
2. Allowances:			
CSG deductible	CSG_ded	B	CSG_rat_ded*earn
Salary net	earn_dec	B	earn-SSC-CSG_ded
Work related	work_exp	J	MIN(work_rel_ceil, MAX(work_rel_rate* earn_dec_total, MIN(work_rel_fl, earn_dec_total)))
Basic	basic_al	B	0
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	J	Positive(earn_dec_total-work_exp)
5. CG tax before credits			
Calculation according to schedule	sch_tax	J	MAX(quotient*Tax(tax_inc/quotient, tax_sch), IF(Married, 2*Tax(tax_inc/2, tax_sch)-limit_demipart*(quotient-2), Tax(tax_inc, tax_sch)-(Children>0)*(limit_sp_demipart1+limit_demipart*(quotient-2))))
Adjusted for decote	adj_tax	J	Positive(MIN(1.5*sch_tax-decote/2, sch_tax))
Tax liable	inc_tax	J	(adj_tax>=tax_min)*adj_tax
CSG+CRDS (non-deductible)	CSG_CRDS_noded	J	Positive(CSG_CRDS_rat_nod*earn)
CSG (deductible)	CSG_ded	J	CSG_rat_ded*earn
6. Tax credits:			
Prime pour l'emploi	PPE_main_princ	P	=seuilMin(IF(tax_inc<((Married=0)*rev_ref_sing+(Married=1)*rev_ref_mar+maj_dem_ part*Children),1.0)*IF(earn_dec_princ>=seuil1,(Married=1)*(earn_dec_spouse< seuil1)*IF(earn_dec_princ*MAX(minrevtp/ earn_princ,1)>seuil4,Positive(seuil5-earn_dec_princ*MAX(minrevtp/ earn_princ,1)) *rate3*(((earn_princ/minrevtp)>=1)+((earn_princ/ minrevtp)<=maj_tp_seuil)*MIN(earn_princ/minrevtp,1)*(1+maj_tp)+((earn_princ/ minrevtp)>maj_tp_seuil)*((earn_princ/ minrevtp)<1)*((1-maj_tp)*MIN(earn_princ/minrevtp,1)+maj_tp)) ,ppe_mar_1earn)+(earn_dec_princ*MAX(minrevtp/ earn_princ,1)<seuil2)*rate1*earn_dec_princ*MAX(minrevtp/ earn_princ,1)*(((earn_princ/minrevtp)>=1)+((earn_princ/ minrevtp)<=maj_tp_seuil)*MIN(EARN_PRINC/ minrevtp,1)*(1+maj_tp)+((EARN_PRINC/minrevtp)>maj_tp_seuil)*((earn_princ/ minrevtp)<1)*((1-maj_tp)*MIN(earn_princ/minrevtp,1) +maj_tp))+(earn_dec_princ*MAX(minrevtp/ earn_princ,1)>=seuil2)*Positive(seuil3-earn_dec_princ*MAX(minrevtp/ earn_princ,1))*rate2*(((earn_princ/minrevtp)>=1)+((earn_princ/ minrevtp)<=maj_tp_seuil)*MIN(earn_princ/minrevtp,1)*(1+maj_tp)+((earn_princ/ minrevtp)>maj_tp_seuil)*((earn_princ/minrevtp)<1)*((1-maj_tp)* MIN(earn_princ/minrevtp,1)+maj_tp)),0),seuil_min)

Line in country table and intermediate steps	Variable name	Range	Equation
	PPE_main_spouse	S	=seuilMin(IF(tax_inc<((Married=0)*rev_ref_sing+(Married=1)*rev_ref_mar+maj_dem_part*Children),1.0)*IF(earn_dec_spouse>=seuil1,(Married=1)*(earn_dec_princ<seuil1)*IF(earn_dec_spouse*MAX(minrevtp/earn_spouse,1)>seuil4,Positive(seuil5-earn_dec_spouse*MAX(minrevtp/earn_spouse,1))*rate3*(((earn_spouse/minrevtp)>=1)+((earn_spouse/minrevtp)<=maj_tp_seuil)*MIN(earn_spouse/minrevtp,1)*(1+maj_tp)+((earn_spouse/minrevtp)>maj_tp_seuil)*((earn_spouse/minrevtp)<1)*((1-maj_tp)* MIN(earn_spouse/minrevtp,1)+maj_tp)),ppe_mar_1earn)+ (earn_dec_spouse*MAX(minrevtp/earn_spouse,1)<seuil2)*rate1*earn_dec_spouse*MAX(minrevtp/earn_spouse,1)*(((earn_spouse/minrevtp)>=1)+((earn_spouse/minrevtp)<=maj_tp_seuil)*MIN(earn_spouse/minrevtp,1)*(1+maj_tp)+((earn_spouse/minrevtp)>maj_tp_seuil)*((earn_spouse/minrevtp)<1)*((1-maj_tp)*MIN(earn_spouse/minrevtp,1)+maj_tp))+(earn_dec_spouse*MAX(minrevtp/earn_spouse,1)>=seuil2)*Positive(seuil3-earn_dec_spouse*MAX(minrevtp/earn_spouse,1))*rate2*(((earn_spouse/minrevtp)>=1)+((earn_spouse/minrevtp)<=maj_tp_seuil)*MIN(earn_spouse/minrevtp,1)*(1+maj_tp)+((earn_spouse/minrevtp)>maj_tp_seuil)*((earn_spouse/minrevtp)<1)*((1-maj_tp)*MIN(earn_spouse /minrevtp,1)+maj_tp)),0),seuil_min)
Additional flat rate allowance	add_all	J	=IF(tax_inc<((Married=0)*rev_ref_sing+(Married=1)*rev_ref_mar+maj_dem_part*Children),1.0)*OR((earn_dec_princ>=seuil1),(earn_dec_spouse>=seuil1))*(IF(OR(IF(earn_dec_princ>0,AND(earn_dec_princ>=seuil1,earn_dec_princ*MAX(minrevtp/earn_princ,1)<=seuil3),0),IF(earn_dec_spouse>0,AND(earn_dec_spouse>= seuil1,earn_dec_spouse*MAX(minrevtp/earn_spouse,1)<=seuil3),0)),extra_pers*Children,IF(OR(IF(earn_dec_princ>0,AND(seuil3<earn_dec_princ*MAX(minrevtp/earn_princ,1),earn_dec_princ*MAX(minrevtp/earn_princ,1)<=seuil5,earn_dec_spouse<seuil1),0), IF(earn_dec_spouse>0,AND(seuil3<earn_dec_spouse*MAX(minrevtp/earn_spouse,1),earn_dec_spouse*MAX(minrevtp/earn_spouse,1)<=seuil5,earn_princ<seuil1),0)),extra_pers*(Children>0),0))+(Married=0)*(Children>0)*extra_pers)
Total NWTC	tax_cr	J	PPE_main_princ+PPE_main_spouse+add_all
7. CG tax	CG_tax	J	inc_tax+CSG_CRDS_noded+CSG_ded-tax_cr
8. State and local taxes	local_tax	J	0
9. Employees' soc security	SSC	B	pension_rate*MINA(earn, SSC_ceil)+(sickness_rate+pension_rate2)*earn+unemp_rate1*MINA(earn, SSC_ceil)+(earn>SSC_ceil) *unemp_rate2*MINA(earn-SSC_ceil, 3*SSC_ceil)+ pens_rate_ex* MINA(earn, SSC_ceil)+(earn>SSC_ceil) *pens_rate_ex2 *MINA(earn-SSC_ceil, 3*SSC_ceil-SSC_ceil)
11. Cash transfers	cash_transf_gross	J	IF(Children<2, 0, CB_2+(Children-2)*CB_3)
	crds_cash_transf	J	cash_transf_gross*-1*CRDS_special
	cash_transf_net	J	cash_transf_gross+crds_cash_transf
13. Employer's soc security	SSC_empr_gross	B	(pens_empr1+others_empr1)*MINA(earn, SSC_ceil)+ IF(SSC_ceil<earn, pens_empr2+others_empr2, 0)*(earn-SSC_ceil)+(CSA+sickness_empr+fam_empr+ accidents_empr)*earn+pens_empr_ex*MINA(earn, SSC_ceil)+(earn>SSC_ceil)*pens_empr_ex2*MINA(earn-SSC_ceil, 3*SSC_ceil-SSC_ceil)+IF(earn<SSC_ceil, unemp_empr1*earn, unemp_empr1*earn+(unemp_empr2-unemp_empr1)*(earn-SSC_ceil))
	SSC_empr_reduction	B	IF(OR(earn>SSC_empr_SMIC_ref*SMIC,earn=0),0,-MIN(SSC_empr_red_max*earn,(SSC_empr_red_max/SSC_empr_redrate2)*(SSC_empr_SMIC_ref*minrevtp/earn-1)*earn))
	SSC_empr_final	B	SSC_empr_gross+SSC_empr_reduction

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Germany

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Germany 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		29237	43855	73092	29237
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family		0	0	0	1308
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		3940	5910	6943	3867
	Work-related expenses		1000	1000	1000	1000
	Other		36	36	36	36
		Total	4976	6946	7979	6211
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		24261	36909	65113	23026
5.	**Central government income tax liability (exclusive of tax credits)**		4104	8348	20230	3537
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	4416
	Other					
		Total	0	0	0	4416
7.	**Central government income tax finally paid (5-6)**		4104	8348.22	20230	-879
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		6103	9155	11756	6030
	Taxable income					
		Total	6103	9155	11756	6030
10.	**Total payments to general government (7 + 8 + 9)**		10207	17503	31985	5151
11.	**Cash transfers from general government**					
	For head of family					
	For two children					
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		19030	26352	41107	24086
13.	**Employers' compulsory social security contributions**		5767	8650	11244	5767
14.	**Average rates**					
	Income tax		14.04%	19.04%	27.68%	-3.01%
	Employees' social security contributions		20.88%	20.88%	16.08%	20.63%
	Total payments less cash transfers		34.91%	39.91%	43.76%	17.62%
	Total tax wedge including employer's social security contributions		45.64%	49.81%	51.26%	31.19%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		47.26%	52.54%	44.31%	45.22%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		55.95%	60.36%	44.31%	54.24%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Germany 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		43855	58474	73092	58474
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		5800	7734	9667	7880
	Work-related expenses		1000	2000	2000	2000
	Other		72	72	72	72
		Total	6872	9806	11739	9952
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		36983	48668	61353	48522
5.	**Central government income tax liability (exclusive of tax credits)**		4598.00	8043.56	12087.20	8207.90
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		4416	4416	4416	0
	Other					
		Total	4416	4416	4416	0
7.	**Central government income tax finally paid (5-6)**		182	3628	7671	8208
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		9045	12060	15075	12206
	Taxable income					
		Total	9045	12060	15075	12206
10.	**Total payments to general government (7 + 8 + 9)**		9227	15688	22746	20414
11.	**Cash transfers from general government**					
	For head of family					
	For two children					
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		34628	42786	50346	38059
13.	**Employers' compulsory social security contributions**		8650	11534	14417	11534
14.	**Average rates**					
	Income tax		0.42%	6.20%	10.50%	14.04%
	Employees' social security contributions		20.63%	20.63%	20.63%	20.88%
	Total payments less cash transfers		21.04%	26.83%	31.12%	34.91%
	Total tax wedge including employer's social security contributions		34.05%	38.88%	42.47%	45.64%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		43.42%	46.97%	49.62%	47.26%
	Total payments less cash transfers: Spouse		44.19%	46.97%	49.62%	47.26%
	Total tax wedge: Principal earner		52.74%	55.70%	57.92%	55.95%
	Total tax wedge: Spouse		53.39%	55.70%	57.92%	55.95%

The national currency is the Euro (EUR). In 2011, EUR 0.72 was equal to USD 1. The average worker earned EUR 43 855 (Secretariat estimate).

1. Personal income tax systems

1.1. Central/federal government income taxes

1.1.1. Tax unit

Spouses are generally assessed jointly. They however have the option of being assessed separately. The income of dependent children is not assessable with that of the parents. The calculations in this Report assume joint taxation of the income of the spouses.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs and work-related expenses

- *Basic reliefs:* none.
- *Standard marital status reliefs:* in the case of joint assessment, specific allowances are doubled. The income tax liability is computed by applying the income splitting method.
- *Relief(s) for children:* as of 1 January 2010, there are increased tax credits of EUR 2 208 for the first and the second child, of EUR 2 280 for the third child and of EUR 2 580 for the fourth and subsequent children. There is a tax allowance of EUR 2 184 for the subsistence of a child and an additional EUR 1 320 for minding and education or training needs (EUR 3 504). The amount of this allowance is doubled in case of jointly assessed parents. If the value of the tax credit is less than the relief calculated applying the tax allowances, the taxpayer obtains the tax allowance instead of the tax credit. It is also doubled for lone parents in cases where the other parent does not pay alimony. This is the assumption in the calculations presented in this Report.
- *Relief for lone parents:* taxpayers who live alone with at least one child that entitles them to the tax allowances or tax credits for children, receive an additional allowance of EUR 1 308.
- *Reliefs for social security contributions and life insurance contributions:* social security contributions and other expenses incurred in provision for the future (*e.g.* life insurance) are deductible up to specific ceilings. In 2005, a new calculation scheme came into force:

  Step 1: all contributions made to pension funds (*i.e.* both employee's and employer's contributions) are added up. Step 2: the resulting amount is limited to EUR 20 000. Step 3: a certain percentage is applied to this amount (starting from 60 per cent in 2005, this percentage will be increased by 2 percentage points each year; it will reach 100 per cent in 2025). Step 4: the resulting amount, diminished by the (tax-free) contributions of the employer, is deductible from income.

  The tax treatment of social security expenses (health, unemployment and care insurance) changed as of 1 January 2010. Employees' annual contributions to statutory health insurance excluding sickness benefit (assumed to amount to 96 per cent of statutory health contributions) and employees' contributions to mandatory long-term

care insurance are deductible from the tax base. In case these contributions do not exceed EUR 1 900/3 800 (single/married couples), contributions to unemployment insurance and other insurances premiums can be deducted in addition up to this ceiling.

If the resulting sum of deductible amounts according the legislation in force since 2005 is lower than the allowance calculated under the scheme that was valid up to 2004, the former regulations are applied in favour of the taxpayer (for more details on the old scheme: see 2005 edition and Section 4. of this Report).

- *Work-related expenses:* EUR 1 000 lump-sum allowance per gainfully-employed person.
- *Special expenses:* lump sum allowance (EUR 36/72 [singles/couples]) for special expenses, *e.g.* for tax accountancy. The actual expenses will be fully deductible from taxable income if the taxpayer proves that these expenses exceed the lump sum allowance.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- *Contributions to pensions, life insurance, superannuation schemes:* other expenses than the compulsory contributions to social security are deductible as reliefs for (voluntary) social security contributions up to specific ceilings (see Section 1.1.2.1).
- *Medical expenses:* partially deductible if not covered by insurance.
- *Other:* work-related expenses that exceed the lump-sum allowance are fully deductible (no ceiling).

1.1.3. *Tax schedule*

The German tax schedule is formula-based. Taxable income is rounded down (to the EUR).

- X is the taxable income,
- T is the income tax liability,
- The following definitions are used in the income tax liability formulas:

$$Y = \frac{X - 8\,004}{10\,000}$$

$$Z = \frac{X - 13\,469}{10\,000}$$

The income tax liability (amounts in EUR) is calculated as follows:

1. $T = 0$ for $X \leq 004$
2. $T = (912.17\ Y + 1\ 400)\ Y$ for $8\ 005 \leq X \leq 13\ 469$
3. $T = (228.74\ Z + 2\ 397)\ Z + 1\ 038$ for $13\ 470 \leq X \leq 52\ 881$
4. $T = 0.42\ X - 8\ 172$ for $52\ 882 \leq X \leq 250\ 730$
5. $T = 0.45\ X - 15\ 694$ for $250\ 731 \leq X$

These formulas are used to calculate the income tax for single individuals.

The income tax liability for spouses who are assessed jointly is computed as follows: the income tax is calculated with respect to one-half of the joint taxable income. The resulting amount is doubled to obtain the income tax liability of the family (splitting method).

1.1.4. Solidarity surcharge

The solidarity surcharge is levied at 5.5 per cent of the income tax liability subject to an exemption limit of EUR 972/1 944 (singles/couples). The income tax liability is calculated applying the tax allowance for children. If the income tax liability exceeds the exemption limit, the solidarity surcharge will be phased in at a higher rate of 20 per cent of the difference between the income tax liability and the exemption limit until it equals 5.5 per cent of the total liability.

1.2. State and local income taxes

None.

2. Compulsory social security contributions to schemes operated within the government sector

The amount of social security contributions depends on the wage and the insurance contribution rate. All contributions are subject to a contribution ceiling, *i.e.* the maximum income for which statutory insurance contributions are calculated. The contribution rates for pension, health, care and unemployment insurances are fixed by the government.

2.1. Employees' contributions

Earnings up to EUR 4 800 per year are free of employee social security contributions. As from 1 April 2003, there is an additional concession for employees with monthly income between EUR 400.01 and EUR 800 per month (EUR 4 800.12 and EUR 9 600 per year). If the employee's income falls within this range, part of the income will be exempt from social insurance contributions. However, employers are still required to pay the normal contributions on the employee's earnings. The arrangement is purely intended to relieve the financial burden on employees. The employees' contributions rise on a straight-line basis within the band. While the 30 per cent contributions on earnings up to EUR 400 are solely paid by employers, employees' earning EUR 400.01 per month pay a rate of 10.375 per cent, whereas the employers pay full contributions of 19.625 per cent. Together they pay 30 per cent, the same rate as for earnings up to EUR 400 (the real aggregate rate differs slightly because of individual health insurance rates as the 0.9 basis points of health insurance is borne solely by employees and because of the increased care insurance rate for childless employees). The employees' contributions to social insurance then rise over the income band reaching the full rate at EUR 800 per month. Details on social security contributions for workers earning more than EUR 9 600 per year are provided below.

2.1.1. Pensions

Employers and employees pay each half of the contribution rate of 19.9 per cent in 2011, that is 9.95 per cent of the employee's gross wage earnings, up to a contribution ceiling of EUR 66 000.

2.1.2. Sickness

Since 1 January 2011, the rate has been increased to 7.3 per cent for employers and 8.2 per cent for employees. The contribution ceiling is EUR 44 550. While all calculations shown in this Report assume membership in the public health insurance, workers with earnings above the contribution ceiling may opt out of the mandatory public health insurance system and may choose a private insurance provider instead (those opting for a private health insurance provider are required to obtain private long-term care insurance as well).

2.1.3. Unemployment

Employees pay half of the insurance contributions; the employer pays the other half. In 2011, the contribution rate is 3.0 per cent of assessable income. Employee and employer each pay 1.5 per cent. The contribution ceiling is EUR 66 000.

2.1.4. Care

A long-term care insurance (a 1 per cent contribution rate) went into effect on 1 January 1995. The rate was raised to 1.7 per cent of the gross wage when home nursing care benefits were added six months later. As of 1 July 2008, the rate was increased to 1.95 per cent. The employers pay half of the contributions for long-term care insurance. In other words, employers and employees both pay a rate of 0.975 per cent. The assessable income is scaled according to the gross wage earnings but there is a contribution ceiling of EUR 44 550 in 2011.

As from 1 January 2005, child-raising is given special recognition in the law relating to statutory long-term care insurance. Childless contribution payers are required to pay a supplement of 0.25 per cent, raising the contribution rate paid by a childless employee from 0.975 per cent to 1.225 per cent as of 1 July 2008.

2.1.5. Work injury

Employer only.

2.1.6. Family allowances

None.

2.1.7. Others

None.

2.2. Employers' contributions

If employees have income up to EUR 4 800, there are special rules with respect to tax and social security contributions. All social security contributions and taxes are paid by the employer. The payment amounts to 30 per cent of the wage. This payment consists of a 28 per cent social security contribution rate and a 2 per cent tax rate. For employers' contributions for annual earnings between EUR 4 800.01 and EUR 9 600, see Section 2.1.

2.2.1. -2.2.4. (Pensions, sickness, unemployment, care):

See Section 2.1

2.2.5. Work injury

Germany has established a statutory occupational accident insurance. It is provided by industrial, agricultural and public-sector employers' liability insurance funds. This insurance protects employees and their families against the consequences of accidents at work and occupational illnesses. It is funded through the contributions paid by employers only. The amount of the employer's contributions depends on the sum total of employee's annual pay and the employer's respective hazard level. As it is not possible to identify a representative contribution rate, these amounts are not considered in this Report.

2.2.6. Family allowances

None.

2.2.7. Others

None.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

None.

4. Main changes in tax/benefit systems since 1997

The following table shows changes in the tax credit and the tax allowance for children since 1997:

	Child credit				Child allowance
	First child	Second child	Third child	Fourth and subsequent children	
1997	1 350	1 350	1 841	2 147	3 534
1999	1 534	1 534	1 841	2 147	3 534
2000	1 657	1 657	1 841	2 147	5 080
2002	1 848	1 848	1 848	2 148	5 808
2009*	1 968	1 968	2 040	2 340	6 024
2010	2 208	2 208	2 280	2 580	7 008

* Plus EUR 100 one-off child credit payment for each child.

Up to 2004, the calculation of the relief for social security contributions and other expenses proceeded in three steps. First, EUR 3 068/6 136 (singles/couples) was deducted. These amounts were, however, lowered by 16 per cent of gross wages (serving as a proxy for employers' social security contributions). This deduction was provided as a partial compensation for the self-employed which do not receive tax-free employers' social security contributions. Second, the remaining expenses were deductible up to EUR 1 334/2 668 (singles/couples). Third, half of the remaining expenses were deductible up to EUR 667/1 334 (singles/couples).

In 2004, the tax rate was reduced and the formula for calculating the income tax was changed. The relief for lone parents was reduced to EUR 1 308, the lump sum allowance for work related expenses was reduced to EUR 920.

As from 1 January 2005, the final stage of the 2000-tax reform came into effect. The bottom and top income tax rates were further reduced to 15 per cent and 42 per cent. Since 1998, both the bottom and top income tax rate have been reduced by about 11 percentage points while the personal allowance has been raised from EUR 6 322 to EUR 7 664. The tax cuts reduce the tax burden for all income taxpayers, affording the greatest relief to employees and families with low and medium incomes as well as to small- and medium-sized unincorporated businesses.

On 1 January 2005, the law regulating the taxation of pensions and pension expenses entered into force. The law provides a gradual transition to *ex post* taxation of pensions paid by the statutory pensions insurance. In the long run, the tax treatment of capital-based employee pension schemes based on a contract between employer and employee will be reformed in the same way as the tax treatment in respect of the state pension scheme. In addition to the increased deductibility of contributions to the state and certain private pension schemes, the law contains rules which are intended to increase the attractiveness of private capital-based pension schemes and to encourage individuals to invest privately for their old-age pension.

Up to 30 June of 2005, employees paid half of the sickness insurance contributions; the employer paid the other half. As from 1 July 2005, members of the statutory health insurance scheme also pay an income-linked contribution of 0.9 per cent to which employers do not contribute. As from 1 July 2005, all statutory health insurance funds have reduced their contribution rates by 0.9 percentage points.

In 2007, a new top income tax rate of 45 per cent was introduced for taxable income above EUR 250 000 (EUR 500 000 for jointly assessed spouses).

In 2009, the bottom income tax rate was reduced to 14 per cent. The basic allowance was increased to EUR 7 834. All thresholds were increased by EUR 400.

Since 1 January 2010, the basic allowance has been augmented to EUR 8 004 and all thresholds have been increased by EUR 330. Furthermore, new legislation improves the tax treatment of expenditure on health insurance and long-term care insurance.

5. Memorandum items

5.1. *Average gross annual earnings calculation*

- Source of calculation: Federal Statistical Office.
- Excluding sickness and unemployment, including normal overtime and bonuses.

5.2. *Employer's contributions to private pension, etc. schemes*

No information available, though such schemes do exist.

2011 Parameter values

AW earnings	Ave_earn	43 855	Secretariat estimate
Tax allowances	Child_al	7 008	
Lone Parents	Lone_al	1 308	
Work related	Work_rel_al	1 000	
SSC allowance	SSC_dn	2 700	
	SSC_dn_rt	0.16	
	SSC_dn_lim	1 334	
	SSC_dn_lump_rt	0.2	
Allow. for special expenses	SE_al	36	
Church tax rate	Ch_tax_rt	0	
Tax formula	Tax_rate2	0.42	
	Tax_rate3	0.45	
	Tax_thrsh1	8 004	
	Tax_thrsh2	13 469	
Top Rate Tax Reduction	Reduction	8 172	
	Reduction2	15 694	
Tax Equation Rates			
tax_eqn_rates	Squared	Single	Constant
z	228.74	2 397	1 038
y	912.17	1 400	0
income tax rate stage	tax_first_stage	8 004	
	tax_second_stage	13 469	
	tax_third_stage	52 881	
	tax_fourth_stage	250 730	
Solidarity Surcharge	surcharge	0.055	
Solidarity Exemption Limit	surcharge_limit	972	
Alternative Surcharge Rate	surcharge_alt	0.2	
Child credit	Ch_cred		
	1. ch.	2 208	
	2. ch.	2 208	
	3.ch.	2 280	
	4.ch.	2 580	

Social security	Sickness	Pension	Unemployment	Care	Alternative employer rate	SSC Factor F
period_1	12	12	12	12	12	12
period_2	0					
sum (Month's)	12	12	12	12	12	12
employer_1	0.073	0.0995	0.015	0.00975	0.3	0.7435
employer_2	0					
employee_1	0.082	0.0995	0.015	0.00975		0.7435
employee_2	0					
childless_1	0.082	0.0995	0.015	0.01225		0.7435
childless_2	0					
ceil	44 550	66 000	66 000	44 550		
SSC Floor	SSC_floor	9 600				
Intermediate SSC Ceiling	SSC_floor1	4 800				

2011 Tax equations

The equations for the German system in 2011 are mostly calculated on a family basis.

The standard functions which are used in the equations are described in the technical note about tax equations. The function acttax carry out a rounded calculation for the tables but the unrounded version purtax is used in calculating the marginal rates.

For a taxpayer with children, either the child allowance is given in the tax calculation or the cash transfer is given if this is more beneficial. In practice, therefore, it is necessary to make two calculations – with and without the child allowance. Nevertheless, the calculation of solidarity surcharge is always based on the calculation which does assume that the child tax allowance is given.

Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". The affixes "_princ" and "_spouse" on Variable names in functions indicate that the values have to be calculated for the principal and spouse, respectively. The parameter year in function SSC_Allowance is the year for which you calculate the Allowance.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
Quotient for tax calculation	quotient	J	1+Married
2. Allowances:			
Children	children_al	J	Children*Child_al
Lone parent	lone_allce	J	Lone_al*(Children>0)*(Married=0)
Soc sec contributions	SSC_al	J	Function: SSC_Allowance(earn_princ, earn_spouse , SSC_princ + SSC_spouse , Quotient, SSC_dn, SSC_dn_rt, SSC_dn_lim, SSC_dn_lump_rt, If(Children>0; "employee"; "childless"), year, rounded)
Work related	work_al	J	Work_rel_al+MIN(earn_spouse,Work_rel_al)
Allow. for special expenses	SE_al	J	SE_al*quotient
Total	tax_al	J	children_al+SSC_al+work_al+ lone_allce + SE_al
3. Credits in taxable income	taxbl_cr	J	0
4. CG taxable income	tax_inc	J	earn-tax_al
5. CG tax before credits			
adjusted taxable income	adj	J	tax_inc/quotient
formula based tax schedule	tax_formula	J	Function: acttax(taxinc, rate, reduction, threshold1, threshold2, threshold3, equationrate, tax_first_stage, tax_second_stage, tax_third_stage, tax_fourth_stage, rate2, reduction2)
Adjust for the quotient	tax_adj	J	Quotient*tax_formula
Include solidarity surcharge	sol_surch	J	MIN(tax_adj * surcharge, Positive(tax_adj - surcharge_limit*Quotient) * surcharge_alt)
Tax paid	CG_tax_excl	J	tax_adj+sol_surch
6. Tax credits:	tax_cr	J	0
7. CG tax	CG_tax	J	CG_tax_excl
8. State and local taxes	local_tax	J	0
9. Employees' soc security	SSC	B	Function: SSC (earn_princ, If(Children>0; "employee"; "childless"), rounded) + SSC (earn_spouse, If(Children>0; "employee"; "childless"), rounded)
11. Cash transfers	Cash_tran	J	Children*ch_cred
13. Employer's soc security	SSC_empr	B	Function: SSC (earn_princ, "employer", rounded) + SSC (earn_spouse, "employer", rounded)

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Greece

This chapter provides a description of the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations.

The national currency is the Euro (EUR). In 2011, EUR 0.72 was equal to USD 1.

1. Personal income tax system

1.1. Central government income tax

1.1.1. Tax unit

Individuals are subject to national income tax. Every individual who derives income from sources in Greece is subject to tax irrespective of his nationality, place of domicile or residence. Moreover, every individual with domicile in Greece is subject to tax on his/her worldwide income irrespective of the individual's nationality. Due consideration is given to bilateral conventions designed to obviate double taxation. Individuals who have a yearly income of more than EUR 3 000 (or EUR 6.000 for income derived only from salaried work) are obliged to file a tax return. Spouses file a joint return but each spouse is liable for the tax payable on his or her share of the joint income. Losses incurred by one spouse may not be set off against the income of the other spouse. Deductible personal expenses concerning both spouses and tax credits are apportioned to each spouse according to the income earned by each one of them. Income of children under the age of 18 is, in principle, added and taxed with the income of their parents.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard tax reliefs

- Social security contributions: all compulsory social security contributions and optional contributions to legally constituted funds are deductible from taxable gross income.

1.1.2.2. Deductions from the taxable income (non-standard tax reliefs)

There is a deduction of EUR 2 400 for the taxpayer himself and for any handicapped person living with him and dependent upon him, (invalidity over 67%).

1.1.2.3. Deductions from the payable amount of tax, as calculated on the basis of the scale (non-standard tax credits)

- 20 per cent of the expenses of hospital care of the taxpayer and his/her dependents. The total credit cannot exceed EUR 6 000. Hospital expenses in respect of unmarried or widowed children who suffer from an incurable disease, who are mentally retarded or are blind and whose total annual income does not exceed EUR 6 000 are also included.
  - *a)* 20 per cent of the total annual amount of rent paid for the taxpayer's main residence, not exceeding EUR 800, provided that the taxpayer or his dependents do not own a dwelling with a surface equal to or larger than the rented dwelling in the same region and that the taxpayer does not receive any rent allowance from the state (the tax credit cannot exceed EUR 160).

b) 20 per cent of annual rent paid for the dependent children who are studying at a recognised educational establishment in Greece up to a maximum of EUR 800 provided that the dwelling is situated in the same region of the school or university (the tax credit cannot exceed EUR 160).

c) 20 per cent of the educational expenses incurred by the taxpayer for himself or for his dependent children up to a maximum of EUR 800 per person. The expenses paid by divorced parents are also included (the tax credit cannot exceed EUR 160 for each child separately).

d) 20 per cent of the legally compulsory contributions to social security funds, and optional contributions to legally constituted funds; up to a maximum of EUR 800 (the tax credit cannot exceed EUR 160).

e) 20 per cent of expenses paid to doctors (medical expenses) for the taxable person, his/her spouse and his/her dependents. Medical expenses in respect of unmarried or widowed children who suffer from an incurable disease, who are mentally retarded or are blind are also included.

- 20 per cent of the annual interest of mortgage loans for the main residence of the taxpayer. The relief is limited where the financed amount does not exceed EUR 200 000 and the residence does not exceed 120 square meters.
- 20 per cent of the interest paid on loans granted for by banks and other credit institutions for the restoration, maintenance or improvement of scheduled buildings and buildings located in areas classified as traditional urban districts or as traditional settlements. The amount of the deduction is calculated upon the interest derived from the part of the loan that does not exceed EUR 200 000.
- 20 per cent of the amount of alimony that is paid to a spouse and is adjudicated/or agreed by notary deed. The tax reduction cannot exceed EUR 3 000.
- EUR 60 in respect of each dependent child for taxpayers with employment income living for at least 9 months of the year in certain border areas or in certain islands. In case of a married couple, at least one spouse must satisfy these requirements in order for his/her family to receive this deduction.

a) 20 per cent of the total amount of donations to the State, municipalities and communities, state universities, the church, the monasteries of Mount Athos, the World Patriarchate of Constantinople, the Patriarchate of Alexandria and Jerusalem, the Sacred Monastery of Mountain Sinai, the state and municipal nursing homes and hospitals which are subsidised from State budget and the Archaeological Resources Fund.

b) 20 per cent of the total amount of donations to public or private non-profit legal entities which have been or are being legally constituted for cultural purposes.

c) 20 per cent of the amounts donated to philanthropic institutions, non-profit making bodies which provide educational services or grant scholarships, Greek legal entities governed by private or public law which have been or are being set up for philanthropic purposes.

Note: The total amount of all the above donations cannot exceed 10 per cent of the total income that is taxed by the general provisions.

- 20 per cent of the insurance expenses for life/death/accident/sickness for the taxable person, his/her spouse or their dependent children. This also includes the expenses for

child insurance paid annually by divorced parents. The tax credit cannot exceed EUR 240 for a single taxpayer and EUR 80 for a family.

- 20 per cent of the fees paid to lawyers for the provision of legal services for the taxable person, his/her spouse and his/her dependents.
- 20 per cent of the amount spent on the installation of natural gas systems, solar panel systems, thermal insulation and teleheating systems, if the amount spent does not exceed EUR 3 000. If the amount spent is between EUR 3 000 and EUR 6 000, then the deduction is 10% of the amount.

Notes:

1. Taxpayers who reside abroad but derive taxable income from sources in Greece are not eligible for these deductions, with the exemptions of residents of the EU member States who derive at least 90 per cent of their total income from sources in Greece.
2. If the yearly taxable income is more than EUR 40 000, then for the amount of expense that is attributed to income that exceeds EUR 40 000, the percentage of the reduction of tax will be 10% (instead of 20%) of the expense (except of the last category of expense for natural gas systems, solar panel systems, etc.).

1.1.2.4. Tax calculation

For income tax purposes, there are six categories of taxable income: income from immovable property (categories A-B), income from movable property (category C), income from business (category D), income from agriculture (category E), income from employment (category F) and income from professional services or other sources (category G).

Net income is computed separately within each category with tax rules that vary across income categories. Total taxable income is computed as the aggregate of the net results of all categories. Losses in one category may be set off against income of another category. If the declared income is not accepted as the base for the tax assessment, the tax authorities can base the assessment on the presumptive income, which is the minimum amount of income required to cover the taxpayer's main living expenses.

Employment income (category F) is subject to withholding tax. The tax is withheld by the employer and is calculated by applying the taxpayer's progressive income tax schedule. The employer calculates the withholding tax on the basis of the taxpayer's annual net salary (net of social security contributions). The withholding tax is then reduced by 1.5 per cent of the total amount of taxes due. The resulting tax is the annual tax due, 1/14 of which constitutes the monthly withholding tax for the private sector's employees (every employee receives 14 monthly salaries per year, *i.e.* 12 monthly wages plus 1 salary as Christmas bonus, ½ salary as Easter bonus and ½ salary as summer vacation bonus). For the employees of the public sector, the monthly withholding tax is calculated approximately as 1/12 of the annual tax due, because of the fact that bonuses in the public sector have been very significantly reduced. If the taxpayer's final tax liability (derived from the annual declared income) exceeds the aggregate of the amounts already withheld or prepaid, the remaining tax is generally payable in three equal bimonthly instalments. Any excess tax paid or withheld will be refunded.

1.2. Rate schedule

A new unified progressive tax scale is introduced for all individuals (salaried persons, non-salaried persons, pensioners and self-employed) as follows:

Tax schedule for individuals for income earned in 2011

Taxable income (EUR)	Tax rate %	Tax for the step (EUR)	Total	
			Income step (EUR)	Tax (EUR)
5 000	0	0	5 000	0
12 000	10	700	7 000	700
16 000	18	720	4 000	1 420
26 000	25	2 500	10 000	3 920
40 000	35	4 900	14 000	8 820
60 000	38	7 600	20 000	16 420
100 000	40	16 000	40 000	32 420
Over 100 000	45			

Notes:
1. Married persons must submit a joint return, but taxes, duties and levies are calculated separately on the income declared by each spouse.
2. For young people up to 30 years old, for pensioners over 65 years old, for people with special needs and for all pensioners who have children with special needs, the tax free first tax bracket is EUR 9 000.

In order to help the tax crosschecks and to fight tax evasion, the tax free amount of income is conditional upon the submission of a certain amount of receipts for goods or services received, which is calculated as 25% of the income and up to EUR 60 000 declared income.

Receipts for acquisition of assets, bills for utilities, tickets of transportation and expenses that are recognised for other deductions or credits are exempted.

In case of not providing or providing more than the required receipts, there is an additional 10 per cent penalty or tax credit respectively, on the difference.

The untaxed amount of income in respect of dependent children is changed to:

- EUR 2 000 for one child.
- EUR 4 000 for two children.
- EUR 3 000 for each child above two.

Only the principal is entitled to the increase in the tax-free amount for dependent children. If the principal does not earn income or his/her income is less than the income in the first tax bracket augmented by the tax-free amount for children, then the tax-free amount related to the dependent children or the part of the band increase that is not used by the principal, is added to the tax-free income amount of the other spouse.

1.3. State and local income taxes

There are no local income taxes in Greece. Municipalities (the local authorities) receive 20 per cent of the national income tax revenues.

2. Compulsory social security contributions to schemes operated within the government sector

The great majority of individuals who are employed in the private sector and render dependent personal services are principally, directly and compulsorily insured in the Social

Insurance Organisation (IKA). Apart from the main contribution, IKA compulsorily collects contributions for other minor Funds created for the employee's benefit (Unemployment Benefits Funds, etc.). A subsidiary Social Insurance Fund (ETEAM) for employees who are principally insured in IKA has been established since 1983.

The average rates of contributions payable by white-collar employees as a percentage of gross earnings are as follows (%) (since the beginning of 2003):

	Employer	Employee	Total
1. Social Insurance Organisation (IKA)	18.43	9.22	27.65
2. Subsidiary Social Insurance Fund (ETEAM)	3.00	3.00	6.00
3. Other Funds	7.13	4.28	11.41
Total	**28.56**	**16.50**	**45.06**

Higher contributions are due (19.45 per cent paid by the employee and 30.21 per cent paid by the employer) in case of blue-collar workers who are engaged in heavy work (unhealthy, dangerous, etc., work) as they are entitled to a pension five years earlier than the other workers. In the industrial sector, the employer pays an additional occupational risk contribution at a rate of 1 per cent because these workers are more vulnerable to labour accidents and occupational diseases.

Contributions are calculated on the basis of the monthly salary or wages paid but within the limits specified in the National General Collective Employment Agreement. Monthly gross remuneration includes salaries and wages, fringe benefits and bonuses and any profit distributions to employees. A ceiling of EUR 2 432.25 per month applies for individuals who have started working *prior* to 1-1-1993 (2010-ceiling). On the other hand, for individuals who have started working *after* 1-1-1993, the social security contributions ceiling is EUR 5 546.80.

Self-employed individuals must make monthly compulsory lump-sum contributions to OAEE (Free Professional Social Insurance Organisation); these contributions depend on the number of years that the self-employed has been insured (for more details, see the explanatory annex to table III.3 of the *OECD's Tax Database*).

All of these social security contributions are fully deductible for income tax purposes.

A special solidarity contribution was introduced which increases the tax burden of employees. It is levied on total income at rates of between 1 and 4 per cent depending on the level of income. It is not covered in the *Taxing Wages* model as the rate of contribution is not defined solely by the sum of earnings and family benefits but also by the level of income from other sources.

3. Universal cash transfers

3.1. Transfers related to marital status

Employees working in the private sector, according to the relevant Collective Labour Agreement or arbitrary decision, are granted by their employers a benefit representing 10 per cent of their gross basic salary (excluding any other cash transfers), independently of their spouse's income status. For public servants this benefit is limited to a flat gross amount of EUR 35 monthly. In a two-earner family, this cash transfer is granted to both spouses.

3.2. Transfers for dependent children

Benefits for dependent children are determined by the worker's Collective Labour Agreement. The benefits are usually equal to 5 per cent of the gross basic monthly salary of each spouse per child. When a relevant Collective Labour Agreement does not exist, the rules of the National General Collective Labour Agreement apply. The latter agreement works as a safety net; it provides a benefit related to marital status but not related to dependent children.

Benefits for dependent children are granted for each child starting either from the 1st, 2nd or the 3rd child, depending on the provisions of the relative Collective Labour Agreement that is in force. Examples of industries whose workers receive benefits for each and every child are the insurance industry (7.5 per cent), the accountants (5 per cent) and the shipping industry (6 per cent). For public servants, this benefit is limited to a flat gross monthly amount of EUR 18 for each of the first two children (a different amount applies for the 3rd and additional children).

If no benefit for dependent children is provided by the worker's Collective Labour Agreement, a very small yearly subsidy is provided by the Manpower Employment Organisation (OAED) under certain circumstances and depending on the employees' income and family status. Only one of the spouses is entitled to this OAED cash transfer.

3.3. State benefits for having more than 2 children

Law 1892/1990 determines the benefits for having more than two children. For 2010, the monthly state benefit for a family that has a 3rd child is EUR 178.81. This benefit is tax-free and is given during the first 6 years of the child's life. In addition, families with more than 3 children receive a tax free monthly allowance of EUR 44.68 for each of every unmarried child under the age of 23. The Law also provides for a multi-children pension of EUR 102.85 that is given to the mother who no longer is the beneficiary of the monthly multi-children allowance of EUR 44.68. Law 3454/2006 provides for a lump sum amount of EUR 2 000 for all mothers for every of their 3rd and additional child.

4. Main changes in the tax/benefit system since 2010

In the year 2011, a lot of changes have been introduced. There is still a unified progressive tax schedule, which treats all sources of income uniformly, but the steps and rates of the scale have changed. The new income tax schedule has 10 different rates. The new tax rates range between 0 and 45 per cent. The tax free first tax bracket for the salaried persons, non salaried persons, self employed and pensioners have decreased from EUR 12 000 to EUR 5 000. Taxpayers will need to submit receipts for goods or services received in order to qualify for the EUR 5 000 exemption. Finally, a great number of deductions from the taxable income have been altered to deductions from the payable amount of tax.

5. Memorandum items

5.1. Identification of an AW and method of calculations used

The National Statistical Service of Greece (NSS) conducts three surveys:

1. **Labour cost survey.** This survey is conducted every four years. The main variables collected are: total labour cost, gross wages and salaries, employer's social security contributions and hours actually worked. Wages and salaries include:
   - Wages and salaries normally paid in each pay period.

- Extra payments (13th and 14th salary, extra bonuses, etc.)

This data is collected for all the local units of each enterprise surveyed and tabulated by sector of activity (NACE Rev. 1). The last available data is for the year 2008.

2. **Structure of earnings survey.** This surveyis conducted every 4 years on sample of enterprises occupying above 10 employees. The data is collected on the firm level. In each enterprise, a sample of persons employed is surveyed. The main variables collected are: wages and salaries, age, level of education, profession, etc. The last available data refers to the year 2006. This data is the source of the AW figure in this Report.
3. **Quarterly survey of labour cost index and index of employment.** From 2005 onwards, the following indices are calculated:
   - Labour Cost Index.
   - Wages and Salaries Index.
   - Index of employers' Social Security Contributions.
   - Index of number of persons employed.
   - Index of hours worked.

The results of all the surveys mentioned above, are tabulated by sector of activity and cover enterprises with more than 10 employees of sectors B to N of the economy. The Agriculture sector, the Public sector and the Health and Education sector are not covered.

The figure of the average wage in this Report is based on the "Structure of Earnings survey" conducted in 2002 and 2006, combined with data for the compensation index increase for the period thereafter. The "Structure of Earnings survey" showed that the **net average wage** in 2002 was EUR 10 847 (calculated with ISIC Rev. 3.1 classification) and in 2006 was EUR 15 301 (calculated with ISIC Rev. 4 classification).

It is pointed out that until 2009 the AW was overestimating the actual gross earnings because the AW was calculated on the basis of earnings figures gross of the benefits linked to marriage and children. Married taxpayers earn up to 10 per cent of additional income; parents earn up to 5 per cent of additional income for each child. These benefits could not be separated from other gross earnings in Greece and were therefore taken into account when calculating the AW. This implied that tax burdens for all family types might have been overestimated. From 2010 onwards, the AW for the period 2000 to 2010 includes only the total annual gross earnings per employee, net of:

- The special payments for shift and night work and during weekends and holidays, on condition that they are not treated as overtime.
- The annual payments in kind: foods, drinks, footwear, clothes, accommodation, business cars provided, mobile phones, etc.
- The total annual bonuses paid not at every pay period (holiday leave, 13th and 14th salary, annual bonuses based on productivity, annual premiums related to profit-sharing).
- The education bonus.
- The working time bonus.
- The marriage and children allowance.

The estimations for the AW for the years 2000-10 are the following (in EUR):

EUR	ISIC Rev. 3.1 classification (Sectors C-K)	ISIC Rev. 4. classification (Sectors B-N); these values are used in this Report
2000	9.732	9.496
2001	10.640	9.740
2002	10.847	10.847
2003	12.778	12.960
2004	13.612	13.819
2005	14.099	14.203
2006	15.300	15.301
2007	16.606	16.539
2008	16.488	16.700
2009	n.a.	18.541
2010	n.a.	20.457

n.a.: not available.

5.2. *Main employers' contributions to private pension, health, and related schemes*

Contributions to private pension and sickness schemes made by employers are not added to employees' gross earnings for tax purposes and are therefore not subject to tax. Since these contributions are not obligatory for employers, no data is provided by the National Statistical Service of Greece. Very few employers have adopted such additional insurance schemes.

2011 Parameter values

Tax credit	Child_cred	0	
Rates of family subsidies			
paid by employers	Wife_sub	0.1	
children (up to 3)	Child_sub	0.05	
Income tax schedule	Tax_sch	0	5 000
		0.10	12 000
		0.18	16 000
		0.25	26 000
		0.35	40 000
		0.38	60 000
		0.40	100 000
		0.45	
	Bandaugment_ch	2 000	
	Bandaugment_ch2	4 000	
	Bandaugment_ch3	3 000	
Social security contributions	SSC_rate	0.165	
	SSC_rate_empr	0.2856	
	SSC_ceil	77 655.20	
	SSC_ceil_use	0	

2011 Tax equations

The equations for the Greek system in 2011 are mostly on an individual basis. The level of gross earnings for the principal earner is increased by the spouse and child subsidy paid by the employer.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn_princ	P	Ave_earn*(1+Married*Wife_sub+ MIN(Children,3)*Child_sub)
	earn_spouse	S	Ave_earn*(1+Married*Wife_sub+ MIN(Children,3)*Child_sub)
2. Allowances:	tax_al	B	SSC
3. Credits in taxable income	taxbl_cr		0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al)
5. CG tax before credits			
Increase in first income tax bracket	band_increase	P	(Children=1)*Bandaugment_ch+(Children=2)*Bandaugment_ch*Children
		S	IF(earn_spouse>0, IF(tax_inc_princ< Effect_low_band_princ, MIN(band_increase_princ, Effect_low_band_princ – tax_inc_princ),0),0)
Effective first income tax bracket	Effect_low_band	B	IF(earn>0,Low_thrsh+band_increase,0)
CG tax before credits	CG_tax_excl	B	Tax(tax_inc,tax_sch)-Low_rate*Positive(MIN(Effect_low_band-Low_thrsh,tax_inc-Low_thrsh))
6. Tax credits:	tax_cr		0
7. CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	IF(SSC_ceil_use=1,SSC_rate*MIN(earn,SSC_ceil),SSC_rate*earn)
11. Cash transfers	cash_trans	B	0
13. Employer's soc security	SSC_empr	B	IF(SSC_ceil_use=1,SSC_rate_empr*MIN(earn,SSC_ceil),SSC_rate_empr*earn)

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

Hungary

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Hungary 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		1749392	2624088	4373480	1749392
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children		0	0	0	1500000
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	0	0	0	1500000
3.	**Tax credits or cash transfers included in taxable income**		472336	708504	1180840	472336
4.	**Central government taxable income (1 - 2 + 3)**		2221728	3332592	5554320	721728
5.	**Central government income tax liability (exclusive of tax credits)**					
	Central government income tax liability (exclusive of tax credits)		355476	533215	888691	115476
		Total	355476	533215	888691	115476
6.	**Tax credits**					
	Basic credit		145200	75289	0	145200
	Married or head of family					
	Children					
	Other					
		Total	145200	75289	0	145200
7.	**Central government income tax finally paid (5-6)**		210276	457926	888691	0
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		306144	459215	765359	306144
	Taxable income					
		Total	306144	459215	765359	306144
10.	**Total payments to general government (7 + 8 + 9)**		516420	917141	1654050	306144
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	355200
		Total	0	0	0	355200
12.	**Take-home pay (1-10+11)**		1232972	1706947	2719430	1798448
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		472336	708504	1180840	472336
	Payroll taxes		26241	39361	65602	26241
		Total	498577	747865	1246442	498577
14.	**Average rates**					
	Income tax		12.0%	17.5%	20.3%	0.0%
	Employees' social security contributions		17.5%	17.5%	17.5%	17.5%
	Total payments less cash transfers		29.5%	35.0%	37.8%	-2.8%
	Total tax wedge including employer's social security contributions		45.2%	49.4%	51.6%	20.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		37.8%	53.1%	37.8%	17.5%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		51.6%	63.5%	51.6%	35.8%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Hungary 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		2624088	3498784	4373480	3498784
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children		1500000	1500000	1500000	0
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	1500000	1500000	1500000	0
3.	**Tax credits or cash transfers included in taxable income**		708504	944672	1180840	944672
4.	**Central government taxable income (1 - 2 + 3)**		1832592	2943456	4054320	4443456
5.	**Central government income tax liability (exclusive of tax credits)**					
	Central government income tax liability (exclusive of tax credits)		293215	470953	648691	710953
		Total	293215	470953	648691	710953
6.	**Tax credits**					
	Basic credit		75289	220489	220489	220489
	Married or head of family					
	Children					
	Other					
		Total	75289	220489	220489	220489
7.	**Central government income tax finally paid (5-6)**		217926	250464	428202	490464
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		459215	612287	765359	612287
	Taxable income					
		Total	459215	612287	765359	612287
10.	**Total payments to general government (7 + 8 + 9)**		677141	862751	1193561	1102751
11.	**Cash transfers from general government**					
	For head of family					
	For two children		319200	319200	319200	0
		Total	319200	319200	319200	0
12.	**Take-home pay (1-10+11)**		2266147	2955233	3499119	2396033
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		708504	944672	1180840	944672
	Payroll taxes		39361	52482	65602	52482
		Total	747865	997153	1246442	997153
14.	**Average rates**					
	Income tax		8.3%	7.2%	9.8%	14.0%
	Employees' social security contributions		17.5%	17.5%	17.5%	17.5%
	Total payments less cash transfers		13.6%	15.5%	20.0%	31.5%
	Total tax wedge including employer's social security contributions		32.8%	34.3%	37.7%	46.7%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		53.1%	53.1%	53.1%	53.1%
	Total payments less cash transfers: Spouse		21.2%	37.8%	37.8%	37.8%
	Total tax wedge: Principal earner		63.5%	63.5%	63.5%	63.5%
	Total tax wedge: Spouse		38.7%	51.6%	51.6%	51.6%

The national currency is the Forint (HUF). In 2011, HUF 200.57 was equal to USD 1. In that year, the average worker earned HUF 2 624 088 (Secretariat estimate).

1. Personal income tax systems

1.1. Central/federal government income taxes

1.1.1. Tax unit

The tax unit is, in all cases, the separate individual. In exceptional cases, the employer can become subject to personal income tax, for instance in the case of benefits in kind.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- *Basic reliefs:* none.
- *Standard marital status reliefs:* none.
- *Employee Tax credit:* this credit is calculated as 16 per cent of the wage income (multiplied by 1.27), with a monthly maximum of HUF 12 100. If the worker's annual wage income (multiplied by 1.27) exceeds HUF 2 750 000, the tax credit is reduced at the rate of HUF 0.12 for every HUF 1 above this limit. The credit is fully extinguished once the tax base reaches HUF 3 960 000.
- *Family tax allowance:* for families having children, the basis of income tax can be reduced by the family tax allowance, which amounts to HUF 62 500 per month/each dependent (for families having one or two children), or HUF 206 250 per month/each dependent (for families having at least three children). This tax allowance can be applied by a pregnant woman (or her husband) as from the 91st day after conception until birth of the child. The tax allowance may be claimed by one spouse or be split between the spouses.

1.1.2.2. Main non-standard tax reliefs

- *Trade Union membership dues:* membership dues and contributions paid to trade unions and other corporate bodies of employees are deductible without any restriction.
- Tax credits are made available for physical disability or agricultural activities. Tax deduction is available for those having income from abroad.

1.1.3. Tax schedule

The rate of personal income tax amounts to 16 per cent.

From 2010, gross income plus the 27 per cent of employer social security contributions qualify as the base of the personal income tax.

1.2. State and local income taxes

In Hungary there is no local personal income tax system supplementing the central one. More precisely, the total income tax collected is split between the central government

and local governments. At the same time, the local governments can levy taxes on sites and buildings, tourist facilities and business activities.

2. compulsory social security contributions to schemes operated within the government sector

2.1. Employees' contributions

2.1.1. Pensions

The rate of pension contribution amounts to 10 per cent of gross earnings. The maximum annual amount of this contribution is HUF 7 665 000.

2.1.2. Sickness

The rate of health security contribution amounts to 6 per cent of gross earnings.

2.1.3. Unemployment

The worker must pay, as employees' contribution, 1.5 per cent of gross earnings.

2.1.4. Others

None. The average worker does not have any obligation to pay other contributions than the above mentioned. However, the contribution rates may be different for certain types of income or for certain groups of income recipients (*e.g.* employees with pensioner status). None of these exceptions are applicable to the workers taken into consideration in this report.

2.2. Employers' contributions

2.2.1. Pensions

The rate of pension security contribution amounts to 24 per cent of gross earnings.

2.2.2. Sickness

The rate of health security contribution amounts to 2 per cent of gross earnings.

2.2.3. Unemployment

The employer has to pay 1 per cent of gross earnings.

2.2.4. Others

Social security contributions will have to be paid on other benefits than gross earnings (*e.g.* grants in kind) and payments (*e.g.* certain kind of contracts).

The employer contributions also include a payroll tax: the training contribution amounts to 1.5 per cent of gross earnings.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

Effective from 1 January 2008:

Type of family	HUF per month
For a couple with one child	12 200
For a single earner with one child	13 700
For a couple with two children, per child	13 300
For a single earner with two children, per child	14 800
For a couple with 3 or more children, per child	16 000
For a single earner with 3 or more children, per child	17 000
For a couple with permanently sick and disabled child	23 300
For a single earner with permanently sick and disabled child	25 900

4. Main changes in the tax/benefit system since 2010

A flat personal income tax system was introduced.

The tax relief related to children was modified.

The employee tax credit was reduced.

The employees' pension contribution was increased.

Since 2002, payroll taxes (the employer lump sum health contribution and the training contribution) have been included in the tax/benefit calculation.

5. Memorandum items

5.1. Employer contributions to private social security arrangements

According to the relevant legislation in force, payments made by employers to private pension funds on behalf of their employees are exempted from both personal income tax and all social security contributions.

In Hungary, the law dealing with the voluntary mutual insurance funds (like pension funds) was enacted on 6 December 1993. Based on the rules for 2011, the monthly contribution paid to a voluntary mutual pension fund by the employer of a private worker who participates in a voluntary mutual pension fund, limited to an amount below half of the mandatory minimum wage, is taxable according to an effective personal income tax rate of 19.04 per cent (the nominal tax rate of 16 per cent multiplied by 1.19). In the case of employers' contributions paid to health or mutual aid funds, the applicable limit is 30 per cent of the mandatory minimum wage. Contributions in excess of these limits are taxable at an effective personal income tax rate of 19.04 per cent and a health contribution of 27 per cent is also payable on these amounts. Sponsor's donations paid by the employer to its employees' voluntary mutual insurance fund are taxable as well. In addition, employees can apply a 20 per cent tax credit (with a limit of HUF 100 000 or 130 000 per year; in the case of payments simultaneously made to pension, health or mutual aid funds, the limit is HUF 120 000 or 150 000 per year) on these taxable payments. The tax authority pays the tax credit directly to a voluntary mutual insurance fund.

In general, insurance premiums (on the basis of which an employee is named as the recipient/beneficiary of insurance services) paid by the employer are taxable, and social security contributions plus training contribution are also payable. At the same time insurance premiums related to life insurance policy for accidental death, injury liability, or medical care insurance for full and permanent incapacity to work are exempted from taxation and any contributions.

As from 2008, employer pension institutions can be established. Based on the rules for 2011, the monthly contribution paid to an employer pension institution by the employer of a private worker, limited to an amount below half of the mandatory minimum wage, is taxable according to an effective personal income tax rate of 19.04 per cent. Contributions in excess of this limit are taxable at an effective personal income tax rate of 19.04 per cent and a health contribution of 27 per cent is also payable on these amounts.

2011 Parameter values

	Ave_earn	2 624 088	Secretariat estimate		
Child allowance (per child)	child_al	1	750 000		
		2	750 000		
		3	2 475 000		
		4	2 475 000		
Tax base correction	base_corr	0.27			
Income tax schedule	tax_sch	0.16			
Social security contributions	SSC_unemp	0.015			
	SSC_p	0.1			
	SSC_lim	7 665 000			
	SSC_h	0.06			
Tax credits	tax_cr_pe	0.16			
	tax_cr_ce	12 100			
	tax_cr_li	2 750 000			
	tax_cr_ra	0.12			
Employers	SSC_empr	0.27			
Payroll taxes	payroll_rate	0.015			
		# of children	1	2	3+
Transfers for children	CB_rates	0	12 200	13 300	16 000
(monthly)		1	13 700	14 800	17 000

2011 Tax equations

The equations for the Hungarian system in 2011 are mostly on an individual basis. But the child allowance is relevant only to the calculation for the principal earner and cash transfers are calculated only once. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:			
Children	child_al	P	IF(Children>0, Children*VLOOKUP(Children, child_al, 2), 0)
Total	tax_al	B	child_al
3. Credits in taxable income	taxbl_cr	B	earn*base_corr
4. CG taxable income	tax_inc	B	earn+taxbl_cr- tax_al
5. CG tax before credits	CG_tax_excl	B	tax_inc*tax_sch
6. Tax credits	tax_cr	B	MAX(0, MIN(earn*(1+base_corr)*tax_cr_pe, tax_cr_ce*12)-MAX(0, (earn*(1+base_corr)-tax_cr_li)*tax_cr_ra))
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	earn*SSC_unemp+earn*SSC_h+MIN(earn, SSC_lim)*SSC_p
11. Cash transfers	cash_trans	J	Children*(VLOOKUP((1-Married), CB_rates, MIN(Children, 3)+1)*12)
13. Employer's soc security	SSC_empr	B	earn*SSC_empr
Employer's payroll taxes	Payroll	B	earn*payroll_rate

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only.

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Iceland

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Iceland 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		3718142	5577213	9295356	3718142
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		148726	223089	371814	148726
	Work-related expenses					
	Other					
		Total	148726	223089	371814	148726
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		3569417	5354125	8923541	3569417
5.	**Central government income tax liability (exclusive of tax credits)**		848038	1308493	2274819	848038
6.	**Tax credits**					
	Basic credit		530466	530466	530466	530466
	Married or head of family					
	Children					
	Other					
		Total	530466	530466	530466	530466
7.	**Central government income tax finally paid (5-6)**		317572	778027	1744353	317572
8.	**State and local taxes**		514353	771529	1285882	514353
9.	**Employees' compulsory social security contributions**					
	Gross earnings		27982	27982	27982	27982
	Taxable income					
		Total	27982	27982	27982	27982
10.	**Total payments to general government (7 + 8 + 9)**		859907	1577538	3058217	859907
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	433615
		Total	0	0	0	433615
12.	**Take-home pay (1-10+11)**		2858235	3999675	6237138	3291850
13.	**Employer's compulsory social security contributions**		321619	482429	804048	321619
14.	**Average rates**					
	Income tax		22.4%	27.8%	32.6%	22.4%
	Employees' social security contributions		0.8%	0.5%	0.3%	0.8%
	Total payments less cash transfers		23.1%	28.3%	32.9%	11.5%
	Total tax wedge including employer's social security contributions		29.2%	34.0%	38.2%	18.5%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		38.6%	38.6%	44.4%	46.3%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		43.5%	43.5%	48.8%	50.6%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Iceland 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		5577213	7436285	9295356	7436285
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		223089	297451	371814	297451
	Work-related expenses					
	Other					
		Total	223089	297451	371814	297451
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		5354125	7138833	8923541	7138833
5.	**Central government income tax liability (exclusive of tax credits)**		1308493	1717191	2156531	1717191
6.	**Tax credits**					
	Basic credit		1060932	939164	1060932	939164
	Married or head of family					
	Children					
	Other					
		Total	1060932	939164	1060932	939164
7.	**Central government income tax finally paid (5-6)**		247561	778027	1095599	778027
8.	**State and local taxes**		771529	906938	1285882	906938
9.	**Employees' compulsory social security contributions**					
	Gross earnings		27982	55964	55964	55964
	Taxable income					
		Total	27982	55964	55964	55964
10.	**Total payments to general government (7 + 8 + 9)**		1047072	1740929	2437446	1740929
11.	**Cash transfers from general government**					
	For head of family					
	For two children		254515	156713	67478	0
		Total	254515	156713	67478	0
12.	**Take-home pay (1-10+11)**		4784656	5852068	6925388	5695355
13.	**Employer's compulsory social security contributions**		482429	643239	804048	643239
14.	**Average rates**					
	Income tax		18.3%	22.7%	25.6%	22.7%
	Employees' social security contributions		0.5%	0.8%	0.6%	0.8%
	Total payments less cash transfers		14.2%	21.3%	25.5%	23.4%
	Total tax wedge including employer's social security contributions		21.0%	27.6%	31.4%	29.5%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		46.3%	43.4%	43.4%	38.6%
	Total payments less cash transfers: Spouse		42.6%	40.6%	43.4%	35.8%
	Total tax wedge: Principal earner		50.6%	47.9%	47.9%	43.5%
	Total tax wedge: Spouse		47.2%	45.3%	47.9%	40.9%

The national currency is the Króna (plural: Krónur) (ISK). In 2011, ISK 115.97 was equal to USD 1. In 2011, the average worker is expected to earn ISK 5 577 213 (Secretariat estimate).*

1. Personal income tax system

1.1. Central government income taxes

1.1.1. Tax unit

Income is taxed on an individual basis, except for capital income of married couples which is taxed jointly.

1.1.2. Tax allowances and credits

1.1.2.1. Standard reliefs

- *Basic tax credit:* a fixed tax credit, amounting to ISK 530 466 in 2011, is granted to all individuals 16 years and older, regardless of their marital status. The tax credit is deducted from levied central and local government taxes. Unutilised tax credits or portions thereof are wastable, *i.e.* non-refundable and non-transferable between tax years.
- *Standard marital status relief:* married couples may utilise up to 100 per cent of each spouses' unutilised portion of his/her basic tax credit.
- *Relief(s) for children:* none.
- *Relief(s) forcompulsory pension contributions:* the compulsory payment to pension funds amounts to 4 per cent of wages and is deductible. In addition, an optional payment of up to 4 per cent of wages may also be deducted. As the additional 4 per cent contribution is optional, it is viewed as a non-standard relief in this Report.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- *Interest payment relief:* a fully refundable tax credit is granted to purchasers of personal dwellings (homes) to recuperate a part of mortgage-related interest expenses. The maximum tax-related interest credit in 2011 is ISK 400 000 for a single person, ISK 500 000 for a single parent and ISK 600 000 for a married couple. The following constraints apply to interest rebates: 1) They cannot exceed 7.0 per cent of the remaining debt balance incurred in buying a home for one's own use. 2) The maximum amount of interest payments that qualify for an interest rebate calculation is ISK 800 000 for an individual, ISK 1 000 000 for a single parent and ISK 1 200 000 for a couple. 3) Eight per cent of taxable income is subtracted from the interest expense. 4) The rebates begin to be curtailed at a net worth threshold of ISK 4 000 000 for a single individual and a single parent and ISK 6 500 000 for a couple and are eliminated altogether at a 60 per cent higher amount, or ISK 6 400 000 and 10 400 000, respectively. (These amounts are based on income in the year 2011 but are paid out in 2012). In addition to the ordinary interest payment relief a temporary interest

* The definition of average worker in Iceland includes workers in five categories. See Section 5.1.

cost rebate will be paid out in 2012, based on fiscal year 2011. The additional relief amounts to 0.6% of debt due to the purchase of a home. The relief is capped at ISK 200 000 for single individuals and ISK 300 000 for single parents and couples. The amount is reduced proportionally for net worth exceeding ISK 10 000 000 for a single person and ISK 15 000 000 for a single parent or couple. The upper threshold is ISK 20 000 000 for a single individual and 30 000 000 for a single parent or couple.

- Fishermen are entitled to a special credit against income tax of ISK 740 per day at sea in 2011.

1.1.3. *Tax schedule*

The income tax base is composed of *personal income* (*e.g.* wages, salaries, fringe benefits, pensions, etc.), which is taxed on an individual basis, and *capital income* which is taxed jointly for married couples.

The tax on personal income is triple-rated. The central government income tax rate in 2011 is 22.90 per cent for income up to ISK 209 400 per month. A 25.8 per cent tax rate applies to the next ISK 471 150 or up to ISK 680 550. For income exceeding ISK 680 550, the tax rate is 31.8 per cent. The income tax rate applies to all personal income in excess of ISK 118 482 per month (ISK 1 421 780 per year). Tax relief is provided by the basic credit described in Section 1.1.2.1.

The tax on capital income which exceeds ISK 100 000 (ISK 200 000 for married couple) is 20 per cent. It is levied on all capital income of individuals, such as interest, dividends, rents etc. 30 per cent of rent income is tax free.

1.2. *Local government income tax*

The local government income tax base is the same as the central government's personal income tax base.

The local governments' income tax is single-rated, but the rate varies between 12.44 and 14.48 per cent between municipalities. The average rate in 2011 is 14.41 per cent.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. *Employees' contributions*

Fee to the Retiree Investment Fund: 16 to 70 year-old individuals are subject to a fixed tax of ISK 9 182 in 2011, provided the individual's taxable income is at least ISK 1 421 780 for the year. This tax will be collected in 2012.

Fee to the broadcast media: 16 to 70 year-old individuals with taxable income over ISK 1 421 780 for the year as well as legal entities are subject to a fixed tax of ISK 18 800 in 2011, which will be collected in 2012.

2.2. *Employers' contributions*

Employers have to pay a social security tax on total wages of 8.65 per cent. In addition, 0.65 per cent is levied on the wages of fishermen as a premium for their government accident insurance.

3. Universal cash transfers

3.1. *Marital status related transfers*

None.

3.2. *Transfers for dependent children*

Child benefits are granted for each child, subject to income thresholds. In 2011, they are as follows (in ISK per year):

For each child under the age of seven:	61 191
Children under the age of eighteen at the end of 2011:	
First child	152 331
Each additional child	181 323
Benefits for single parents:	
First child	253 716
Each additional child	260 262
Income threshold for benefit curtailment:	
For couples	3 600 000
For a single parent	1 800 000
Curtailment of benefits (children under the age of seven only):	
For each child	3 per cent
Curtailment of benefits (all children under the age of eighteen):	
For one child	3 per cent
For two children	5 per cent
For three children or more	7 per cent

Note that child benefits in this Report are based on income in the year 2011 but are paid out in 2012 (see also Section 4.4).

4. Main changes in the tax/benefit system since 1998

4.1. *The deductibility of the payment to pension funds*

All employees are required to participate in pension funds. The employee contribution is generally 4 per cent of wages and the employer contribution was 6 per cent, and increased to 8 per cent as of beginning 2007. Both contributions are deductible from income before tax. In some cases, the contributions of employees and employers are higher. An optional, additional payment from employees of up to 4 per cent of wages is also deductible and goes into an individual retirement account.

This voluntary pension savings option was first introduced in 1999 in order to encourage personal saving. At the time the contribution rate was 2 per cent for employees and 0.2 per cent for employers. In May 2000, these rates were doubled to 4 and 0.4 per cent, respectively, as noted above. In addition, some employers, such as the central government, have increased their employer counter-contribution by agreement with employees. The central government contributed 1 per cent against a voluntary employee contribution of 4 per cent in 2001 and 2 per cent as of the beginning of 2002. All such contributions are tax-deductible, both with the employer and the employee at the time the contribution is made. The actual pension is taxed as personal income when it is drawn. As of the beginning of 2004, the employer option of deducting the above 0.4 per cent against the social security tax was abolished. Since such employer counter-contributions had become part of wage agreements in most cases, it was no longer felt that such a tax incentive was needed.

4.2. A reduction of the central government income tax rate 1997-2007

In 1997-2007, the Government pursued a policy of reducing the marginal tax rate, as can been seen in the table below. This development was reversed in 2009 when income tax was raised by 1.35 percentage points in response to the Treasury's rising debt burden brought on by the economic crisis. At the beginning of 2010, the tax system was changed from single rated to triple rated. The tax rate was set at 24.1 per cent for the first monthly ISK 200 000 but it was raised by 2.9 per cent for the next ISK 450 000 and again by 6 per cent for income in excess of ISK 650 000. In 2011, these rates and the corresponding thresholds were slightly modified. For 2011, the rates are 22.9%, 25.8% and 31.8%, and the corresponding income thresholds are ISK 209 400 and 680 550 per month; see Section 1.1.3 for further details. From 1998 onwards, the central government and average local government personal income tax rates have been as follows:

	Central government general tax rate (%)	Municipal tax rate (%)	Total tax rate (%)	Central government surtax (%)
1998	27.41	11.61	39.02	7.00
1999	26.41	11.93	38.34	7.00
2000	26.41	11.96	38.37	7.00
2001	26.08	12.68	38.76	7.00
2002	25.75	12.79	38.54	7.00
2003	25.75	12.80	38.55	5.00
2004	25.75	12.83	38.58	4.00
2005	24.75	12.98	37.73	2.00
2006	23.75	12.97	36.72	0
2007	22.75	12.97	35.72	0
2008	22.75	12.97	35.72	0
2009	24.10	13.10	37.20	0
2010	24.10	13.12	37.32	2.90/6.00
2011	22.90	14.41	37.31	2.90/6.00

4.3. A special tax on higher income

In 1998, the special tax on higher income was raised by 2 percentage points, from 5 to 7 per cent. For 2003-income, it was reduced back to 5 per cent. It was reduced to 4 per cent for 2004-income and to 2 per cent for 2005-income. In the fiscal year 2006, the tax was abolished. In the latter half of 2009, the special tax on higher income was introduced again at 8 per cent. In 2010, the tax system changed to triple-rated; see Sections 4.2 and 1.1.3.

4.4. A revision of child benefit system

Child benefits are granted for each child, subject to income thresholds. The amendments to tax legislation that came into effect in 2004 included a schedule for raising child benefits. As from 2007, the child benefits will be paid for children up to 18 years instead of 16 years. For 2004-2011, benefits are as follows (in ISK per year):

	2004	2005	2006	2007	2008	2009	2010	2011
For all children under the age of seven	37 397	46 747	56 096	57 891	61 191	61 191	61 191	61 191
Children under the age of eighteen:								
First child	126 952	139 647	139 647	144 116	152 331	152 331	152 331	152 331
Each additional child	151 114	166 226	166 226	171 545	181 323	181 323	181 323	181 323
Benefits for single parents:								
First child	211 447	232 591	232 591	240 034	253 716	253 716	253 716	253 716
Each additional child	216 902	238 592	238 592	246 227	260 262	260 262	260 262	260 262
Income threshold for benefit curtailment:								
For couples	1 487 463	1 859 329	2 231 195	2 880 000	3 600 000	3 600 000	3 600 000	3 600 000
For a single parent	743 732	929 665	1 115 598	1 440 000	1 800 000	1 800 000	1 800 000	1 800 000
Curtailment of benefits under the age of seven:								
For each child							3%	3%
Curtailment of benefits under the age of eighteen:								
For one child	3%	3%	2%	2%	2%	2%	3%	3%
For two children	7%	7%	6%	5%	5%	5%	5%	5%
For three children or more	9%	9%	8%	7%	7%	7%	7%	7%

The data for 2011 is subject to change as the benefits are not payable until 2012.

4.5. *A revision of interest rebates*

In 2004, the interest rebate was cut by 10 per cent, effective for that year only. The ceiling on interest payments that qualify for the interest rebate was reduced from 7 per cent to 5.5 per cent in 2005 and the interest rate cut was reduced from 10 per cent to 5 per cent. As of the beginning of 2006, the ceiling was further reduced to 5 per cent. In 2005 and again in 2007, the net worth ceiling was lifted considerably in reaction to the increase in net worth due to the house price boom in 2005-07. In 2008, as mortgage-related interest expenses surged, the ceiling on interest payments was raised back to 7 per cent and the maximum rebate amount increased by 37 per cent. These measures stayed in effect in 2009. In 2010, the maximum rebate amount increased by 47-62 per cent and the net worth ceiling was reduced significantly. The rate of taxable income which is subtracted from the interest expense was increased from 6 per cent to 8 per cent. In addition to the ordinary interest payment relief a temporary interest cost rebate was introduced in 2010; see Section 1.1.2.2. These measures still apply in 2011.

4.6. *Transferability of basic tax credit between spouses*

The basic tax credit was made transferable between spouses in stages; see Section 1.1.2.1 above. In fiscal year 2001, 90 per cent of the credit became transferable, rising to 95 per cent in 2002 and 100 per cent in 2003.

5. Memorandum items

5.1. *Identification of AW (only five categories) and valuation of earnings*

The data on average earnings refers to average workers in five categories according to the NACE Rev. 1 classification which corresponds to the ISIC Rev. 3 system. The categories are D-production, F-construction, G-wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods, I-transport, storage and communication, and J-financial intermediation. Public sector employees are not included. Together, these

five categories comprise approximately 80% of Iceland's private sector labour force. This classification system corresponds with the NACE Rev. 2 classification system, which corresponds with the ISIC Rev. 4 system (sectors B-N).

The original data are obtained from a monthly survey among Icelandic firms with 10 or more employees.

5.2. Employer contributions to private pension funds, health and related schemes

By law, all employees and employers must contribute to pension funds. These funds are private, generally linked to unions and employee associations. The private pension funds are not part of the government-run social security system, to which a payroll tax is paid as described under Section 2.2 above. Compulsory and voluntary payments to such funds are described in Section 4.1 above.

2011 Parameter values

AW-income	Ave_earn	5 577 213	Secretariat estimate
Pension rate for tax allowance	pension_rate	0.04	
Tax credit	Basic_crd	530 466	
	Married_propn	1	
Central income tax	tax_sch	0.229	2 512 800
		0.258	8 166 600
		0.318	
Special tax	special_rate	0	
threshold	special_thrsh		
Local tax	local_rate	0.1441	
Church tax	church_tax	0	
Social Security Contr.	SSC_fixed	27 982	
	SSC_thrsh	1 421 780	
Employer SSC	SSC_empr	0.0865	
General child allowance:			
child allowance	CA	61 191	
Maximum number of children under 7	max_child_under7	1	
Supplement child allowance:			
Married couple case			
first child	SA_first_m	152 331	
other children	SA_others_m	181 323	
income threshold	SA_tresh_m	3 600 000	
Single parent case			
first child	SA_first_s	253 716	
other children	SA_others_s	260 262	
income threshold	SA_tresh_s	1 800 000	
reduction rate (one child)	SA_redn_1	0.03	
reduction rate (two children)	SA_redn_2	0.05	
reduction rate (tree or more children)	SA_redn_3	0.07	

2011 Tax equations

The equations for the Iceland system are mostly on an individual basis. But the tax credit for married couples is relevant only to the calculation for the principal earner and child benefit is calculated only once. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:	tax_al	B	earn*pension_rate
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	earn-tax_al
5. CG tax before credits	CG_tax_excl	B	tax(tax_inc, tax_sch)
6. Tax credits:	tax_cr	P	MIN(CG_tax_excl_princ,Basic_crd+MAX(Married*Basic_crd-CG_tax_excl_spouse-(tax_inc_spouse*local_rate),0))
		S	MIN(Married*Basic_crd, CG_tax_excl_spouse)
	special_tax	J	0
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr+special_tax
8. State and local taxes	local_tax	P	MAX(tax_inc_princ*local_rate-MAX(Basic_crd+ Max(Married* Basic_crd-CG_tax_excl_spouse-(tax_inc_spouse*local_rate),0)-CG_tax_excl_princ,0),0)
		S	MAX(tax_inc_spouse*local_rate-MAX(Married*Basic_crd-CG_tax_excl_spouse,0),0)
9. Employees' soc security	SSC	B	SSC_fixed*(earn>SSC_thrsh)
11. Cash transfers:			
Total family income	inc_tot	J	earn_total
Child allowance	cash_trans	J	Positive(MIN(Children,max_child_under7)*CA-Positive(inc_total*(1-pension_rate)-IF(Married,SA_tresh_m,SA_tresh_s))*SA_redn_1) +(Children>0)*(IF(Married,SA_first_m+ Positive(Children-1)*SA_others_m,SA_first_s+ Positive(Children-1)*SA_others_s) - Positive(inc_tot*(1-pension_rate)-IF(Married,SA_tresh_m,SA_tresh_s))*IF(Children=1, SA_redn_1,IF(Children=2,SA_redn_2,SA_redn_3)))
13. Employer's soc security	SSC_empr	B	earn*SSC_empr_rate

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Ireland

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Ireland 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	21894	32841	54736	21894
2.	**Standard tax allowances**	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	21894	32841	54736	21894
5.	**Central government income tax liability (exclusive of tax credits)**	4379	6577	15554	4379
6.	**Tax credits**				
	Basic credit	1650	1650	1650	1650
	Single, head of family	0	0	0	1650
	Children				
	Other	1650	1650	1650	1650
	Total	3300	3300	3300	4950
7.	**Central government income tax finally paid (5-6)**	1930	4895	15404	851
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	876	1314	2189	876
	Taxable income				
	Total	876	1314	2189	876
10.	**Total payments to general government (7 + 8 + 9)**	2806	6208	17593	1727
11.	**Cash transfers from general government**				
	For head of family	0	0	0	6682
	For two children	0	0	0	3360
	Total	0	0	0	10042
12.	**Take-home pay (1-10+11)**	19088	26633	37142	30209
13.	**Employer's compulsory social security contributions**	2354	3530	5884	2354
14.	**Average rates**				
	Income tax	8.8%	14.9%	28.1%	3.9%
	Employees' social security contributions	4.0%	4.0%	4.0%	4.0%
	Total payments less cash transfers	12.8%	18.9%	32.1%	-38.0%
	Total tax wedge including employer's social security contributions	21.3%	26.8%	38.7%	-24.6%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	31.0%	52.0%	52.0%	64.4%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	37.7%	56.7%	56.7%	67.9%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Ireland 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	32841	43789	54736	43789
2.	**Standard tax allowances**	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	32841	43789	54736	43789
5.	**Central government income tax liability (exclusive of tax credits)**	6568	8758	10947	8758
6.	**Tax credits**				
	Basic credit	3300	3300	3300	3300
	Single, head of family	0	0	0	0
	Children				
	Other	2460	3300	3300	3300
	Total	5760	6600	6600	6600
7.	**Central government income tax finally paid (5-6)**	2426	4013	6816	4013
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1314	1314	2189	1314
	Taxable income				
	Total	1314	1314	2189	1314
10.	**Total payments to general government (7 + 8 + 9)**	3740	5326	9006	5326
11.	**Cash transfers from general government**				
	For head of family	1321	0	0	0
	For two children	3360	3360	3360	0
	Total	4681	3360	3360	0
12.	**Take-home pay (1-10+11)**	33783	41822	49090	38462
13.	**Employer's compulsory social security contributions**	3530	4461	5884	4461
14.	**Average rates**				
	Income tax	7.4%	9.2%	12.5%	9.2%
	Employees' social security contributions	4.0%	3.0%	4.0%	3.0%
	Total payments less cash transfers	-2.9%	4.5%	10.3%	12.2%
	Total tax wedge including employer's social security contributions	7.1%	13.3%	19.0%	20.3%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	72.4%	31.0%	31.0%	31.0%
	Total payments less cash transfers: Spouse	26.6%	24.0%	31.0%	24.0%
	Total tax wedge: Principal earner	75.1%	37.7%	37.7%	37.7%
	Total tax wedge: Spouse	32.3%	30.0%	37.7%	30.0%

The national currency is the Euro (EUR). In 2011, EUR 0.72 was equal to USD 1. In that year, the average worker earned EUR 32 841 (Secretariat estimate).

1. Personal income tax systems

1.1. Central/federal government income taxes

1.1.1. Tax unit

Tax is levied on the combined income of both spouses. Either spouse may, however, opt for separate assessment, in which case the tax payable by both spouses must be the same as would be payable under joint taxation. A further option allows either spouse to opt for assessment as single persons in which case they are treated as separate units. The calculations presented in this Report are based on family taxation.

1.1.2. Tax credits

1.1.2.1. Standard reliefs

- *Basic reliefs:* the single person's credit is EUR 1 650 per year.
- *Standard marital status reliefs:* the married person's credit is EUR 3 300 per year (*i.e.* twice the basic credit of EUR 1 650).
- *Employee credit:* with the exception of certain company directors and their spouses and the spouses of partners in partnership cases, all employees, including (subject to certain conditions) children who are full-time employees in the business of their parents, are entitled to an employee credit of EUR 1 650.
- *Single-Parent Family Relief:* the single parent family credit is EUR 1 650.

1.1.2.2. Main non-standard tax reliefs applicable to an APW

- *Interest on qualifying loans:* a qualifying loan in respect of the purchase, repair or improvement of the principal private residence. This relief is subject to the following overall limits in 2011

	First time mortgage holders	Other mortgage holders
Married couple	EUR 8 000	EUR 5 079
Widowed person	EUR 8 000	EUR 5 079
Single person	EUR 4 000	EUR 2 539

- *Medical Insurance:* relief at the taxpayer's standard rate of tax is available for taxpayers who make a payment to an authorised insurer under a contract which provides for the payment of medical expenses resulting from sickness of the person, his wife, child or other dependants. This *relief is now granted at source and is paid to the insurance provider.*
- *Mortgage Interest Relief:* mortgage interest relief is discontinued for any mortgage over 7 years from 1 May 2009.

- *Work-related Expenses:* these are relieved to the extent that they are wholly, exclusively and necessarily incurred in the performance of the duties of an employment.
- *Home Carers Allowance:* this is a tax credit of EUR 810 for families where one spouse works at home to care for children, the aged or incapacitated persons, where the carer spouse's income does not exceed EUR 5 079. A reduced measure of relief is granted for income between EUR 5 080 and EUR 6 620: if the income exceeds EUR 5 080, the tax credit is reduced by one half of the income of the Home Carer that exceeds this limit. This credit and the increased standard rate tax band for two income couples (see tax schedule below) are mutually exclusive but the person may opt for whichever is the more beneficial. If the Home Carer earns income of up to EUR 5 080 in his/her own right for the tax year, the full tax credit may be claimed. For the purposes of this tax credit, income means any taxable income such as income from a part-time job, dividends, etc., but does not include the Carer's Allowance payable by the Department of Social and Family Affairs.

1.1.3. *Tax schedule*

Band of taxable income (EUR)				Rate (%)
Single/widow(er)	Married couple (one income)	Married couple (two incomes)	One-parent families	
Up to 32 800	Up to 41 800	Up to the lesser of: 65 600; 41 800 plus the amount of the lowest income	36 800	20
Balance	Balance	Balance	Balance	41

1.1.4. *Low income exemption and marginal relief tax*

Where total income is less than or equal to the income exemption limit that income is exempt from tax.

Exemption limits:

	EUR
Single/Widowed	
Under 65	5 210
65 and over	17 000
Married	
Under 65	10 420
65 and over	34 000
Children	
One or two children (each)	575
Subsequent children	830

The marginal relief rate of tax applies where liability to tax at the marginal relief rate is less than that which would be chargeable under the normal tax schedule and where total income is less than twice the relevant exemption limit, otherwise tax is charged under the normal tax schedule.

Marginal relief tax is charged, where applicable, at a rate of 40 per cent on the difference between total income and the relevant exemption limit.

1.2. State and local income taxes

No State or local income taxes exist in Ireland.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employees' contributions

Contributions are payable as a percentage of an employee's gross earnings less allowable superannuation contributions. No distinction is made by marital status or sex. The first EUR 352 of weekly earnings are exempt from social insurance. If the employee is not exempt, then an allowance of EUR 127 per week is applicable for social insurance contribution purposes. The following is a breakdown of the 2011 rate of contribution together with ceilings where applicable:

Description	Rate	Threshold (EUR)	Ceiling (EUR)
Pension and social insurance	4.00		

2.2. Employers' contributions

Like employees' contributions, employers' contributions are payable as a percentage of gross employee earnings less allowable superannuation contributions. The following is a breakdown of the 2011 rate of contribution:

Description	Rate %	Ceiling (EUR)
Occupational injuries	0.50	
Redundancy contribution	0.40	
Pension and social insurance	9.85	
Total	10.75	No ceiling

The employers' contribution is reduced from 10.75 per cent to 8.5 per cent in respect of employees earning less than EUR 356 per week.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

These are payable to all children under the age of 16 (or under 19 years, if the child is undergoing full-time education by day or is incapacitated and likely to remain so for a prolonged period). These payments do not depend on any insurance or on the means of the claimant. The amounts payable in 2011 are as follows:

Period	Monthly rate per child	
January 2010 to December 2010	First to second child: EUR 140.00	Subsequent children: EUR 167.00

3.3. Transfers for low income families

A non taxable family income supplement is payable to low income families where either the principal earner and/or the spouse are in full-time employment. Full-time employment is defined as working nineteen hours per week or more. The hours worked by the principal and the spouse can be aggregated for the purposes of this definition. When calculating income for the purposes of the relief superannuation payments, social welfare payments, tax payments, health and employment and training levies are all subtracted to arrive at disposable income.

The level of payment is dependent on the amount of family income and the number of children. The supplement payable is 60 per cent of the difference between the family income and the income limit applicable to the family. A minimum of EUR 20 per week is payable to eligible families. No supplement is payable to families with income in excess of the relevant income limit.

The income limit for a family with two children in 2011 is EUR 602 per week.

One Parent Family Payment: This new non taxable payment is available for men and women who for a variety of reasons are bringing up a child or children without the support of a partner. The payment which is means tested is payable in full where the persons earnings does not exceed EUR 7 618. Where earnings are between EUR 7 618 and EUR 22 100 a reduced payment is received. The amount of the full payment for 2010 is EUR 6 552 plus EUR 1 550 for each child. Because of the complex means testing system this type of person is excluded from the AW examples.

4. Other main changes in tax/benefit system since 2010

5. Universal Social Charge (USC)

The Universal Social Charge (USC) replaces the Income and Health Levies and applies at a low rate on a broad base.

The USC is charged on an individualised basis on gross income at 2 per cent on income up to and including EUR 10 036, at 4 per cent for income in excess of EUR 10 036 but not greater than EUR 16 016 and at 7 per cent above that level. Those aged over 70 year do not pay this higher rate and there is a lower exemption threshold EUR 4 004.

The USC does not apply to social welfare payments, including contributory and non-contributory social welfare State pensions.

Individuals in possession of full medical card, including a Health Amendment Act card, will only pay USC at a max rate of 4% irrespective of the level of their income. However, when an individual has self-employment income in excess of EUR 100 000 for a tax year, the max rate is 7% on the amount of the excess. Non-medical card holders are subject to a maximum rate of 10% on such income.

USC rates for individuals aged 70 years and over and individuals who hold FULL medical cards: the 4% rate applies to all income over 10 036. There is a surcharge of 3% on individuals who have income from self employment that exceeds EUR 100 000 in a year, regardless of age. Where such individuals are aged over 70 years or hold a full medical card, a rate of 7% applies.

6. Memorandum items

6.1. *Employer contributions to private social security arrangements*

Information not available, although such schemes do exist.

2011 Parameter values

	Ave_earn	32 841	Secretariat estimate
Tax allowances			
Tax Credits	Basic_al_at_standardrate	1 650	
	Married_al_at_standardrate	1 650	
	Empl_al_at_standardrate	1 650	
	Singleparent_at_standardrate	1 650	
	Carers_allow	810	
	Carers_thrsh1	5 080	
	Carers_thrsh2	6 620	
	Carers_taper_rt	0.5	
Exemption amount	Single_ex	5 210	
	Married_ex	5 210	
	Child_ex	575	
	Child_ex_3	830	
Marginal relief limit	Single_MR	10 420	
	Married_MR	10 420	
	Child_MR	1 150	
	Child_MR_3	1 660	
Marginal relief	marg_rel_rate	0.4	
Income tax	Single_sch	0.2	32 800
		0.41	
	Single_sch_child	0.2	36 800
		0.41	
	Married_sch_oneinc	0.2	41 800
		0.41	
	Married_sch_twoinc	0.2	65 600
		0.41	
Universal Social Charge	USC	0.02	10 036
		0.04	16 016
		0.07	
	USC_sch_med_card	0.02	10 036
		0.04	
	USC threshold	4 004	
Maximum increase in first band	Band_increase_lim	27 400	
Social security contributions	SSC_thresh	18 304	
Employees	pension_rate	0.04	
	pension_ceil	0	
	Non_cum_Allc	6 604	
Employers	Empr_rate	0.1075	
	Empr_lower_rate	0.085	
	Empr_thrsh	18 512	
Child benefit	Ch_ben	1 680	
	Ch_ben_3	2 004	
Family income supplement	FIS_pay_limit	31 304	
	FIS_min	1 040	
	FIS_rate	0.6	
Medical card	single_med_card	9 568	
	married_med_card	13 858	
	child_add_med_card	1 976	

2011 Tax equations

The equations for the Irish system in 2011are mostly on a family basis using mainly a tax credit system for the first time. But social security contributions are calculated separately for each spouse. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:			(provided at standard rate (tax credit equivalent))
3. Credits in taxable income	taxbl_cr	J	0
4. taxable income	tax_inc	J	earn
New carers allowance (provided as a tax credit)	career_allow		IF((Married*Children)>0, IF(earn_spouse<=Carers_thrsh1, Carers_allow, IF(earn_spouse>Carers_thrsh2, 0, Positive (Carers_allow-Carers_taper_rt*(earn_spouse-Carers_thrsh1)))), 0)
Preliminary Tax Liable (including carers allowance)	tax_prel	J	IF(Married=0, IF(Children=0, Tax(tax_inc, Single_sch), Tax(tax_inc, Single_sch_child)), IF(AB7=0, Tax(tax_inc, Married_sch_oneinc)-AG7, Tax(earn_principal+Positive(earn_spouse-Band_increase_lim), Married_sch_oneinc)+Tax(MIN(earn_spouse, Band_increase_lim), Married_sch_oneinc)))
5. tax before credits (but including carers allowance)	_tax_excl	J	IF((Married*earn_spouse)>0, MINA(tax_prel, (Tax(tax_inc, Married_sch_oneinc)-career_allow)), tax_prel)
Universal social charge	USC	J	IF(earn>USC_threshold,Tax(earn,USC_sch),0)
6. Tax credits:	basic_cr	J	Basic_al_at_standardrate+(Married*Married_al_at_standardrate)
	single_par_cr		IF(Married=0, IF(Children>0, Singleparent_at_standardrate, 0), 0)
	other_cr		Empl_al_at_standardrate+ (IF(earn_spouse>0, Empl_al_at_standardrate, 0))
	tax_cr		basic_cr+single_par_cr+other_cr
Exemption amount	exemp_amt	J	Single_ex+Married*Married_ex+Child_ex*MIN(2, Children)+ (Children>2)*(Children-2)*Child_ex_3
Marginal relief limit	MRL	J	Single_MR+Married*Married_MR+Child_MR*MIN(2, Children)+ (Children>2)*(Children-2)*Child_MR_3
7. Net tax	CG_tax	J	If(earn_total<=MRL, MIN(marg_rel_rate*positive(earn_total-exem_amt), positive(_tax_excl-tax_cr)), positive(_tax_excl-tax_cr))+USC
8. State and local taxes	local_tax	J	0
9. Employees' soc security			
Weekly allowance	weekly_allce	B	IF(earn=0, 0, MINA(IF(earn>pension_ceil, Non_cum_Allc*pension_ceil/earn, Non_cum_Allc), earn))
Medical card factor	Med_crd_fac	J	(single_med_card+Married*(married_med_card-single_med_card) +child_add_med_card*Children<earn_princ+earn_spouse)
Employees' soc security	SSC	B	IF(earn>SSC_thresh, pension_rate*Positive(earn-weekly_allce), 0)
11. Cash transfers			
	Child_benefit	J	Children*Ch_ben+(Children>2)*(Children-2)*(Ch_ben_3-Ch_ben)
	FIS	J	(Children>0)*IF((earn-_tax-SSC)<=FIS_pay_limit , MAXA((FIS_pay_limit-(earn-_tax-SSC))*FIS_rate, FIS_min), 0)
Total cash transfers	cash_trans		Child_benefit+FIS
13. Employer's soc security	SSC_empr	B	IF(earn<=Empr_thrsh, Empr_lower_rate, Empr_rate)* MIN(earn, Empr_ceil)

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

Israel

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Israel 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	79344	119016	198360	79344
2.	**Standard tax allowances**				
	Basic allowance	0	0	0	0
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses	0	0	0	0
	Other				
	Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	79344	119016	198360	79344
5.	**Central government income tax liability (exclusive of tax credits)**	8675	15587	35903	8675
6.	**Tax credits**				
	Basic credit	5643	5643	5643	6897
	Married or head of family	0	0	0	2508
	Children	0	0	0	5016
	EITC	0	0	0	0
	Unused wastable tax credits	0	0	0	5746
	Total	5643	5643	5643	14421
7.	**Central government income tax finally paid (5-6)**	3032	9944	30260	0
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	4438	9198	18720	4438
	Taxable income				
	Total	4438	9198	18720	4438
10.	**Total payments to general government (7 + 8 + 9)**	7469	19143	48979	4438
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	7646
	Total	0	0	0	7646
12.	**Take-home pay (1-10+11)**	71875	99874	149381	82552
13.	**Employer's compulsory social security contributions**	3253	5547	10135	3253
14.	**Average rates**				
	Income tax	3.8%	8.4%	15.3%	0.0%
	Employees' social security contributions	5.6%	7.7%	9.4%	5.6%
	Total payments less cash transfers	9.4%	16.1%	24.7%	-4.0%
	Total tax wedge including employer's social security contributions	13.0%	19.8%	28.4%	0.1%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	26.0%	35.0%	42.0%	12.0%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	30.0%	38.6%	45.2%	16.8%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Israel 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		119016	158688	198360	158688
2.	**Standard tax allowances**					
	Basic allowance		0	0	0	0
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses		0	0	0	0
	Other					
		Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		119016	158688	198360	158688
5.	**Central government income tax liability (exclusive of tax credits)**		15587	19555	24262	19555
6.	**Tax credits**					
	Basic credit		5643	12540	12540	12540
	Married or head of family		0	0	0	0
	Children		0	5016	5016	0
	EITC		0	2636	0	0
	Unused wastable tax credits		0	7946	3238	2930
		Total	5643	20192	17556	12540
7.	**Central government income tax finally paid (5-6)**		9944	7308	9944	9944
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		9198	10587	13636	10587
	Taxable income					
		Total	9198	10587	13636	10587
10.	**Total payments to general government (7 + 8 + 9)**		19143	17895	23580	20531
11.	**Cash transfers from general government**					
	For head of family					
	For two children		4710	4710	4710	0
		Total	4710	4710	4710	0
12.	**Take-home pay (1-10+11)**		104584	145503	179490	138157
13.	**Employer's compulsory social security contributions**		5547	6955	8800	6955
14.	**Average rates**					
	Income tax		8.4%	4.6%	5.0%	6.3%
	Employees' social security contributions		7.7%	6.7%	6.9%	6.7%
	Total payments less cash transfers		12.1%	8.3%	9.5%	12.9%
	Total tax wedge including employer's social security contributions		16.0%	12.2%	13.4%	16.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		35.0%	58.0%	35.0%	35.0%
	Total payments less cash transfers: Spouse		-3.1%	10.4%	12.0%	3.5%
	Total tax wedge: Principal earner		38.6%	60.3%	38.6%	38.6%
	Total tax wedge: Spouse		0.4%	13.5%	16.8%	6.8%

The Israeli currency is the Israeli Shekel (ILS). In 2011, ILS 3.57 was equal to USD 1. In that year, the average worker in Israel earned ILS 119 016 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income tax

1.1.1. Tax unit

In general, spouses are taxed separately on their earned income, subject to the condition that its sources are independent. The household is taxed jointly if their earned income is deemed to be interdependent. The conditions for interdependence involve situations where one spouse works in a business which the other spouse either owns or has certain levels of capital or management/voting rights.

1.1.2. Tax allowances and credits

1.1.2.1. Standard tax credits

The standard tax credits are given in the form of credit points subtracted from the tax liability. Each point is worth ILS 2 508 in 2011.

- *Basic credit:* every resident taxpayer is entitled to 2.25 credit points (ILS 5 643 in 2011).
- *Additional credit for women:* women are entitled to a further half credit point (ILS 1 254 in 2011).
- *Child credit:* working mothers (and fathers in one parent families) with children aged under 18 are entitled to one additional credit point per child (ILS 2 508 in 2011).
- *Single parent credit:* single parents (male or female) are entitled to one additional credit point (ILS 2 508 in 2011).

1.1.2.2. Non-standard tax credits applicable to income from employment

- Tax credits are awarded for contributions to approved pension schemes, up to a ceiling which varies according to the employee's circumstances.
- Employees living in certain development areas or in conflict zones receive credits as a percentage of their income up to ceiling. In 2011, the credits range from 13% in the lowest category to 25% in the highest category with ceilings of ILS 151 680 and 227 640 respectively. About 8% of the population lives in these areas.
- New immigrants are entitled to three additional credit points in their first eighteen months in Israel, two additional credit points in the following year, and one credit point in the year after.
- Discharged soldiers receive 2 credit points for three years after the completion of at least 23 months of service or 1 credit point for a shorter service.

- Graduates of academic studies receive 1 credit point for three years after the completion of a B.A. degree (or after the completion of 1 700 study hours that led to a professional certificate) and 0.5 credit point for two years after the completion of a M.A. degree.

1.1.3. Tax schedule

The tax schedule for earned income in 2011 is as follows:

Taxable income (ILS)	Tax rate (%)
0-60 840	10
60 840-103 920	14
103 920-168 840	23
168 840-254 880	30
254 880-482 760	33
Above 482 760	45

1.2. Regional and local income tax

There are no regional or local income taxes.

2. Compulsory social security insurance system

Social security contributions are made up of a combination of those for National Insurance and Health Insurance. The tax rates paid by employees and employers are applied in two brackets:

- A reduced rate for income up to a level of 60% of the average wage per employee post (ILS 4 984 per month in 2011).
- A full rate for income exceeding 60% of the average wage per employee post and up to a level of around 9 times the average wage per employee post (ILS 73 422 per month in 2011).

2.1. Employees' contributions

The taxable base for social security insurance contributions paid by employees is the total amount of the gross wage or salary including fringe benefits. The assessment period is the calendar month. The effective employees' contribution rates in 2011 are as follows:

Insurance branch	Full rate contribution (%)	Reduced rate contribution (%)
Total for National Insurance branches	7.00	0.40
Health	5.00	3.10
Total contributions	12.00	3.50

2.2. Employers' contributions

Social security insurance contributions are also paid by employers on behalf of their employees. These relate to National Insurance only – employers do not pay any contributions for health insurance.

From January to March there was a reduced rate of 3.85 per cent and the full contribution rate was 5.43 per cent. From April onwards there was a reduced rate of 3.45 per cent and the full contribution rate was 5.90 per cent.

The average employers' contribution rates in 2011 are as follows and these are used in the modelling:

Insurance branch	Full rate contribution (%)	Reduced rate contribution (%)
Total for National Insurance branches	5.7825	3.55
Health	–	–
Total contributions	5.7825	3.55

3. Payroll taxes

The following payroll taxes exist in Israel but neither of them is included in the modelling as they have limited coverage:

- Wage tax on the non-profit institutions: the VAT law imposes a 7.5 per cent on the wage-bill on the non-profit sector including government;
- Wage tax on the financial institutions: the VAT law also imposes a 16 per cent tax on the wage-bill of the financial institutions.

4. Universal cash transfers

4.1. *Transfers related to marital status*

None.

4.2. *Transfers for dependent children*

A monthly child allowance is paid to the parent (usually the mother) of unmarried children aged up to 18. The amount of the entitlement for each child depends on the date of birth of the child. Between August 2003 and June 2009, all children born after 1 June 2003 received the same benefit as the first child. But, according to the Coalition agreement signed in March 2009, the benefits for the second, third and fourth child (including those born after June 2003) are to be increased gradually over a period of five years (*i.e.* from 2009 to 2013).

In 2011, the monthly payments per child are shown in the following table. The "average" figure is used in the modelling.

	Children born before 1 June 2003			Children born on or after 1 June 2003		
	Average	Jan.-Mar.	Apr.-Dec.	Average	Jan.-Mar.	Apr.-Dec.
First child	169	169	169	169	169	169
Second child	223.5	195	252	223.5	195	252
Third child	284	284	284	252	252	252
Fourth child	446	446	446	252	252	252
Fifth child and above	375	375	375	169	169	169

In addition, a Study Grant is paid to lone parents with children aged 6 to 14. The grant is paid in one instalment, usually in September at the beginning of the school year. In 2011, the rates of grant per child were ILS 1 468 and ILS 816 respectively for children aged 6-11 and 12-14.

5. Main changes in the tax and benefit systems since 2002

- There has been a policy of gradually reducing the level of personal income taxes since 2003. The number of tax brackets was reduced from seven to six in 2003. In addition, the tax rates in at least one of the six tax brackets (see Section 3 above) have been reduced in every year since then. This policy is expected to continue till 2016.

- The full contribution rate for employee social security contributions was increased gradually from 9.7% in 2002 to 12% in 2006. The reduced contribution rate was lowered from 5.76% in 2002 to 3.5% in 2006. The upper threshold for contributions was removed in July 2002 but re-instated one year later. In August 2009, as a temporary measure until December 2011, it was increased to 10 times the average wage per employee post until December 2010 and to 9 times the average wage per employed post until December 2011.
- Prior to July 2005, there was only one contribution rate for employer social security contributions and this was set at 5.93% between July 2002 and June 2005. The upper threshold for contributions was removed in July 2002 but was re-instated one year later. The current system of two tax brackets was introduced in July 2005 with a reduced contribution rate of 5.33% and a full rate of 5.68%. There has been a lowering of rates in each year between 2006 and 2009. In August 2009, as a temporary measure until March 2011, the reduced rate was increased from 3.45% to 3.85%.
- The Employers tax on wage bill of the non-profit sector excluding government was abolished in 2008.
- In the period between August 2003 and June 2009, all children that were born on or after 1 June 2003 received the same level of benefit payment as the first child. The 2009 Coalition Agreement introduced a gradual increase in the benefit payments for the second, third and fourth children in all families (including those where children were born after June 2003) over a period of five years from July 2009 to June 2013.

6. Memorandum items

6.1. Average gross annual wage earnings calculation

The average wage figures represent the amount earned for a full time post by employees working 35 hours per week or more. This information is available from the *Israeli Income Survey* for the years up to 2010 with an estimate for 2011. As to the economic classification, Israel uses a modified version of ISIC 3 where the B-I industries (see table below) are a very close equivalent of C-K industries in ISIC 3.1. Israel's Central Bureau of Statistics intends to adopt ISIC 4 by 2011.

A	Agriculture
B	Manufacturing
C	Electricity and water supply
D	Construction (building and civil engineering projects)
E	Wholesale and retail trade and repairs
F	Accommodation services and restaurants
G	Transport, storage and communication
H	Banking, insurance and other financial institutions
I	Business activities
J	Public administration
K	Education
L	Health, welfare and social work services
M	Community, social, personal and other services

6.2. Employer contributions to private pension

Until 2007, employers were not legally obliged to pay into a pension plan for their employees. Pension rights were guaranteed in collective agreements that covered less than half of the labour force. About one million employees in Israel had no pension arrangement

(mainly those earning a relatively low wage, temporary workers and those working for subcontractors).

In 2008, a compulsory employment pension was introduced for employees with a period of employment of at least 6 months. The minimum rate of contributions in 2011 is 10 per cent of the employee's salary (up to the level of the average wage of ILS 8 307 per month), one third to be paid by the employee and two thirds by the employer. The minimum contribution rate will increase by 2.5 per cent of the employee's salary in each subsequent year, reaching 15 per cent by 2013.

6.3. Earned income tax credit

A non-wastable earned income tax credit was implemented in 2008 in selected geographical areas of Israel covering 15% of the population. Entitlement to this credit is established based on earnings in the previous year. The tax credit was extended to all areas of Israel in 2012 (based on the earnings in 2011 and therefore we include it in the 2011 version of the model). For mothers of children up to the age of 2 and for single parents the full coverage started in 2011 (based on earnings in 2010).

Under the law, workers aged 23 or more who are parents of one or two children aged less than 18 (or workers aged 55 or more even without children), and earn at least 45 per cent of the minimum wage (currently ILS 1 990 per month) but not more than ILS 5 990 per month are eligible for a monthly increment of up to ILS 320. The corresponding figure for a family with 3 or more children is ILS 460. Families in which both parents work, and their joint income does not exceed ILS 11 530, will be entitled to these benefits for each wage-earner. The grant will is paid four times a year directly into the account of the eligible persons.

2011 Parameter values

Average earnings/yr	Ave_earn	119 016	Secretariat estimate
Income tax	Tax_sch	0.1	60 840
		0.14	103 920
		0.23	168 840
		0.3	254 880
		0.33	482 760
		0.45	
Employees SSC	SSC_sch	0.035	59 808
		0.12	881 064
		0	
Employers SSC	SSC_rate2	0.0355	59 808
		0.057825	881 064
		0.0000	
Child benefit	CB_firstchild	2 028	
	CB_secondchild	2 682	
	Studygrant_rate	1 468	
Wastable tax credits			
Basic element	WTC_Basic	5 643	
Lone parent	WTC_lone	2 508	
Parents/per child	WTC_Child	2 508	
Women	WTC_woman	1 254	
Negative Income tax			
Family with 1 or	NIT_sch1	0	23 880
2 children		0.161	41 508
		3.491	41 520
		0	55 320
		-0.23	71 880
Family with 3 or	NIT_sch2	0	23 880
more children		0.235	41 244
		0	41 520
		0	55 320
		-0.235	78 840
	NIT_basic1	960	
	NIT_basic2	1 440	
	NIT_min	240	
	NIT_MinIncome	23 880	
	NIT_MaxIncome	138 360	
Days in tax year	numdays	366	

2011 Tax equations

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:	Tax_al	B	0
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Earn
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6. Tax credits (nonwastable):			
Principal	tax_cr_princ	B	(earn>0)*(wtc_basic+(IF(married=0)*(children>0),wtc_woman+wtc_lone+(wtc_child*children))
Spouse	tax_cr_spouse	B	(earn>0)*(wtc_basic+wtc_woman+(wtc_child*children))
Tax credits (nonwastable)	NIT_princ	B	NIT=+MAX(0, MAX(0,+IF(princ_earnings<NIT_MinIncome,0,IF(Children=0.0,IF(Children<3,NIT_basic1+Tax(princ_earnings ,NIT_sch1),NIT_basic2+Tax(princ_earnings,NIT_sch2)))))+NIT_sch1_rate5*MAX(0,+(princ_earnings + spouse_earnings)-NIT_MaxIncome-MIN(MAX(princ_earnings - NIT_sch1_inc4.0),(NIT_sch1_inc5 - NIT_sch1_inc4))-MIN(MAX(spouse_earnings - NIT_sch1_inc4.0),(NIT_sch1_inc5- NIT_sch1_inc4)))) NIT = 0 if NIT<NIT_min
	NIT_spouse	B	NIT=+MAX(0, MAX(0,+IF(spouse_earnings<NIT_MinIncome,0,IF(Children=0.0,IF(Children< 3,NIT_basic1+Tax(spouse_earnings ,NIT_sch1),NIT_basic2+Tax(spouse_earnings,NIT_sch2)))))+NIT_sch1_rate5*MAX(0,+(princ_earnings + spouse_earnings)-NIT_MaxIncome-MIN(MAX(princ_earnings - NIT_sch1_inc4.0),(NIT_sch1_inc5 - NIT_sch1_inc4))-MIN(MAX(spouse_earnings - NIT_sch1_inc4.0),(NIT_sch1_inc5- NIT_sch1_inc4)))) NIT = 0 if NIT<NIT_min
7. CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)-NIT
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	Tax(earn, SSC_sch)
11. Cash transfers	cash_trans	J	IF(children=1,CB_firstchild,IF(Children=2,CB_firstchild+CB_secondchild)+(IF(married=0)*(children>0),Studygrant_rate*children)
13. Employer's soc security	SSC_empr	B	Tax(earn, SSC_rate2)

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Italy

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Italy 2011

The tax/benefit position of single persons

	Wage level (per cent of APW)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		19354	29030	48384	19354
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		1837	2755	4645	1837
	Work-related expenses					
	Other					
		Total	1837	2755	4645	1837
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		17517	26276	43739	17517
5.	**Central government income tax liability (exclusive of tax credits)**		4130	6494	12941	4130
6.	**Tax credits**					
	Basic credit		1254	990	377	1254
	Married or head of family		0	0	0	0
	Children		0	0	0	1363
	Other					
		Total	1254	990	377	2616
7.	**Central government income tax finally paid (5-6)**		2876	5505	12564	1513
8.	**State and local taxes**		455	683	1137	455
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1837	2755	4645	1837
	Taxable income					
		Total	1837	2755	4645	1837
10.	**Total payments to general government (7 + 8 + 9)**		5168	8943	18346	3805
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	2593
		Total	0	0	0	2593
12.	**Take-home pay (1-10+11)**		14186	20088	30038	18141
13.	**Employer's compulsory social security contributions**		6209	9313	15522	6209
14.	**Average rates**					
	Income tax		17.2%	21.3%	28.3%	10.2%
	Employees' social security contributions		9.5%	9.5%	9.6%	9.5%
	Total payments less cash transfers		26.7%	30.8%	37.9%	6.3%
	Total tax wedge including employer's social security contributions		44.5%	47.6%	53.0%	29.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		39.3%	39.4%	49.8%	40.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		54.0%	54.1%	62.0%	54.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Italy 2011

The tax/benefit position of married couples

	Wage level (per cent of APW)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		29030	38707	48384	38707
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		2755	3673	4592	3673
	Work-related expenses					
	Other					
		Total	2755	3673	4592	3673
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		26276	35034	43793	35034
5.	**Central government income tax liability (exclusive of tax credits)**		6494	8509	10624	8509
6.	**Tax credits**					
	Basic credit		990	2775	2243	2775
	Married or head of family		690	0	0	0
	Children		1218	1218	1282	0
	Other					
		Total	2897	3993	3525	2775
7.	**Central government income tax finally paid (5-6)**		3597	4516	7099	5734
8.	**State and local taxes**		683	911	1139	911
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2755	3673	4592	3673
	Taxable income					
		Total	2755	3673	4592	3673
10.	**Total payments to general government (7 + 8 + 9)**		7035	9100	12829	10318
11.	**Cash transfers from general government**					
	For head of family					
	For two children		1540	922	831	0
		Total	1540	922	831	0
12.	**Take-home pay (1-10+11)**		23535	30529	36386	28389
13.	**Employer's compulsory social security contributions**		9313	12417	15522	12417
14.	**Average rates**					
	Income tax		14.7%	14.0%	17.0%	17.2%
	Employees' social security contributions		9.5%	9.5%	9.5%	9.5%
	Total payments less cash transfers		18.9%	21.1%	24.8%	26.7%
	Total tax wedge including employer's social security contributions		38.6%	40.3%	43.1%	44.5%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		40.7%	40.7%	40.1%	39.4%
	Total payments less cash transfers: Spouse		27.7%	39.2%	40.0%	39.2%
	Total tax wedge: Principal earner		55.1%	55.1%	54.6%	54.1%
	Total tax wedge: Spouse		45.3%	53.9%	54.5%	53.9%

The national currency is the Euro (EUR). In 2011, EUR 0.72 was equal to USD 1. In that year the average worker earned EUR 29 030 (Secretariat estimate).

1. Personal income tax

1.1. Central government income tax

1.1.1. Tax unit

Spouses are taxed separately.

1.1.2. Tax allowances and tax credits

1.1.2.1. Tax allowances

- Social security contributions due by law.

1.1.2.2. Tax credits

All the tax credits in Italy are non-refundable.

- Standard tax credits

The PAYE tax credit is defined as a function of net income:

Taxable income (EUR)	PAYE tax credit (EUR)
Up to 8 000	1 840
From 8 001 to 15 000	Maximum tax credit + 502*(15 000 – taxable income)/7 000
From 15 001 to 55 000	Maximum tax credit*(55 000 – taxable income)/40 000
More than 55 000	0

The maximum value for the tax credit depends on the level of taxable income:

Level of taxable income (EUR)	Maximum tax credit (EUR)
From 8 001 to 15 000	1 338
From 15 001 to 23 000	1 338
From 23 001 to 24 000	1 348
From 24 001 to 25 000	1 358
From 24 001 to 26 000	1 368
From 26 001 to 27 700	1 378
From 27 701 to 28 000	1 363
From 28 001 to 55 000	1 338

- Tax credits for family dependents

The tax credits for family dependants, which have replaced the former tax allowances, are as follows:

Family tax credit (EUR)[1]	Amount (EUR)
Spouse	800 decreasing to 0 for net income over 80 000
Children	
Under three years of age	900 decreasing to 0 for net income over 95 000
Over three years of age	800 decreasing to 0 for net income over 95 000
Other dependent relatives	750 decreasing to 0 for net income over 80 000

1. Tax credits are granted for family dependents earning less than EUR 2 840.51.

The spouse tax credit is calculated as a function of net income:

Level of taxable income (EUR)	Amount of tax credit (EUR)
Up to 15 000	(800 – 110)*taxable income/15 000
From 15 001 to 29 000	690
From 29 001 to 29 200	700
From 29 201 to 34 700	710
From 34 701 to 35 000	720
From 35 001 to 35 100	710
From 35 101 to 35 200	700
From 35 201 to 40 000	690
From 40 001 to 80 000	690*(80 000 – taxable income)/40 000
More than 80 000	0

The child tax credit is calculated as a function of net income:

- for families with only one child: 800*(95 000 – taxable income)/95 000;
- for families with more than one child the amount of 95 000 is increased by 15 000 for each child other than the first, for every children (including the first one).

Families with more than 3 children receive an additional tax credit of EUR 200 per child.

A lone parent receives an actual tax credit for the first child equal to the maximum of the spouse tax credit and the child tax credit.

Tax credits for children have to be equally shared between the parents; different shares are no longer allowed.

If the spouse's tax liable net of the PAYE tax credit is less than his/her share (50 per cent) in the child tax credit, the entire child tax credit is provided to the principal earner.

1.1.2.3. Main non standard tax allowances and tax credits

- Other compulsory contributions.
- Periodical benefits allowed to the spouse fixed by judicial authority.
- Charitable donations to certain religious institutions (up to EUR 1 032.91).
- Medical and assistance expenses incurred by handicapped persons.
- Expenses to restore one's own residence at 36 per cent of full expenses (up to EUR 48 000), apportioned into 5 or 10 annual allowances of the same amount.

- Expenses for energy requalification of buildings at 55 per cent of full expenses (up to EUR 100 000) apportioned into 3 annual allowances of the same amount.
- Expenses for the replacement of covers, windows and shutters and for the installation of solar panels at 55 per cent of full expenses (up to EUR 60 000).

For the following expenses, a tax credit of 19 per cent of each incurred expense is allowed:

- Mortgage loan interest (up to EUR 4 000).
- Most medical expenses that exceed EUR 129.11.
- Payments to insurance funds up to EUR 1 291.14.
- Expenses to attend secondary school and university courses; in case such courses are private, the expenses allowed cannot exceed those foreseen for State courses.
- Expenses for nursery school (up to EUR 632 for each child).
- Rents paid by out of town students (up to EUR 2 633).
- Funeral charges up to EUR 1 549.37.
- Expenses for disabled persons.
- Donations to political parties (ranging from EUR 51.65 to EUR 103 291.38).
- Payments to foundations (up to EUR 2 065.83).
- Expenses related to sport activities for children between 5 and 18 years of age (up to EUR 210 per child).

1.1.3. *Tax schedule*

The following tax schedule is applied to taxable income:

Bracket (EUR)	Rate (%)
Up to 15 000	23
Over 15 000 up to 28 000	27
Over 28 000 up to 55 000	38
Over 55 000 up to 75 000	41
Over 75 000	43

1.2. *State and local taxes*

These surcharges are due only by taxpayers who pay individual income tax IRPEF (*imposta sul reddito delle persone fisiche*).

1.2.1. *Regional surcharge tax*

This surcharge tax has been introduced in 1997. The tax is levied by each region on resident taxpayers' total taxable income at a discretionary rate, which must fall within an established range. As from the year 2000, this range is 0.9-1.4 per cent.

The figure given in the 2010 parameter values table under the heading "Regional and local tax" includes the regional surcharge tax paid in the most representative city which is Rome (Lazio); the rate is 1.7 per cent in 2011.

1.2.2. Local surcharge tax

This surcharge tax has been introduced in 1999. The tax may be levied by each local government at an initial rate that cannot exceed 0.2 per cent. If the tax is levied, the local government can increase the initial rate, on a yearly basis, up to a maximum of 0.5 per cent. Each yearly increase cannot exceed 0.2 per cent.

The figure given in the 2011 parameter values table under the heading "Regional and local tax" includes the local surcharge tax paid in the most representative city which is Rome; the rate is 0.9 per cent in 2011.

The surcharge rates can be adjusted above the fixed roof because of the health care losses.

2. Compulsory social security

2.1. Employee contributions

- Rate and ceiling
  - The average rate is 9.49 per cent on earnings up to EUR 43 042.
  - The average rate is 10.49 per cent on earnings over EUR 43 042 and up to EUR 93 622.
  - For earnings exceeding EUR 93 622, the employee pays a fixed amount given by (0.0949 x 43 042) + 0.1049 x (93 622 – 43 042).
- Distinction by marital status or sex
  - None.

2.2. Employer contributions

- Contributions equal 32.08 per cent on earnings up to EUR 93 622. For earnings exceeding EUR 93 622, the employer pays a fixed amount given by 0.3208 x 93 622.

3. Universal cash transfers

3.1. Amount for spouse and for dependent children

Cash transfers are granted for family income that is:

- composed of at least 70 per cent wage and/or pension income;
- below a given threshold set by law each year.

Family income is the sum of the incomes of all individuals comprising the family.

Cash transfers are determined each year by INPS (*Istituto Nazionale di Previdenza Sociale*), the public body that collects and manages the social security contributions for dependent workers for the period beginning in July of that year (t) to June in the following year (t + 1) and relate to family income earned in the previous year (t – 1).

As such, the transfers granted in any given year are determined by the family income in the previous two years. The following table provides a description of the calculations.

Transfer granted in year *t*	Relevant amounts as given in INPS tables
January-June	The amount of cash transfers is that given in the INPS table published in July (*t* – 1). The transfers are granted with reference to family income earned in year (*t* – 2).
July-December	The amount of cash transfers is that given in the INPS table published in July *t*. The transfers are granted with reference to family income earned in year (*t* – 1).

For the purposes of *Taxing Wages*, the cash transfers that are calculated represent those amounts that would be received by the family based on their incomes for that year even though these amounts would only begin to be paid in July of the following year.

4. Main changes

The "extraordinary bonus" for low income families has been abolished.

5. Memorandum Item

5.1. *Identification of an AW*

The data refer to the annual earnings of average workers.

5.2. *Contributions by employers to private pension, health, etc., schemes*

In addition to the mandatory social security contributions employers may pay contributions to private pension schemes (currently about forty pension funds). Employer's contributions are included in the taxable income of the employee.

Employees may also choose to contribute to the pension funds with all or part of the retirement allowance that is otherwise withheld by the employers. In this case the employee can deduct from his taxable income an amount equal to twice the amount of the contribution paid to fund.

Employer's contributions to private health insurance schemes are not included in the taxable income of the employee up to the limit of EUR 3 615.20.

2011 Parameter values

Average earnings/yr	Ave_earn	29 030	Secretariat estimate
Tax schedule	tax_sch	0.23	15 000.00
		0.27	28 000.00
		0.38	55 000.00
		0.41	75 000.00
		0.43	999 999 999.99
Tax credits			
– Employment			
	emp_add	0	1 840.00
		8 000	1 338.00
		15 000	1 338.00
		23 000	1 348.00
		24 000	1 358.00
		25 000	1 368.00
		26 000	1 378.00
		27 700	1 363.00
		28 000	1 338.00
		55 000	0.00
– Spouse	Spouse_cred	0	800.00
		15 000	690.00
		29 000	700.00
		29 200	710.00
		34 700	720.00
		35 000	710.00
		35 100	700.00
		35 200	690.00
		40 000	690.00
		80 000	0
limit	Sp_crd_lim	2 840.51	
– Child credit	Child_credit	800	
– Additional child credit	add_child	200	
Regional and local tax	reg_rt	0.026	
Social security contributions	SSC_sch	0.0949	43 042
		0.1049	93 622
		0.00	999 999 999.99
Employer contributions	Empr_sch	0.3208	93 622
		0.00	999 999 999.99
Cash transfers:			
family allowance schedule (t)			
– married couple	trans_sch	Table is too long to be included	
– single parent	Trans_sch_sp	Table is too long to be included	

2011 Tax equations

The equations for the Italian system in 2011 are mostly repeated for each individual of a married couple. But the spouse credit is relevant only to the calculation for the principal earner and any child credit which the spouse is unable to use is transferred to the principal. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:	tax_al	B	SSC
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	earn-tax_al1
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6. Tax credits:			
Employment credit	emp_cr_max	P	VLOOKUP(tax_inc, emp_add, 2))
	emp_cr_max_spouse	S	IF(tax_inc_spouse=0.0,(VLOOKUP(tax_inc_spouse,emp_add,2)))
	emp_cr	P	MIN(CG_tax_excl, IF(tax_inc<=8000,emp_cr_max, IF(tax_inc<=15000,emp_cr_max+502*(15000-tax_inc)/7000, IF(tax_inc>55000,emp_cr_max,emp_cr_max*(55000-tax_inc)/40000))))
		S	MIN(CG_tax_excl_spouse, IF(tax_inc_spouse<=8000,emp_cr_max_spouse, IF(tax_inc_spouse<=15000,emp_cr_max_spouse+502*(15000-tax_inc_spouse)/7000, IF(tax_inc_spouse>55000,emp_cr_max_spouse,emp_cr_max_spouse*(55000-tax_inc_ spouse)/40000))))
Spouse credit	spouse_cr	P	IF(Married=1, IF(tax_inc_spouse>Sp_crd_lim,0, IF(tax_inc>80000.0, IF(tax_inc<15000.800-110*tax_inc/15000, IF(tax_inc>40000.690*(80000-tax_inc)/ 40000,VLOOKUP(tax_inc,Spouse_cred,2))))),0)
Child credit	child_cr_princ	P	IF(Children=0.0,IF(Married=1,(800*(95000-tax_inc)/ 95000+(Children-1)*800*(110000-tax_inc)/110000)*(1-child_crpct_spouse), MAX(800*(95000-tax_inc)/95000, IF(tax_inc>80000.0,IF(tax_inc<15000.800-110*tax_inc/15000, IF(tax_inc>40000.690*(80000-tax_inc)/40000, VLOOKUP(tax_inc,Spouse_cred,2))))+(Children-1)*800*(110000-tax_inc)/110000))
	child_crfull_spouse	S	IF(Children=0.0,(spouse_cr=0)*Married*(800*(95000-tax_inc_spouse)/ 95000+(Children-1)*800*(110000-tax_inc_spouse)/110000))
	child_crpct_spouse	S	IF(child_crfull_spouse>0,IF((CG_tax_excl_spouse-emp_cr_spouse)/ child_crfull_spouse<0.5.0,0.5),0)
	child_cr_spouse	S	child_crfull_spouse*child_crpct_spouse
Total	tax_cr	B	MIN(emp_cr+spouse_cr+child_cr, CG_tax_excl)
7. CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)
8. State and local taxes	reg_rt	B	IF(CG_tax=0, 0, tax_inc*reg_rt)
9. Employees' soc security	SSC	B	Tax(earn, SSC_sch)
11. Cash transfers		J	IF(Children=0.0,12*VLOOKUP(earn_total, IF(Married,trans_sch,trans_sch_sp),1+Children))
13. Employer's soc security	SSC_empr	B	Tax(earn, Empr_sch)

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Japan

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Japan 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		3187604	4781406	7969010	3187604
2.	**Standard tax allowances:**					
	Basic allowance		380000	380000	380000	380000
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		427713	641569	1026495	427713
	Work-related expenses		1136281	1496281	1996901	1136281
	Other					
		Total	1943994	2517850	3403397	1943994
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		1243610	2263556	4565614	1243610
5.	**Central government income tax liability (exclusive of tax credits)**		62181	128856	485623	62181
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		62181	128856	485623	62181
8.	**State and local taxes**		130861	232856	463061	67361
9.	**Employees' compulsory social security contributions**					
	Gross earnings		427713	641569	1026495	427713
	Taxable income					
		Total	427713	641569	1026495	427713
10.	**Total payments to general government (7 + 8 + 9)**		620754	1003280	1975180	557254
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	294000
		Total	0	0	0	294000
12.	**Take-home pay (1-10+11)**		2566850	3778126	5993831	2924350
13.	**Employer's compulsory social security contributions**		452576	678864	1088654	452576
14.	**Average rates**					
	Income tax		6.1%	7.6%	11.9%	4.1%
	Employees' social security contributions		13.4%	13.4%	12.9%	13.4%
	Total payments less cash transfers		19.5%	21.0%	24.8%	8.3%
	Total tax wedge including employer's social security contributions		29.5%	30.8%	33.8%	19.7%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		21.9%	26.7%	30.7%	21.9%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		31.6%	35.8%	34.7%	31.6%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Japan 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		4781406	6375208	7969010	6375208
2.	**Standard tax allowances**					
	Basic allowance		380000	760000	760000	760000
	Married or head of family		380000	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		641569	855425	1069282	855425
	Work-related expenses		1496281	2146281	2632563	2146281
	Other					
		Total	2897850	3761707	4461844	3761707
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		1883556	2613502	3507166	2613502
5.	**Central government income tax liability (exclusive of tax credits)**		94178	146353	191036	146353
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		94178	146353	191036	146353
8.	**State and local taxes**		136356	210850	300217	274350
9.	**Employees' compulsory social security contributions**					
	Gross earnings		641569	855425	1069282	855425
	Taxable income					
		Total	641569	855425	1069282	855425
10.	**Total payments to general government (7 + 8 + 9)**		872102	1212629	1560535	1276129
11.	**Cash transfers from general government**					
	For head of family					
	For two children		294000	294000	294000	0
		Total	294000	294000	294000	0
12.	**Take-home pay (1-10+11)**		4203304	5456580	6702476	5099080
13.	**Employer's compulsory social security contributions**		678864	905152	1131440	905152
14.	**Average rates**					
	Income tax		4.8%	5.6%	6.2%	6.6%
	Employees' social security contributions		13.4%	13.4%	13.4%	13.4%
	Total payments less cash transfers		12.1%	14.4%	15.9%	20.0%
	Total tax wedge including employer's social security contributions		23.0%	25.1%	26.4%	30.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		23.4%	26.7%	26.7%	26.7%
	Total payments less cash transfers: Spouse		21.4%	26.4%	21.9%	26.4%
	Total tax wedge: Principal earner		32.9%	35.8%	35.8%	35.8%
	Total tax wedge: Spouse		31.1%	35.6%	31.6%	35.6%

The national currency is the Yen (JPY). In 2011, JPY 79.84 was equal to USD 1. In that year, the average worker is assumed to earn JPY 4 781 406 (Secretariat estimate). In Japan, the central government income tax year is a calendar year and the local government income tax year is from April to March. The calculations in this report are based on the tax rules and rates, which are applicable the 1st April.

1. Personal income tax systems

1.1. *Central government income tax*

1.1.1. *Tax unit*

Each individual is taxed separately.

1.1.2. *Allowances and tax credits*

1.1.2.1. Standard reliefs

- *Basic allowance:* a taxpayer may deduct JPY 380 000 as a basic allowance from his or her income.
- *Allowance for spouse*: allowance equal to JPY 380 000 is given to a resident taxpayer who lives with a spouse whose income does not exceed JPY 380 000.
- *Special allowance for spouse:* the allowance included in the following table is given to a resident taxpayer who lives with a spouse:

Spouse's income	Amount
0-380 000	0
380 001-399 999	380 000
400 000-449 999	360 000
450 000-499 999	310 000
500 000-549 999	260 000
550 000-599 999	210 000
600 000-649 999	160 000
650 000-699 999	110 000
700 000-749 999	60 000
750 000-759 999	30 000
760 000 or more	0

- *Allowance for dependents:* if a resident taxpayer has children and other relatives whose income does not exceed JPY 380 000 and who are over 15 years old, an allowance of JPY 380 000 is given for each dependent.
- *Special allowance for dependents:* if a resident taxpayer has dependents whose income does not exceed JPY 380 000 and who are between 19 and 22 years old, an allowance of JPY 630 000 is given for each dependent instead of the allowances for dependents mentioned above.

- *Deduction for social insurance premiums:* the amount of social insurance premiums for a resident taxpayer or his/her dependents shall be deducted from his/her income without any ceiling.
- *Employment income deduction:* the following amounts may be deducted from employment income in calculating taxable income:
  - If gross employment income does not exceed JPY 1 800 000 the deduction is 40 per cent of salaries (etc.), but the minimum amount deductible is JPY 650 000.
  - If gross employment income exceeds JPY 1 800 000, but not JPY 3 600 000, the deduction is JPY 180 000 plus 30 per cent of salaries.
  - If gross employment income exceeds JPY 3 600 000, but not JPY 6 600 000, the deduction is JPY 540 000 plus 20 per cent of salaries.
  - If gross employment income exceeds JPY 6 600 000, but not JPY 10 000 000, the deduction is JPY 1 200 000 plus 10 per cent of salaries.
  - If gross employment income exceeds JPY 10 000 000, the deduction is JPY 1 700 000 plus 5 per cent of salaries.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- *Credit for housing loans:* a resident taxpayer who constructs, purchases, enlarges or rebuilds a house and finances the cost by means of a housing loan and uses the property as his or her own dwelling is entitled to an income tax credit up to the amount described below for 10 years (or 15 years) after the first use of the house, provided that the floor space is not less than 50m^2 and that at least half of the floor space is used as the owner-occupied dwelling. The base of the tax credit equals the balance of the housing loan debt amount, calculated at the end of each year, consisting of the loan obtained not only from private financial institutions but also from public institutions. This tax credit cannot be claimed by those whose total income is not less than JPY 30 million.

  The rates of the tax credits correspond to the year in which residence in the house commenced. The rates are as follows:

Residence starts:	From 1 January in 2005 to 31 December 2005	From 1 January in 2006 to 31 December 2006	From 1 January in 2007 to 31 December 2007
Tax credit rate	If the remaining housing loan balance at the end of year (R.H.L.B.) is JPY 40 million or less: The R.H.L.B. x 1.0% (for first 8 years) The R.H.L.B. x 0.5% (for last 2 years)	If the R.H.L.B. is JPY 30 million or less: The R.H.L.B. x 1.0% (for first 7 years) The R.H.L.B. x 0.5% (for last 3 years)	If the R.H.L.B. is JPY 25 million or less: The R.H.L.B. x 1.0%[or 0.6%] (for first 6 years [or 10 years]) The R.H.L.B. x 0.5% [or 0.4%] (for last 4 years [or 5 years])
Maximum tax credit amount (for each year)	JPY 400 000 JPY 200 000 (for last 2 years)	JPY 300 000 JPY 150 000 (for last 3 years)	JPY 250 000 [or 150 000] JPY 125 000 [or 100 000] (for last 4 years [or 5 years])
Maximum tax credit amount (for the deductible period in total)	JPY 3.6 million	JPY 2.55 million	JPY 2 million
Tax credit rate	If the R.H.L.B. is JPY 20 million or less: The R.H.L.B. x 1.0%[or 0.6%] (for first 6 years [or 10 years]) The R.H.L.B. x 0.5%[or 0.4%] (for last 4 years [or 5 years])	If the R.H.L.B. is JPY 50 million or less: The R.H.L.B. x 1.0%	If the R.H.L.B. is JPY 40 million or less: The R.H.L.B. x 1.0%

Residence starts:	From 1 January in 2008 to 31 December 2008	From 1 January in 2009 to 31 December 2010	From 1 January in 2011 to 31 December 2011
Maximum tax credit amount (for each year)	JPY 200 000 [or 120 000] JPY 100 000 [or 80 000] (for last 4 years [or 5 years])	JPY 500 000	JPY 400 000
Maximum tax credit amount (for the deductible period in total)	JPY 1.6 million	JPY 5 million	JPY 4 million

- *Deduction for life insurance premiums and personal pension plan premiums:* if a resident taxpayer pays insurance premiums on life insurance contracts and the recipient of the insurance proceeds is the taxpayer, his/her spouse or other relatives living with him/her, the portion of these insurance premiums which does not exceed the maximum prescribed below, is deductible from ordinary income, retirement income or timber income.

  In addition, if a resident taxpayer pays insurance premiums for a "qualified personal pension plan (insurance type)", and the recipient of the pension payment is the taxpayer or his/her spouse under a specific condition, the portion of such premiums which does not exceed the maximum prescribed below, is deductible from ordinary income, retirement income, or timber income.

Annual Premium Paid (JPY)		Deduction
Over	Not over	
	25 000	Total amount of premiums paid (1)
25 000	50 000	(1) x 1/2 + JPY 12 500
50 000	100 000	(1) x 1/4 + JPY 25 000
100 000	–	JPY 50 000

The insurance premiums of this type of pension plan are not considered as the life insurance premiums described above. Thus, a resident tax payer can claim the deduction up to JPY 100 000 in total. For the insurance contracts made on or after 1 January 2012, the maximum deduction will be increased to JPY 120 000 from JPY 100 000. A resident taxpayer can claim the deduction up to JPY 40 000 for life insurance premiums, personal pension plan premiums and long-term care insurance premiums respectively.

- *Deduction for medical expenses:* if a resident taxpayer pays bills for medical or dental care for himself/herself or for his/her spouse or other relatives living with him/her and the amount of such expenses (excluding those recovered by insurance) exceeds the lesser of JPY 100 000 or 5 per cent of the total of his/her ordinary income, retirement income and timber income, the excess amount is deductible from his/her ordinary income, retirement income or timber income. The maximum deduction is JPY 2 million.
- *Deduction for earthquake insurance premiums:* earthquake insurance premiums up to JPY 50 000 can be deducted from income. Although the income deduction for casualty insurance premiums was basically abolished, the deduction for long-term casualty insurance premiums remains available if contracted before 31 December 2006. The maximum deduction for long-term casualty insurance premiums is JPY 15 000. If an individual applies for both a deduction for earthquake insurance premiums and a deduction for long-term casualty premiums, the maximum deductible amount is JPY 50 000 in total.

1.1.3. *Tax schedule*

Taxable income (JPY)[1]		Tax rate (%)	Deductible amounts for each bracket (JPY)
Over	Not over	(A)	(B)
	1 950 000	5	–
1 950 000	3 300 000	10	97 500
3 300 000	6 950 000	20	427 500
6 950 000	9 000 000	23	636 000
9 000 000	18 000 000	33	1 536 000
18 000 000		40	2 796 000

1. The fraction of taxable income that is less than JPY 1 000 is rounded down.

Tax liability is obtained by multiplying the taxable income by tax rate (A) and deducting the amount (B). For example, income tax due on taxable income of JPY 7 million is:

7 000 000 x 0.23 (A) – 636 000 (B) = JPY 974 000.

1.2. *State and local income taxes*

1.2.1. *General description of the system*

State and local income taxes in Japan consist of prefectural inhabitant's tax levied by prefectures and municipal inhabitant's tax levied by cities, towns and villages. The prefectural inhabitant's tax is collected together with the municipal inhabitant's tax by cities, towns and villages.

1.2.2. *Tax base*

Basically, prefectural and municipal inhabitants' taxes (local taxes) consist of two parts; one is proportional taxable income and the other is a fixed per capita amount. The way to compute the taxable income of local taxes is similar to that of the previous year's national income tax. The main difference is the amount of reliefs. For example, the amount of Basic Allowance, Allowance for Spouse, Allowance for Dependants is JPY 330 000, the amount of Special Allowance for dependants is JPY 450 000, etc. As from 1 April 2012, deduction for dependents (up to 15 years old) (JPY 330.000) and the additional part of the deduction for the specified dependents (between 16 and 18 years) (JPY 120.000) will be abolished along with the change in the central government income tax.

1.2.3. *Tax rate*

- The standard fixed (annual) per-capita amount of Prefectural inhabitants tax is JPY 1 000.
- The standard fixed (annual) per-capita amount of Municipal inhabitants tax is JPY 3 000.
- The standard rate of the local taxes equals a proportional rate of 10 per cent (Prefectural inhabitant's tax: 4 per cent, Municipal inhabitant's tax: 6 per cent).*

* The local tax rate and the central government income tax rate were changed in the FY 2006 tax reform. Also a new local income tax credit regime was introduced in order to alleviate the tax burden increase arising from the changes in the tax rates and from the difference between the personal reliefs (Basic Allowance, Allowance for Spouse, Allowance for Dependents, Special Allowance for dependents, etc.) for national income tax purposes and for inhabitant tax purposes.

Taxable income for local income tax purposes	The tax credit
JPY 2 000 000 or less	5 per cent of the lesser of: ● total amount of differences in personal reliefs between those for national income tax purposes and for local income tax purposes; or ● taxable income for local income tax purposes.
More than JPY 2 000 000	[(total amount of differences in personal reliefs between those for national income tax purposes and for local income tax purposes) – (taxable income for local income tax purposes – JPY 2 000 000)] * 5%. The minimum credit is JPY 2 500

Note: Local authorities do not levy the per-capita rate and the proportional rate on a taxpayer whose previous year's income does not exceed a certain amount. For example, in special wards of Tokyo, this threshold is calculated as follows:
• Per-capita rate: [1 + number of spouse and dependent(s) qualified for the allowance for spouse/dependents] * 350.000 [+ 210.000 in case the taxpayer has a qualified spouse or dependent(s)].
• Proportional rate: [1 + number of spouse and dependent(s) qualified for the allowance for spouse/dependents] * 350.000 [+ 320.000 in case the taxpayer has a qualified spouse or dependent(s)].

1.2.4. *Tax rate selected for this study*

Country-wide rates as described above. The local income tax rates chosen for the purpose of this Report represent a country-wide average.

2. Compulsory social security contribution to schemes operated within the government sector

2.1. Employees' contributions

2.1.1. *Pension*

8.029 per cent (8.206 per cent as from September 2011) of total remuneration (standard remuneration and bonuses), up to the insurable ceiling of JPY 620 000 (monthly).

2.1.2. *Sickness*

As from April 2011, about 4.75 per cent, (about 4.67 per cent before March 2011), of total remuneration, (standard remuneration and bonuses), up to the insurable ceiling of JPY 1 210 000, (monthly).

2.1.3. *Unemployment*

0.6 per cent of total remuneration.

2.1.4. *Work injury and family allowance*

None.

2.2. Employers' contributions

2.2.1. *Pensions*

8.029 per cent (8.206 per cent as from September 2011) of total remuneration, up to the insurable ceiling of JPY 620 000 (monthly).

2.2.2. *Sickness*

As from April 2011, about 4.75 per cent (about 4.67 per cent before March 2011) of total remuneration up to the insurable ceiling of JPY 1 210 000 (monthly).

2.2.3. *Unemployment*

0.95 per cent of total remuneration.

2.2.4. *Work injury*

0.3 per cent to 10.3 per cent of total remuneration, the contribution rate depending on each industry's accident rate over the last three years and other factors. There are thirty-one rates for fifty-five industrial categories at present. For the calculations in this publication the rate used is 0.3 per cent.

2.2.5. *Family allowance*

0.13 per cent of total remuneration.

3. Universal cash transfers

3.1. Transfers related to marital status

Not available.

3.2. Transfers for dependent children

Until March 2010, JPY 10 000 (per month) under the age of three, and JPY 5 000 (per month) for the first and second child from the age of three until the first March after the age of twelve and JPY 10 000 (per month) for the third and subsequent children from the age of three until the first March after the age of twelve. Families of which the principal's gross earnings net of certain deductions exceeds JPY 5 320 000 (JPY 4 600 000 for self-employed), plus JPY 380 000 per dependent are not entitled to child transfers.

From April 2010 to September 2011, JPY 13 000 (per month) is paid to parents/guardians regardless of their income for each child until he/she graduates from junior high school.

From October 2011 to March 2012:

a) JPY 15 000 (per month) is paid to parents/guardians regardless of their income for each child who is under 3 years old or for a third or subsequent child until he/she graduates from elementary school.

b) JPY 10 000 (per month) is paid to parents/guardians regardless of their income for each child except (a) until he/she graduates from junior high school.

4. Main changes in the tax/benefit systems since 1998

As part of the Fiscal Year 1999 tax reform, the highest marginal rate of the personal income tax imposed by the central government was reduced from 50 per cent to 37 per cent. The top rate of the local inhabitants' tax was reduced from 15 per cent to 13 per cent. A proportional tax reduction was granted with respect to the national income tax and the local inhabitants tax. The amount is equal to the lesser of 20 per cent (local inhabitants tax: 15 per cent) of the amount of tax before reduction or JPY 250 000 (local inhabitants tax: JPY 40 000).

As part of the FY 2005 tax reform, the rate of the reduction was reduced from 20 per cent to 10 per cent (local inhabitants tax: from 15 per cent to 7.5 per cent) and the ceiling was reduced from JPY 250 000 to JPY 125 000 (local inhabitants' tax from JPY 40 000 to JPY 20 000) as from 2006 (local inhabitants tax: FY 2006). And as part of the FY 2006 tax reform, the reduction was abolished as from 2007 (local inhabitants tax: FY 2007).

As part of the FY 2006 tax reform, the progressive rate structure of national income tax was reformed into a 6 brackets structure with tax rates ranging from 5 per cent to 40 per cent, and the rate of local inhabitants' tax became proportional at a rate of 10 per cent.

Eligible age for transfers for dependent children was raised from three to six as from 1 June 2001, from six to nine as from 1 April 2004 and from nine to twelve as from 1 April 2006. It has been doubled to JPY 10 000 for the first and second child under the age of three as from 1 April 2007.

As from 2010, 13 000 yen per month is paid to parents/guardians regardless of their income for each child until he/she graduates from junior high school.

5. Memorandum item

5.1. *Average gross annual wage earnings calculation*

The source of calculation is the *Basic Survey on Wage Structure*, published by the Ministry of Health, Labour and Welfare. This survey covers all establishments with ten or more regular employees over the whole country, and contains statistical figures for monthly contractual cash earnings in June and annual special cash earnings (such as bonuses) received by various categories of workers. Male and female workers of the manufacturing, mining and quarrying, construction, wholesale and retail trade, accommodation and food service activities, financial and insurance activities, real estate activities sector are the point of departure. Their gross annual earnings have been calculated by multiplying monthly contractual cash earnings by 12 and adding any annual special cash earnings. In the *Basic Survey*, sickness and unemployment compensations are excluded from cash earnings, but average overtime and bonuses are included.

As far as the *Basic Survey* is concerned, it covers the whole country, and no special assumption is made regarding the place of residence of the average worker.

5.2. *Employer contributions to private pension and health schemes*

No information available.

2011 Parameter values

	Ave_earn	4 781 406	Secretariat estimate
Allowances for central tax	basic_al	380 000	
	spouse_al	380 000	
	Spouse_al_sp	0	0
		380 001	380 000
		400 000	360 000
		450 000	310 000
		500 000	260 000
		550 000	210 000
		600 000	160 000
		650 000	110 000
		700 000	60 000
		750 000	30 000
		760 000	0
spouse_al_ceil		380 000	
	child_al	0	
Employment income deduction	emp_inc_min	650 000	
	emp_inc_sch	0.4	1 800 000
		0.3	3 600 000
		0.2	6 600 000
		0.1	10 000 000
		0.05	
Central gov't tax schedule	tax_sch	0.05	1 950 000
		0.10	3 300 000
		0.20	6 950 000
		0.23	9 000 000
		0.33	18 000 000
		0.40	
Allowances for state/local tax	s_basic_al	330 000	
	s_spouse_al	330 000	
	s_spouse_al_sp	0	0
		380 001	330 000
		450 000	310 000
		500 000	260 000
		550 000	210 000
		600 000	160 000
		650 000	110 000
		700 000	60 000
		750 000	30 000
		760 000	0
	S_spouse_al_ceil	380 000	
	s_child_al	330 000	
Prefectural tax	pref_per_cap	1 000	
Municipal tax	mun_per_cap	3 000	
	local_sch	0.1	
Social security contributions	SSC_pens	0.08088	
	pens_ceil	7 440 000	
	SSC_sick	0.0473	
	sick_ceil	14 520 000	
	SSC_unemp	0.0060	
Employer contribution proportion	SSC_empr_unemp	0.0095	
	SSC_empr_oth	0.0043	
Child transfer	Child_transfer	147 000	

2011 Tax equations

The equations for the Japanese system are mostly on an individual basis. But the tax allowances for the spouse and for children are relevant only to the calculation for the principal earner. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:			
	tax_al	P	basic_al + Married*(earn_princ - (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))<=spouse_al_ceil)*spouse_al + Married*VLOOKUP(Positive(earn_princ - (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))),spouse_al_sp,2,TRUE) + Children*child_al + MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch)) + SSC_princ
		S	MIN(earn_spouse, basic_al + MAX(emp_inc_min, Tax(earn, emp_inc_sch)) + SSC_spouse)
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al)
5. CG tax before credits	CG_tax_excl	B	Positive(Tax(tax_inc, tax_sch))
6. Tax credits:	tax_cr	B	0
7. CG tax	CG_tax	B	CG_tax_excl
8. State and local taxes			
Local taxable income	local_tax_inc	P	Positive(earn_princ-(s_basic_al+Married*((earn_spouse-(earn_spouse>0)*MAX(emp_inc_min,Tax(earn_spouse,emp_inc_sch))<=s_spouse_al_ceil)*s_spouse_al+VLOOKUP(Positive(earn_spouse-(earn_spouse>0)*MAX(emp_inc_min,Tax(earn_spouse,emp_inc_sch))),s_spouse_al_sp,2,TRUE))+Children*s_child_al+MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch))+SSC_princ))
		S	Positive(earn_spouse-(s_basic_al+(earn_spouse>0)*MAX(emp_inc_min,Tax(earn_spouse,emp_inc_sch))+SSC_spouse))
Local tax	local_tax	P	(earn_princ-MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch))>350000+(Married*(earn_princ - (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))<=s_spouse_al_ceil)+Children>0)*((Married*(earn_princ - (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))<=s_spouse_al_ceil)+Children)*350000+210000))*(pref_per_cap+mun_per_cap)+(earn_princ-MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch))>350000+(Married*(earn_princ - (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))<=s_spouse_al_ceil)+Children>0)*((Married*(earn_princ - (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))<=s_spouse_al_ceil)+Children)*350000+320000))*Positive(Tax(Positive(earn_spouse-tax_al_spouse),local_sch)-IF(Positive(earn_spouse-tax_al_spouse)>2000000,MAXA(2500,((Positive (earn_spouse-tax_al_spouse)-MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch))) -(Positive(earn_spouse-tax_al_spouse)-2000000))*5%),MINA((Positive(earn_spouse-tax_al_spouse) -MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch))),Positive(earn_spouse-tax_al_spouse))*5%))
		S	(earn_spouse - (earn_spouse>0)*MAX(emp_inc_min,Tax(earn_spouse, emp_inc_sch)) >350000)*(pref_per_cap+mun_per_cap+Positive(Tax(local_tax_inc_spouse,local_sch)-IF(local_tax_inc_spouse>2000000,MAXA(2500,((local_tax_inc_spouse-tax_inc_spouse)-(local_tax_inc_spouse-2000000))*5%),MINA((local_tax_inc_spouse-tax_inc_spouse),local_tax_inc_spouse)*5%)))
9. Employees' soc security	SSC	B	SSC_pens*MIN(earn, pens_ceil)+SSC_sick*MIN(earn, sick_ceil)+SSC_unemp*earn
11. Cash transfers	cash_trans	B	IF(Children>0,Child_transfer*Children, 0)
13. Employer's soc security	SSC_empr	B	SSC_pens*MIN(earn, pens_ceil)+SSC_sick*MIN(earn, sick_ceil)+(SSC_empr_unemp+SSC_empr_oth)*earn

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation).

Korea

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Korea 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		24103217	36154826	60258043	24103217
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	13950127	16277649	19179901	18950127
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		10153090	19877177	41078142	5153090
5.	**Central government income tax liability (exclusive of tax credits)**		609185	1901577	5081721	309185
6.	**Tax credits**					
	Basic credit		307756	500000	500000	170052
	Married or head of family					
	Children					
	Other					
		Total	307756	500000	500000	170052
7.	**Central government income tax finally paid (5-6)**		301430	1401577	4581721	139133
8.	**State and local taxes**		30143	140158	458172	13913
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1941444	2912166	4166999	1941444
	Taxable income					
		Total	1941444	2912166	4166999	1941444
10.	**Total payments to general government (7 + 8 + 9)**		2273017	4453901	9206892	2094491
11.	**Cash transfers from general government**					
	For head of family					
	For two children					
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		21830200	31700925	51051151	22008726
13.	**Employer's compulsory social security contributions**		2428329	3642494	5384211	2428329
14.	**Average rates**					
	Income tax		1.4%	4.3%	8.4%	0.6%
	Employees' social security contributions		8.1%	8.1%	6.9%	8.1%
	Total payments less cash transfers		9.4%	12.3%	15.3%	8.7%
	Total tax wedge including employer's social security contributions		17.7%	20.3%	22.2%	17.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		11.8%	21.6%	18.6%	10.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		19.8%	28.8%	22.9%	18.6%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Korea 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		36154826	48206435	60258043	48206435
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	22777649	32345776	35727776	27345776
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		13377177	15860659	24530267	20860659
5.	**Central government income tax liability (exclusive of tax credits)**		926577	1210585	1730762	1960585
6.	**Tax credits**					
	Basic credit		402973	502928	769229	532455
	Married or head of family					
	Children					
	Other					
		Total	402973	502928	769229	532455
7.	**Central government income tax finally paid (5-6)**		523604	707658	961533	1428131
8.	**State and local taxes**		52360	70766	96153	142813
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2912166	3882889	4853611	3882889
	Taxable income					
		Total	2912166	3882889	4853611	3882889
10.	**Total payments to general government (7 + 8 + 9)**		3488130	4661312	5911297	5453832
11.	**Cash transfers from general government**					
	For head of family					
	For two children					
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		32666696	43545123	54346746	42752603
13.	**Employers' compulsory social security contributions**		3642494	4856658	6070823	4856658
14.	**Average rates**					
	Income tax		1.6%	1.6%	1.8%	3.3%
	Employees' social security contributions		8.1%	8.1%	8.1%	8.1%
	Total payments less cash transfers		9.6%	9.7%	9.8%	11.3%
	Total tax wedge including employer's social security contributions		17.9%	17.9%	18.1%	19.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		17.5%	17.5%	17.5%	21.6%
	Total payments less cash transfers: Spouse		9.7%	9.4%	11.8%	9.4%
	Total tax wedge: Principal earner		25.1%	25.1%	25.1%	28.8%
	Total tax wedge: Spouse		18.0%	17.7%	19.8%	17.7%

The national currency is the Won (KRW). In 2011, KRW 1 107.81 was equal to USD 1. In this year, the average worker is expected to earn KRW 36 154 826 (Country estimate, average from January to November).

1. Personal income tax system

1.1. *Central government income tax system*

1.1.1. *Tax unit*

Each individual is taxed on his/her own income.

Non-taxable wage income includes the:

- national pension, medical insurance, unemployment insurance and work injury insurance that are borne by employer;
- overtime payment to productive workers: up to KRW 2 400 000 of overwork payment of productive workers in manufacturing and mining sectors whose monthly wage is less than KRW 1 000 000.

1.1.2. *Allowances and tax credits*

1.1.2.1. Standard reliefs

- *Employment income deduction:* the following deduction from gross income is provided to wage and salary income earners:

Salary	Deduction
Up to KRW 5 000 000	80%
KRW 5 000 000 to KRW 15 000 000	KRW 4 000 000 plus 50% of the salary over KRW 5 000 000
KRW 15 000 000 to KRW 30 000 000	KRW 9 000 000 plus 15% of the salary over KRW 15 000 000
KRW 30 000 000 to KRW 45 000 000	KRW 11 250 000 plus 10% of the salary over KRW 30 000 000
Over KRW 45 000 000	KRW 12 750 000 plus 5% of the salary over KRW 45 000 000

- *Basic allowance:* a taxpayer can deduct KRW 1 500 000 from his/her income for each person who meets one of following conditions:
  - the taxpayer him/herself;
  - the taxpayer's spouse whose taxable income (gross earnings net of employment income deduction) is less than KRW 1 000 000;
  - the taxpayer's (including the spouse's) dependents (parents, siblings, children) within the same household whose income after accounting for the employment income deduction is less than KRW 1 000 000 and whose age is:

    1. parents: 60 years or older;

2. brother/sister: 60 years or older or 20 years or younger;
3. children: 20 years or younger (if both partners in the household earn wage-income, this Report assumes that the principal wage earner will claim the allowance).

- *Additional allowance:* a taxpayer can deduct KRW 1 000 000 [500 000 in the case of *(c)*, 2 000 000 in the case of *(b)* and *(e)*] from his/her gross income when the taxpayer or his/her dependents fall into one of the following categories [for this report, only cases *(c)* and *(d)* are modelled]:
  - a person aged 70 years or older *(a)*;
  - a handicapped person *(b)*;
  - a female wage earner who is the head of a household with dependents (but without spouse) or a female wage earner with spouse (in this Report*, any female wage earner is entitled to this allowance) *(c)*;
  - a child aged 6 years or younger (in this Report, the allowance of KRW 1 000 000 is claimed by the principal wage earner in a household with children) *(d)*;
  - Lineal descendants who are born or adopted during the concerned taxable year (the allowance is KRW 2 000 000 per child) *(e)*.
- *Extra allowance for multiple children:* an income earner with two or more dependent children eligible for basic allowance may deduct from gross income KRW 1 000 000 if there are (at least) 2 children plus an additional KRW 2 000 000 for every additional child.
- *National pension deduction:* employees can deduct 100 per cent of their National Pension contributions.
- *Tax credits:* wage and salary income earners obtain the following tax credit:

Calculated tax	Amount of tax credit
Up to KRW 500 000	55% of calculated tax
Over KRW 500 000	KRW 275 000 plus 30% of the calculated tax over KRW 500 000 (maximum credit: KRW 500 000)

1.1.2.2. Main non-standard tax reliefs

Wage and salary income earners may deduct from gross income the expenses for the following items during the tax year:

- *Insurance premiums (a):* the general insurance premium up to KRW 1 000 000, as well as the Medical insurance premium and the Unemployment insurance premium can be entirely (100 per cent) deducted from taxable income.
- *Medical expenses (b):* up to KRW 7 000 000. Full deductions are allowed for medical expenses exceeding 3 per cent of taxable income for the taxpayer himself, taxpayer's dependents who are aged 65 years or older and handicapped persons.
- *Educational expenses (c):* tuition fees for pre-school, elementary, middle school and college (but the graduate school fee deduction is allowed only for the taxpayer himself), either for the taxpayer himself or his/her dependents (including the taxpayer's spouse, children, and siblings), can be deducted from gross income. The deductible amount is

* The calculations for Korea assume that the husband is the principal and that the wife is the spouse.

100 per cent for the taxpayer himself. For the taxpayer's dependents, the maximum deductions are as follows:

- for pre-school: up to KRW 3 000 000 per child;
- for elementary, middle and high school: up to KRW 3 000 000 per student;
- for college/university: up to KRW 9 000 000 per student.

- *Saving/Payment for housing (d):* full amount paid up to KRW 10 000 000 for the interest of long-term mortgage loans plus 40 per cent of the amount repaid of the loan for leasing a house or the amount contributed to a savings account for housing by a taxpayer who does not own a house or owns one which is not more than 85 m^2 and whose value does not exceed KRW 300 000 000.
- *Charities (e):*
  - donations to a government body, donations for national defence, natural disaster, and certain charitable associations: total amount up to gross income is deductible;
  - donations to public welfare or religious associations: up to thirty per cent of gross income.
- *Credit card purchases (f):* employees may deduct 20 per cent of their credit card (25 per cent of their debit card or prepaid card) purchases that exceed 25 per cent of their total income to a maximum of the lesser of KRW 3 000 000 or 20 per cent of their total income.
- *Lump-sum tax relief:* any taxpayer whose total deductible expense for *(a), (b), (c), (d) and (e)* is not over KRW 1 000 000 may deduct KRW 1 000 000 from gross income as a lump-sum tax relief.

1.1.3. *Tax schedule*

Over (KRW)	Not more than (KRW)	Marginal tax rate (%)
0	12 000 000	6
12 000 000	46 000 000	15
46 000 000	88 000 000	24
88 000 000		35

1.2. *Local income tax*

1.2.1. *Tax base*

The local income tax base is the income tax paid to the central government.

1.2.2. *Tax rate*

A uniform rate of 10 per cent is applied. However, the local government can adjust the rate between the lower limit of 5 per cent and the upper limit of 15 per cent.

1.2.3. *Tax rate (selected for this study)*

A country-wide rate of 10 per cent is used in this Report.

2. Compulsory social security contribution to schemes operated within the government sector

2.1. Employees' contribution

2.1.1. National pension

4.5 per cent of the standardised average monthly wage income (for the purposes of this Report, the standardised average monthly wage income is assumed to be equal to the monthly gross earnings) to a maximum of KRW 2 025 000.

2.1.2. Medical insurance

The medical insurance premium, which has a rate of 3.00471 per cent, is levied on standardised average monthly wage income. The contribution for the medical insurance includes for old-age as of 1 July 2009.

2.1.3. Unemployment insurance

0.55 per cent of gross income.

2.1.4. Industrial accident compensation insurance (premiums)

Compulsory application, premiums paid only by employers.

2.2. Employers' contribution

2.2.1. National pension

4.5 per cent of standardised average monthly wage income to a maximum of KRW 2 025 000.

2.2.2. Medical insurance

The medical insurance premium, which has a rate of 3.00471 per cent, is levied on standardised average monthly wage income. The contribution for the medical insurance includes a long term care insurance contribution for old-age as of 1 July 2009.

2.2.3. Unemployment insurance

- the insurance premium is between 0.7 per cent and 1.3 per cent of gross income;
- the insurance premium selected for this study is 0.8 per cent.

2.2.4. Work injury insurance

- the insurance premium consists of an industry-specific rate which is set by the Labour Minister multiplied by gross income;
- the average rate of all industries (selected for this study) is 1.77 per cent.

3. Universal cash transfers

None.

4. Main changes in tax/benefit system since 2000

2000	Contribution to National Pension are to be deductible from 2001, upper cap of employment income deduction limit(KRW 12 000 000) is abolished from 2001
2001	Personal income tax rates are lowered by 10% (10, 20 ,30, 40% were reduced to 9, 18, 27, 36%, respectively) from 2002
2002	Limits of deduction for education fees are expanded from 2003. For pre-school: from KRW 1 000 000 to KRW 1 500 000. For elementary, middle school and high school: from KRW 1 500 000 to KRW 2 000 000. For college and university: from KRW 3 000 000 to KRW 5 000 000. Limit of deduction for interest of long-term mortgage loan for housing is expanded from KRW 3 000 000 to KRW 6 000 000 from 2003
2003	Employment income deduction and tax credit applicable to low income are increased. The deduction rate for the taxable wage income range of KRW 5 000 000 to KRW 15 000 000 is increased from 45 per cent to 47.5 per cent. The tax credit rate for calculated tax below KRW 500 000 is increased from 45% to 50% and the maximum tax credit is increased from KRW 400 000 to KRW 450 000.
2004	Limits of deduction for education fees are expanded. For pre-school: from KRW 1 500 000 to KRW 2 000 000. For college and university: from KRW 5 000 000 to KRW 7 000 000. Limit of deduction for interest on long-term mortgage loan for housing is expanded from KRW 6 000 000 to KRW 10 000 000. The marginal deduction rate for the taxable wage income range from KRW 5 000 000 to KRW 15 000 000 is increased from 47.5 per cent to 50 per cent. The tax credit rate for tax amounts below KRW 500 000 is increased from 50% to 55% and the maximum permitted tax credit goes up from KRW 450 000 to KRW 500 000.
2005	Personal income tax rates are lowered by 1% point (9, 18, 27, 36% were reduced to 8, 17, 26, 35%, respectively). Lump-sum tax relief are expanded from KRW 600 000 to KRW 1 000 000.
2007	Eligibility for the extra allowance amount has been changed. Previously, an income earner with a small number of dependents (*e.g.* spouse, child) eligible for basic allowance was eligible for an allowance of up to KRW 1 000 000 depending on the number of dependents. As from 2007, however, an income earner with two or more dependent children eligible for basic allowance is eligible for an allowance equivalent to KRW 500.000 if there are 2 children plus an additional KRW 1 000 000 for every additional child (*e.g.* 2 children: KRW 500 000; 3 children: KRW 1 500 000; 4 children: KRW 2 500 000, etc.).
2008	Tax schedule has been changed: from KRW 10 000 000, KRW 40 000 000 , KRW 80 000 000 to KRW 12 000 000, KRW 46 000 000, KRW 88 000 000; New items have been added to the additional allowance with respect to lineal descendants who are born or adopted during the concerned taxable year; Credit card purchase deduction has been changed: Employees may deduct 20 per cent (previously 15%) of their credit/debit card purchases that exceed 20 per cent (previously 15%) of their total income; Deduction for donations to public welfare or religious associations has been increased up to 15% of gross income. Previously, the limit was 10% of gross income.
2009	Personal income tax rates have been changed: from 8%, 17%, 26%, 35% to 6%, 16%, 25%, and 35%. Employment income deduction has been changed: from 100%, 50%, 15%, and 10% 5% to 80%, 50%, 15%, and 10%. 5%
2010	Personal income tax rates have been changed: from 6%, 16%, 25%, 35% to 6%, 15%, 24%, and 35%.

5. Memorandum item

5.1. *Identification of the average worker (AW)*

Sectors used: industry Sectors B-N with reference to the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev. 4)

Geographical coverage: whole country.

Type of workers: wage workers (male and female).

5.2. *Method to calculate wages*

Report on Labour Force Survey at Establishments covering data in 2011 by the Ministry of Employment and Labour is used to calculate the annual wages of the AW. The statistics were obtained through a sample survey of 12 000 firms with five or more permanent employees throughout the whole country.

Note: changes were made to calculation method of wages in 2011. Therefore, a simple comparison of payroll amount with that of previous years may be improper.

Basic method of calculation used: average monthly wages multiplied by 12.

5.3. Employer's reserve for employee's retirement payment

An employer should pay to a retiree the retirement payment which is not less than 30 days' wage and salary per one year of service (about 8.3 per cent of gross income or more). An employer can contribute to the Retirement Payment Reserve Fund established within the company or Retirement Insurance Fund established outside the company to prepare for the retirement payment. Such contribution is treated as business expense under certain constraints. Because contribution to the Retirement Fund is not compulsory, this survey does not include such contribution except the contribution converted to employer's contribution to the national pension plan (see Section 2.2.1).

2011 Parameter values

AW earnings	Ave_earn	36 154 826	Country estimate
Tax allowances	basic_al	1 500 000	
spouse	spouse_al	1 500 000	
dependents including children	dep_al	1 500 000	
extra allowance 1	ext1_all	500 000	
extra allowance 2	ext2_all	1 000 000	
additional allowance	add_all	1 000 000	
additional allowance 2	add2_all	2 000 000	
Main non-standard tax relief	lump_sum	1 000 000	
max number of kids permitted to be under 6	child_und 6 _max	1	
Employment income deduction	empdedsch	0	0.8
		5 000 000	0.5
		1 50 0 0 000	0.15
		3 00 0 0 000	0.1
		4 50 0 0 000	0.05
Tax credit threshhold	tax_thresh	500 000	
maximum credit	cred_max	500 000	
tax credit rate 1	cred_rate1	0.55	
tax credit rate 2	cred_rate2	0.3	
Tax schedule	tax_sch	0.06	12 000 000
		0.15	46 000 000
		0.24	88 000 000
		0.35	
Local tax rate	local_rate	0.1	
Social security contributions	SSC_pens	0.045	
	SSC_pens_max	2 025 000	
	SSC_sick	0.0300471	
	SSC_unemp	0.0055	
Employer contributions	emp_pens	0.045	
	emp_sick	0.0300471	
	emp_unemp	0.008	
	emp_inj	0.0177	

2011 Tax equations

The equations for the Korean system are independent between spouses except that the principal earner has tax allowances for the spouse and for any children.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables married and children. A reference to a variable with the affix total indicates the sum of the relevant variable values for the principal and spouse. And the affixes princ and spouse indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with spouse values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:			
Employment income	emp_al	B	Empincded(earn, empincdedsch)
Basic	bas_al	B	basic_al
Spouse	sp_al	P	Married*spouse_al*(earn_spouse-emp_al_spouse<=spouse_al)
Dependents	dp_al	P	Children*dep_al
Extra and additional Allowances	ext_al_princ	P	IF(Children=2,ext1_all,IF(Children>=3,ext1_all+(Children-2)*ext2_all,0))+(Children>0)*add2_all
Extra and additional allowances	ext_al_spouse	S	(earn_spouse>0)*add_all
National pension deduction	np_de	B	Min(earn*SSC_pens, SSC_pens_max)
Lump-sum	lump_sum	B	IF(earn*(SSC_sick+SSC_unemp)>lump_sum,earn*(SSC_sick+SSC_unemp),lump_sum)
Total	tax_al	B	emp_al+bas_al+sp_al+dp_al+ext_al+np_al+lump_sum
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al)
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6. Tax credits:	tax_cr	B	IF(CG_tax_excl<=tax_thresh, cred_rate1* CG_tax_excl, MIN((cred_rate1*tax_thresh+cred_rate2*(CG_tax_excl-tax_thresh)), cred_max))
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr
8. State and local taxes	local_tax	B	local_rate*CG_tax
9. Employees' soc security	SSC	B	MIN(earn*SSC_pens, ssc_pens_max)+earn*(SSC_sick+SSC_unemp))
11. Cash transfers	cash_trans	J	0
13. Employer's soc security	SSC_empr	B	MIN(earn*(SSC_pens), ssc_pens_max) +earn*(emp_pens+emp_sick+emp_unemp+emp_inj)

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); S calculated for spouse only; J calculated once only on a joint basis.

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Luxembourg

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Luxembourg 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		33260	49890	83151	33260
2.	**Standard tax allowances**					
	Basic allowance		480	480	480	480
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		3675	5513	9188	3675
	Work-related expenses		936	936	936	936
	Other		0	0	0	0
		Total	5091	6929	10604	5091
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government rounded taxable income (1 - 2 + 3)**		28150	42950	72500	28150
5.	**Central government income tax liability (exclusive of tax credits)**		2786	7772	19757	1006
6.	**Tax credits**					
	Basic credit		300	300	300	300
	Married or head of family					
	Children					
	Other		0	0	0	750
		Total	300	300	300	1050
7.	**Central government income tax finally paid (5-6)**		2486	7472	19457	0
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4333	6537	10944	4333
	Taxable income					
		Total	4333	6537	10944	4333
10.	**Total payments to general government (7 + 8 + 9)**		6819	14008	30401	4333
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	7522
		Total	0	0	0	7522
12.	**Take-home pay (1-10+11)**		26441	35882	52750	36449
13.	**Employer's compulsory social security contributions**		4094	6142	10236	4094
14.	**Average rates**					
	Income tax		7.5%	15.0%	23.4%	0.0%
	Employees' social security contributions		13.0%	13.1%	13.2%	13.0%
	Total payments less cash transfers		20.5%	28.1%	36.6%	-9.6%
	Total tax wedge including employer's social security contributions		29.2%	36.0%	43.5%	2.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		35.5%	49.3%	49.3%	35.5%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		42.5%	54.9%	54.9%	42.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Luxembourg 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		49890	66521	83151	66521
2.	**Standard tax allowances**					
	Basic allowance		480	960	960	960
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		5513	7351	9188	7351
	Work-related expenses		936	1872	1872	1872
	Other		0	4500	4500	4500
		Total	6929	14683	16520	14683
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government rounded taxable income (1 - 2 + 3)**		42950	51800	66600	51800
5.	**Central government income tax liability (exclusive of tax credits)**		2632	4475	8511	4475
6.	**Tax credits**					
	Basic credit		300	600	600	600
	Married or head of family					
	Children					
	Other		0	0	0	0
		Total	300	600	600	600
7.	**Central government income tax finally paid (5-6)**		2332	3875	7911	3875
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		6537	8666	10870	8666
	Taxable income					
		Total	6537	8666	10870	8666
10.	**Total payments to general government (7 + 8 + 9)**		8869	12541	18781	12541
11.	**Cash transfers from general government**					
	For head of family					
	For two children		7522	7522	7522	0
		Total	7522	7522	7522	0
12.	**Take-home pay (1-10+11)**		48544	61501	71891	53980
13.	**Employer's compulsory social security contributions**		6142	8189	10236	8189
14.	**Average rates**					
	Income tax		4.7%	5.8%	9.5%	5.8%
	Employees' social security contributions		13.1%	13.0%	13.1%	13.0%
	Total payments less cash transfers		2.7%	7.5%	13.5%	18.9%
	Total tax wedge including employer's social security contributions		13.4%	17.7%	23.0%	27.7%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		29.9%	33.6%	41.0%	33.6%
	Total payments less cash transfers: Spouse		23.9%	33.6%	41.0%	33.6%
	Total tax wedge: Principal earner		37.6%	40.9%	47.5%	40.9%
	Total tax wedge: Spouse		32.3%	40.9%	47.5%	40.9%

The national currency is the euro (EUR). In 2011, EUR 0.72 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 49 890.

1. Personal income tax system

1.1. Taxes levied by central government

1.1.1. Tax unit

Spouses and partners are taxed jointly on their income. The income of minor children is included in determining the couple's taxable income. However, any earned income that children may derive from work is excluded from joint taxation.

1.1.2. Tax reliefs and tax credits

1.1.2.1. Standard reliefs in the form of deductions from income

- Wage-earners are entitled to a standard minimum deduction of EUR 540 for work-related expenses other than travel, unless their actual deductible expenses are higher. This deduction is doubled for spouses taxed jointly.
- Taxpayers may deduct at least EUR 396 for commuting expenses. This standard deduction increases by EUR 99 for each kilometre beginning with the fourth, up to a limit of EUR 2 970.
- Like other taxpayers, wage-earners having no special expenses (interest charges, insurance premiums or contributions other than for social security) may take a standard deduction of EUR 480 for special expenses. Actual insurance premiums are deductible up to the limit set by law.
- If both spouses have earned income and are taxed jointly, they qualify for an earned income allowance of EUR 4 500.
- Social security contributions: contributions paid to compulsory health insurance and pension schemes are deductible in full.
- Dependency insurance: the dependency contribution is not deductible for income tax purposes.

1.1.2.2. Standard reliefs in the form of tax credits

- Wage-earners and pensioners receive a refundable tax credit of EUR 300 per annum.
- Single-parents receive a refundable tax credit of EUR 750 per annum.

1.1.2.3. Non-standard allowances deductible from taxable income

- Interest charges are deductible insofar as they are not considered operating expenses or acquisition expenses, and provided they are unrelated economically to the exempt income. However, the deduction of interest charges is capped at EUR 672 per year. This ceiling is increased by EUR 672 for the taxpayer's spouse/partner and for each child.

- Taxpayers may deduct premiums paid to insurers licensed in an EU country in respect of life, death, accident, disability, illness or liability insurance, as well as dues paid to recognised mutual assistance companies. However, deductions are subject to the same limits as interest charges.
- Payments to an insurance company or credit institution in respect of an individual retirement scheme are deductible. These payments are capped according to the subscriber's age and must meet certain investment policy constraints. The ceiling varies between EUR 1 500 and EUR 3 200. Each spouse/partner may take out such a contract and qualify for the respective ceilings.
- Contributions to building society savings are deductible up to the limits for interest charges.
- Interest charges in respect of the rental value of owner-occupied housing are deductible only up to an annual ceiling. During the first five years, the ceiling is EUR 1 500; for the following five years it is EUR 1 125; thereafter it is EUR 750. These ceilings are increased by an equal amount for the taxpayer's spouse/partner, and for each qualifying child.
- As from 1 January 2009, the maximal deduction of premium related to the mortgage life insurance on the taxpayer's principal residence is EUR 6 000. This ceiling is increased by an equal amount for the taxpayer's spouse/partner and by 1 200 for each qualifying child. For taxpayers over the age of 30, the allowable deduction of EUR 6 000 is increased by 8% for each year over 30, with a ceiling of 160%.
- Upon request, taxpayers may be granted exemptions for extraordinary expenses that are unavoidable, and that considerably reduce their ability to pay taxes (*e.g.* uninsured health care costs, support for needy relatives, uninsured funeral costs beyond the taxpayer's means, domestic or childcare expenses, expenses for children outside the taxpayer's household, or expenses for children in a single-parent household).

1.1.3. *Tax schedule reliefs*

Income tax is determined on the basis of the following schedule (amounts in Euros):

0% for the portion of income between 11 265
8% for the portion of income between 11 265 and 13 173
10% for the portion of income between 13 173 and 15 081
12% for the portion of income between 15 081 and 16 989
14% for the portion of income between 16 989 and 18 897
16% for the portion of income between 18 897 and 20 805
18% for the portion of income between 20 805 and 22 713
20% for the portion of income between 22 713 and 24 621
22% for the portion of income between 24 621 and 26 529
24% for the portion of income between 26 529 and 28 437
26% for the portion of income between 28 437 and 30 345
28% for the portion of income between 30 345 and 32 253
30% for the portion of income between 32 253 and 34 161
32% for the portion of income between 34 161 and 36 069
34% for the portion of income between 36 069 and 37 977
36% for the portion of income between 37 977 and 39 885
38% for the portion of income between 39 885 and 41 793
39% for the portion of income exceeding 41 793

The income tax liability of *single* taxpayers is determined by applying the above schedule to taxable income.

The income tax liability of *married* taxpayers and partners corresponds to double the amount obtained if the above schedule is applied to half of their income (class 2).

For widow(er)s, taxpayers with a dependent child allowance and persons over 64 years of age (class 1a), tax is calculated as follows: the schedule is applied to adjusted taxable income reduced by half of the difference between that amount and EUR 45 060, with the marginal tax rate capped at 39%.

Income tax as determined by the applicable schedules is subject to a 4% "solidarity" surtax to finance the employment fund. The rate is 6% for the taxable income exceeding EUR 150 000 (tax classes 1 and 1a), respectively EUR 300 000 (tax class 2).

For the year 2011, a crisis contribution of 0.8% is withheld on all categories of income (professional and replacement income and non-professional income) for all individuals affiliated to the Luxembourg social security system.

1.1.4. *Income exemptions*

A taxpayer may claim a deduction for a dependent child under 21 years of age who is not part of the household. This deduction is allowed for expenses actually incurred but may not exceed EUR 3 480.

1.2. *Local (municipal) taxes*

No particular income tax is levied by municipalities, which receive a direct share of the income tax revenue collected by the State. This share is equal to 18% of tax revenue.

2. Compulsory social security contributions to schemes operated within the government sector

	Employer's share (%)	Employee's share (%)	Ceiling on contributions (in euros)
a) Pension and disability insurance	8	8	105 453.60
b) Health insurance	3.05	3.05	105 453.60
c) Dependency insurance		1.40	Monthly allowance 439.39*
d) Health in the workplace	0.11		
e) Accident insurance	1.15		

* (Monthly allowance: EUR 439.39 = 0.25 * social minimum salary/12). The social minimum salary in 2011 is equal to EUR 21 090.72.

No distinction is made according to family status or gender.

As from 1 January 2009, the differences in social security contributions between workers and employees are abolished.

3. Universal cash transfers

3.1. *For married persons*

None.

3.2. For dependent children

Every child raised in the Grand Duchy entitles the person on whom the child is dependent to a monthly family allowance. Family allowances are adjusted regularly for the cost of living. For 2010, the amounts are:

Effective date	As of 1 July 2006
1 eligible child	EUR 185.60
2 eligible children	EUR 440.72
3 eligible children	EUR 802.74

Starting with the fourth eligible child, the allowance is raised by EUR 361.82 per child.

The amounts indicated above are increased by EUR 16.17 for children aged 6 to 11 and by EUR 48.52 for those aged 12 years or older.

Additionally, a child bonus amounting to EUR 76.88 per child per month is paid in cash irrespective of the taxable income of the parents as from 1 January 2009. This amount is paid by the National Family Benefits Administration.

4. Main changes since 2008

4.1. Partnerships

The Act of 9 July 2004 introduced the notion of partnerships into tax law. The Act construes the term "partnership" as a relationship between two persons, called "partners", of opposite sex or the same sex, who live together as a couple and declare themselves as such.

As from 1 January 2008, the fiscal treatment of the partnerships is modified. The deduction for extraordinary expenses is replaced by the joint taxation of partners as it already exists for spouses.

4.2. Introduction of tax credits

The following changes were made as of 1 January 2009:

- Four tax allowances have been replaced by refundable tax credits. Instead of reducing their taxable income by EUR 600, wage-earners get a tax credit of EUR 300 per annum. A similar tax credit is allowed for pensioners.
- The tax exemption of EUR 1 920 for single-parent households is replaced by a tax credit of EUR 750 per annum.
- A tax credit of EUR 300 per annum is granted to self-employed persons deriving income from trade or business, income from agriculture and forestry or income from self-employment. This tax credit substitutes the allowance for business income and the agricultural allowance.

5. Memorandum item

5.1. Identification of the average worker

Average gross hourly wages by industry and by gender are determined on the basis of biannual surveys on industry wages and working hours. These surveys cover gross compensation for regular hours (working hours + leave time) plus overtime pay. Hourly wages include bonuses and allowances such as premiums for output, production or productivity. In contrast, non-periodic compensation (bonuses, profit-sharing) that is not

paid systematically in each pay period is not included. Nevertheless, in order to allow for comparisons between countries, gross annual pay is adjusted on the basis of average non-periodic compensation as calculated from triennial surveys of labour costs.

Regarding working hours, the time taken into account is the time effectively offered, including regular working hours, overtime, night shifts and work on Sunday.

2011 Parameter values

AW earnings	Ave_earn	49 890	Secretariat estimate
Tax allowances: general	gen_dedn	480	
professional expenses	prof_exp	540	
travel expenses	travel_exp	396	
extra if both spouses earning	extra_dedn	4 500	
Low earner allowance	allow_1		
Low earner allowance (couples)	allow_2		
Class 1a limit	cl_1a_lim	45 060	
Tax schedule	tax_sch	0	11 265
		0.08	13 173
		0.1	15 081
		0.12	16 989
		0.14	18 897
		0.16	20 805
		0.18	22 713
		0.2	24 621
		0.22	26 529
		0.24	28 437
		0.26	30 345
		0.28	32 253
		0.3	34 161
		0.32	36 069
		0.34	37 977
		0.36	39 885
		0.38	41 793
		0.39	
Child credit maximum	ch_cred	0	
Social Minimum Salary	min_salary	21 090.72	
Multiplier for unemployment	unemp_rate_1	1.04	
	Unemp_rate_2	1.06	
	Unemp_lim	150 000	
Crisis contribution	Crisis_contr	0.008	
Social security contributions	SSC_rate	0.1105	
	SSC_ceil	105453.60	
	infirm	0.014	
	infirm_abatement	0.25	
Employer contributions	workhealth	0.0011	
	SSC_empr	0.1105	
	SSC_acc	0.0115	
Child benefit (1 child)	CB_1	185.6	
2 children	CB_2	440.72	
extra age 6-11	CB_ex	16.17	
Child bonus	ch_bonus	922.50	
Worker tax credit	worker_credit	300	
Single parent tax credit	cr_monoparent	750	
Class 1a Discount	discount	0.5	
Maximum Marginal Rate	max_rate	0.39	

2011 Tax equations

The equations for the Luxembourg system are on a joint basis except for social security contributions.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:			
Basic	basic	J	IF(earn_spouse=0, 1, 2)*gen_dedn
Work-related	work_rel	J	IF(earn_spouse=0, 1, 2)*(prof_exp+travel_exp)
Other	other_al	J	(earn_spouse>0)*extra_dedn
Total	tax_al	J	min(basic+work_rel+other_al+SSC_ded_total, earn)
3. Credits in taxable income	taxbl_cr	J	0
Family quotient	quotient	J	1+Married
4. CG taxable income unadjusted taxable income	tax_inc	J	earn-tax_al
5. CG tax before credits	tax_excl	J	((Children=0)*IF(Married=0,Tax(tax_inc, tax_sch), quotient*Tax(tax_inc/quotient, tax_sch)) + (Children>0)*IF(Married=0, Taxclass1a(tax_inc, tax_sch, discount, cl_1a_lim, max_rate), quotient*Tax(tax_inc/quotient, tax_sch)))*IF(tax_inc>unemp_lim*(1+Married,unemp_rate_2,unemp_rate_1)
6. Tax credits:	worker_cr	J	IF(earn_spouse=0.1,2)*worker_credit
	monoparent_cr	J	cr_monoparent*(AND(Married=0,Children>0))
	tax_cr	J	worker_cr+monoparent_cr
7. CG tax	CG_tax	J	tax_excl-tax_cr
8. State and local taxes	local_tax	J	0
9. Employees' soc security	SSC	B	SSC_rate*MIN(earn, SSC_ceil)+infirm*Positive(earn-infirm_abatement*min_salary)+(earn*crisis_contr)
Deductible portion	SSC_ded	B	SSC_rate*MIN(earn, SSC_ceil)
11. Cash transfers	cash_trans	J	((Children=1)*(CB_1+CB_ex)+ (Children=2)*(CB_2+2*CB_ex))*12+Children*ch_bonus
13. Employer's soc security	SSC_empr	B	(SSC_empr+workhealth)*MIN(earn, SSC_ceil)+SSC_acc*MIN(earn, SSC_ceil)

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Mexico

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations.

Mexico 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		59963	89944	149906	59963
2.	**Standard tax allowances**					
	Basic allowance		1988	2111	2358	1988
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	1988	2111	2358	1988
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		57974	87832	147549	57974
5.	**Central government income tax liability (exclusive of tax credits)**		3777	7026	18207	3777
6.	**Tax credits**					
	Basic credit		3898	2611	0	3898
	Married or head of family					
	Children					
	Other		0	0	0	0
		Total	3898	2611	0	3898
7.	**Central government income tax finally paid (5-6)**		-121	4414	18207	-121
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		750	1222	2211	750
	Taxable income					
		Total	750	1222	2211	750
10.	**Total payments to general government (7 + 8 + 9)**		628	5637	20419	628
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	0
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		59334	84307	129488	59334
13.	**Employers' compulsory social security contributions**		8378	10608	15191	8378
14.	**Average rates**					
	Income tax		-0.2%	4.9%	12.1%	-0.2%
	Employees' social security contributions		1.3%	1.4%	1.5%	1.3%
	Total payments less cash transfers		1.0%	6.3%	13.6%	1.0%
	Total tax wedge including employer's social security contributions		13.2%	16.2%	21.6%	13.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		12.1%	12.5%	22.9%	12.1%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		17.5%	18.7%	28.4%	17.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Mexico 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		89944	119925	149906	119925
2.	**Standard tax allowances**					
	Basic allowance		2111	3467	4100	3467
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	2111	3467	4100	3467
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		87832	116458	145807	116458
5.	**Central government income tax liability (exclusive of tax credits)**		7026	8591	10803	8591
6.	**Tax credits**					
	Basic credit		2611	7493	6510	7493
	Married or head of family					
	Children					
	Other		0	0	0	0
		Total	2611	7493	6510	7493
7.	**Central government income tax finally paid (5-6)**		4414	1098	4293	1098
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1222	1597	1972	1597
	Taxable income					
		Total	1222	1597	1972	1597
10.	**Total payments to general government (7 + 8 + 9)**		5637	2695	6265	2695
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	0
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		84307	117230	143642	117230
13.	**Employers' compulsory social security contributions**		10608	17024	18986	17024
14.	**Average rates**					
	Income tax		4.9%	0.9%	2.9%	0.9%
	Employees' social security contributions		1.4%	1.3%	1.3%	1.3%
	Total payments less cash transfers		6.3%	2.2%	4.2%	2.2%
	Total tax wedge including employer's social security contributions		16.2%	14.4%	15.0%	14.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		12.5%	12.5%	12.5%	12.5%
	Total payments less cash transfers: Spouse		-9.8%	7.4%	12.1%	7.4%
	Total tax wedge: Principal earner		18.7%	18.7%	18.7%	18.7%
	Total tax wedge: Spouse		9.5%	13.0%	17.5%	13.0%

The national currency is the peso (MXN). In 2011, MXN 12.43 is equal to USD 1. In 2011, the estimated earnings of the average worker are MXN 89 944 (Country estimate).

1. Personal income tax

1.1. Central government income tax

1.1.1. Tax unit

Each person is taxed separately.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard tax reliefs

There are two basic allowances, a yearly holiday bonus and an end-of-year bonus.

- *Holiday Bonus:* Mexico's Labour Law stipulates a minimum holiday bonus of 25 per cent of six days of the worker's wage. The maximum exemption according to Tax Law is equivalent to 15 days of the minimum wage (the minimum wage for the whole country).* Given these two restrictions, the allowance is estimated as the minimum established by the Labour Law, up to the amount that is exempt according to Tax Law.
- *End-of-year bonus:* the minimum end-of-year bonus established in the Labour Law is 15 days of the worker's wage. Tax Law exempts end-of-year-bonuses up to 30 days of the minimum wage (the amount for the whole country). The allowance is estimated as the minimum established by the Labour Law, up to the amount that is exempt according to Tax Law.

1.1.2.2. Main non-standard tax reliefs

Deductions:

- Compulsory school transportation costs.
- Medical expenses (doctor and dental fees and hospital expenses): An unlimited deduction is allowed for the taxpayer's medical expenses. For those made by the taxpayer, on behalf of his or her spouse and straight line relatives, the deduction is allowed only if the person, for whom the taxpayer makes the expense, earns less than the minimum annual wage of his geographical area.
- Complementary contributions of certain retirement accounts are considered eligible as long as they do not exceed 10 per cent of taxable income and MXN 105 960 (five annual minimum wages).

* There are three minimum wage rates established in Mexico depending upon geographical location (in Zone A, the minimum wage is equal to MXN 59.82 on a daily basis; in Zone B, it is MXN 58.13; and in Zone C, it is MXN 56.70). For the purposes of this Report, the calculations are either based on the minimum wage that applies within the Federal District of Mexico City (Zone A) or a representative value for the country as a whole (the average minimum wage is equal to MXN 58.06). The latter is used in the evaluation of the holiday bonus and the end-of-year bonus.

- Funeral charges: for the spouse and straight-line relatives up to a minimum annual wage of the taxpayer's geographical area.
- Charitable donations made to institutions such as:
  - Federal, state, and municipal governments.
  - Non-profit organisations involved in the fields of social beneficence, education, culture and research and technology.
- Deposits on special savings accounts, payments of insurance premium of pension plans and for the acquisition of shares of investment societies as long as they do not exceed MXN 152 000.
- Health insurance premiums for individuals, if the beneficiary is the taxpayer, and/or his family.
- Real interest expenditure for the payment of mortgage loans for housing purposes that do not exceed MXN 6 859 929. Real interest expenditure is considered the excess of interest expense over the inflation rate.*
- Deduction of taxpayer's educational expenditures for himself, on behalf of his/her spouse, parents or children, among others, for the following educational levels.

Educational Level	Maximum Annual Deduction (MXN)
Kinder Garden	14 200
Primary Education	12 900
Secondary Education	19 900
Technical Profession	17 100
High School	24 500

1.1.2.3. Employment subsidy credit

The employment subsidy credit is assigned through a table and this amount is decreasing in the level of income obtained by each worker. For monthly income higher than MXN 7 382, no employment subsidy credit is given. Employees with an income tax lower than the credit receive in cash the difference along with their salary. The rest of the workers that receive the credit are entitled to a reduction in their tax burden. The employment subsidy credit is paid by the employers who may credit it against their tax liabilities; the credit therefore represents a fiscal cost for the government.

* Since 2010, this exemption is applicable only if in the immediate previous five years the taxpayer has not sold any other house for which he/she obtained this exemption.

1.1.3. Tax schedule and other tables

1.1.3.1. Tax schedule*

Taxable income (MXN)		Fixed quota (MXN)	Tax on the amount in excess of the lower limit (%)[1]
Lower limit	Upper limit		
0	5 952.84	0	1.92
5 952.85	50 524.92	114.24	6.40
50 524.93	88 793.04	2 966.76	10.88
88 793.05	103 218.00	7 130.88	16.00
103 218.01	123 580.20	9 438.60	17.92
123 580.21	249 243.48	13 087.44	21.36
249 243.49	392 841.96	39 929.04	23.52
392 841.97	And over	73 703.40	30.00

1. The increase in the tax rates of the three highest PIT brackets is temporal. From 2010 to 2012, the rate of the highest income bracket will be 30 per cent (as shown in the table 1.131), in 2013 the highest rate will be 29 per cent and in 2014 it will be 28 per cent. The rates of the sixth and seventh brackets will decrease in the same proportion.

1.1.3.2. Employment subsidy credit table

For taxable income in a certain income range, the employment subsidy credit is given in the third column of the following table:

Lower limit (MXN)	Upper limit (MXN)	Tax credit (MXN)
0.0	21 227.52	4 884.24
21 227.53	31 840.56	4 881.96
31 840.57	41 674.08	4 879.44
41 674.09	42 454.44	4 713.24
42 454.45	53 353.80	4 589.52
53 353.81	56 606.16	4 250.76
56 606.17	64 025.04	3 898.44
64 025.05	74 696.04	3 535.56
74 696.05	85 366.80	3 042.48
85 366.81	88 587.96	2 611.32
88 587.97	And over	0.00

1.2. State and local income taxes

States do not levy taxes on income.

1.3. Payroll taxes

Mexico does not have a Federal pay-roll tax. However, most States apply a state pay-roll tax with an average rate of 2.0 per cent. These taxes are not considered in this Report since there are a wide range of practices with respect to the definition of the tax base that does not allow obtaining a reliable estimation.

* The income tax schedule and the employment subsidy credit table are updated every time the accumulated inflation reaches 10 per cent.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employees' contributions

Social security contributions are divided as follows:

For sickness and maternity insurance, 0.625 per cent of the workers monthly wage, plus 0.40 per cent of the amount in excess of three times the minimal legal wage (the amount that applies within the Federal District of Mexico City MWFD). For disability and life insurance, 0.625 per cent of the monthly wage.

In 2011, a ceiling of 25 MWFD applies to the salary that is used to calculate the social security contributions.

2.2. Employers' contributions

- For sickness and maternity 20.40 per cent of the MWFD, plus 1.10 per cent of the amount in excess of three times the MWFD, plus 1.75 of the monthly wage.
- For disability and life insurance, 1.75 per cent of worker's monthly wage.
- For social services and nursery, 1 per cent of worker's monthly wage.
- For insurance for work injuries of employees, 2.04 per cent of worker's monthly wage.*

In 2011, a ceiling of 25 MWDF applies to the salary that is used to calculate the social security contributions.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

None.

4. Main changes in the tax/benefit system since 1995

The Social Security Law enacted in July 1997 changed fundamentally the financing of non-government employees' social security, which shifted from a pay-as-you-go scheme to funded individual accounts. The government does not manage these accounts; new private financial institutions were created specifically for this purpose. However, the contractual obligation is between the workers and the government, not with the private administrator of the fund, because legally they are still considered as contributions to social security, independently of who manages the fund. It should be noted that the federal government also contributes to each pension account, and guarantees a minimum pension to every beneficiary of the social security system, again independently of the administration of the fund.

* The amount of the work injury fee depends on the risk level in which the company is classified. The Mexican Institute of Social Security provided a weighted average rate that considers the economic activities from C to K of the International Standard Classification.

5. Memorandum items

5.1. *Method used to identify an average worker and to calculate his gross earnings*

The income data refer to average workers. It should be noted that in the sample used for this survey, medium and large size firms are over-represented. In Mexico, there are no state or local government income taxes. Information on non-standard tax reliefs is not available.

Figures for 1999 and subsequent years cannot be compared with preliminary figures from previous editions of this publication for two reasons: first, the wage level of the average worker is now based on observed data instead of being estimated; second, social security contributions taken into account no longer include contributions made by employers and employees to privately managed individual accounts. Contributions no longer included in the calculation of social security contributions are specified in the table below.

5.2. *Main employees' and employers' contributions to private pension, health, etc., schemes*

	Account	Per cent of workers' monthly wage
Employers' contributions	Retirement	2.00
	Discharge and old age insurance	3.15
	Housing Fund (INFONAVIT)	5.00
Employees' contributions	Discharge and old age insurance	1.125

2011 Parameter values

Average earnings/yr	Ave_earn	89 944	Country estimate	
(general min wage per day)	min_wage	58.06		
(general min wage per day for the Federal District of Mexico City)	min_wage_FD	59.82		
Income tax	tax_table	0.00	0	1.92
		5 952.85	114.24	6.40
		50 524.93	2 966.76	10.88
		88 793.05	7 130.88	16.00
		103 218.01	9 438.60	17.92
		123 580.21	13 087.44	21.36
		249 243.49	39 929.04	23.52
		392 841.97	73 703.40	30.00
Tax credit basic	Basic_crd	0.0	4 884.24	
		21 227.53	4 881.96	
		31 840.57	4 879.44	
		41 674.09	4 713.24	
		42 454.45	4 589.52	
		53 353.81	4 250.76	
		56 606.17	3 898.44	
		64 025.05	3 535.56	
		74 696.05	3 042.48	
		85 366.81	2 611.32	
		88 587.97	0.00	
Employees SSC	SSC_rate	0.0125		
	SSC_rate_sur	0.0040		
Employers SSC	SSC_empr	0.0654		
	SSC_empr_min	0.2040		
	SSC_empr_sur	0.0110		

2011 Tax equations

The equations for the Mexican system in 2011 are on an individual basis.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances	tax_al	B	MIN(earn, MIN(earn*(6/365)*0.25, min_wage*15)+ MIN(earn*(15/365), min_wage*30))
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al)
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, Tax_sch)
6. Tax credits	tax_cr	B	VLOOKUP(tax_inc, Basic_crd, 2)
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	MIN(earn*ssc_rate, min_wage_FD*25*365*ssc_rate)+ MIN(Positive(earn-(3*365*min_wage_FD))*ssc_rate_sur, min_wage_FD*(25-3)*365*ssc_rate_sur)
11. Cash transfers	cash_trans	B	0
13. Employer's soc security	SSC_empr	B	MIN(earn*ssc_empr, min_wage_FD*25*365*ssc_empr)+ 365*min_wage_FD*ssc_empr_min +MIN(Positive(earn-(3*365*min_wage_FD))*ssc_empr_sur, min_wage_FD*(25-3)*365*ssc_empr_sur)
Memorandum item: Non-wastable tax credit			
Tax expenditure component	taxexp	B	tax_cr-transfer
Cash transfer component	transfer	B	IF(CG_tax<0, -CG_tax, 0)

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation).

Netherlands

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations.

Netherlands 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	30602	45904	76506	30602
2.	**Standard tax allowances:**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	0	0	0	0
	Work-related expenses				
	Other				
	Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**	2301	2591	2591	2301
4.	**Central government taxable income (1 - 2 + 3)**	31996	46768	75733	31996
5.	**Central government income tax liability (exclusive of tax credits)**	1788	7543	21713	1788
6.	**Tax credits :**				
	Basic credit				
	Married or head of family				
	Children				
	Other				
	Total	200	198	195	740
7.	**Central government income tax finally paid (5-6)**	1589	7346	21517	1048
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	0	0	0	0
	Taxable income (net of credits)	6605	7085	7127	3023
	Total	6605	7085	7127	3023
10.	**Total payments to general government (7 + 8 + 9)**	8194	14431	28644	4071
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	3124
	Total	0	0	0	3124
12.	**Take-home pay (1-10+11)**	22408	31473	47862	29655
13.	**Employers' compulsory social security contributions**	2898	4659	5282	2898
14.	**Average rates**				
	Income tax	5.2%	16.0%	28.1%	3.4%
	Employees' social security contributions	21.6%	15.4%	9.3%	9.9%
	Total payments less cash transfers	26.8%	31.4%	37.4%	3.1%
	Total tax wedge including employer's social security contributions	33.1%	37.8%	41.5%	11.5%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	42.8%	40.9%	49.2%	46.1%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	48.7%	47.0%	49.2%	51.7%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Netherlands 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		45904	61205	76506	61205
2.	**Standard tax allowances:**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other					
		Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**		2591	3770	4892	3770
4.	**Central government taxable income (1 - 2 + 3)**		46768	63159	78764	63159
5.	**Central government income tax liability (exclusive of tax credits)**		7543	7847	9332	7847
6.	**Tax credits :**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	287	436	499	367
7.	**Central government income tax finally paid (5-6)**		7256	7411	8833	7480
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		0	0	0	0
	Taxable income (net of credits)		5584	8188	11976	9342
		Total	5584	8188	11976	9342
10.	**Total payments to general government (7 + 8 + 9)**		12841	15599	20809	16822
11.	**Cash transfers from general government**					
	For head of family					
	For two children		2002	1894	1894	0
		Total	2002	1894	1894	0
12.	**Take-home pay (1-10+11)**		35065	47500	57591	44383
13.	**Employers' compulsory social security contributions**		4659	5870	7558	5870
14.	**Average rates**					
	Income tax		15.8%	12.1%	11.5%	12.2%
	Employees' social security contributions		12.2%	13.4%	15.7%	15.3%
	Total payments less cash transfers		23.6%	22.4%	24.7%	27.5%
	Total tax wedge including employer's social security contributions		30.7%	29.2%	31.5%	33.8%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		48.1%	40.9%	40.9%	40.9%
	Total payments less cash transfers: Spouse		18.7%	17.4%	38.9%	21.3%
	Total tax wedge: Principal earner		53.5%	47.0%	47.0%	47.0%
	Total tax wedge: Spouse		24.7%	23.2%	45.2%	26.8%

The national currency is the Euro (EUR). In 2011, EUR 0.72 was equal to USD 1. In that year, the average worker earned EUR 45 904 (Secretariat estimate).*

1. Personal income tax system (Central Government)

1.1. Central government income tax

There are three categories ("boxes") of taxable income:

- Taxable income from work and owner-occupied housing.
- Taxable income from a substantial interest in a limited liability company.
- Taxable income from savings and investments.

This description is limited to the most relevant aspects of taxable income from the first category, "taxable income from work and owner-occupied housing", because of its relevance for the AW.

1.1.1. Tax unit

Husbands and wives are taxed separately on their personal income, which includes income from business, profession and employment, pensions and social security benefits. Certain parts of income may be freely split between husbands and wives, such as the net-income from owner-occupied housing and the income from savings and investments.

1.1.2. Tax allowances

1.1.2.1. Standard allowances

Related to wage earnings:

- Employees' social security contributions (see Section 2.1) are deductible, whereas the health insurance contribution is not deductible and is not a part of the *Taxing Wages* model (for more information, see the Special Feature on "non-tax compulsory payments" in the 2009 edition of the *Taxing Wages* Report). The employers' health insurance contribution is subject to tax.

1.1.2.2. Non-standard allowances applicable to AW

Related to wage earnings:

- For distances of more than 10 km between home and work, fixed amounts for travel expenses with public transportation are deductible. The maximum deduction for employees who travel by public transport is EUR 1 951 for distances of more than 80 km. If the travel expenses are reimbursed or the employer provides transport, there is no

* The Dutch labour market is characterised by a substantial share of part-time employees. As explained in the methodological section of this volume, the average wage measure used in the tax burden calculations refer to full-time employees only. If the wages of part-timers were taken into account, the average wage would be substantially lower.

deduction; the reimbursement is untaxed (also for employees who travel by car) if it is below certain specified amounts;

- Employee contributions to private (company provided) pension schemes.

Related to owner-occupied housing:

- Excess of mortgage interest over net imputed rent.

Related to personal circumstances:

- Medical expenses and other exceptional expenses:

Fiscal deduction of exceptional health expenses will be reduced to the specific costs as a result of the chronic illness. As specific costs are seen diet costs, special medicine described by a doctor and transportation costs. Visual tools and insurance premiums are not seen as specific costs and are therefore no longer deductible.

For a single person: the specific expenses in excess of 1.65 per cent of income are deductible if income exceeds EUR 7 332 and is below EUR 38 955. If income is lower than or equal to EUR 7 332, the non-deductible limit is EUR 122. For a person with a partner: the joint income is used to determine the non-deductible amounts and the non-deductible limit is EUR 244.

If income exceeds EUR 38 955, the specific expenses in excess of 1.65 per cent of EUR 38 955 increased with 5.75 per cent of income above EUR 38 955 are deductible.

- *Some educational expenses:* in direct connection with vocational education. Expenses above the threshold of EUR 500 are deductible. Expenses above EUR 15 000 are not deductible;
- *Donationsto certain institutions* (charity) that serve the public good are deductible if in excess of 1 per cent of the income and in excess of EUR 60. No more than 10 per cent of the income may be deducted in this way.

1.1.3. *Tax schedule*

The tax schedule for income from work and owner-occupied housing is as follows:

Taxable income (EUR)	Tax rate (%)	Social security contributions	
		< 65 years	*> 65 years*
0-18 628	1.85	31.15	13.25
18 628-33 436	10.80	31.15	13.25
33 436-55 694	42	–	–
55 694 and over	52	–	–

The contributions for the general social security schemes are levied on income from work and owner-occupied housing in the first and second income tax bracket. These social security contributions are not deductible for income tax purposes. Individuals of 65 years and older pay 13.25 per cent (for widows and orphans pensions, and exceptional medical expenses); individuals younger than 65 years pay 31.15 per cent (for widows and orphans pensions, exceptional medical expenses, and old age income provision). For further information see Section 2.1.

1.1.4. Tax credits

1.1.4.3. Standard tax credits

The tax credits are deducted partly from the income tax liability and partly from the contributions that are made to the general social security schemes (see Section 1.1.3). For most families, the share of the credit attributed to tax is related to the ratio of the tax rate to the sum of the tax rate and the social security contributions rate in the *first* bracket of the tax schedule. In 2011, this ratio was 5.6 per cent (= 1.85%/(1.85% + 31.15%), implying that 5.6 per cent of the (tax) credit is attributed to the personal income tax and the remaining 94.4 per cent to social security contributions. If the individual's total tax credit is higher than the total tax and social security contributions levied on the first tax bracket, the shares of the residual amount of the tax credit that are attributed to the personal income tax and social security contributions are based on the rates of deduction in the second tax bracket in order that the employee can benefit from the full amount of the credit where the level of income allows it. As a result, the ratio of the tax rate to the sum of the tax rate and social security contribution rates is increased to 25.7% for the residual amount in 2011 [*i.e.* 10.8%/(31.15% + 10.8%)].

For example in 2011, the total tax credit of a single parent with 2 children earning 67% of the average wage amounts to EUR 7 684. The total tax and social security contributions levied on the first tax bracket equals EUR 6 147.24 [= 18 628*(31.15% + 1.85%)]. The residual tax credit equals EUR 1 536.76.

The first tax ratio of 5.6% is applied on EUR 6147.24 and the second tax ratio of 25.7% is applied on EUR 1 536.76. Then the part of the total tax credit that is attributed to personal income tax is EUR 740. The remaining 6 984 is attributed to the social security contributions.

Note that the tax/benefit position tables show the total amount of social security contributions net of the credits that are claimed.

- *General tax credit:* this credit amounts to EUR 1 987; the transfer of the general tax credit of the spouse to the principal will diminish with 6.67 per cent per year in the period 2009-24, such that in 15 year time the general tax credit for a non-working spouse cannot be capitalized against the tax paid by the principal. This reduction of the transfer of the general tax credit started in 2009. In 2024, the general tax credit can only be capitalized against the tax and premiums paid on own earned income.
- *Work credit:* this credit is the sum of 1.716 per cent of taxable income from work with a maximum of EUR 158 and 12.152 per cent of taxable income from work with a franchise of EUR 9 209. The work credit is income dependent and will be reduced by 1.25 per cent of taxable income above EUR 44 126; the reduction will be maximised till EUR 77; so the reduction stops at a taxable income of EUR 50 286. The maximum work credit before it is reduced is EUR 1 574; the maximum reduced work credit is EUR 1 497.
- *Combination credit:* the combination credit is abolished in 2009.
- *Income dependant combination credit:* the additional combination credit is replaced with the income dependent combination credit. A taxpayer who is either a single parent or the partner with the lowest income, who has children below the age of 12 and has his/her taxable income from work exceeding EUR 4 734, is entitled to an income dependent combination credit of EUR 780 plus an extra combination credit of 3.8 per cent of taxable income above EUR 4 734. The maximum total combination credit is EUR 1 871.

- *Single parent credit:* a single parent under certain conditions is entitled to the single parent credit of EUR 931.
- *Additional single parent credit:* a single parent who is entitled to the single parent credit receives an additional credit of 4.3 per cent of his or her income from work, with a maximum of EUR 1 523.

The amount of the tax credit is limited to the amount of tax and premiums payable (non-refundable tax credit). If, however, a taxpayer with insufficient income to fully exploit his/her tax credit has a partner with a surplus of tax and premiums payable over his/her own tax credit, the tax credit of the former taxpayer is increased by (at most) the surplus tax and premiums payable by his/her fiscal partner. As a consequence, the tax credit of the former taxpayer will exceed tax and premiums payable, resulting in a payout of the residual tax credit to the taxpayer by the tax authority.

1.2. *State and local income taxes*

None.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. *Employees' contributions*

Schemes for employees:

- Unemployment: 0 per cent of the gross earnings between EUR 16 965 and EUR 49 297 (this contribution is only for the general unemployment fund); employees do not have to pay an unemployment premium in order to reduce administration costs. Employers pay both an unemployment premium and a premium for invalidity for their employees (see par. 2.2).
- For basic health insurance each adult pays an average amount of EUR 1 211 a year to a self-chosen private health insurance company. This premium is a non-tax compulsory payment and is not included in the Taxing Wages calculations but only in the NTCP calculations. Employees might obtain compensation for this nominal contribution, depending on the household's personal situation and taxable income. This is called the health care benefit. This benefit is included in the NTCP calculations as it compensates for the basic health insurance premium of on average EUR 1 211. Also 7.75 per cent of gross earnings net of employees' pension premiums and unemployment social security contributions is paid for health care until a maximum of net earnings of EUR 33 427. For the last health contribution, an employee receives mandatory compensation of his employer for the same amount. This amount is included in the taxpayer's taxable income. This amount is included in the *Taxing Wages* calculations in order to calculate the taxpayer's personal income tax liabilities. The income dependent health contribution itself, however, is not modelled (either as an employee or employer SSC) in *Taxing Wages*.
- Employees might obtain compensation for the nominal contribution of on average EUR 1 211 for the basic health insurance, depending on the household's personal situation and taxable income. This is called the health care benefit. The care benefit is calculated as follows:

  Single parent households: (1 375 – 2.715%)*(19 891 – 5.03%)*(taxable income – 19 891).

  Married couples: (number of adults)*(1 375 – 5.015%)*(19 891 – 5.03%)*(taxable income principal and spouse – 19 891).

This health care benefit is a non-tax compulsory payment and is not included in the Taxing Wages calculations but only in the "non-tax compulsory payment" calculations (see *www.oecd.org/ctp/taxingwages* for more details on non-tax compulsory payments as well as the Special Feature in the 2009 edition of the *Taxing Wages* Report).

- Old age pension: 17.9 per cent of taxable income in the first and second tax bracket. This scheme does not apply to individuals aged 65 or older.
- Widows and orphans pension: 1.10 per cent of taxable income in the first and second tax bracket.
- Exceptional medical expenses and disability: 12.15 per cent of taxable income in the first and second tax bracket.

2.2. Employers' contributions

Schemes for employees:

- Unemployment: 4.20 per cent of gross earnings between EUR 16 965 and EUR 49 297 for the general unemployment fund and a contribution of 2.24 per cent of gross earnings below EUR 49 297 for the industrial insurance associations redundancy payments fund.
- Invalidity: 5.72 per cent of gross earnings below EUR 49 297.
- For medical care employers contribute 7.75 per cent of gross earnings net of employees' pension premiums and unemployment social security contributions until a maximum of gross earnings of EUR 33 427. The premium itself, however, is not modelled (either as an employee or employer SSC) in *Taxing Wages*. Instead, it is modelled as a NTCP from the employer to a public-managed health insurance fund. The spending of this fund mainly compensates private insurance companies for their (public) obligation to insure individuals with a high health risk.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

Families with children receive a tax free benefit, depending on the number and age of the children. For a family with two children in the age group of 6 to 12 years, the total benefit amounts to EUR 1 894 a year. Indexation of the child benefits is frozen for three years (period 2009-11).

An additional income dependent child benefit was introduced in 2008. As of 2009, this benefit also depends on the number of children per family. A family can only claim the extra child benefit when it has children under the age of 18 years old for whom it also receives the tax free and income independent child benefit. Indexation of the extra child benefit is frozen until 2011 and has still a maximum value of EUR 1 011 per year for families with one child. The child credit increases to EUR 1 466 a year for families with two children. The benefit is reduced at a rate of 7.6 per cent per euro when the family's yearly taxable income exceeds EUR 28 897 and is completely withdrawn for families with two children when the taxable income is at least EUR 48 186.

4. Main changes in the tax/benefit systems since 2000

In 2001, the tax system was changed thoroughly. The tax rates have been lowered; the basic allowance and its supplements have been transformed into tax credits. The deduction for labour costs has also been replaced by a tax credit. Certain other deductions have been reduced or abolished. Extra tax credits for households with children were introduced.

In 2002 and 2003, the tax system was only slightly changed. The additional combination credit was introduced in 2004. The various child credits were integrated and streamlined in 2006.

Public insurance for medical care has been reformed in 2006. A new standard health insurance system was introduced. Until 2005, no public health insurance contributions were levied on income in excess of EUR 33 000. However, taxpayers earning more than EUR 33 000 were obliged to take a private insurance. These private health insurance contributions were not included in the *Taxing Wages* calculations because they were made to a privately-managed fund (and are therefore not taxes). Since 2006, every individual contributes a nominal contribution to a privately-managed fund (on average EUR 1 064, depending on the competition between insurance companies, a year in 2009) and, in addition for employees, a percentage of gross income (6.9 per cent) net of employees' pension premiums and unemployment social security contributions until a maximum of gross income of EUR 32 369 (in 2009). For this last contribution, the employee receives mandatory compensation of his employer for the same amount. The premium itself, however, is not modelled (either as an employee or employer SSC) in *Taxing Wages*. Instead it is modelled as a non-tax compulsory payment from the employer to a public-managed health insurance fund. The spending of this fund mainly compensates private insurance companies for their (public) obligation to insure individuals with a high health risk. Taxpayers might obtain compensation for the nominal contribution to the private insurance company of on average EUR 1 064 in 2009, depending on the households personal situation and taxable income. This is called the health care benefit and is part of the NTCP (see Section 2.1).

In 2007, the tax system has not been changed, except for some parameter updates. In 2008, the child credit has been replaced by an extra child benefit.

In 2009 the general tax credit will be reduced for non-working spouses in order to cut down the capitalization of this tax credit in 2024. A non-working spouse can in 2024 capitalize the general tax credit only against his/her own earned income. In 2009, the employment credit is extended for income exceeding EUR 42 509. This credit will be reduced by maximum EUR 24, whereas the employment credit is increased for lower incomes. The income dependant combination credit is introduced in order to promote the labour participation of single parents or partners of married workers. The income-dependent combination credit has been increased considerably. The extra child benefit depends on the total income of the family and the number of children per family. The income-dependent child benefit is higher when more children under the age of 18 years are member of the family. As from 2009 onwards, employees do not have to pay an unemployment premium mainly to reduce administration costs for employers. Employers pay now both an unemployment premium and a premium for invalidity for their employees (see also par. 2.2).

5. Memorandum items

5.1. *Identification of the AW and calculation of the AW's gross earnings*

The calculation of the annual gross earnings of an AW is based upon data on gross earnings of full-time workers in industry C-K. These data have been obtained through a yearly sample survey carried out by the Central Bureau of Statistics. Included in the AW annual salary are irregular payments, such as holiday allowances, loyalty payments and bonuses. Payments for working overtime are not included. However, the CBS has stopped carrying out the "employment and wages" survey in July 2006 due to new legislation. On Inquiry at the Central Bureau of Statistics (CBS) the information from the wage declarations by employers, delivered nowadays at the tax department, will be implemented by the CBS for the new survey about employment and wages. These changes produced a delay in delivery of the information on wages and employment for 2006.

As the AW figure for 2005 and 2006 are not available, the 2004 figure was taken and adjusted for the wage increases in 2005, 2006 and 2007 by the OECD Secretariat based on wage increase estimates from the most recent issue of the *OECD Economic Outlook*. On the base of new information on wages per industry sector, the AW is delivered to EUROSTAT in November 2009 by the CBS for years 2006 and 2007. The standard classification NACE Rev. 1 for industrial Sectors C-K is used.

The new classification NACE Revision 2 (Sectors B-N) will be applicable as from 2008 onwards. The estimation of the AW for 2008 according to the new classification is applicable at the beginning of May 2010. The AW for 2009 is available since November 2010. For 2008, the average annual gross earnings (full-time NACE Rev. 2) comes to EUR 43.146 and for 2009 EUR 44.412.

5.2. *Main employers' contributions to private pension, health and related schemes*

In addition to the obligatory contributions of employees to private insurance companies, all employers pay contributions to a public-managed health fund. More information is included in the Special Feature where the contributions to the public-managed health funds are also presented.

Employers have to pay at least 70 per cent of the gross wage of their sick employees for two years. Many employers have insured themselves privately for the risks of their employees being sick. This insurance for illness of their employees is not compulsory.

2011 Parameter values

	Ave_earn	45 904	Secretariat estimate
Social security contributions	SSC_ceil	49 297	
Employees' schemes	Unemp_rate1	0.0	
	Unemp_franchise1	16 965	
Medical care	Med_rate	0.0775	
	Med_limit	999 999	
	Med_ceil	33 427	
	Med_adult	1 211	
	Med_child	0	
	Med_compensation1	0.02715	
	Med_compensation2	0.0503	
	Med_compensation3	0.05015	
	Med_compensation4	0.0503	
	Med_key	19 891	
	Med_aldult for care benefit	1 375	
General schemes	Old_rate	0.179	
	Wid_rate	0.0110	
	Ex_med_rate	0.1215	
	Gen_Schemes_thrsh	33 436	
	Unemp_empr1	0.042	
	Unemp_empr2	0.0224	
	Unemp_unempr_franchise1	16 965	
	Unemp_unempr_franchise2	0	
	Inv_empr_rate	0.0572	
	Inv_empr_franchise	0	
	Med_empr	0.0775	
	Med_franchise	0	
Tax schedule	Tax_sch	0.0185	18 628
	"tax_sch_lowest"	0.1080	33 436
	"tax_thrsh_1"	0.42	55 694
		0.52	
Tax credits	Gen_credit	1 987	
	Red_gen_credit	1 590	
	Emp_credit1	158	
	Emp_credit2	1 416	
	Emp_credit3	1 339	
	Emp_credit1_thr	9 209	
	Emp_credit2_thr	20 861	
	Emp_credit3_thr	44 126	
	Emp_credit4_thr	50 286	
	Comb_credit	Nvt	
	Comb_credit_franchise	4 734	
	add_comb_credit	Nvt	
	Income_dependant_comb_comb_credit1	780	
	Income_dependant_comb_credit_max	1 871	
	Income_dependant_comb_par_credit_per	0.038	
	Sing_par_credit	931	
	Ex_sing_par_credit_per	0.043	
	Ex_sing_par_credit_max	1 523	
Family cash transfers	Ch1_trans	947	
	Ch2_trans	1 894	
	Child_ben_1child	1 011	
	Child_ben_2children	1 466	
	Child_ben_redn	0.076	
	Child_ben_ceil	28 897	

2011 Tax equations

The equations for the tax system in the Netherlands in 2010 and in 2011 did not change. They are repeated for each individual of a married couple. Tax credits, except a part of the general credit of the spouse, depend also on the tax paid by the principal if the spouse's income is zero or very low, and the cash transfers are calculated only once. The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note on the tax equations. Due to the adjustment of the employment credit in 2009, the function Emp_credit(Value) was altered in 2009; no changes were made in 2010 and in 2011. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affix "_spouse" indicates the value for the spouse. No affix is used for the principal values. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings (gross)	gr_earn		
Earnings (net)	earn	B	gr_earn
2. Social security contributions	SSC_al	B	SSC_f(earn,Unemp_rate1,SSC_ceil,Unemp_franchise1)
3. Credits in taxable income	taxbl_cr	B	MIN(earn-SSC_al, Med_ceil)*Med_rate
4. CG taxable income	tax_inc	B	earn-SSC_al+taxbl_cr
5. CG tax before credits	CG_tax_excl / tax_liable	B	Tax(tax_inc,Tax_sch)
6. Tax credits	tax_cr	P	MIN(CG_tax_excl+SSC_taxinc,Gen_credit+Emp_credit(tax_inc) +IF(AND(Children>0,earn>Comb_credit_franchise),IF(Married=0,Comb_credit+add_comb_credit,Comb_credit),0) +IF(AND(Children>0,Married=0),Sing_par_credit+MIN(Ex_sing_par_credit_max,Ex_sing_par_credit_per*tax_inc),0))
	tax_cr_spouse	S	IF(Married>0,MIN(CG_tax_excl_spouse+SSC_taxinc_spouse+ CG_tax_excl+SSC_taxinc-tax_cr,Gen_credit +Emp_credit(tax_inc_spouse)+IF(AND(Children>0,earn_spouse>Comb_credit_franchise),Comb_credit+add_comb_credit,0)),0)
	tax_cr_inc	B	IF(tax_cr>Tax_thrsh_1*SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest),(tax_sch_2/ SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_2))*(tax_cr-(SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)*Tax_thrsh_1))+(tax_sch_lowest/ SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest))*(Tax_thrsh_1*SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)),tax_sch_lowest/ SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)*tax_cr)
7. CG tax	CG_tax	B	tax_liable-tax_cr_inc
8. State and local taxes	local_tax	B	0
9. Employees' soc security' based on earnings	SSC_earn	P	SSC_f(earn,Unemp_rate1,SSC_ceil,Unemp_franchise1)
	SSC_earn_spouse	S	SSC_f(earn_spouse,Unemp_rate1,SSC_ceil,Unemp_franchise1)
based on taxable income	SSC_taxinc	B	(Old_rate+Wid_rate+Ex_med_rate)*MINA(tax_inc,Gen_Schemes_thrsh)
Total employees' soc security	SSC_liable	J	SSC_earn+SSC_taxinc+SSC_earn_spouse+SSC_taxinc_spouse
	tax_cr_SSC	B	IF(tax_cr>Tax_thrsh_1*SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest),((Old_rate+Wid_rate+Ex_med_rate)/ SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_2))*(tax_cr-(SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)*Tax_thrsh_1))+((Old_rate+Wid_rate+Ex_med_rate)/ SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest))*(Tax_thrsh_1*SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)),SUM(Old_rate+Wid_rate+Ex_med_rate)/ SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)*tax_cr)
Total	SSC	J	SSC_liable-tax_cr_SSC
10. Total payments	total_payments	J	CG_tax+local_tax+SSC

Line in country table and intermediate steps	Variable name	Range	Equation
11. Cash transfers	cash_trans	J	IF(Children=1,Ch1_trans,IF(Children=2,Ch2_trans,0))+ (Children>0)*(IF((tax_inc+tax_inc_spouse)<Child_ben_ceil, Child_ben, Positive(Child_ben – Child_ ben_redn*(tax_inc+tax_inc_spouse – Child_ben_ceil))))

13. Employer's soc security	SSC_empr	B	If Value <= 0 Then
			Emp_credit = 0
			ElseIf Value <= Range("Emp_credit1_thr").Value Then
			Emp_credit = (Value / Range("Emp_credit1_thr").Value) *
			Range("Emp_credit1").Value
			ElseIf Value <= Range("Emp_credit2_thr").Value Then
			Emp_credit = Range("Emp_credit1").Value + ((Value -
			Range("Emp_credit1_thr").Value) / (Range("Emp_credit2_thr").Value -
			Range("Emp_credit1_thr").Value)) * Range("Emp_credit2").Value
			ElseIf Value <= Range("Emp_credit3_thr").Value Then
			Emp_credit = Range("Emp_credit1").Value + Range("Emp_credit2").Value
			ElseIf Value <= Range("Emp_credit4_thr").Value Then
			Emp_credit = Range("Emp_credit1").Value + Range("Emp_credit2").Value - ((Value -
			Range("Emp_credit3_thr").Value) / (Range("Emp_credit4_thr").Value -
			Range("Emp_credit3_thr").Value)) * (Range("Emp_credit2").Value -
			Range("Emp_credit3").Value)
			Else
			Emp_credit = Range("Emp_credit1").Value + Range("Emp_credit3").Value
			End If

Key to range of equations: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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New Zealand

(2011-12 income tax year)

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

New Zealand 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		32930	49395	82325	32930
2.	**Standard tax allowances:**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		32930	49395	82325	32930
5.	**Central government income tax liability (exclusive of tax credits)**		4783	7839	18087	4783
6.	**Tax credits :**					
	Basic credit		520	0	0	0
	Married or head of family					
	Children					
	Other					
		Total	520	0	0	0
7.	**Central government income tax finally paid (5-6)**		4263	7839	18087	4783
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		0	0	0	0
	Taxable income					
		Total	0	0	0	0
10.	**Total payments to general government (7 + 8 + 9)**		4263	7839	18087	4783
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	10942
		Total	0	0	0	10942
12.	**Take-home pay (1-10+11)**		28667	41557	64238	39089
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		12.9%	15.9%	22.0%	14.5%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		12.9%	15.9%	22.0%	-18.7%
	Total tax wedge including employer's social security contributions		12.9%	15.9%	22.0%	-18.7%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		17.5%	30.0%	33.0%	17.5%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		17.5%	30.0%	33.0%	17.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

New Zealand 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		49395	65860	82325	65860
2.	**Standard tax allowances:**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		49395	65860	82325	65860
5.	**Central government income tax liability (exclusive of tax credits)**		7839	9740	12621	9740
6.	**Tax credits :**					
	Basic credit		0	0	0	0
	Married or head of family					
	Children					
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		7839	9740	12621	9740
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings					
	Taxable income					
		Total	0	0	0	0
10.	**Total payments to general government (7 + 8 + 9)**		7839	9740	12621	9740
11.	**Cash transfers from general government**					
	For head of family					
	For two children		8428	5135	1842	0
		Total	8428	5135	1842	0
12.	**Take-home pay (1-10+11)**		49985	61256	71546	56120
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		15.9%	14.8%	15.3%	14.8%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		-1.2%	7.0%	13.1%	14.8%
	Total tax wedge including employer's social security contributions		-1.2%	7.0%	13.1%	14.8%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		50.0%	50.0%	50.0%	30.0%
	Total payments less cash transfers: Spouse		31.5%	37.5%	37.5%	17.5%
	Total tax wedge: Principal earner		50.0%	50.0%	50.0%	30.0%
	Total tax wedge: Spouse		31.5%	37.5%	37.5%	17.5%

The national currency is the New Zealand dollar (NZD). In 2011, NZD 1.27 was equal to USD 1. In that year, the average worker earned NZD 49 395 (Country estimate).

1. Personal income tax system

1.1. Central/federal government income taxes

1.1.1. Tax unit

Members of the family are taxed separately.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- The Transitional Tax Allowance is available to persons with income under NZD 9 880. This rebate is limited to those in full-time employment or who would have been in full-time employment but for sickness or accident. The rebate is NZD 728, reduced by 20 cents on each dollar earned over NZD 6 240 – thus the rebate runs out at NZD 9 880. The Transitional Tax Allowance is not available if the taxpayer receives an income tested benefit or if any of the universal cash transfers apply. In addition, the amount of the rebate depends on the proportion of weeks in the year where more than 20 hours have been worked.
- Children: no credit to parents. A child under 15 years of age, or under 18 and attending an educational institution, may claim the child rebate against their own earnings. The rebate is calculated as 13.75 per cent of gross earnings from employment, up to a maximum allowance of NZD 321.75 on NZD 2 340 of income. Investment earnings are excluded from the calculation of this rebate.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

None.

1.1.3. Schedule

- Rates of income tax for individuals:
  - On so much of the income as does not exceed NZD 14 000: 10.5 per cent.
  - On so much of the income as exceeds NZD 14 000 but does not exceed NZD 48 000: 17.5 per cent.
  - On so much of the income as exceeds NZD 48 000 but does not exceed NZD 70 000: 30 per cent.
  - On so much of the income as exceeds NZD 70 000: 33 per cent.

1.2. State and local income taxes

New Zealand has no state or local income tax.

2. Compulsory social security contributions to schemes operated within the government sector

New Zealand has no compulsory social security contributions to schemes operated within the Government sector.

It should be noted that there is an accident compensation scheme administered by the Accident Compensation Corporation for residents and temporary visitors to New Zealand. This scheme is funded in part by premiums paid by employees and employers. For employees, the premium represents 2.0% of their gross earnings. For employers and the self-employed, the premiums are based on a percentage of the total payroll and the applicable rate varies depending upon the associated accident risk (the average rate is 1.47%). This scheme is not considered as a compulsory social security contribution for the purposes of the Report.

3. Universal cash transfers

3.1. Amount for marriage

None.

3.2. Amount for children

The Parental Tax Credit provides NZD 150 per week for the first eight weeks of each child's life. This tax credit abates under the same regime as the Family Tax Credit, although it is unaffected until both the Family Tax Credit and In Work Tax Credit have been abated to zero.

3.3. Family tax credit

For an eldest child aged 16-18, the rate of the Family Tax Credit is NZD 5 303 per year, while the rate of NZD 4 578 applies if the eldest child is younger than 16. For subsequent children the rate depends on the age of the child; NZD 4 745 per year for 16-18 year-olds, NZD 3 629 per year for 13-15 year-olds and NZD 3 182 per year for children under 13 years of age. The total credit is abated by 20 cents on each dollar earned over NZD 36 827. The abatement is based on the combined income of the parents.

3.4. In work tax credit

The In Work Tax Credit is available to families with dependent children who are not receiving an income-tested benefit, veteran's pension, New Zealand Superannuation or student allowance. The level of assistance it provides is NZD 3 120 per family per year, plus an additional NZD 780 per year for fourth and subsequent children. It is only available to couple families working a total of 30 hours or more per week, or to sole parents working 20 hours or more per week. It is also affected by the abatement regime used with the Family Tax Credit, although it is unaffected until the latter has been abated to zero.

3.5. Minimum family tax credit

The Minimum Family Tax Credit is a scheme that ensures a guaranteed minimum family net income for all full-time earners with dependent children. The guaranteed minimum after-tax income is NZD 408 per week plus the Family Tax Credit and In Work Tax Credit.

3.6. Independent earner tax credit

The Independent Earner Tax Credit of NZD 520 is available to individuals with annual net income between NZD 24 000 and NZD 48 000 that do not receive other forms of tax credits or benefits. It is abated by 13 cents on each dollar earned over NZD 44 000.

4. Main changes in tax/benefit systems over 2011/12

Changes to personal tax rates took effect on 1 October 2010; halfway through the 2010/11 tax year. Therefore an average of the old and new rates applied for the 2010/11 income tax year, and the 2011/12 year is the first year in which the new rates will apply for the whole year. The same is true for the Family Tax Credit and the Minimum Family Tax Credit, which also increased on 1 October 2010.

5. Memorandum items

5.1. Method used to identify AW and to calculate the AW's gross earnings

The Annual Earnings figure is derived from the *Quarterly Employment Survey* for those employees in the B-N industry groups. The annual earnings figure for the average worker is the sum of the four quarterly earnings figures, with each quarterly figure calculated by taking the average total weekly earnings and multiplying it by 13 weeks per quarter.

5.2. Employer's contributions to private pension, health schemes, etc.

No information available.

2011 Parameter values

	Ave_earn	49 395	Country estimate
Income tax schedule	Tax_sch	0.105	14 000
		0.175	48 000
		0.3	70 000
		0.33	
Income under NZD 9 880 rebate	reb_9880	728	
	reb_9880_thrsh	6 240	
	reb_9880_redn	0.20	
Working for Families Tax Credits	Fam_sup_eld	7 760	
	Fam_sup_oth	3 182	
	Fam_sup_thrsh	36 827	
	Fam_sup_rate	0.20	
Minimum Family Tax Credit	Min_inc	21 216	
Independent Earner Tax Credit	IETC	520	
	IETC_thrsh1	23 999	
	IETC_thrsh2	44 000	
	IETC_rate	0.13	

2011 Tax equations

The equations for the New Zealand system in 2011 are mostly repeated for each individual of a married couple. But the cash transfer is calculated only once. This is shown by the Range indicator in the table below. The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table andintermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances	tax_al	B	0
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	earn
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, Tax_sch)
6. Tax credits:			
Guaranteed minimum income	GMI	J	(Children>0)*Min_inc
Under 9880 rebate	rebate_9880	B	MIN(Taper(reb_9880, earn, reb_9880_thrsh, reb_9880_redn), CG_tax_excl-rebate_38000)*(fam_sup_cr=0)
Independent Earner Tax Credit	IETC_rebate	B	=AND(Children=0,earn>IETC_thrsh1)*Taper(IETC,earn,IETC_thrsh2,IETC_rate)
Total credit	tax_cr	B	rebate_38000+rebate_9880+IETC_rebate
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr
8. Local tax	local_tax	B	0
9. Employees' soc security	SSC	B	0
11. Cash transfers:			
Working for Families tax credits	fam_sup_cr	J	Taper(Fam_sup_eld*(Children>0)+ Fam_sup_oth*Positive(Children-1), earn_total, Fam_sup_thrsh, Fam_sup_rate)
Minimum Family tax credit	fam_tax_cr	J	Positive(GMI-(earn_total-CG_tax_excl_total+ rebate_38000_total+ rebate_9880_total))
Cash transfers	cash_trans	J	fam_sup_cr + fam_tax_cr
13. Employer's soc security	SSC_empr	B	0

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

Norway

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Norway 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		324883	487324	812207	324883
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	118750	118750	118750	162350
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable (ordinary) income (1 - 2 + 3)**		206133	368574	693457	162533
5.	**Central government income tax liability (ordinary + personal)**		28962	53236	129514	22836
6.	**Tax credits (applicable against local tax)**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		28962	53236	129514	22836
8.	**State and local taxes (net of tax credits)**		28756	51416	96737	22673
9.	**Employees' compulsory social security contributions**					
	Gross earnings		25341	38011	63352	25341
	Taxable income					
		Total	25341	38011	63352	25341
10.	**Total payments to general government (7 + 8 + 9)**		83058	142663	289603	70850
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	34920
		Total	0	0	0	34920
12.	**Take-home pay (1-10+11)**		241825	344661	522604	288953
13.	**Employer's compulsory social security contributions**		42560	63839	106399	42560
14.	**Average rates**					
	Income tax		17.8%	21.5%	27.9%	14.0%
	Employees' social security contributions		7.8%	7.8%	7.8%	7.8%
	Total payments less cash transfers		25.6%	29.3%	35.7%	11.1%
	Total tax wedge including employer's social security contributions		34.2%	37.5%	43.1%	21.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		35.8%	44.8%	47.8%	35.8%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		43.2%	51.2%	53.8%	43.2%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Norway 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		487324	649766	812207	649766
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	162350	220829	237500	220829
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable (ordinary) income (1 - 2 + 3)**		324974	428937	574707	428937
5.	**Central government income tax liability (ordinary + personal)**		47110	61717	82198	61717
6.	**Tax credits (applicable against local tax)**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		47110	61717	82198	61717
8.	**State and local taxes (net of tax credits)**		45334	59837	80172	59837
9.	**Employees' compulsory social security contributions**					
	Gross earnings		38011	50682	63352	50682
	Taxable income					
		Total	38011	50682	63352	50682
10.	**Total payments to general government (7 + 8 + 9)**		130455	172235	225721	172235
11.	**Cash transfers from general government**					
	For head of family					
	For two children		23280	23280	23280	0
		Total	23280	23280	23280	0
12.	**Take-home pay (1-10+11)**		380149	500811	609766	477531
13.	**Employer's compulsory social security contributions**		63839	85119	106399	85119
14.	**Average rates**					
	Income tax		19.0%	18.7%	20.0%	18.7%
	Employees' social security contributions		7.8%	7.8%	7.8%	7.8%
	Total payments less cash transfers		22.0%	22.9%	24.9%	26.5%
	Total tax wedge including employer's social security contributions		31.0%	31.9%	33.6%	35.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		44.8%	44.8%	44.8%	44.8%
	Total payments less cash transfers: Spouse		25.7%	25.7%	35.8%	25.7%
	Total tax wedge: Principal earner		51.2%	51.2%	51.2%	51.2%
	Total tax wedge: Spouse		34.3%	34.3%	43.2%	34.3%

The national currency is the Kroner (NOK). In 2011, NOK 5.6 was equal to USD 1. In that year, the average worker earned NOK 487 324 (Secretariat estimate).

1. Personal income tax system

The personal income tax has two tax bases: *personal income* and *ordinary income*. Personal income is defined as income from labour and pensions. Personal income is a gross income base from which no deductions are made. Ordinary income includes all types of taxable income from labour, pensions, business and capital. Certain costs and expenses, including interest paid on debt, are deductible in the computation of ordinary income.

1.1. Central government income tax

1.1.1. Tax unit

The tax unit is in most cases the individual (tax class 1), but joint taxation (tax class 2) is also possible. Single parents are entitled to be taxed under the tax class 2 schedule. Children aged below 17 are generally taxed together with their parents, but they may be taxed individually. All other income earners are taxed on an individual basis (class 1).

1.1.2. Tax allowances applicable to an AW

There are no tax allowances applicable to an AW under the central government income tax (surtax). The tax base is personal income from which no deductions are allowed. As part of the overall tax rate of 28 per cent on ordinary income, 14.05 per cent is considered to be the central government income tax.

1.1.3. Rate schedule (surtax)

Rate (%)	NOK
0	0-471 200
9.0	471 200-765 800
12.0	765 800 and over

1.2. Local government income tax

The overall tax rate on ordinary income is 28 per cent. The local government (municipal and county) income tax is 13.95 per cent points of the overall rate. Tax on ordinary income is levied after taking into account a standard allowance of NOK 43 600 (class 1) and NOK 87 200 (class 2) in 2011. The deductions in the computation of ordinary income are:

1.2.1. Standard reliefs

- Basic allowance: each individual receives a minimum allowance equal to 36 per cent of personal income, with a minimum of NOK 4 000 and a maximum of NOK 75 150. For wage income each individual can choose a separate allowance of NOK 31 800 instead of

the basic allowance. Hence, wage earners would opt to choose this separate allowance as long as it exceeds the basic allowance to which they are entitled.

1.2.2. Non-standard reliefs

The main non-standard allowances deductible from ordinary income are:

- Parent allowance: documented expenses for child care limited to:
  - maximum NOK 25 000 for one child;
  - plus NOK 15 000 for each subsequent child.

  The allowance applies in general to the spouse who has the highest income. Unused parent allowance may be transferred to the other spouse. The allowance is also applicable to single parents.
- Travel expenses related to work exceeding NOK 13 950.
- Labour union fees up to NOK 3 660.
- Donations to voluntary organisations up to NOK 12 000.
- Contributions to individual pension agreement schemes, maximum NOK 15 000.
- Premiums and contributions to occupational pension schemes in the private and public sector, unlimited.
- Unlimited deduction for interest payments.

The main non-standard tax credits are:

- Home savings scheme (BSU): the BSU scheme aims to encourage young people (under 34 years old) to save for a future home purchase. A wastable *tax credit* of 20 per cent of annual savings up to NOK 20 000 in special accounts is granted. Total savings may not exceed NOK 150 000.

2. Social security contributions

2.1. Contributions to the national insurance scheme

2.1.1. Employees' contributions

Employees' contributions to the National Insurance Scheme generally amount to 7.8 per cent of personal wage income. Employees do not make contributions if their wage income is less than NOK 39 600. Once wage income exceeds this floor, an alternative calculation is made where the contributions equal 25 per cent of the wage income in excess of the floor. The actual contributions made would represent the minimum between the alternative calculation and 7.8 per cent of the total wage income.

Contributions from the self-employed are 11.0 per cent of personal income attributable to labour (7.8 per cent for the self-employed in primary industries).

2.1.2. Employers' contributions

Employer's social security contributions are due for all employees in both the private and the public sector. The contribution is geographically differentiated according to the municipality where the work-place is. The standard rates are 14.1, 10.6, 7.9, 6.4, 5.1 or 0 per cent of gross wages. The highest rate applies to central parts of southern Norway. Lower rates may apply under certain circumstances. The weighted average rate is approximately 13.1 per cent.

3. Universal cash transfers

3.1. *Transfers related to marital status*

None.

3.2. *Transfers for dependent children (child support)*

The following transfers are available:

NOK 11 640 per child aged 0-18 years.

Single parents receive transfers for one more child than their actual number of children. Families living in the northernmost parts of Norway receive extra child support of NOK 3 840 per year for each child aged 18 or younger.

4. Main changes in tax/benefit systems since 2002

- In 2011, changes to the tax system was made to provide better incentives for people to work when drawing a pension. The tax limitation rule for early-retirement and old-age pensioners was replaced by a new tax allowance for pension income. The allowance ensures that people who only receive the minimum pension will continue not to pay income tax. The allowance is scaled down against pension income, so that the marginal tax on earned income is reduced to the same level as for wage earners. The marginal tax on capital for low-income pensioners is also reduced to the same level as for other taxpayers. The new tax allowance is determined regardless of the spouse's income and married early-retirement and old-age pensioners will each have their own allowance. In addition, the pension income social security contribution is increased and the special allowance for age is discontinued.
- In 2010, a new formula-based system for determining the tax-assessed value of homes was introduced. The new tax-assessed value will be determined by multiplying the floor space of the dwelling by a square metre price based on the geographical location (neighbourhood, municipality, sparsely populated vs. densely populated area), size, age and type (detached, semi-detached, terraced, flat) of the property. For *primary homes* (owner-occupied), the per square metre rate will be set at 25 per cent of the estimated sale price per square metre, whereas the rate for second homes, *i.e.* any other dwellings in addition to the primary home that are not defined as business or recreational properties, will be set at 40 per cent of the estimated sale price per square metre. The current "safety valve" system is being continued so that taxpayers can appeal and have the tax-assessed value reduced to 30 per cent of the documented fair market value (60 per cent for second homes). In addition, the tax-assessed values of recreational properties are increased by 10 per cent.
- Most important changes in 2009 were the abolition of the 80 per cent rule, which primarily reduced the wealth tax of the richest. The wealth tax on equities for those who fall within the scope of the 80 per cent rule has been more than doubled since 2005.
- The home savings scheme (BSU) was expanded in 2009 by increasing the annual savings amount to NOK 20 000 and the maximum aggregate savings amount to NOK 150 000.
- The rates of the inheritance tax were reduced and the exempted amount was increased in 2009. The instalment scheme for family businesses was expanded through the abolition of the upper limit, and the payment period was increased from 7 to 12 years.

Other changes in the personal tax base in 2009:

- The fishermen's allowance was increased from NOK 115 000 to NOK 150 000.
- The reindeer husbandry allowance was increased to the same level as the agriculture allowance.
- The allowance for labour union fees was increased by NOK 450 to NOK 3 600.
- The rate of the travel allowance was increased from NOK 1.40 per km to NOK 1.50 per km.
- The tax-free net income thresholds under the tax limitation rule were increased such as to ensure that singles and couples who receive the minimum state pension will still not be paying tax following the favourable social security settlement they benefited from in 2008.
- A tax favoured contributions to individual pension agreement schemes was reintroduced as of 2008.
- From 1 January 2008, the employees' SSC rate for self-employed was increased from 10.7 per cent to 11.0 per cent.
- The upper threshold in the surtax schedule was substantially reduced from 2006 to 2007.
- The surtax rates were reduced in 2005 and 2006, as part of a reform of the dual income tax system. The basic allowance has been substantially increased.
- From 1 January 2006, the supplementary employer's social security contribution at 12.5 per cent for gross wage income that exceeds 16 times "G" (average "G" is estimated to be NOK 74 721 in 2010) was removed.
- From 1 January 2006, the Class 2 in the surtax was removed.
- From 1 January 2005, the ceiling in the parent allowance for two and more children was removed, and the maximum allowance was increased with NOK 5 000 for each child after the first. From 2008, the maximum allowance has been increased with NOK 15 000 for each child after the first.
- The additional child support of NOK 7 884 for children aged 1 and 2 years was abolished as of 1 August 2003.
- An allowance of maximum NOK 6 000 for donations to voluntary organisations was introduced as of 1 January 2003. Previously this allowance was coordinated with the allowance for labour union fees (with a combined maximum allowance). The allowance was increased to NOK 12 000 as of 1 January 2005.
- As of 1 July 2002, the employer's social security contribution rates for employees aged 62 years or older were reduced by 4 percentage points, although not below zero per cent. From 2007, the reduction was abolished.

5. Memorandum items

5.1. *Identification of an AW and calculation of earnings*

The wage series used refers to full time employees in the B-N industry group (ISIC Rev. 4).

The calculation of annual wage earnings is as follows:

- Weighted average monthly wage plus overtime times 12.

The average monthly wage is agreed payment for a wage earner working a normal agreed working-year. It includes bonus payments and other allowances, but not payments for overtime, sick leave, and an establishment's indirect wage costs. The sum is weighted with the number of persons employed in the different industry groups.

It should be pointed out that although the wage series is based on the ISIC rev.4 standard, the corresponding weights have been estimated by using employment data from national accounts. The national accounts still use an older standard, but will upgrade to the newest standard in a few months' time.

5.2. *Employers' contributions to private health and pension schemes*

No information available.

2011 Parameter values

APW-wage	Ave_earn	487 324	Secretariat estimate
Central rate (pers)	Tax1_sch	0	471 200
class 1		0.09	765 800
		0.12	
class 2	Tax2_sch	0	471 200
		0.09	765 800
		0.12	
Central rate (ord)	Cent_rate_ord	0.1405	
Local rate (ord)	Local_rate	0.1395	
Allowances	Class_al_1	43 600	
	Class_al_2	87 200	
Basic relief	Basic_min	4 000	
	Basic_max	75 150	
	Basic_rel_rate	0.36	
	Basic_min_wage	31 800	
Soc security contribs	SSC_rate	0.078	
Employer	SSC_empr	0.131	
Trygd. low.lim	SSC_low_lim	39 600	
pct.rate	SSC_low_rate	0.25	
Ref. Income "G"	SSC_G	78 024	

2011 Tax equations

The equations for the system for Norway in 2011 may be calculated on an individual or joint basis for married couples. Social security contributions are calculated on an individual basis. The calculation for Class 2 is always chosen for single parents and is chosen for married couples whenever this gives a lower value of tax than the corresponding Class 1 calculations. The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:	tax_al	J	IF(class=1, tax1_al_princ+tax1_al_spouse, tax2_al)
Class 1 tax allowance (ordinary)	tax1_al_princ	P	MIN(MAX(Basic_min_wage, MIN(earn_princ*Basic_rel_rate, Basic_max)) +Class_al_1, earn_princ)
Class 1 tax allowance (ordinary)	tax1_al_spouse	S	MIN(MAX(Basic_min_wage, MIN(earn_spouse*Basic_rel_rate, Basic_max)) +Class_al_1, earn_spouse)
Class 2 tax allowance (ordinary)	tax2_al	J	MIN(MAX(Basic_min_wage, MIN(earn_princ*Basic_rel_rate, Basic_max)), earn_princ)+MIN(MAX(Basic_min_wage, MIN(earn_spouse* Basic_rel_rate, Basic_max)), earn_spouse)+Class_al_2
3. Credits in taxable income	taxbl_cr	J	0
4. CG taxable income (ordinary)			
Class 1 taxable income	tax1_inc	B	Positive(earn-tax1_al)
Class 2 taxable income	tax2_inc	J	Positive(earn_total-tax2_al)
5. CG tax	CG_tax		IF(class=1, CG1_tax, CG2_tax)
Class 1 tax (personal+ordinary)	CG1_tax	B	Tax(earn, Tax1_sch)+Cent_rate_ord*tax1_inc
Class 2 tax (personal+ordinary)	CG2_tax	J	Tax(earn_total, Tax2_sch)+Cent_rate_ord*tax2_inc
6. Tax credits:	tax_cr	P	0
7. CG tax	CG_tax	B	CG_tax
8. State and local taxes	local_tax	J	IF(class=1, local1_tax_total, local2_tax)
Class 1 local tax	local1_tax	B	(Local_rate*(tax1_inc_princ+tax1_inc_spouse))-tax_cr
Class 2 local tax	local2_tax	J	(Local_rate*tax2_inc)-tax_cr
Favourable class	class	J	1+((CG2_tax_excl+local2_tax)<(CG1_tax_excl_total+local1_tax_total))
9. Employees' soc security	SSC	B	MIN(earn*SSC_rate, Positive(SSC_low_rate*(earn-SSC_low_lim)))
11. Cash transfers	cash_trans	J	(children>0)*Child_sup
13. Employer's soc security	SSC_empr	B	earn*SSC_empr

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Poland

This chapter includes data on the income tax paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Poland 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		25705	38557	64262	25705
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		2586	3879	6465	2586
	Work-related expenses		1335	1335	1335	1335
	Other					
		Total	3921	5214	7800	3921
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		20846	31936	54116	20846
5.	**Central government income tax liability (exclusive of tax credits)**		3752	5748	9741	3752
6.	**Tax credits**					
	Basic credit		556	556	556	1112
	Married or head of family					
	Children		0	0	0	2224
	Other (health insurance)		1719	2578	4297	1719
		Total	2275	3135	4853	5055
7.	**Central government income tax finally paid (5-6)**		1477	2614	4887	0
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2586	3879	6465	2586
	Taxable income		1996	2994	4991	1996
		Total	4582	6873	11455	4582
10.	**Total payments to general government (7 + 8 + 9)**		6059	9487	16343	4582
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	0
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		19645	29070	47919	21123
13.	**Employers' compulsory social security contributions**		3799	5699	9498	3799
14.	**Average rates**					
	Income tax		5.7%	6.8%	7.6%	0.0%
	Employees' social security contributions		17.8%	17.8%	17.8%	17.8%
	Total payments less cash transfers		23.6%	24.6%	25.4%	17.8%
	Total tax wedge including employer's social security contributions		33.4%	34.3%	35.0%	28.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		26.7%	26.7%	26.7%	17.8%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		36.1%	36.1%	36.1%	28.4%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Poland 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		38557	51409	64262	51409
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		3879	5172	6465	5172
	Work-related expenses		1335	2670	2670	2670
	Other					
		Total	5214	7842	9135	7842
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		31936	41691	52781	41691
5.	**Central government income tax liability (exclusive of tax credits)**		5748	7504	9501	7504
6.	**Tax credits**					
	Basic credit		1112	1112	1112	1112
	Married or head of family					
	Children		2224	2224	2224	0
	Other (health insurance)		2578	3438	4297	3438
		Total	5915	6774	7634	4550
7.	**Central government income tax finally paid (5-6)**		0	730	1867	2954
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3879	5172	6465	5172
	Taxable income		2994	3992	4991	3992
		Total	6873	9164	11455	9164
10.	**Total payments to general government (7 + 8 + 9)**		6873	9894	13322	12119
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	0
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		31684	41515	50939	39291
13.	**Employers' compulsory social security contributions**		5699	7598	9498	7598
14.	**Average rates**					
	Income tax		0.0%	1.4%	2.9%	5.7%
	Employees' social security contributions		17.8%	17.8%	17.8%	17.8%
	Total payments less cash transfers		17.8%	19.2%	20.7%	23.6%
	Total tax wedge including employer's social security contributions		28.4%	29.6%	30.9%	33.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		17.8%	26.7%	26.7%	26.7%
	Total payments less cash transfers: Spouse		23.5%	26.7%	26.7%	26.7%
	Total tax wedge: Principal earner		28.4%	36.1%	36.1%	36.1%
	Total tax wedge: Spouse		33.4%	36.1%	36.1%	36.1%

The national currency is the Zloty (PLN). In 2011, PLN 2.96 was equal to USD 1. In that year, the average worker earned PLN 38 557 (Secretariat Estimate).

1. Personal income tax system

An individual being a tax resident in Poland is liable to tax on the basis of world-wide income, irrespective of the source and origin of that income. (The term "residency" is understood similarly to Article 4, paragraph 2, point a) of the *OECD Model Tax Convention on Income and Capital*).

1.1. *Central government income tax*

1.1.1. *Tax unit*

Individuals are taxed on their own income, but couples married during the whole calendar year* can opt to be taxed on their joint income. In the latter case, the "splitting" system applies: the tax bill for a couple is twice the income tax due on half of joint income, provided the joint income does not include capital income taxed at the flat 19 per cent rate. Single individuals with dependent children are also entitled to use the splitting system (their family quotient is two). For the purpose of this report, it is assumed that married couples are taxed on joint income.

1.1.1.1. Tax base

Gross employment income

For taxation purposes, taxable gross employment income in Poland includes both cash income and the value of benefits in kind. More specifically, gross employment income includes base salary, overtime payments, bonuses, awards, compensation for unused holidays, and costs that are paid in full or in part by the employer on behalf of the employee.

1.1.2. *Tax allowances and tax credits*

1.1.2.1. Standard reliefs

- Basic relief: a non-refundable tax credit of PLN 556.02 per person.
- Marital status relief: none.
- Relief for children: a tax credit of PLN 1 112.04 available for each child.**
- Relief for health insurance contributions: a tax credit is almost equal to health insurance contribution paid to the National Health Fund. The contribution is 9 per cent of the calculation basis whereas the tax credit is 7.75 per cent of this basis.

* However, a widowed spouse is entitled to apply the join income taxation.
** It concerns a child of 18 years old or younger or a child up to 25 years old provided they are students or a disabled child irrespecitve of their age.

- Relief for other social security contributions: an allowance is provided for all social insurance contributions paid by the taxpayer.
- Relief for selected work-related expenses: standard deductions depend on the number of workplaces and on whether place of residence and workplace are within the same town/city or not. The annual amounts in PLN (deductible from income) are:

	One workplace	Two/more workplaces
Workplace in the same town/city as place of residence	1 335.00[1]	2 002.05
Workplace in different town/city as place of residence	1 668.72	2 502.56

Note: If the actual commuting expenses exceed standard deduction, relief can be determined by the actual expenses incurred solely on personal season tickets.

1. For the purpose of the calculations in this publication, it is assumed that the worker has the same town/city as place of residence.

1.1.2.2. Main non-standard tax reliefs applicable to an average worker

Allowances:

- Expenses for the purpose of rehabilitation incurred by a taxpayer who is a disabled person, or a taxpayer, who supports the disabled.
- Equivalent of blood donations, donations made for the purposes of public benefit activity and of religious practice – in the amount of donation, no more than 6 per cent of income.
- Donations made for charity church care – in the amount of the donation.
- Expenses incurred for the use of Internet in a taxpayer dwelling place – up to PLN 760.
- Abolished allowance (since 2007, continued on the acquired right basis) for interests payments on mortgage loans raised no later than in 2006 on acquisition of housing property on the primary market – up to the amount of interests related to the part of loan not exceeding PLN 325 990.

Tax credits:

- Donations made to public benefit organisations – up to 1 per cent of due tax.*
- Abolished tax credits (continued on the acquired rights basis), *i.e.* expenses for saving with the aim of buying a house or flat, the amount of social contributions paid on income of an unemployed person hired by a taxpayer in order to take care of their children and/or house.
- Tax schedule:

The tax schedule is as follows:

Tax base (in PLN)		Tax amount
Over	Below	
0	85 528	18% of the tax base, less a basic tax credit of PLN 556.02
85 528		PLN 14 839.02 + 32% of surplus over PLN 85 528

1.2. State and local income tax

There are no regional or local income taxes.

* This relief is distinct from an allowance for donations deducted from income.

1.3. Wealth tax

There is no wealth tax.

2. Social security contributions

2.1. Employees' contributions

Employees pay 13.71 per cent of the gross wage. This contribution includes:

- Pension insurance contribution – 9.76 per cent of the gross wage.
- Disability insurance contribution – 1.5 per cent of the gross wage.
- Sickness/maternity insurance contribution – 2.45 per cent of the gross wage.
- 11.78 per cent of the old age insurance contribution (about 1.15 percentage points*) are transferred by ZUS to a privately-managed fund, which is called an "open pension fund (OPF)" where the savings accumulate at a market conform rate. These pension savings are paid out if the taxpayer dies before reaching the pension age. These pension savings are not included in the *Taxing Wages* calculations as they are "non-tax compulsory payments"; more information can be found in the online *OECD Tax Database* (*www.oecd.org/ctp/taxdatabase*).
- In case of pension and disability insurance, contributions are not paid on the part of the wage that exceeds PLN 100 770.**

2.2. Employers' contributions

In respect of income paid under an employment contract with a Polish entity, employers have an obligation to pay social security contributions equal to 18.43 per cent of gross wage. This value consists of:

- 9.76 percentage points are aimed for pension insurance.
- 4.5 percentage points are aimed for disability insurance.
- 4.17 percentage points are aimed for other insurances, *i.e.* 1.62 percentage points (on average) accident insurance, 2.45 percentage points for Labour Found and 0.1 percentage points for the Guaranteed Employee Benefit Fund.
- 11.78 per cent of the old age insurance contributions (about 1.15 percentage points*) are transferred by ZUS to a privately-managed fund, which is called an "open pension fund (OPF)"; where the savings accumulate at a market conform rate. These pension savings are paid out if the taxpayer dies before reaching the pension age. These pension savings are not included in the *Taxing Wages* calculation as they are "non-tax compulsory payments"; more information can be found in the online *OECD Tax Database* (*www.oecd.org/ctp/taxdatabase*).
- In case of pension and disability insurance, contributions are not paid on the part of the wage that exceeds PLN 100 770.

* From May 2011, 2.3 per cent of gross earnings (which is 11.78 per cent of old age contribution paid both by employee and employer). This percentage will increase in future years.

** The contribution ceiling of pension and disability insurance funds for a given calendar year may not exceed thirty times the amount of the projected average monthly remuneration in the national economy for that year, as set forth in the Budgetary Act.

3. Universal cash transfers

3.1. *Transfers related to marital status*

None.

3.2. *Transfers for dependent children*

Families where the average monthly income per household member for the previous period is no greater than PLN 504 (or PLN 583 when there are one or more disabled children in the household) are entitled to family allowances. Families receive PLN 68 monthly for a child no older than 5 years, PLN 91 monthly for a child of 5 up to 18 years old, and PLN 98 monthly for a child of 18 up to 24 years old. The calculations in this Report are based on the assumption that the children are aged between 5 and 18 years.

Single parents are entitled to a supplement of PLN 170 for each child up to a maximum of PLN 340 for all children (and PLN 250 for a disabled child up to a maximum of PLN 500 for all children).

There are several supplements to family allowances:

- for large families – PLN 80 monthly for the 3rd and next children in the family;
- for education of disabled children – PLN 60 monthly for children not older than 5 years and PLN 80 for children older than 5 years.

4. Main changes in tax/benefit systems since 2010

There were no changes in taxation of wages. Tax schedule, work-related expenses, tax allowances, relieves and Social Security Contributions are the same as in previous year.

What was changed is the distribution of old age contributions. Up to May 2011, they were divided into two pillars – ZUS (12.22 per cent of gross salary) and OPF (7.3 per cent of gross salary). Since May 2011, the share of contribution transferred to OPF was decreased to 2.3 per cent of gross salary. Remaining 5 per cent was accumulated on new subaccounts in ZUS. This capital is to be indexed annually by the rate of economic growth (measured in 5 year period) and inflation, not invested at market conform rates as it is in case of OOPFs. Capital subscribed in new subaccounts in ZUS is subject to inheritance (just like in OPF). The share of old pension contribution invested in OPFs and accumulated in new subaccounts in ZUS will change over the next years in favour for OPFs.

5. Memorandum items

5.1. *Identification of AW and valuation of earnings*

The Polish Central Statistical Office calculates average monthly wages and salaries for employees on the basis of reports of enterprises. The figures include overtime and bonus payments and also include information for part-time employees converted to full-time equivalents. Male and female workers are included. The information, which includes estimates for different sectors, is published in the monthly *Statistical Bulletin*.

5.2. *Employers' contributions to private pension, health and related schemes*

No information provided.

2011 Parameter values

AW earnings	Ave_earn	38 557	Secretariat Estimate
Work expenses	work_exp	1 335.00[1]	
Income tax schedule	tax_sch	0.18	85 528
		0.32	
Tax credits			
Basic credit	basic_cr	556.02	
Health insurance	health_ins	0.09	
	health_ins_credit	0.0775	
Children	Child_cr	1112.04	
Social security contributions			
Employers	SSC_empr	0.1843	
Old-age pension and disability pension insurance	SSC_old	0.0976	
	SSC_old_ZUS	0.0610976	
	SSC_old_ZUSII	0.0167	
	SSC_old_OPF	0.0198	
	SSC_dis	0.045	
Other insurances	SSC_a	0.0417	
Employees	SSC	0.1371	
Old-age pension and disability pension insurance	SSC_old_e	0.0976	
	SSC_old_e_ZUS	0.0610976	
	SSC_old_e_ZUSII	0.0167	
	SSC_old_e_OPF	0.0198	
	SSC_dis_e	0.015	
Sickness insurance	SSC_s	0.0245	
Contribution ceiling	SSC_c	100 770	
Family benefit	fam_ben	1 092	
Single parent additional family benefit	fam_ben_Spsup	170	
Single parent additional family benefit ceiling	fam_ben_Spsup_lim	340	
Income limit	fam_ben_lim	6 048	
Income limit for single parent	fam_ben_lim_sp	6 048	

1. Lump-sum annual work expenses for an employee having one workplace and living in the place (town, city) where the workplace is; employees living outside the city (town) where their workplace is may deduct PLN 1 668.72 annually.

2011 Tax equations

The equations for the Polish system are mostly calculated on a family basis.

The standard functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Two additional functions (Tax93 and ftax) have been incorporated to carry out an iterative calculation for central government tax. These allow for the fact that the church tax is calculated as 9 per cent of Central Government tax and is also allowed as a deduction when calculating taxable income. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
Quotient for tax calculation	quotient	J	1+MAX(Married,(Children>0))
2. Allowances:	tax_al	J	work_exp+MIN(earn_spouse,work_exp)+SSC+SSC_old_e_OPF*MIN(earn, SSC_c)
3. Credits in taxable income	taxbl_cr	J	0
4. CG taxable income	tax_inc	J	Positive(earn-tax_al)
5. CG tax before credits	CG_tax_excl	J	quotient*Tax(tax_inc/quotient,tax_sch)
6. Tax credits:			
Basic credit	basic_cr	J	basic_cr*quotient
Health insurance	health_ins_cr	B	health_ins_credit*(earn-SSC-SSC_old_e_OPF*MIN(earn, SSC_c))
Child credit	child_cr	J	Child_cr*Children
Total tax credits	tax_cr	J	basic_cr+health_ins_cr+child_cr
7. CG tax	CG_tax	J	Positive(CG_tax_excl-tax_cr)
8. State and local taxes	local_tax	J	0
9. Employees' soc security	health_ins	B	(earn-(MIN(earn, SSC_c)*(SSC_old_e+SSC_dis_e)+earn*SSC_s))*health_ins
	SSC	B	(SSC_old_e_ZUS+SSC_dis_e)*MIN(earn,SSC_c)+SSC_s*earn
11. Cash transfers	cash_tran	J	((earn_total/(1+Married+Children))<(Married*fam_ben_lim+(1-Married)*fam_ben_lim_sp))*(Children*fam_ben+(1-Married)*(Children>0)*MIN(fam_ben_Spsup*Children;fam_ben_Spsup_lim))
13. Employer's soc security	SSC_empr	B	(SSC_old_ZUS+SSC_dis)*MIN(earn,SSC_c)+SSC_a*earn

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Portugal

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Portugal 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		11726	17588	29314	11726
2.	**Standard tax allowances**					
	Basic allowance		4104	4104	4104	4104
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses		0	0	0	0
	Other					
		Total	4104	4104	4104	4104
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		7622	13484	25210	7622
5.	**Central government income tax liability (exclusive of tax credits)**		967	2403	6028	967
6.	**Tax credits**					
	Basic credit		261	261	261	380
	Married or head of family					
	Children		0	0	0	380
	Other					
		Total	261	261	261	760
7.	**Central government income tax finally paid (5-6)**		735	2376	6411	212
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1290	1935	3225	1290
	Taxable income					
		Total	1290	1935	3225	1290
10.	**Total payments to general government (7 + 8 + 9)**		2024	4311	9636	1501
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	841
		Total	0	0	0	841
12.	**Take-home pay (1-10+11)**		9701	13278	19678	11065
13.	**Employer's compulsory social security contributions**		2785	4177	6962	2785
14.	**Average rates**					
	Income tax		6.3%	13.5%	21.9%	1.8%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		17.3%	24.5%	32.9%	5.6%
	Total tax wedge including employer's social security contributions		33.1%	39.0%	45.8%	23.7%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		39.0%	39.0%	50.0%	39.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		50.7%	50.7%	59.6%	50.7%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Portugal 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	17588	23451	29314	23451
2.	**Standard tax allowances**				
	Basic allowance	4104	8208	8208	8208
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses	0	0	0	0
	Other				
	Total	4104	8208	8208	8208
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	13484	15243	21106	15243
5.	**Central government income tax liability (exclusive of tax credits)**	1643	1934	3370	1934
6.	**Tax credits**				
	Basic credit	523	523	523	523
	Married or head of family				
	Children	380	380	380	0
	Other				
	Total	903	903	903	523
7.	**Central government income tax finally paid (5-6)**	950	1303	2944	1707
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1935	2580	3225	2580
	Taxable income				
	Total	1935	2580	3225	2580
10.	**Total payments to general government (7 + 8 + 9)**	2885	3882	6169	4287
11.	**Cash transfers from general government**				
	For head of family				
	For two children	701	637	0	0
	Total	701	637	0	0
12.	**Take-home pay (1-10+11)**	15404	20206	23145	19165
13.	**Employer's compulsory social security contributions**	4177	5570	6962	5570
14.	**Average rates**				
	Income tax	5.4%	5.6%	10.0%	7.3%
	Employees' social security contributions	11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers	12.4%	13.8%	21.0%	18.3%
	Total tax wedge including employer's social security contributions	29.2%	30.4%	36.2%	34.0%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	28.5%	39.0%	39.0%	39.0%
	Total payments less cash transfers: Spouse	18.1%	39.0%	39.0%	39.0%
	Total tax wedge: Principal earner	42.2%	50.7%	50.7%	50.7%
	Total tax wedge: Spouse	33.8%	50.7%	50.7%	50.7%

The national currency is the euro (EUR). In 2011, EUR 0.72 equalled USD 1. The Secretariat has estimated that in that same year, the average worker earned EUR 17 588.

1. Personal income tax system

1.1. Taxes levied by central government

1.1.1. Tax unit

The tax unit is the family. Family income includes the income of any dependent children. Tax is computed on aggregate net income in the various categories of income, *i.e.* after the deductions specific to each category and standard and non-standard reliefs.

1.1.2. Standard and non-standard reliefs and tax credits

1.1.2.1. Standard reliefs

Standard deduction of 72 per cent of 12 times the Social Benefit Index (the 2010 highest monthly minimum wage until the index reaches this value).* If compulsory contributions to social protection schemes and statutory sub-schemes for health care exceed that limit, the deduction will equal the amount of those contributions.

1.1.2.2. Non-standard reliefs

For income received from 1 January 1999 onwards, the majority of the standard reliefs have been replaced by tax credits (see Section 1.1.4).

Non-standard reliefs still in effect:

- A deduction is provided for the portion of trade union dues not constituting consideration for benefits in the realm of health care, education, assistance for the elderly, housing, insurance or social security, up to 1 per cent of the taxpayer's gross income, increased by 50 per cent. These dues are not taken into account in the calculations underlying this Report.
- Alimony payments compulsory under court order or court-approved agreement.

1.1.3. Social security contributions

Social security contributions are totally deductible if they exceed EUR 4 104.00 per taxpayer, in which case the deduction for the contributions replaces the standard earned income deduction (see Section 1.1.2.1).

1.1.4. Tax credits

Basic credits:

- EUR 261.25 for each unmarried taxpayer or for each spouse.

* The corresponding amount equals EUR 4 104.00 (72% x 12 x EUR 475.00).

- EUR 380.00 for a taxpayer in a single-parent family.
- EUR 190.00 for each dependent child. This tax credit is doubled for dependent children whose age does not exceed 3 years old.
- EUR 261.25 for each ascendant whose income does not exceed the minimum pension benefit. When there is only one ascendant, the tax credit is EUR 403.75.

Other tax credits:

- Non-reimbursed health care costs, not covered by Social Security: 30 per cent of health care costs plus interest on loans contracted to meet them, without limit if the expenses are exempt from VAT or subject to the reduced rate of VAT; otherwise, up to EUR 65.00 or 2.5 per cent of expenses that are exempt from VAT or subject to the reduced rate of VAT plus interest on loans contracted to meet them.
- Expenditures for educating the taxpayer or the taxpayer's dependants: 30 per cent of outlays, up to 160 per cent of the social benefits index (EUR 760.00; 160 per cent of 2010 highest minimum wage until this index reaches that value). For households having three or more dependants, the limit is raised by 30 per cent of the social benefits reference value (EUR 142.50; 30 per cent of 2010 highest minimum wage until this index reaches that value) for each dependant, if each of them incurs education costs.
- Costs for sanatoria or retirement homes for taxpayers, their ascendants and collaterals up to the third degree whose income does not exceed the national minimum wage: 25 per cent of expenses up to EUR 403.75.
- Costs for the acquisition, construction or improvement of the taxpayers' primary, permanent residence, or for renting out property for a permanent residence: 30 per cent of interest and principal repayments up to EUR 591.00. Rent paid by a tenant, for his permanent residence under an agreement typified by the law, up to EUR 591.00. These limits are increased by 10 per cent if the building is duly certified as "most efficient" in what concerns energy use (categories A or A+). These limits are also increased by 50 per cent for taxpayers in the first two tax rate brackets, by 20 per cent for taxpayers in the third tax rate bracket and by 10 per cent for taxpayers in the fourth tax rate bracket.

Tax credits from tax benefits:

- Acquisition of new infrastructure for the use of renewable energies: 30 per cent of amounts spent, up to EUR 803.00. This tax credit cannot be combined with tax credits for the costs of acquiring, constructing or improving the taxpayer's primary, permanent residence, or of renting out property to be used as a permanent residence.
- Revoked.
- Health insurance premiums: 25 per cent of premiums paid in the year in which the corresponding income was received, up to EUR 85 for unmarried taxpayers and EUR 170 for a married couple, plus EUR 43 for each dependent child.
- Individual Retirement Savings Plans (PPRs): 20 per cent of amounts invested, for unmarried taxpayers or for each spouse, up to:
  - EUR 400 for taxpayers under 35.
  - EUR 350 for taxpayers over 35 and under 50.
  - EUR 300 for taxpayers over 50.
- Social Security Individual Accounts: 20 per cent of amounts invested, for unmarried taxpayers or for each spouse, up to a limit of EUR 350.

- Donations granted on the conditions stated in the statutes governing charities (grants to central, regional or local government, special "social solidarity institutions", museums, libraries, schools, institutes, educational or research associations, public administrative bodies, etc.): 25 per cent of donations, limited in certain cases to 15 per cent of the donor's tax liability.

However the sum of tax credits related to health care costs, education and formation, retirement homes and house expenses cannot exceed the values of the following amounts:

Taxable income (EUR) (R)	Limit
Up to 4 898	Without limit
Over 4 898 up to 7 410	Without limit
Over 7 410 up to 18 375	Without limit
Over 18 375 up to 42 259	Without limit
Over 42 259 up to 61 244	Without limit
Over 61 244 up to 66 045	Without limit
Over 66 045 up to 153 300	1.666% of the taxable income with the limit of EUR 1 100
Over 153 300	EUR 1 100

And the sum of tax credits from tax benefits (which include the tax credits related to Individual Retirement Savings Plans, Social Security Individual Accounts and donations) cannot exceed the following amounts:

Taxable income (EUR) (R)	Limit
Up to 4 898	Without limit
Over 4 898 up to 7 410	Without limit
Over 7 410 up to 18 375	EUR 100
Over 18 375 up to 42 259	EUR 80
Over 42 259 up to 61 244	EUR 60
Over 61 244 up to 66 045	EUR 50
Over 66 045 up to 153 300	EUR 50
Over 153 300	EUR 0

1.1.5. Family status

To take the taxpayer's family status into account, joint taxation of the family unit was introduced, with the use of an income-splitting system to obtain taxable income.

1.1.5.1. Determination of taxable income

To determine taxable income, to which the rates listed in the tax schedule are applied, income is divided by 2.

1.1.6. Tax rate schedule (applicable to 2011 income)

Taxable income (EUR) (R)	Marginal tax rate (%) (T)	Amount to deduct (EUR) (K)
Up to 4 898	11.50	–
Over 4 898 up to 7 410	14.00	122.45
Over 7 410 up to 18 375	24.50	900.50
Over 18 375 up to 42 259	35.50	2 921.75
Over 42 259 up to 61 244	38.00	3 978.23
Over 61 244 up to 66 045	41.50	6 121.77
Over 66 045 up to 153 300	43.50	7 442.66
Over 153 300	46.50	12 041.67

In the case of taxpayers whose income stems primarily from dependent employment (earned income), disposable income after application of the tax rates to taxable income may not be less than 120 per cent of the national minimum wage, (EUR 8 148.00 in 2011), nor may it result in income tax of which the taxable base after application of the conjugal quotient is EUR 1 911 or less.

For residents in the Autonomous Regions of the Azores and of Madeira, reduced tax rates are applicable. Tax calculation formula (I = Income tax due):

- Unmarried taxpayers: I = R x (T – K – C)

Married taxpayers (with one or two earned incomes/see Section 1.1.5.1):

- I = {[(R/2) x (T – K)] x 2} – C

where:

R = Taxable income, after deduction of standard and non-standard reliefs (see Sections 1.1.2 and 1.1.5.1),

T = Tax rate corresponding to the taxable income bracket,

K = Amount to be deducted from each bracket,

C = Tax credits (see Section 1.1.4).

Surtax:

A surtax was introduced on 8 September 2011 and is *applicable to all 2011 income* declared in the income statement. The surtax of 3.5% is applicable to taxable income with an allowance equivalent to the annual minimum wage (485*14) and a tax credit, per dependant, of 2.5% the minimum wage (0.025*485).

1.1.7. Special family situations

1.1.7.1. Handicapped taxpayer/spouse, with a disability rating of 60 per cent or more:

- A tax credit corresponding to 4 times the social benefits index (EUR 1 900, 4 times the 2010 minimum wage until the index reaches this value) is granted for each taxpayer or spouse.

1.1.7.2. Handicapped dependent children, with a disability rating of 60 per cent or more:

- A tax credit corresponding to 1.5 times the social benefits index (EUR 712.50) is granted for each dependent child.

1.1.7.3. Handicapped taxpayer/spouse or dependent children, with a disability rating of 90 per cent or more:

- An additional tax credit corresponding to 4 times the social benefits index (EUR 1 900) is granted for each taxpayer or spouse or dependent child.

1.1.8. *Non liable income*

- Lawfully granted family allowances.
- Living expenses *per diem*, up to the limits established for national civil servants.
- Meal allowances, up to the amount established for national civil servants, increased by 50 per cent or 70 per cent in the event of a meal allowance in the form of meal vouchers.

2. Compulsory social security contributions to schemes operated within the government sector

Rates and ceilings: social security contributions are levied on gross pay and are not subject to any ceiling.

2.1. Employee contributions

As a rule, the rate of employee contributions is 11 per cent of gross pay, with no ceiling.

2.2. Employer contributions

The employer's rate of social security contributions is 23.75 per cent of gross pay, with no ceiling.

2.3. Areas of social protection

- Health (sickness, disability, work accidents, work-related illness).
- Old age, survival.
- Maternity.
- Family (family allowances).
- Unemployment.

3. Universal cash benefits

3.1. Benefits for dependent children

The basic principle is to grant higher monthly social benefits to lower-income households.

There are six different levels of monthly allowances for dependent children, depending on the family's reference income. This reference income is determined by dividing the family's annual gross income, including vacation and Christmas allowances, by the number of dependent children plus one:

- Level 1: families whose reference income is under 50 per cent of 14 times the reference value (*i.e.* under EUR 2 934.54).
- Level 2: families whose reference income is over 50 per cent and under 100 per cent of 14 times the reference value (*i.e.* over EUR 2 934.54 and under EUR 5 869.08).
- Level 3: families whose reference income is over 100 per cent and under 150 per cent of 14 times the reference value (*i.e.* over EUR 5 869.08 and under EUR 8 803.62).

- Level 4: families whose reference income is over 150 per cent (*i.e.* over EUR 8 803.62).

Each level is also divided according to the age of the dependent child. Benefits are higher during the first 12 months of a child's life.

Monthly social benefits per child are as follows:

	Child under 12 months	Child over 12 months	Additional benefit per child over 12 months and under 36 months in a family with 2 children	Additional benefit per child over 12 months and under 36 months in a family with 3 or more children
Level 1	140.76	35.19	35.19	70.38
Level 2	116.74	29.19	29.19	58.38
Level 3	92.29	26.54	26.54	53.08
Level 4	0	0	0	0

Monthly social benefits per child in a single-parent family are increased by 20%.

In September, families with dependent school children aged between 6 and 16 years receiving child benefits in level 1 receive an additional amount equal to the regular monthly benefit.

An amount equal to the cash benefits for dependent children under 12 months is attributed for each unborn child after the first month following that of the 13th week of gestation.

3.2. Benefits for handicapped dependent children

There is also a special family allowance scheme for handicapped children.

The above cash benefits (in Sections 3.1 and 3.2) are not taxable.

4. Main changes in the tax/benefit system since 2006

- The relief for disabled taxpayers was restructured. Former partial exemptions and allowances were replaced by tax credits.
- The fiscal autonomy of local authorities (municipalities) increased. They may set the level of their share in the revenue from personal income tax, up to 5 per cent of their resident taxpayers' tax liability. If this rate is set below 5 per cent, the difference will be credited against the taxpayers' tax liability.
- Tax credits for handicapped taxpayers and dependants were increased.
- Social benefits for dependent children were increased for low income families, single-parent families and families with 2 or more children.
- Introduction of social benefits for unborn children.

5. Memorandum items

5.1. Method used to identify and compute gross wages of the average worker

The operative concept of monthly compensation is that of amounts paid to full time staff before deductions for tax and compulsory contributions. It therefore includes wages and basic salaries of staff paid by the hour, by the job, or by tasks; benefits in kind or housing, if they are considered an integral part of compensation; cash subsidies for meals, housing or transport; bonuses for regular night shifts and seniority, as well as incentive pay and rewards for diligence and productivity; family allowances, compensation for overtime

and work on holidays. Benefits, subsidies and bonuses are taken into account only if paid regularly at each pay period.

Payments in kind are incorporated into the concept of compensation. The statistics record such advantages in kind at their taxable value.

All managerial and supervisory workers are included in the computations.

Average annual pay is based on the average of monthly earnings for April and October multiplied by an adjustment coefficient representing the share of annual bonuses and allowances (including vacation subsidies and the Christmas allowance), which is provided by the labour cost survey.

The following formula is applied:

- Average annual pay = (Average monthly pay adjusted by the coefficient) x 12.

5.2. *Description of the employer's main contributions to private retirement, health insurance schemes, etc.*

Outside the social security system, employers are required to insure their employees against work-related accidents (with private insurance companies). They may also provide their employees with life insurance, although this is optional.

2011 Parameter values

AW earnings	Ave_earn	17 588	Secretariat estimate	
Tax allowances	perc	1		
	max_al	4 104		
Tax credits				
Married (basic)	married_cred	261.25		
Single (basic)	single_cred	261.25		
Single parent	singlepar_cred	380		
Each child credit	child_cred	190		
Tax schedule	tax_sch	0.1150	4 898	
		0.1400	7 410	
		0.2450	18 375	
		0.3550	42 259	
		0.3800	61 244	
		0.4150	66 045	
		0.4350	153 300	
		0.4650		
	tax_floor	1 911		
Surtax	surtax_rate	0.035		
Surtax tax credit for dependant	surtax_cred	0.025		
Social security contributions	SSC_rate	0.11		
ceiling	SSC_empr	0.2375		
Child benefit – Schedule	ch_ben_sch	0	457.47	1st echelon
		2 934.54	350.28	2nd echelon
		5 869.08	318.48	3rd echelon
		8 803.62	0	4th echelon
Extra child benefit for lone parents	ch_ben_lone	0.2		
Minimum Wage	MW	6 790		
Minimum Disposable Income	MinDispY	8 148		

2011 Tax equations

The equations for the Portuguese system in 2011 are mostly calculated on a family basis.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
Divisor for tax calculation	divisor	J	1+Married
2. Allowances:	tax_al	J	MAX((MIN(perc*earn_princ, max_al)+MIN(perc* earn_spouse, max_al)), SSC_princ+SSC_spouse)
3. Credits in taxable income	taxbl_cr	J	0
4. CG taxable income	tax_inc	J	earn-tax_al
5. CG tax before credits	CG_tax_excl	J	IF(tax_inc/divisor>tax_floor, Tax(tax_inc/divisor, tax_sch)*(1+Married), 0)
6. Tax credits:		J	
Basic credit	basic_cr	J	IF(Married, 2*married_cred, IF(children, singlepar_cred, single_cred))
Child credit	child_cr	J	Children*child_cred
Total	tax_cr	J	basic_cr+child_cr
Surtax	surtax	J	surtax_rate*(tax-inc-MW)
Surtax credit	surtax_cr	J	surtax_cred*(MW/14)*Children
7. CG tax	CG_tax	J	IF(earn-CG-tax-excl> MinDispY,Positive(CG_tax_excl-tax_cr),0)+Positive(surtax-surtax_cr)
8. State and local taxes	local_tax	J	0
9. Employees' soc security	SSC	B	earn*SSC_rt
11. Cash transfers	cash_trans	J	=IF(Married=0, VLOOKUP(earn/ (Children+1),ch_ben_sch,2.1)*Children*(1+ch_ben_lone), VLOOKUP(earn/ (Children+1),ch_ben_sch,2.1)*Children)
13. Employer's soc security	SSC_empr	B	earn*SSC_empr

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Slovak Republic

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Slovak Republic 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	6439	9658	16097	6439
2.	**Standard tax allowances**				
	Basic allowance	3559	3559	3559	3559
	Married or head of family	0	0	0	0
	Dependent children	0	0	0	0
	Deduction for social security contributions and income taxes	863	1294	2119	863
	Work-related expenses				
	Other				
	Total	4422	4853	5679	4422
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	2017	4805	10418	2017
5.	**Central government income tax liability (exclusive of tax credits)**	383	913	1979	383
6.	**Tax credits**				
	Basic credit	0	0	0	0
	Married or head of family	0	0	0	0
	Children	0	0	0	486
	Other (ETC)	0	0	0	0
	Total	0	0	0	486
7.	**Central government income tax finally paid (5-6)**	383	913	1979	-103
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	863	1294	2119	863
	Taxable income				
	Total	863	1294	2119	863
10.	**Total payments to general government (7 + 8 + 9)**	1246	2207	4099	760
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	528
	Total	0	0	0	528
12.	**Take-home pay (1-10+11)**	5193	7451	11998	6207
13.	**Employers' compulsory social security contributions**	1687	2530	4173	1687
14.	**Average rates**				
	Income tax	6.0%	9.5%	12.3%	-1.6%
	Employees' social security contributions	13.4%	13.4%	13.2%	13.4%
	Total payments less cash transfers	19.4%	22.9%	25.5%	3.6%
	Total tax wedge including employer's social security contributions	36.1%	38.9%	40.8%	23.6%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	29.9%	29.9%	28.7%	29.9%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	44.4%	44.4%	42.8%	44.4%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Slovak Republic 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		9658	12877	16097	12877
2.	**Standard tax allowances**					
	Basic allowance		3559	6347	7119	6347
	Married or head of family		3559	771	0	771
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		1294	1726	2157	1726
	Work-related expenses					
	Other					
		Total	8413	8844	9276	8844
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		1245	4033	6821	4033
5.	**Central government income tax liability (exclusive of tax credits)**		237	766	1296	766
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	0
	Children		486	486	486	0
	Other (ETC)		0	50	0	50
		Total	486	537	486	50
7.	**Central government income tax finally paid (5-6)**		-250	230	810	716
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1294	1726	2157	1726
	Taxable income					
		Total	1294	1726	2157	1726
10.	**Total payments to general government (7 + 8 + 9)**		1044	1955	2967	2442
11.	**Cash transfers from general government**					
	For head of family					
	For two children		528	528	528	0
		Total	528	528	528	0
12.	**Take-home pay (1-10+11)**		9142	11450	13658	10436
13.	**Employers' compulsory social security contributions**		2530	3374	4217	3374
14.	**Average rates**					
	Income tax		-2.6%	1.8%	5.0%	5.6%
	Employees' social security contributions		13.4%	13.4%	13.4%	13.4%
	Total payments less cash transfers		5.3%	11.1%	15.1%	19.0%
	Total tax wedge including employer's social security contributions		25.0%	29.5%	32.8%	35.8%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		29.9%	29.9%	29.9%	29.9%
	Total payments less cash transfers: Spouse		28.3%	29.9%	29.9%	29.9%
	Total tax wedge: Principal earner		44.4%	44.4%	44.4%	44.4%
	Total tax wedge: Spouse		43.2%	44.4%	44.4%	44.4%

As from 1 January 2009, Slovakia has joined the Euro zone; the national currency became the Euro (EUR). In 2011, EUR 0.72 was equal to USD 1. In that year, the average worker earned EUR 9 658 (Country estimate).

1. Personal income tax system

1.1. *Central government income taxes*

1.1.1. *Tax unit*

The tax unit is the individual.

1.1.2. *Tax allowances and tax credits*

1.1.2.1. Standard reliefs

- *Basic relief:* an allowance for all taxpayers is set at 19.2 times the minimum living standard (MLS) for a basic adult as of 1 January 2011 (EUR 3 559.3). In 2011, the basic personal allowance for taxpayers with gross earnings net of employee social security contributions in excess of the threshold of EUR 18 538 per year (18 538 = 100 x MLS, which is approximately equal to an employee's monthly gross wage of EUR 1 773) is gradually withdrawn. If gross earnings net of employee social security contributions exceed EUR 18 538, the personal allowance is calculated as 44.2 times the minimum living standard minus 0.25 times gross earnings net of employee social security contributions. The basic personal allowance reaches 0 if the gross earnings net of employee social security contributions amount to EUR 32 775.2 per year (employee's monthly gross wage of approximately EUR 3 074.7). The value of the basic tax allowance cannot become negative.

  The degressive tax allowance is taken into account only once a year (when the tax return is filed or when the annual clearing is performed). Monthly tax prepayments during the year are therefore not affected.

- *Marital status relief:* an additional allowance is given to the principal earner in respect of a spouse living in a common household if the spouse earns no more than EUR 3 559.3. As from 1 January 2007, the value of the spouse allowance depends on the gross earnings net of employee social security contributions of both principal and spouse.

  If the principal's gross earnings net of employee social security contributions in 2011 are lower or equal to EUR 32 775.2 (= 176.8 times MLS) and the spouse's gross earnings net of employee social security contributions are lower than 3 559.3, the spouse allowance is calculated as the difference between 19.2 times MLS and the spouse's gross earnings net of employee social security contributions. If the gross earnings net of employee social security contributions of the spouse exceed 3 559.3, the spouse allowance is 0. If the principal's gross earnings net of employee social security contributions exceed EUR 32 775.2 (= 176.8 times MLS), the spouse allowance is calculated as 63.4 times MLS minus 0.25 times the principal's gross earnings net of employee social security

contributions. This amount is reduced by the spouse's gross earnings net of employee social security contributions. The value of the spouse allowance cannot become negative.

The degressive tax allowance is taken into account only once a year (when the tax return is filed or when the annual clearing is performed). Monthly tax prepayments during the year are therefore not affected.

- *Relief for children:* the prior allowance for children has been replaced by a non-wastable tax credit as from January 2004. As from July 2007, the monthly tax credit is indexed as result of a new indexation rule. The tax credit is automatically indexed by MLS growth and is effective as from the 1st July when also the new amount of MLS comes into force. During the period from 1st January to 30 June 2011 monthly tax credit was EUR 20.02 per child, from 1 July 2011 the amount of tax credit was EUR 20.51 (the annual amount was EUR 243.18). The tax credit for each dependent child is deducted from the tax liability; if the credit exceeds the tax liability, the excess will be paid to the taxpayer. In order to receive this credit, the parent must annually earn at least 6 times the minimum monthly wage, which for 2011 is set at EUR 317 (the total annual earnings must therefore be at least EUR 1 902). The credit can be taken only by one partner. It can be taken by one partner for part of the tax period (year) and by the other partner for the rest of the tax period (year); this choice will have to hold for all dependent children (for the purposes of this Report, it is assumed that the credit is claimed by the principal wage earner).
- *Relief for social and health security contributions:* employee's social security contributions (see Section 2.1) are deductible for income tax purposes.

1.1.2.2. Main non-standard tax reliefs applicable to an average wage worker

- Supplementary pension insurance, special-purpose savings and life insurances repealed as from January 2011.

1.1.2.3. Non-wastable tax credit: employee tax credit (ETC/zamestnanecká prémia)

The employee tax credit is effective as from 1 January 2009 and is targeted at low-income workers whose wages are subject to the payment of social and health insurance contributions. The amount of tax credit depends upon the employee's earnings and the number of months worked.

In order to receive this tax credit, the employee must fulfil the entitlement criteria which are:

- the employee's earnings over the tax period must be at least 6 times higher than the minimum wage, which for 2011 is set at EUR 317 per month;
- the employee must have worked for at least 6 months over the tax period (the conditions of month worked is considered to be fulfilled when only one hour is worked during that month).

The ETC is a non-wastable tax credit as is the child tax credit. The value of the ETC depends on the level of the employee's earnings. If earnings are between at least 6 times of the minimum wage and 12 times of the minimum wage, the credit is calculated as 19 per cent of the difference between the basic allowance (EUR 3 559.3) and the tax base (gross earnings net of employee SSC), evaluated at the level of the minimum wage (EUR 3 294.36). If earnings exceed 12 times the minimum wage, then the ETC is calculated as 19 per cent of the difference of the basic allowance and the tax base (gross earnings net of employee

SSC). The tax credit is zero when the tax base (gross earnings net of employee SSC) is equal to or higher than the basic allowance.

The highest value of the employee tax credit amounts to EUR 50.34 per year; this maximum value is received by employees with income between one half of the minimum wage and the full minimum wage, provided that the employee has worked for 12 months. As the employee tax credit is designed to benefit working individuals, its amount is adequately reduced for employees that have worked less months in the calendar year. Due to extensive paperwork it was decided that the tax credit will be paid within the framework of the annual clearing of the tax advances or when a tax return is filed.

1.1.3. Tax schedule

From 1 January 2004, the progressive personal income tax rates were abolished and replaced by a flat tax rate of 19 per cent.

1.2. State and local income tax

No separate state and local income tax exist. Out of the total revenue from the personal income tax (PIT) collected by the State, 70.3 per cent of PIT is transferred into the budget of the municipalities and 23.5 per cent of PIT is transferred into the budget of the self-governing regions. The remaining revenue of the state budget is 6.2 per cent of PIT.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employees' contributions

Compulsory contributions of 13.4 per cent of gross wages and salaries are paid by all employees into government operated schemes. The total is made up as follows:

Health Insurance		4.0 per cent
Social Insurance		9.4 per cent
of which:		
Sickness	1.4 per cent	
Retirement	4.0 per cent	
Disability	3.0 per cent	
Unemployment	1.0 per cent	

There are maximum assessment bases MSSAB (maximum threshold for contributions to apply) that apply to social security contributions. From 2004, these MSSAB are no longer fixed values but depend upon the average wages (AW).

The latest amendment of the Social insurance Law, which is valid from 1st January 2011, adjusted formulae for calculation of MSSAB for retirement, disability and unemployment insurance. Average monthly MSSAB for retirement, disability and unemployment insurance are calculated as: 4 x AW(t – 2). Average monthly MSSAB for sickness insurance is calculated as: 1.5 x AW(t – 2). Average monthly MSSAB for health insurance is calculated as: 3 x AW(t – 2). Where AW(t – 2) is the average wage two years ago. The average wage (AW) is determined by the Statistical Office of the Slovak Republic – for 2009, it is EUR 744.50 per month.

2.2. Employers' contributions

The total contribution for employers is 35.2 per cent of gross wages and salaries. The contribution comprises the health insurance contribution (10 per cent of gross wages and salaries) and the social insurance contribution (25.2 per cent). The social insurance rate reflects contributions to sickness insurance (1.4 per cent), disability insurance (3 per cent), retirement insurance (14 per cent), the Guaranteed Fund (0.25 per cent), accident insurance (the same accident insurance rate of 0.8 per cent is applied to all employers until the end of 2011; the rate will range from 0.3 to 2.1 per cent as from 2012 depending on the category of risk associated with the employer's activities), for unemployment (1 per cent) and to the Reserve Fund (4.75 per cent). All contributions are rounded down on two decimal places.

Since January 2005, Slovakia has introduced the privately managed *fully funded pillar*. This means that a given proportion (9 percentage points) of social contributions paid by the employer for retirement insurance flows directly to the private pension funds and not to the Social insurance agency as in previous years. Private pension funds are treated outside of general government; these contributions are therefore not taken into account in the calculations of average and marginal tax rates. For the purposes of this Report, *the total contribution rate for employers is then 26.2 per cent*.

The MSSAB also applies to the employer's SSC. The next table presents the annual values of MSSAB:

	Formula for MSSAB	Value of MSSAB
Health Insurance	3.0 x AW*(t – 2)*	26 802.00
Social Insurance		
of which:		
Sickness	1.5 x AW*(t – 2)*	13 410.00
Retirement	4.0 x AW*(t – 2)*	35 760.00
Disability	4.0 x AW*(t – 2)*	35 760.00
Unemployment	4.0 x AW*(t – 2)*	35 760.00
Accident		No limit
Guarantee fund	1.5 x AW*(t – 2)*	13 410.00
Reserve fund	4.0 x AW*(t – 2)*	35 760.00

1. Official MSSAB in 2011 are slightly lower due to rounding issues.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

The central government pays an allowance in respect of each dependent child in the amount of EUR 22.01 per month. In January 2008, an extra allowance for dependent children whose parents are not eligible for the non-wastable child tax credit was introduced. The monthly amount of this allowance is EUR 10.32. For the purpose of the tax wedge calculations this allowance is not relevant, as only non-workers and taxpayers with annual earnings lower than six times the minimum monthly wage (which is the condition for eligibility for the non-wastable child tax credit) are entitled to the extra allowance.

The non-wastable tax credit mentioned in Section 1.1.2.1 is part of the social support for families with dependent children. However, it is not considered as a transfer for the purposes of this Report.

3.3. Transfers related to social status

To determine the claim to state social benefits (for example the allowance for housing costs), the minimum living standard amounts are relevant as they form the basis of the income test. For 2011, these amounts are:

	MLS monthly (1.1.2011-30.6.2011)	MLS monthly (1.7.2011-31.12.2011)
First adult	185.38	189.83
Second adult	129.31	132.42
Child	84.61	86.65

A family is entitled to a social allowance if the total combined net monthly income of the family is less than the calculated MLS for this family. The allowance varies with the family type.

The benefits available to a family in material need (valid on the 1st January 2011) are:

- EUR 60.50 per month for an individual.
- EUR 115.10 per month for an individual with between one and four children.
- EUR 105.20 per month for a couple without children.
- EUR 157.60 per month for a couple with between one and four children.
- EUR 168.20 per month for an individual with more than four children.
- EUR 212.30 per month for a couple with more than four children.

If one family member is pregnant, the social benefits described above are increased by EUR 13.50. The entitlement for this additional benefit arises from the 4th month of the pregnancy and lasts until the child's age of 1 year (benefit for children until age of 1 year does not affect the calculations in this Report).

- activation allowance: EUR 63.07 per month – for people who become active either by accepting qualifying employment opportunities or participating in retraining courses;
- housing allowance: EUR 55.80 per month for individual in material need, EUR 89.20 for a household in material need (if household has more than 1 person);
- protection allowance: EUR 63.07 per month for an individual in material need where employment is not possible due to such circumstances as a disability or old age;
- health care allowance: EUR 2.00 per month.

4. Main changes in tax/benefit systems since 2010

The formulae for calculation of the basic and marital status relief has been changed (both were temporarily adjusted to lower the tax burden during 2009 and 2010). The automatic indexation of the formulae for the calculation of the basic and marital status reliefs was renewed. Also the formulae for calculation of the maximum assessment base have been changed. In 2011, the assessment base for social insurance and health insurance was broadened as some types of incomes were not subject to social and health insurance payments.

5. Memorandum items

5.1. *Identification of AW and valuation of earnings*

The Ministry of Finance of the Slovak republic estimates the average earnings of the AW based on the data supplied by the Statistical Office of the Slovak republic, Labour Force Survey data (LFS).Earnings data covering also self-employees are based on average wage definition including industries falling under categories B to N inclusive, with reference to International Standard Industrial Classification of All Economic Activities, Revision 4.

2011 Parameter values

	Ave_earn	9 658	Country estimate
Minimum living standard (MLS) 2011	basic_adult	185.38	
	basic_adult1	129.31	
	basic_child	84.61	
Basic allowance	basic_al_mult	19.2	
	basic_al	3 559.29	
	basic_al_mult1	100	
	basic_al_mult2	44.2	
	basic_al_redn	0.25	
Spouse allowance	spouse_al_limit	3 559.29	
	spouse_al_mult1	176.8	
	spouse_al_mult2	63.4	
	spouse_al_redn	0.25	
Income tax rate	tax_rate	0.19	
Tax credits – nonwastable	tax_cr	243.18	
	min_wage	317	
	minwage_mult	6	
	etc_thresh	3 294.36	
Employee social security contributions	SSC_rate	0.08	
	SSC_sick	0.014	
	SSC_ret	0.04	
	SSC_dis	0.03	
	SSC_unemp	0.01	
	SSC_health	0.04	
	SSC_children	0	
Employer social security contributions	SSC_empr	0.1375	
	SSC_empsick	0.014	
	SSC_empret	0.05	
	SSC_empdis	0.03	
	SSC_empunemp	0.01	
	SSC_emphealth	0.1	
	SSC_gua	0.0025	
	SSC_acc	0.008	
	SSC_fund	0.0475	
Maximum assessment base	MSSAB	35 760	
	MSSAB_health	26 802	
	MSSAB_sick	13 410	
	MSSAB_gua	13 410	
	MSSAB_fund	35 760	
Cash transfers	transf_1	264.12	
	transf_indiv	726.00	
	transf_indiv_child	1 381.20	
	transf_couple	1 262.40	
	transf_couple_child	1 891.20	
	transf_hous_indiv	669.60	
	transf_hous_couple	1 070.40	
	transf_activ	756.84	
	transf_health	24.00	

2011 Tax equations

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:			
Basic	basic_allce	B	IF(earn-SSC<=basic_al_mult1*basic_adult, basic_al,MAXA(basic_al_mult2*basic_adult-basic_al_redn*(earn-SSC),0))
Spouse	spouse_allce	P	Married*Positive(IF(earn_princ-SSC_princ<=spouse_al_mult1*basic_adult, IF(earn_spouse-SSC_spouse<=spouse_al_limit, (basic_al_mult*basic_adult)-(earn_spouse-SSC_spouse),0),spouse_al_mult2*basic_adult-spouse_al_redn*(earn_princ-SSC_princ)-(earn_spouse-SSC_spouse)))
Social security contributions	SSC_al	B	SSC
Total	tax_al	B	basic_allce+spouse_allce+SSC_al
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al)
5. CG tax before credits	CG_tax_excl	B	tax_rate*tax_inc
6. Tax credits:			
Employee tax credit	etc_cr	B	IF(earn>=min_wage*minwage_mult, tax_rate*Positive(basic_al-MAX(etc_thresh, earn-SSC)), 0)
Children	child_cr	P	(earn>=min_wage*minwage_mult)*Children*tax_cr
Total	tax_cr	B	etc_cr+child_cr
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	MINA(earn,MSSAB)*(SSC_rate)+ MINA(earn,MSSAB_sick)*SSC_sick+ MINA(earn,MSSAB_health)*SSC_health
11. Cash transfers	cash_trans	J	Children*transf_1+Positive(IF(0.75*((earn-SSC-CG_tax_excl)/12)<(basic_adult+Married*basic_adult1+ Children*basic_child); ((1-Married)*(IF(Children>0;transf_indiv_child;transf_indiv))+ Married*(IF(Children>0;transf_couple_child;transf_couple))+IF((Married+Children)>0;transf_hous_couple;transf_hous_indiv)+((1+Married+Children)*transf_health)+IF(A7>0;transf_activ;0)+IF(B7>0;transf_activ;0)-0.75*(earn-SSC-CG_tax_excl));0))
13. Employer's soc security	SSC_empr	B	MINA(earn,MSSAB)*SSC_empr+ MINA(earn,MSSAB_sick)*SSC_empsick+ MINA(earn,MSSAB_health)*SSC_emphealth+ earn*SSC_acc+ MINA(earn,MSSAB_gua)*SSC_gua

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Slovenia

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Slovenia 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		11582	17373	28954	11582
2.	**Standard tax allowances**					
	Basic allowance		4206	3144	3144	4206
	Married or head of family					
	Dependent children					4841
	Deduction for social security contributions and income taxes		2560	3839	6399	2560
	Work-related expenses		0	0	0	0
	Other					
		Total	6765	6983	9542	11606
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		4816	10390	19412	0
5.	**Central government income tax liability (exclusive of tax credits)**		771	1965	4981	0
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		771	1965	4981	0
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2560	3839	6399	2560
	Taxable income					
		Total	2560	3839	6399	2560
10.	**Total payments to general government (7 + 8 + 9)**		3330	5805	11380	2560
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	2723
		Total	0	0	0	2723
12.	**Take-home pay (1-10+11)**		8252	11568	17574	11745
13.	**Employer's wage dependent contributions and taxes**		1865	2797	4662	1865
	Employer's compulsory social security contributions		1865	2797	4662	1865
	Payroll taxes		0	0	0	0
14.	**Average rates**					
	Income tax		6.7%	11.3%	17.2%	0.0%
	Employees' social security contributions		22.1%	22.1%	22.1%	22.1%
	Total payments less cash transfers		28.8%	33.4%	39.3%	-1.4%
	Total tax wedge including employer's social security contributions		38.6%	42.6%	47.7%	12.7%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		34.6%	43.1%	54.0%	22.1%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		43.6%	51.0%	60.4%	32.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Slovenia 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		17373	23164	28954	23164
2.	**Standard tax allowances**					
	Basic allowance		3144	7655	7349	7655
	Married or head of family					
	Dependent children		4841	4841	4841	
	Other dependent family member		2320			
	Deduction for social security contributions and income taxes		3839	5119	6399	5119
	Work-related expenses		0	0	0	0
		Total	14144	17615	18589	12774
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		3229	5549	10365	10390
5.	**Central government income tax liability (exclusive of tax credits)**		517	888	1658	1965
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		517	888	1658	1965
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3839	5119	6399	5119
	Taxable income					
		Total	3839	5119	6399	5119
10.	**Total payments to general government (7 + 8 + 9)**		4356	6007	8057	7085
11.	**Cash transfers from general government**					
	For head of family					
	For two children		2475	1513	1252	0
		Total	2475	1513	1252	0
12.	**Take-home pay (1-10+11)**		15492	18670	22149	16079
13.	**Employer's wage dependent contributions and taxes**		2797	3729	4662	3729
	Employer's compulsory social security contributions		2797	3729	4662	3729
	Payroll taxes		0	0	0	0
14.	**Average rates**					
	Income tax		3.0%	3.8%	5.7%	8.5%
	Employees' social security contributions		22.1%	22.1%	22.1%	22.1%
	Total payments less cash transfers		10.8%	19.4%	23.5%	30.6%
	Total tax wedge including employer's social security contributions		23.2%	30.6%	34.1%	40.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		34.6%	34.6%	34.6%	43.1%
	Total payments less cash transfers: Spouse		45.1%	22.1%	34.6%	22.1%
	Total tax wedge: Principal earner		43.6%	43.6%	43.6%	51.0%
	Total tax wedge: Spouse		52.7%	32.9%	43.6%	32.9%

The Slovenian currency is the euro (EUR). In 2011, EUR 0.72 was equal to USD 1. In that year, the average worker in Slovenia earned EUR 17 373.

1. Personal income tax system

1.1. Central government income tax

1.1.1. Tax unit

The tax unit is the individual.

1.1.2. Tax allowances

1.1.2.1. Standard tax reliefs

- *A general (basic) allowance* of EUR 3 143.57 is deductible from income in 2011. For lower income groups an additional general allowance of EUR 3 062.11 is deductible when taxable income is lower than EUR 10 342.80 and of EUR 1 062.17 when taxable income is between EUR 10 342.80 and EUR 11 965.20.
- *Family allowances* are also deductible from the tax base in the same way as for the general allowance. The allowances for 2011 are as follows:
  - EUR 2 319.50 for the first dependent child;
  - EUR 2 521.59 for the second child;
  - EUR 4 205.65 for the third child;
  - EUR 5 889.71 for the fourth child;
  - EUR 7 573.76 for the fifth child;
  - EUR 1 684.05 for the sixth and all additional maintained children relative to the level of relief for the preceding maintained child;
  - EUR 8 404.56 for a dependent child who requires special care;
  - EUR 2 319.50 for any other dependent family member.
- *Relief for social security contributions*: employee's compulsory contributions for the social insurance system are deductible for income tax purposes.
- *Tax credits*: none for employees.

1.1.2.2. Non-standard tax reliefs applicable to income from employment

- *Additional voluntary pension insurance premiums*: premiums paid by a resident to the provider of a pension plan based in Slovenia or in another EU member State according to a pension plan that is approved and entered into a special register in accordance with the pension legislation are deductible from taxable income. In 2011, such deductions are subject to an annual limit of EUR 2 683.26 or a sum equal to 24% of the employee's contribution for compulsory pension and disability insurance if that is a lower figure.

- *Reimbursement of expenses associated with work*, such as in-work meals, transport to and from work, in-the-field supplements (*per diem* when an employee works outside his or her working place) and compensation for being away from home, are exempt subject to statutory conditions and upper limits.
- *Reimbursement of expenses associated with business travel* such as: *per diem* allowances, transport costs (including the use of the employee's private vehicle for work purposes), and the costs of overnight accommodation, are exempt subject to statutory conditions and upper limits.
- The cost of purchasing and maintaining uniforms and personal protection work equipment defined in special regulations is exempt from income tax.
- *Compensation for the use of an employee's own tools* and other equipment (except private vehicles) necessary for the performance of work at the workplace, is exempt up to a level of 2% of the monthly wage or salary of the employee, subject to an upper limit of 2% of the average gross monthly wage (AGMW).
- Long service bonuses, severance pay upon retirement and payments related to accidents, long term sickness and other unexpected events are exempt subject to statutory conditions and upper limits.
- *Severance pay* on redundancy is exempt subject to an upper limit of ten times the AGMW.
- *Compensation for the use of an employee's own possessions and property when working at home* in accordance with statutory regulations is exempt up to a level of 5% of the monthly wage or salary of the employee, subject to an upper limit of 5% of the AGMW.

1.1.3. *Tax schedule*

The tax schedule for 2011 is as follows:

Taxable income (EUR)	Tax rate (%)
Up to 7 634.40	16
7 634.40-15 268.77	27
Above 15 268.77	41

1.2. *Regional and local income tax*

There are no regional or local income taxes.

2. Compulsory social security insurance system

The compulsory social security insurance system consists of four schemes as follows:

- pension and disability insurance;
- health insurance;
- unemployment insurance;
- parental leave insurance.

2.1. *Employees' contributions*

The taxable base for social security insurance contributions paid by employees is the total amount of the gross wage or salary including vacation payments, fringe benefits and remuneration of expenses related to work above a certain threshold. The assessment

period is the calendar month. Employees contribute an amount as a percentage of their remuneration as follows:

Scheme name	Rate of contribution (%)
Pension insurance	15.50
Health insurance	6.36
Unemployment insurance	0.14
Parental leave insurance	0.10
Total	22.10

2.2. Employers' contributions

Social security insurance contributions are also paid by employers on behalf of their employees. The taxable base and the assessment period are the same as for employees' contributions. The employers' contribution rates are as follows:

Scheme name	Rate of contribution (%)
Pension insurance	8.85
Health insurance	7.09
Unemployment insurance	0.06
Parental leave insurance	0.10
Total	16.10

The only change to these rates since 1996 has been the 0.2 per cent increase in the employers' contribution rates for health insurance in 2002.

3. Payroll tax

None.

4. Universal cash transfers

4.1. Transfers related to marital status

None.

4.2. Transfers for dependent children

The cash transfers for dependent children are a supplementary family allowance aimed at providing for partial coverage of the expenses for supporting a child (a child allowance).

The allowances are paid at the request of the claimant (one of the parents) who must have at least one dependent child aged under 18, or under 26 if still in education. Applications for the allowance are made on an annual basis and the payments are not taxable.

- The amount of the allowance is calculated for each child separately according to the level of family income per member of the family and the ranking of the child in the family.
- The relevant income is the average monthly income per family member in the calendar year prior to the claim (or one year previous if the claim is made in the month of January, February or March). Income is defined as gross income plus unemployment benefits but excluding family benefits. Each family is assigned to one of 8 income classes on this basis.
- Each child is allocated in one of 3 ranking levels (the level of payments increases with the ranking level – the lowest for the first child, higher for the second child and the highest

for the third and any subsequent child). The allowance for a child older than 18 years is equivalent to the allowance for the first child.

- When a child lives in a one-parent family, the amount of the allowance is increased by 10%. When a pre-school child does not attend kindergarten, the amount of the allowance is increased by 20%.
- The amounts of transfers for dependent children were last adjusted with index of consumer prices in July 2011 by Parenthood and Family Earnings Act (*Zakon o starševskem varstvu in družinskih prejemkih*). The details for the calculation of the average monthly income per family member shall be prescribed by the Minister.
- The monthly amounts of transfers for children in a two-parent family relating to the six months from January to June were the following:

Family allowance	1st child	2nd child	3rd child
Married couples	Monthly (EUR)	Monthly (EUR)	Monthly (EUR)
0.00	114.31	125.73	137.18
2 690.78	97.73	108.04	118.28
4 484.64	74.48	83.25	91.98
5 381.57	58.75	67.03	75.47
6 278.50	48.04	56.06	64.03
8 072.35	30.44	38.10	45.71
9 866.21	22.83	30.44	38.10
13 453.92	19.88	27.50	35.11
17 759.17	0.00	0.00	0.00

- The monthly amounts of transfers for children in a two-parent family relating to the six months from July to December were the following:

Family allowance	1st child	2nd child	3rd child
Married couples	Monthly (EUR)	Monthly (EUR)	Monthly (EUR)
0.00	114.85	126.33	137.83
2 690.78	98.19	108.55	118.84
4 484.64	74.83	83.65	92.42
5 381.57	59.03	67.35	75.83
6 278.50	48.27	56.33	64.33
8 072.35	30.58	38.28	45.93
9 866.21	22.94	30.58	38.28
13 453.92	19.97	27.63	35.28
17 759.17	0.00	0.00	0.00

- The weighted average of the two sets of amounts for 2011 is as follows. These amounts are used in the modelling.

Family allowance	1st child	2nd child	3rd child
Married couples	Monthly (EUR)	Monthly (EUR)	Monthly (EUR)
0.00	114.58	126.03	137.51
2 690.78	97.96	108.30	118.56
4 484.64	74.66	83.45	92.20
5 381.57	58.89	67.19	75.65
6 278.50	48.16	56.20	64.18
8 072.35	30.51	38.19	45.82
9 866.21	22.89	30.51	38.19
13 453.92	19.93	27.57	35.20
17 759.17	0.00	0.00	0.00

In 2011, the maximum annual benefit levels for children in a two-parent family were the following:

- EUR 1 374.96 for the first child;
- EUR 1 512.36 for the second child;
- EUR 1 650.12 for the third or subsequent child.

The amounts decline as the level of income per family member increases. The benefit ceases to be available for families where the average income per member is higher than 99% of the average wage.

5. Main changes in tax/benefit system since 2005

- In 2006, the taxation of income of individuals changed from global tax to a kind of a dual income tax system. Active income (from employment, business, basic agriculture and forestry, rents, royalties and other income) is taxed aggregated at progressive rates and taking into account the allowances and deductions; capital income (interest, dividends and capital gains) is taxed at proportionate rates on a scheduler basis.
- In 2007, the number of income tax brackets was reduced from five to three. At the same time, some non-standard tax reliefs for certain expenses and for interest paid on loans for housing were abolished.
- In 2008, additional general allowances were introduced for people on low incomes.
- The payroll tax was phased out at the start of 2009.

6. Memorandum items

6.1. Average gross annual wage earnings calculation

In Slovenia the gross earnings figures cover wages and salaries paid to individuals in formal employment including payment for overtime. They also include bonus payments and other payments such as pay for annual leave, paid leave up to seven days, public holidays, absences due to sickness for up to 30 days, job training, and slowdown through no fault of the person in formal employment.

The average gross wage earnings figures of all adult workers covering industry sectors B-N are provided by the Statistical Office of the Republic of Slovenia.

6.2. Employer contributions to private pension and health schemes

Some employer contributions are made to private health and pension schemes but there is no relevant information available on the amounts that are paid.

2011 Parameter values

Average earnings/yr	Ave_earn	17 372.64						
Average earnings/yr-1	Ave_earn_1	16 914.72						
Average earnings	Ave_earnfam	17 938.56						
Family allowances								
Allowances	Basic_al	0	6 205.68					
		10 342.8	4 205.74					
		11 965.2	3 143.57					
	Child_al1	2 319.50						
	Child_al2	4 841.09						
	Child_al3	9 046.73						
	Child_al4	14 936.43						
	Child_al5	22 510.18						
	Depend_al	2 319.50						
Income tax	Tax_sch	0.16	7 634.40					
		0.27	15 268.77					
		0.41						
Employees SSC	SSC_rate1	0.221						
Employers SSC	SSC_rate2	0.161						
			1st child	2nd child	3rd child	1 child-total	2 children-total	3 children-total
			monthly	monthly	monthly	annual	annual	annual
Family allowances	Fam_allow_mc	0	114,58	126,03	137,51	1 374,96	2 887,32	4 537,44
Married couples		2 690,784	97,96	108,30	118,56	1 175,52	2 475,12	3 897,84
		4 484,640	74,66	83,45	92,20	895,92	1 897,32	3 003,72
		5 381,568	58,89	67,19	75,65	706,68	1 512,96	2 420,76
		6 278,496	48,16	56,20	64,18	577,92	1 252,32	2 022,48
		8 072,352	30,51	38,19	45,82	366,12	824,40	1 374,24
		9 866,208	22,89	30,51	38,19	274,68	640,80	1 099,08
		13 453,92	19,93	27,57	35,20	239,16	570,00	992,40
		17 759,2	0,00	0,00	0,00	0,00	0,00	0,00
Family allowances								
Single parent uplift	Fam_allow_spup	0.1						
			1st child	2nd child	3rd child	1 child-total	2 children-total	3 children-total
			monthly	monthly	monthly	annual	annual	annual
Family allowances	Fam_allow_sp	0	126,04	138,63	151,26	1 512,46	3 176,05	4 991,18
Single parents		2 690,784	107,76	119,13	130,42	1 293,07	2 722,63	4 287,62
		4 484,64	82,13	91,80	101,42	985,51	2 087,05	3 304,09
		5 381,568	64,78	73,91	83,22	777,35	1 664,26	2 662,84
		6 278,496	52,98	61,82	70,60	635,71	1 377,55	2 224,73
		8 072,352	33,56	42,01	50,40	402,73	906,84	1 511,66
		9 866,208	25,18	33,56	42,01	302,15	704,88	1 208,99
		13 453,92	21,92	30,33	38,72	263,08	627,00	1 091,64
		17 759,2	0,00	0,00	0,00	0,00	0,00	0,00
	numdays	365						

2011 Tax equations

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings			
Current year	earn		
Year-1	earn_1		
2. Allowances:			
Principal	tax_al_princ	P	VLOOKUP(earn;Basic_al;2)+SSC+IF(children=0,0,IF(children=1,child_al1,IF(children=2, child_al2,child_al3)+IF(Married=0,0,IF(S_earn=0,Depend_al,0))
Spouse	Tax_al_ spouse	S	MINA(VLOOKUP(earn;Basic_al;2), earn)+SSC
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al)
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6. Tax credits (nonwastable)	Tax_cr	B	0
7. CG tax	CG_tax	B	CG_tax_excl
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	earn* SSC_rate1
11. Cash transfers	cash_trans	J	IF(Children=0,0;VLOOKUP((earn_1)/ (1+married+children),IF(Married=0;Fam_allow_sp,Fam_allow_mc),IF(Children=1,5,IF (Children=2,6,7))))
13. Employer's wage dependent contributions and taxes			
Employer's soc security	SSC_empr	B	earn*SSC_rate2

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Spain

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Spain 2011

The tax/benefit position of a single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		16815	25223	42038	16815
2.	**Standard tax allowances:**					
	Basic allowance					
	Married or head of family		0	0	0	2150
	Dependent children					
	Deduction for social security contributions and income taxes		1068	1602	2461	1068
	Work-related expenses		2652	2652	2652	2652
	Other					
		Total	3720	4254	5113	5870
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central and state government taxable income (1 - 2 + 3)**		13095	20969	36924	10945
5.	**Central and state government income tax liability (exclusive of tax credits)**		3143	5163	9983	2627
6.	**Central and state government tax credits**					
	Basic credit		1236	1236	1236	2166
	Married or head of family					
	Children					
	Other					
		Total	1236	1236	1236	2166
7.	**Central government income tax finally paid**		953	1963	4373	230
8.	**State income tax finally paid**		953	1963	4373	230
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1068	1602	2461	1068
	Taxable income					
		Total	1068	1602	2461	1068
10.	**Total payments to general government (7 + 8 + 9)**		2974	5528	11208	1423
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	0
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		13841	19694	30830	15392
13.	**Employer's compulsory social security contributions**		5028	7542	11590	5028
14.	**Average rates**					
	Income tax		11.3%	15.6%	20.8%	2.1%
	Employees' social security contributions		6.35%	6.35%	5.86%	6.35%
	Total payments less cash transfers		17.7%	21.9%	26.7%	8.5%
	Total tax wedge including employer's social security contributions		36.6%	39.9%	42.5%	29.5%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		28.8%	32.6%	37.0%	38.2%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		45.2%	48.1%	37.0%	52.4%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Spain 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		25223	33630	42038	33630
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family		3400	0	0	0
	Dependent children					
	Deduction for social security contributions and income taxes		1602	2136	2669	2136
	Work-related expenses		2652	6732	5304	6732
	Other					
		Total	7654	8868	7973	8868
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central and state government taxable income (1 - 2 + 3)**		17569	24763	34064	24763
5.	**Central and state government income tax liability (exclusive of tax credits)**		4217	6073	8306	6073
6.	**Central and state government tax credits**					
	Basic credit		2166	2612	3403	2147
	Married or head of family					
	Children					
	Other					
		Total	2166	2612	3403	2147
7.	**Central government income tax finally paid**		1025	1731	2452	1963
8.	**State income tax finally paid**		1025	1731	2452	1963
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1602	2136	2669	2136
	Taxable income					
		Total	1602	2136	2669	2136
10.	**Total payments to general government (7 + 8 + 9)**		3652	5597	7573	6062
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	0
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		21571	28033	34465	27568
13.	**Employer's compulsory social security contributions**		7542	10055	12569	10055
14.	**Average rates**					
	Income tax		8.1%	10.3%	11.7%	11.7%
	Employees' social security contributions		6.35%	6.35%	6.35%	6.35%
	Total payments less cash transfers		14.5%	16.6%	18.0%	18.0%
	Total tax wedge including employer's social security contributions		34.2%	35.8%	36.9%	36.9%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		28.8%	32.6%	32.6%	32.6%
	Total payments less cash transfers: Spouse		23.1%	6.3%	28.8%	6.3%
	Total tax wedge: Principal earner		45.2%	48.1%	48.1%	48.1%
	Total tax wedge: Spouse		40.8%	27.9%	45.2%	27.9%

The national currency is the Euro (EUR). In 2011, EUR 0.72 was equal to USD 1. In that year, the average worker earned EUR 25 223 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income tax

1.1.1. Tax unit

As a general rule, the tax unit is the individual. Nevertheless, families have the options of being taxed:

- As married couples filing jointly on the combined income of both spouses and dependents.
- As heads of households (only unmarried or separated individuals with dependents).

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- *Basic reliefs:* Married couples filing jointly may claim an allowance of EUR 3 400. This figure amounts to EUR 2 150 for heads of households.
- *Maternity tax credit:* a non-wastable tax credit addressed to working females with children under 3 years of age up to EUR 1 200.
- *Relief for social security contributions:* all social security payments are fully deductible.
- *Work related expenses:* net work income (gross income less employee social security contributions) may be reduced according to the following rules:
  - Taxpayers with net employment income equal or less than EUR 9 180: EUR 4 080
  - Taxpayers with a net employment income between EUR 9 180.01 and EUR 13 260: EUR 4 080 less the result of multiplying by 0.35 the difference between net income and EUR 9 180.
  - Taxpayers with net income over EUR 13 260 or non-employment income over EUR 6 500: EUR 2 652.
- *Extending labour market participation allowance:* taxpayers extending their labour market participation beyond the retirement age (65 years) may increase the work-related expense allowance by 100 per cent.
- *Geographic mobility allowance:* unemployed taxpayers accepting a job in a different location may also increase the work related allowance by 100 per cent.
- *Disabled workers allowance:* an allowance of EUR 3 264 for disabled salary earners. Those with reduced mobility may claim an augmented allowance of EUR 7 242.

  As a result of the application of the above rules, net income cannot become negative.
- *Work related tax deduction:* working taxpayers with a tax base under EUR 8 000 may deduct EUR 400. The amount is phased-out as taxpayer's tax base increases according to the following formula: EUR 400 – 0.1*[(tax base) – EUR 8 000.01], reaching a zero value when

taxpayer's tax base reaches EUR 12 000. Prior amount will not exceed the result of applying the average tax rate to net work income less work related expenses allowance.

1.1.2.2. Main non-standard reliefs applicable to an AW

- *Contributions to approved Mutual, Superannuation Funds and Mutual Insured Plans*. Contributions made by each member of the household may reduce taxable income up to a maximum of the following amounts:
  - 30 per cent of net income; 50 per cent of net income for taxpayers aged over 50 years;
  - EUR 10 000; EUR 12 500 for taxpayers aged over 50 years.

  Moreover, those households whose second earner has net labour income below EUR 8 000 may reduce taxable income up to a maximum of EUR 2 000 on a yearly basis if the principal earner contributes to a Pension Fund for the spouse.
- *Relief for subscriptions paid in respect of membership* of a trade union and business or professional associations (last item is limited to mandatory membership) up to EUR 500.
- *Relief for expenses made for the legal defence* of the taxpayer for labour-related conflicts up to a maximum limit of EUR 300.

  Other non-standard reliefs provided as deductions are:
- *Investment in the acquisition and rehabilitation of own-housing:* as a general rule, taxpayers with an annual tax base below EUR 24 107.20 are allowed to deduct from their tax liability 15 per cent of the investment made during the year according to the following rules:
  - taxpayers with a tax base up to EUR 17 707.20: EUR 9 040;
  - taxpayers with a tax base between EUR 17 707.20 and EUR 24 107.20: EUR 9 040 less the result of multiplying by 1.4125 the difference between taxpayer's tax base and EUR 17 707.20.
- Furthermore, disabled taxpayers with a tax base below EUR 24 107.20 are allowed to deduct from their tax liability 20% of the investment expenses incurred in the repairs carried out for housing adaptation to the handicapped personal needs according to the following rules:
  - taxpayers with a tax base up to EUR 17 707.20: EUR 12 080;
  - taxpayers with a tax base between EUR 17 707.20 and EUR 24 107.20: EUR 12 080 less the result of multiplying by 1.8875 the difference between taxpayer's tax base and EUR 17 707.20.
- Said that, taxpayers also may claim a *temporary tax credit* (2010-12) addressed to specific restoration works carried out in taxpayer's housing such as:
  - improvement of energy efficiency and environmental protection;
  - improvement of telecommunication infrastructure.

  Taxpayers may claim a 20% tax credit on the incurred investment expenses (up to EUR 6 750 per year, not exceeding EUR 20 000 throughout the whole period and not in cash) according to the following rules:
  - taxpayers with a tax base up to EUR 53 007.20: EUR 6 750;
  - taxpayers with a tax base between EUR 53 007.20 and 71 007.20: EUR 6 750 – 0.375 * [(tax base) – EUR 53 007.20].

  Unused payments may be carried forward up to four years within the same above limits.

- *Renting out property for own-housing:* taxpayers with a tax base below EUR 24 107.20 may deduct a 10.05 per cent of the payments made by renting out property to be used as a permanent residence, on a yearly basis. The maximum amount to be deducted is:
  - EUR 9 040 where taxpayer's the tax base is equal or below EUR 17 707.20;
  - EUR 9 040 less the result of multiplying by 1.4125 the difference between taxpayer's tax base and EUR 17 707.20.
- *Gifts:* 10 per cent of the amounts donated to foundations and associations declared of public benefit. 25 per cent if these amounts are donated to some special legally approved foundations and associations and other private and public institutions.
- *Investments and expenses in goods of cultural interest:* 15 per cent of the amounts granted to the importation, restoration, exhibition, etc., of certain goods listed in the General Register of Goods of Cultural Interest.

  Each of these last two amounts cannot exceed 10 per cent of taxable income.

1.1.2.3. Exempt income

- The base amount is EUR 5 151 per taxpayer. The same amount is granted for family units filing jointly. Taxpayers aged over 65 years may add EUR 918 to the former amount. Those aged over 75 years may claim additionally EUR 1 122.
- Dependent children (under 25 years): EUR 1 836 for the first dependent child; EUR 2 040 for the second one; EUR 3 672 for the third, and EUR 4 182 for the fourth child.
- Child care allowance: an additional allowance of EUR 2 244 for each of the above dependent children under 3 years of age.
- In case of disabled workers and additional amount of EUR 2 316 also applies. In case of great disability prior amount reaches EUR 7 038.

  Child allowances have to be shared equally between spouses when they file separately.

1.1.3. Tax schedule

General rates of tax – resident individuals:

Taxable income (EUR)	Tax at the lower limit (EUR)	Tax rate on taxable income in excess of the lower limit (%)
0-17 707.20	0	12.00
17 707.20-33 007.20	2 124.86	14.00
33 007.20-53 407.20	4 266.86	18.50
53 407.20-120 000.20	8 040.86	21.50
120 000.20-175 000.20	22 358.36	22.50
Over 175 000.20	34 733.36	23.50

1.2. State and local income taxes

Regional rates of tax – resident individuals:

Taxable income (EUR)	Tax at the lower limit (EUR)	Tax rate on taxable income in excess of the lower limit (%)
0-17 707.20	0	12.00
17 707.20-33 007.20	2 124.86	14.00
33 007.20-53 407.20	4 266.86	18.50
Over 53 407.20	8 040.86	21.50

2. Compulsory social security contributions to schemes operated within the government sector

Social Security contributions are assessed on the basis of employees' gross earnings taking into account certain ceilings of gross employment income. In 2011, these ceilings are:

- Lower ceiling: EUR 8 978.4.
- Upper Ceiling: EUR 38 761.2.

These ceilings are based on a full-time job. For part-time workers, ceilings are proportional to the real hours worked (the tax equations used for this Report do not take into account the lower ceiling).

2.1. Employees' contributions

- Old age pension/sickness and disability 4.7 per cent.
- Unemployment 1.55 per cent.
- Professional Training 0.1 per cent.

2.2. Employers' contributions

- Old age pension/sickness and disability 23.6 per cent.
- Unemployment/Work injuries 5.50 per cent.
- Wages fund 0.2 per cent.
- Professional Training 0.6 per cent.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

EUR 291 for 1-child families with annual gross earnings below EUR 11 264.01; the child transfer decreases with income between EUR 11 264.01 and EUR 11 530.76; the value is 0 for gross earnings exceeding EUR 11 530.76. EUR 582 for families with 2 children with annual gross earnings below EUR 12 953.61; the child transfer decreases with income between EUR 12 953.61 and EUR 13 487.11; the value is 0 for gross earnings exceeding EUR 13 487.11.

4. Main changes in tax/benefit systems in 2011

In 2010, the following changes apply:

- The Birth or Children Adoption tax credit will be suppressed as of 1 January 2011 (Royal Decree 8/2010).
- Since January 2010, the Work related tax credit is entirely granted for working taxpayers under EUR 8 000, and then it is phased-out up to a working taxpayer's taxable base of EUR 12 000.
- A new temporary tax credit (2010-12) for refurbishing works in taxpayer's own dwelling entered into force in 14 April 2010, subsequently amended in 6 May 2011, covering now all taxpayer's dwellings.

5. Memorandum items

5.1. *Identification of an AW and calculation of earnings*

Refer to the information provided in Part V and Annex B of this Report.

2011 Parameter values

AW earnings	Ave_earn	25 223	Secretariat estimate	
Work related allowance	wr_rate	0.35		
	wr_lim_max	13 260		
	wr_lim_min	9 180		
	wr_lim_min_1	9180.01		
	wr_allow_max	4 080		
	wr_allow_min	2 652		
Personal & family exempt income	Per_fam_exempt_inc	5 151		
Joint taxation allowance	Joint_tax_allow_fam1	3 400		
	Joint_tax_allow_fam2	2 150		
Dependent children	dep_child	1 836		
	dep_child2	2 040		
	dep_child3	3 672		
	dep_child4	4 182		
Tax Rebate (new)	TC_NUEVO	400		
	tc_rate	0.1		
	Tc_lim_max	12 000		
	Tc_lim_min	8 000		
Tax Schedule	tax_sch_sg	0	0	12.00%
		17 707.2	2 124.86	14.00%
		33 007.2	4 266.86	18.50%
		53 407.2	8 040.86	21.50%
		120 000	22 358.36	22.50%
		175 000	34 733.36	23.50%
	tax_sch_sa	0	0	12.00%
		17 707.2	2 124.86	14.00%
		33 007.2	4 266.86	18.50%
		53 407.2	8 040.86	21.50%
Social security contributions				
Employee:				
Pension	pension_rate	0.047		
Unemployment	unemp_rate	0.0155		
Other	oth_rate	0.001		
Employer				
Pension	pension_empr	0.236		
Unemployment	unemp_empr	0.055		
Other	oth_empr	0.008		
Ceiling and Floor	min_lim	0	8 978.4	
	top_lim	38 761.2		
Child benefit	SS_child_benefit	291		
	SS_child_table	1	11 264.01	11 530.76
		2	12 953.61	13 487.11
		3	16 953.05	17 753.30
		4	19 698.98	20 765.98
		5	22 444.91	23 778.66

2011 Tax equations

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_sp" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_sp" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn	B	for individual taxation: earn=earn_princ, or earn=earn_sp for joint (family) taxation: earn=earn_princ+earn_sp
2. Allowances:			
Work related, individual	work_ind	B	IF(earn-SSC<=wr_lim_min, wr_allow_max, IF(earn-SSC<=wr_lim_max, wr_allow_max-wr_rate*((earn-SSC)-(wr_lim_min_1)), wr_allow_min))
Work related, family	work_fam	J	IF(AND(earn_sp=0, Married=0, Children=0), 0, IF(earn_total-SSC_fam<=wr_lim_min, wr_allow_max, IF(earn_total-SSC_fam<=wr_lim_max, wr_allow_max-wr_rate*((earn_total-SSC_fam)-(wr_lim_min_1)), wr_allow_min)))
Joint taxation allowance	joint_allow_fam	J	IF(AND(Married=0,Children=0),0,IF(AND(Married=0,Children>0),joint_tax_allow_fam2,joint_tax_allow_fam1))
Personal and family exempt income, individual	ex_inc_ind	B	per_fam_exempt_inc
Personal and family exempt income, family	ex_inc_fam	J	IF(AND(Married=0,Children=0),0,per_fam_exempt_inc)
Children exempt income, individual	child_ex_inc_ind	P	IF(earn_sp=0, (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4), (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4)/2)
		S	IF(earn_sp=0, 0, (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4)/2)
Children exempt income, family	child_ex_inc_fam	J	(children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4)
3. Credits in taxable income	taxbl_cr	B, J	0
4. CG taxable income	tax_inc	B, J	IF(AND(Married=0, Children=0), tax_inc_princ, MINA(tax_inc_princ+tax_inc_sp, tax_inc_fam))
	tax_inc_ind	B	Positive(earn-(work_ind+SSC))
	tax_inc_fam	J	IF(AND(Married=0, Children), 0, Positive(earn-(work_fam+joint_allow_fam+SSC_princ+SSC_sp)))
5. CG tax before credits	CG_tax_ind_excl	B	MAXA(0, VLOOKUP(tax_inc_ind, tax_sch_sg, 2)+(tax_inc_ind-VLOOKUP(tax_inc_ind, tax_sch_sg, 1))*VLOOKUP(tax_inc_ind, tax_sch_sg, 3))
	CG_tax_fam_excl	J	MAXA(0, VLOOKUP(tax_inc_fam, tax_sch_sg, 2)+(tax_inc_fam-VLOOKUP(tax_inc_fam, tax_sch_sg, 1))*VLOOKUP(tax_inc_fam, tax_sch_sg, 3))
6. CG tax credits:	CG_tax_cr_ind	B	MAXA(0,VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sg,2)+((ex_inc_ind+child_ex_inc_ind)-VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sg,1))*VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sg,3)+IF(earn>0,MINA(taper(TC_NUEVO,tax_inc_ind, tc_lim_min, tc_rate),CG_tax_ind_excl),0))
	CG_tax_cr_fam	J	MAXA(0,VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sg,2)+((ex_inc_fam+child_ex_inc_fam)-VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sg,1))*VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sg,3)+IF(AND(married=1,earn_sp>0),(MINA(taper(TC_NUEVO,tax_inc_fam, tc_lim_min, tc_rate),CG_tax_fam_excl))
7. CG tax	CG_tax_ind	B	Positive(CG_tax_ind_excl-CG_tax_cr_ind)
	CG_tax_fam	J	Positive(CG_tax_fam_excl-CG_tax_cr_fam)
8. State and local tax before credits	local_tax_ind_excl	B	MAXA(0, VLOOKUP(tax_inc_ind, tax_sch_sa, 2)+(tax_inc_ind-VLOOKUP(tax_inc_ind, tax_sch_sa, 1))*VLOOKUP(tax_inc_ind, tax_sch_sa, 3))
	local_tax_fam_excl	J	MAXA(0, VLOOKUP(tax_inc_fam, tax_sch_sa, 2)+(tax_inc_fam-VLOOKUP(tax_inc_fam, tax_sch_sa, 1))*VLOOKUP(tax_inc_fam, tax_sch_sa, 3))

Line in country table and intermediate steps	Variable name	Range	Equation
Local tax credits	local_tax_cr_ind	B	MAXA(0,VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sa,2)+ ((ex_inc_ind+child_ex_inc_ind)-VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sa,1))* VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sa,3))
	local_tax_cr_fam	J	MAXA(0,VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sa,2)+ ((ex_inc_fam+child_ex_inc_fam)-VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sa,1))* VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sa,3))
State and local tax	local_tax_ind	B	Positive(local_tax_ind_excl-local_tax_cr_ind)
	local_tax_fam	J	Positive(local_tax_fam_excl-local_tax_cr_fam)
9. Employees' soc security	SSC	B	IF(AND(earn>0, earn<=min_lim), min_lim*(pension_rate+unemp_rate+oth_rate), IF(earn>=top_lim, top_lim*(pension_rate+unemp_rate+oth_rate), earn* (pension_rate+unemp_rate+oth_rate)))
	SSC_fam	J	SSC_princ+SSC_sp
11. Cash transfers	Child_transf		IF(Children=0.0,IF(earn<=VLOOKUP(Children, SS_child_table,2),SS_child_benefit*Children, IF(earn<=VLOOKUP(Children, SS_child_table, 3), VLOOKUP(Children, SS_child_table, 3)-earn, 0)))
13. Employer's SSC	SSC_empr		IF(AND(earn>0, earn<=min_lim), min_lim*(pension_empr+unemp_empr+ oth_umpr), IF(earn>=top_lim, top_lim*(pension_empr+unemp_empr+oth_empr), earn*(pension_empr+unemp_empr+oth_empr)))

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only; S calculated for spouse only; J calculated once only on a joint basis.

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Sweden

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Sweden 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		250290	375436	625726	250290
2.	**Standard tax allowances**					
	Basic allowance		21300	12600	12600	21300
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other					
		Total	21300	12600	12600	21300
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		228900	362800	613100	228900
5.	**Central government income tax liability (exclusive of tax credits)**		0	0	49260	0
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		34518	47548	50648	34518
		Total	34518	47548	50648	34518
7.	**Central government income tax finally paid (5-6)**		-34518	-47548	-1388	-34518
8.	**State and local taxes**		72217	114463	193433	72217
9.	**Employees' compulsory social security contributions**					
	Gross earnings		17500	26300	29400	17500
	Taxable income					
		Total	17500	26300	29400	17500
10.	**Total payments to general government (7 + 8 + 9)**		55199	93215	221445	55199
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	27000
		Total	0	0	0	27000
12.	**Take-home pay (1-10+11)**		195091	282221	404281	222091
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		55540	83309	138849	55540
	payroll taxes		23101	34652	57754	23101
		Total	78641	117961	196603	78641
14.	**Average rates**					
	Income tax		15.1%	17.8%	30.7%	15.1%
	Employees' social security contributions		7.0%	7.0%	4.7%	7.0%
	Total payments less cash transfers		22.1%	24.8%	35.4%	11.3%
	Total tax wedge including employer's social security contributions		40.7%	42.8%	50.8%	32.5%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		28.6%	31.5%	56.5%	28.6%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		45.6%	47.9%	66.9%	45.6%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Sweden 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		375436	500581	625726	500581
2.	**Standard tax allowances:**					
	Basic allowance		12600	45600	33900	45600
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other					
		Total	12600	45600	33900	45600
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		362800	454900	591700	454900
5.	**Central government income tax liability (exclusive of tax credits)**		0	0	0	0
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		47548	65925	82066	65925
		Total	47548	65925	82066	65925
7.	**Central government income tax finally paid (5-6)**		-47548	-65925	-82066	-65925
8.	**State and local taxes**		114463	143520	186680	143520
9.	**Employees' compulsory social security contributions**					
	Gross earnings		26300	35100	43800	35100
	Taxable income					
		Total	26300	35100	43800	35100
10.	**Total payments to general government (7 + 8 + 9)**		93215	112695	148414	112695
11.	**Cash transfers from general government**					
	For head of family					
	For two children		27000	27000	27000	0
		Total	27000	27000	27000	0
12.	**Take-home pay (1-10+11)**		309221	414886	504312	387886
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		83309	111079	138849	111079
	payroll taxes		34652	46202	57753	46202
		Total	117961	157281	196602	157281
14.	**Average rates**					
	Income tax		17.8%	15.5%	16.7%	15.5%
	Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers		17.6%	17.1%	19.4%	22.5%
	Total tax wedge including employer's social security contributions		37.3%	36.9%	38.7%	41.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		31.5%	31.5%	31.5%	31.5%
	Total payments less cash transfers: Spouse		15.6%	28.6%	28.6%	28.6%
	Total tax wedge: Principal earner		47.9%	47.9%	47.9%	47.9%
	Total tax wedge: Spouse		35.8%	45.6%	45.6%	45.6%

The national currency is the Swedish Kroner (SEK). In 2011, SEK 6.48 was equal to USD 1. In that year, the average worker earned SEK 375 436 (Secretariat estimate).

1. Personal income tax systems

1.1. Central government income taxes

1.1.1. Tax unit

Spouses are taxed separately.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- *Basic reliefs:* a basic allowance is given for assessed earned income and varies between SEK 12 600 and SEK 33 000, depending on income. When individuals pay central government income tax, the basic allowance is at its lowest level, which equals SEK 12 600. The basic allowance depends on the assessed earned income and the basic amount, which equals SEK 42 800.

Assessed-earned-income (SEK) relative to basic amount (BA)	Share of BA at lower bracket	For exceeding income
0-0.99	0.423	
0.99-2.72	0.423	+0.2
2.72-3.11	0.77	
3.11-7.88	1.081	–0.1
7.88-	0.293	

- *Standard marital status reliefs:* none.
- *Relief(s) for children:* none.
- *Work-related expenses:* none.
- *Other:* none.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- Interest on qualifying loans: interest payments are offset against capital income. The resulting net capital income is the tax base. A tax credit is given in the case of negative capital income.
- Contributions to pensions, life insurance, superannuation schemes: a deduction of maximum SEK 12 000 can be claimed for premiums paid to private pension arrangements. Medical expenses: none.
- Other allowances are given for:
  - the amount of commuting expenses exceeding SEK 9 000;

- other types of work-related expenses exceeding SEK 5 000; examples are the costs of tools, work-related phone calls using the taxpayer's private telephone;
- increased living expenses while on business trips, *e.g.* such as the use of a private car if these costs are not reimbursed by the employer;
- double housing expenses due to *temporary* work at other geographical locations (too far from home for commuting), or if the family for some reason can't move, even if the job is of a *permanent* nature;
- travelling expenses for travelling home if the taxpayer works in another place than his/her place of residence.

1.1.3. *Tax schedule*

Taxable income (SEK)	Tax (SEK) at lower bracket	For exceeding income, %
0-383 000	0	0
383 000-548 300	0	20
Over 548 300	33 060	25

1.1.4. *Tax credits*

A tax credit equal to 100 per cent of the compulsory social security contributions paid by the employee is granted.

For a person aged under 65, an annual Earned Income Tax Credit (EITC) worth up to SEK 21 249 at the average local tax rate is granted on labour income. For those aged 65 or more, a higher credit worth up to SEK 30 000 is granted. For a person aged under 65 the EITC is calculated as follows: EITC = [(Special Amount) – (Basic Allowance)] * (local tax rate). For those older than 65 a simplified EITC was introduced in 2009 so that it is no longer connected to the local tax rate, the basic allowance or the basic amount. The Basic Allowance is determined in Section 1.1.2.1; the local tax rate is discussed in Section 1.2. The Basic Amount (BA) in 2011 is SEK 42 800. The Special Amount is based on the taxpayer's (gross) earned income.

For taxpayers younger than 65, the Special Amount is calculated as follows:

Earned income (EI)	Special amount
-0.91 BA	EI
0.91 BA-2.72 BA	0.91 BA + 0.304 * (EI – 0.91 BA)
2.72 BA-7.00 BA	1.461 BA + 0.095 * (EI – 2.72 BA)
7.00 BA-	1.868 BA

BA = SEK 42 800

For taxpayers older than 65, the EITC is calculated differently:

Earned income (EI)	EITC
-100 000 SEK	0.2*EI
100 000-300 000 SEK	15 000 SEK + 0.05*EI
300 000 SEK-	30 000 SEK

1.2. Local government income taxes

1.2.1. General description of the systems

Sweden has both a central government and a local government personal income tax. They are completely coordinated in the assessment process and refer to the same period, *i.e.* the income year coincides with the calendar year.

1.2.2. Tax base

The tax base is the same as for the central government income tax. The basic allowance for individuals paying local government tax varies between SEK 12 600 and SEK 33 000; it depends on the taxpayer's income. For a taxpayer earning the AW, this basic allowance amounts to SEK 12 600 (based on an AW equal to SEK 365 930 – subject to revision with the AW).

1.2.3. Tax rates

The local government personal income tax is proportional and differs between municipalities. The average rate amounts to 31.55 per cent in 2011, with the maximum and minimum rates being 34.17 per cent and 28.89 per cent, respectively.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employees' contributions

A general pension contribution of 7 per cent of personal income is paid by employees and the self-employed when income is equal to or greater than 42.3 per cent of the basic amount underlying the basic allowance (see Section 1.1.2.1). The contribution cannot exceed SEK 29 400 since the general pension contributions are not paid for income over SEK 420 400 (= 8.07 * 52 100). The employees' contribution is offset with a tax credit.

2.2. Employers' contributions

The employers' contributions are calculated as a percentage of the total sum of salaries and benefits in a year. For the self-employed, the base is net business income. The rates for 2011 are listed below.

Program	Employer (%)	Self-employed (%)
Retirement pension	10.21	10.21
Survivor's pension	1.17	1.17
Parental insurance	2.20	2.20
Health insurance	5.02	5.11
Labour market	2.91	0.37
Occupational health	0.68	0.68
General wage tax	9.23	9.23
Total	31.42	28.97

In certain regions, a reduction of 10 per cent of the base, maximum SEK 7 100 per month, is granted (SEK 18 000 per year for self-employed) (it is not included in the calculations underlying this Report). For employees aged under 26 a reduced SSC rate of 15.49 per cent is applied (14.88 per cent for self-employed). For employees who are over 65 years old and born after 1937 only the retirement pension contribution (10.21 per cent)

is applicable. For persons born in 1937 or earlier no employers' social security contributions are applied. On premiums for occupational pensions paid by the employer a reduced SSC rate (24.26 per cent) is applied.

For self-employed a general reduction of 5 per cent on the SSC is applicable if the income exceeds SEK 40 000 per year. The maximal reduction is SEK 10 000 per year.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

The transfers are tax exempt and independent of the parents' income. The transfers for each child are as follows:

First child	12 600
Second child	14 400
Third child	18 048
Fourth child	24 720
Fifth and subsequent child	27 600

4. Main changes in tax/benefit systems since 1998

A tax credit of SEK 1 320 was introduced for low- and average income earners in 1999. The credit is reduced by 1.2 per cent of taxable income above SEK 135 000. This reduction was abolished in 2003 and was replaced by an increase in the basic allowance.

A tax credit of 25 per cent of the social security contribution paid by employees and the self-employed was introduced in 2000. The tax credit has been gradually increased to 100 per cent in 2006.

In 2004, a special tax credit equal to SEK 200 was provided for the statutory minimum local income tax. The special tax credit was abolished in 2005 as was the statutory minimum state income tax (a lump sum tax) of SEK 200. The central government income tax bracket is indexed with the consumer price index plus 2 per cent. In order to reduce the number of people paying the central income tax, there have been additional increases of the tax bracket in 2009. However, in 2004, 2005 and 2006 the central government income tax bracket was restricted to be indexed with the consumer price index plus 1 per cent.

The child allowance was raised by SEK 1 200 per year in 2000, 2001 and 2006.

Maximum fee for childcare was introduced in 2002.

The basic allowance has been increased in 2001, 2002, 2003, 2005 and 2006.

The maximum number of days with unemployment benefit was increased from 564 to 580 days in 1998. The maximum number of days with unemployment benefit was set to 300 days (450 days for persons with children under the age of 18) in 2007. The unemployment benefit was raised in 2001 by SEK 100 to SEK 680 per day. The compensation in the sick leave was raised from 75 to 80 per cent in 1998. In 2003, the compensation was lowered to 77.6 per cent and, at the same time, the number of days for which the employer is responsible was increased from 14 to 21 days. In 2005, the compensation in the sick leave and the number of days for which the employer is responsible were set to their before-2003 level.

The lowest level compensation in the parental leave was raised on 1 July 2006 from SEK 60 to SEK 180 per day.

An earned income tax credit was introduced in 2007 with the purpose of making work economically more rewarding relative to unemployment or inactivity. The earned income tax credit was increased in 2008, 2009 and 2010.

In 2007, the social security contributions for 18-24-year-old employees and self-employed were reduced. In 2009, the reduction were increased and expanded to include all aged under 26. A special wage tax for persons older than 65 was abolished in 2007 for persons born after 1937 and in 2008 for persons born in 1937 or earlier.

An increased basic allowance for persons older than 65 was introduced in 2009 and extended in 2010 and 2011.

5. Memorandum items

5.1. *Identification of an AW and calculation of earnings*

Basic data for gross earnings are taken from the series *Official Statistics of Sweden*, published by Statistics Sweden. The calculation is based upon total average monthly or hourly earnings, primarily in September of the calendar year. To arrive at the annual earnings, data have been multiplied by the normal amount of hours worked during the year or the stipulated monthly salary has been multiplied by a factor of 12.2. The figures are representative for the country as a whole. The branch classification is NACE Rev. 2 B-N according to the OECD recommendation.

5.2. *Employer contributions to private health, pension, etc. schemes*

There are a handful of widespread private social security schemes. The employers' contributions to these systems for the blue-collar workers in the private sector equalled to 6.3 per cent of wage earnings in 2007. For white-collar workers in the private sector the employers' contributions to private social security schemes was 14 per cent in 2007. These figures are based on the statistics of labour costs in the private sector, published by Statistics Sweden.

2011 Parameter values

Average wage	Ave_earn	375 436	Secretariat estimate
Central income tax			
	tax_rate	0.2	
	tax_rate2	0.05	
	tax_thrsh	383 000	
	tax_thrsh2	548 300	
Basic Allowance			
	gr1	0.99	
	gr2	2.72	
	gr3	3.11	
	gr4	7.88	
	gp1	0.423	
	gp2	0.2	
	gp3	0.1	
	gp4	0.293	
	gp5	0.77	
Local income tax			
	local_rate	0.3155	
	min_taxl	0	
Soc. security amount			
	basic_amt	42 800	
	basic_ant	52 100	
Soc. security contributions			
employee	SSC_rate	0.07	
employer	SSC_empr	0.3142	
ceiling	SSCC	8.07	
Child benefit			
	Child 1	12 600	
	Child 2	14 400	
	CB	13 500	
Tax credits			
	TC1	0	
	TC1gr1	0	
	TC1gp1	0	
	TC2gp1	1	
EITC	er_1	0.91	
	er_2	2.72	
	er_3	7.00	
	ep_1	1.461	
	ep_2	0.304	
	ep_3	0.095	
	ep_4	1.868	
Employer payroll tax	PRT	0.0923	

2011 Tax equations

The equations for the Swedish system are mostly repeated for each individual of a married couple. But the cash transfer is calculated only once. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

1.	Earnings	earn		
		truncearn	B	TRUNC(earn, -2)
2.	Allowances:	basic_al	B	IF(truncearn<=gr_2*basic_amt, MINA(ROUNDUP(MAXA(gp_1*basic_amt, (gp_1+gp_2*(gr_2-gr_1))*basic_amt-gp_2*MAXA(gr_2*basic_amt-truncearn, 0)), -2), truncearn), MINA(ROUNDUP(MAXA(gp_4*basic_amt, gp_5*basic_amt-gp_2*MAXA(gr_2*basic_amt-truncearn, 0)-gp_3*MAXA(truncearn-gr_3*basic_amt, 0)), -2), truncearn))
		ssc_al	B	0
	Total	tax_al	B	basic_al+ssc_credit
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-basic_al-ssc_credit)
5.	CG tax before credits	CG_tax_excl	B	tax_rate*Positive(tax_inc-tax_thrsh)+ tax_rate2* Positive(tax_inc-tax_thrsh2)
6.	Tax credits:	ssc_credit	B	Trunc(SSC, -2)
		localtax_credit	B	0
		eitc	B	=TRUNC(MAX((((TRUNC(IF(earned_income>er_2*basic_amt; IF(earned_income>er_3*basic_amt;ep_4*basic_amt;ep_1*basic_amt+ep_3*(earned_income-er_2*basic_amt));MIN(earned_income;er_1*basic_amt+ep_2*(earned_income-er_1*basic_amt)));0))-basic_allowance)*local_rate);0);0)
		tax_cr	B	ssc_credit+localtax_credit+eitc
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	IF(tax_inc>0, TRUNC(local_rate*tax_inc, 0)+min_taxl, 0)
9.	Employees' soc security	SSC	B	(truncearn>=gp_1*basic_amt)*MINA(ROUNDSSC(truncearn*SSC_rate), ROUNDSSC(SSCC*basic_ant*SSC_rate))
11.	Cash transfers	cash_trans	J	Children*CB
13.	Employer's contributions		B	
	Employer's SSC	SSC_empr	B	TRUNC(earn*SSC_empr)-Payroll_empr
	Employer's payroll tax	Payroll_empr	B	TRUNC(earn*PRT)
	Total	Cont_empr	B	SSC_empr+Payroll_empr

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Switzerland

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Switzerland 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		51609	77414	129023	51609
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	12800
	Deduction for social security contributions and income taxes		7122	10683	17802	7122
	Work-related expenses		2000	2180	3633	2000
	Other		1700	1700	1700	3100
		Total	10822	14563	23135	25022
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	6000
4.	**Central government taxable income (1 - 2 + 3)**		40700	62800	105800	32500
5.	**Central government income tax liability (exclusive of tax credits)**		213	813	3335	44
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	500
	Other					
		Total	0	0	0	500
7.	**Central government income tax finally paid (5-6)**		213	813	3335	0
8.	**State and local taxes**		3311	6920	15455	1161
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3174	4761	7932	3174
	Taxable income					
		Total	3174	4761	7932	3174
10.	**Total payments to general government (7 + 8 + 9)**		6698	12494	26722	4335
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	6000
		Total	0	0	0	6000
12.	**Take-home pay (1-10+11)**		44912	64920	102302	53275
13.	**Employer's compulsory social security contributions**		3174	4761	7932	3174
14.	**Average rates**					
	Income tax		6.8%	10.0%	14.6%	2.2%
	Employees' social security contributions		6.2%	6.2%	6.1%	6.2%
	Total payments less cash transfers		13.0%	16.1%	20.7%	-3.2%
	Total tax wedge including employer's social security contributions		18.0%	21.0%	25.3%	2.8%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		18.2%	23.2%	31.7%	13.7%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		23.0%	27.7%	35.6%	18.7%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Switzerland 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		77414	103219	129023	103219
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family		2600	14709	15800	14709
	Dependent children		12800	12800	12800	0
	Deduction for social security contributions and income taxes		10683	14244	17805	14244
	Work-related expenses		2180	4180	4180	4180
	Other		4900	4900	4900	3500
		Total	33163	50833	55485	36633
3.	**Tax credits or cash transfers included in taxable income**		6000	6000	6000	0
4.	**Central government taxable income (1 - 2 + 3)**		50200	58300	79500	66500
5.	**Central government income tax liability (exclusive of tax credits)**		221	385	1069	631
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		500	500	500	0
	Other					
		Total	500	500	500	0
7.	**Central government income tax finally paid (5-6)**		0	0	569	631
8.	**State and local taxes**		3390	5510	8970	7043
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4761	6348	7935	6348
	Taxable income					
		Total	4761	6348	7935	6348
10.	**Total payments to general government (7 + 8 + 9)**		8151	11858	17474	14022
11.	**Cash transfers from general government**					
	For head of family					
	For two children		6000	6000	6000	0
		Total	6000	6000	6000	0
12.	**Take-home pay (1-10+11)**		75263	97361	117549	89197
13.	**Employer's compulsory social security contributions**		4761	6348	7935	6348
14.	**Average rates**					
	Income tax		4.4%	5.3%	7.4%	7.4%
	Employees' social security contributions		6.2%	6.2%	6.2%	6.2%
	Total payments less cash transfers		2.8%	5.7%	8.9%	13.6%
	Total tax wedge including employer's social security contributions		8.4%	11.1%	14.2%	18.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		17.1%	18.9%	24.1%	21.4%
	Total payments less cash transfers: Spouse		14.4%	19.4%	24.7%	20.5%
	Total tax wedge: Principal earner		21.9%	23.6%	28.5%	26.0%
	Total tax wedge: Spouse		19.4%	24.0%	29.1%	25.1%

The national currency is the Swiss franc (CHF). In 2011, CHF 0.89 equalled USD 1. The Secretariat has estimated that in that same year, the average worker earned CHF 77 414.

Cantonal and communal income taxes are very substantial in relation to direct federal tax. Here, the canton and commune of Zurich have been selected as an example of the tax system of the 26 cantons. Local income tax is not deductible when calculating federal income tax.

1. Personal income tax systems

1.1. Income tax collected by the federal government (Confederation)

1.1.1. Tax unit

The income of spouses living together is taxed jointly, regardless of the property regime under which they were married. Income of children living under parental authority is added to the income of their custodian. Children's labour income is taxed separately and in some cases, as in Zurich, is exempt from tax.

1.1.2. Tax reliefs and tax credits

1.1.2.1. Standard reliefs for "*post-numerando*" taxation [*i.e.* annual taxation on the basis of actual earned income, assessed at the end of the year].

- Basic deduction

  There is a basic deduction of CHF 2 600 for married couples for direct federal tax.

- Deduction for children

  A CHF 6 400 deduction is allowed for each child under 18 years of age; the deduction is allowed for older children if they are apprentices or still in school.

- Tax credit for children

  A CHF 250 deduction from the tax liability is allowed for each child under 18 years, the deduction is allowed for older children if they are apprentices or still in school.

- Deductions for social insurance contributions and other taxes

  Premiums for old age and disability insurance (5.05% of gross earned income) and for unemployment insurance (1.1% for income up to CHF 126 000, 1% for income between CHF 126 000 and CHF 315 000) are deductible in full. Compulsory contributions of approximately 7.65% to private pension funds are also fully deductible. Health and life insurance premiums are deductible up to CHF 3 500 for married persons and CHF 1 700 for taxpayers who are widow(er)s, divorced or single (such premiums are not considered social contributions). These amounts are increased by CHF 700 for each dependent child.

- Work-related expenses

  Taxpayers are allowed a deduction corresponding to 3% of net income (*i.e.* gross income less contributions for old age and disability insurance, unemployment insurance and work-related provident funds). This deduction may be no less than CHF 2 000 and no more than CHF 4 000.

- Deduction for two-income couples

  50% of the smaller income can be deducted, but no less than CHF 8 100 and no more than CHF 13 200.

1.1.2.2. Main non-standard reliefs available to the average worker

- Interest payments on qualifying loans

  This is the main non-standard relief available to the average worker. It is allowed for all sorts of loans.

- Medical expenses

  Expenses incurred as a result of illness, accidents or disability of the taxpayer or one of its dependants are deductible if the taxpayer bears the expenses personally and they exceed 5% of his or her net income.

1.1.3. Tax base

Allowable deductions from gross income	Single taxpayer (CHF)	Married taxpayer, 2 children (CHF)
Work-related expenses[1]	2 000-4 000	2 000-4 000
Personal deduction	–	2 600
Deduction for 2 dependent children	–	12 800 (6 400*2)
Social contributions		
Old age insurance	5.05%	5.05%
Unemployment insurance	1.1%[2]	1.1%[2]
Pension fund	7.65%	7.65%
Maximum deductions for health insurance premiums and loan interest[3]	1 700 plus 700 per child	3 500 plus 700 per child
Deduction for two-income couples[4]		8 100-13 200

1. 3% of net income, minimum CHF 2 000, maximum CHF 4 000.
2. 1.1% of income up to CHF 126 000; 1% of income between CHF 126 000 and CHF 315 000.
3. For the purposes of this publication, taxpayers are assumed to always receive the relevant maximum deduction.
4. 50% of smaller income, minimum CHF 7 600, maximum CHF 12 500.

In addition, for the married taxpayer with 2 children, there is a tax credit for 2 dependent children amounting to CHF 500, thus reducing the tax liability by CHF 500.

1.1.4. Tax schedules

1.1.4.3. Rates for persons living alone

Taxable income (CHF)[1]	Base amount (CHF)	Plus % of excess (CHF)	
Up to 14 400	–	–	–
14 400 to 31 500		0.77	14 400
31 500 to 41 200	131.65	0.88	31 500
41 200 to 55 000	217.00	2.64	41 200
55 000 to 72 200	581.30	2.97	55 000
72 200 to 77 700	1 092.10	5.94	72 200
77 700 to 103 000	1 418.80	6.60	77 700
103 000 to 133 900	3 088.60	8.80	103 000
133 900 to 175 000	5 807.80	11.00	133 900
175 000 to 751 200	10 328.80	13.20	175 000
Over 751 300[2]	–	11.5 of total income	

1. Fractions of less than CHF 100 are disregarded.
2. The calculation model disregards this part of the schedule.

1.1.4.4. Rates for spouses living together and for widowed, separated, divorced taxpayers or unmarried taxpayers living with their own children.

Taxable income (CHF)[1]	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 28 100	–	–	–
28 100 to 50 400		1	28 100
50 400 to 57 900	223	2	50 400
57 900 to 74 700	373	3	57 900
74 700 to 89 700	877	4	74 700
89 700 to 102 700	1 477	5	89 700
102 700 to 113 900	2 127	6	102 700
113 900 to 123 300	2 799	7	113 900
123 300 to 130 800	3 457	8	123 300
130 800 to 136 300	4 057	9	130 800
136 300 to 140 200	4 552	10	136 300
140 200 to 142 100	4 942	11	140 200
142 100 to 144 000	5 151	12	142 100
144 000 to 889 400	5 379	13	144 000
Over 889 400[2]	–	11.5 of total income	

1. Fractions of less than CHF 100 are disregarded.
2. The calculation model disregards this part of the schedule.

1.2. Taxes levied by decentralised authorities (canton and commune of Zurich)

1.2.1. General description of the system

The system of cantonal and communal taxation has the same features as that of direct federal tax.

The tax base is comprised of income from all sources.

Once the basic amount of tax is set, cantons, communes and churches levy their taxes by applying a multiple, which may change from year to year. In 2010, for example, the canton applied a multiple of 1.0, the commune of Zurich 1.19 and the reformed church 0.10. The basic amount of tax is therefore multiplied by a total of 2.29. However, following the decision no longer to include church tax in *Revenue Statistics*, it is no longer included in the calculations for *Taxing Wages*. The basic amount of tax is therefore multiplied by a total of 2.19.

1.2.2. Tax base

Allowable deductions from gross income	Single taxpayer (CHF)	Married taxpayer, 2 children (CHF)
Work-related expenses[1]	2 000-4 000	2 000-4 000
Personal deduction	–	–
Deduction for 2 dependent children	–	13 600 (6800*2)
Social contributions		
Old age insurance	5.05%	5.05%
Unemployment insurance	1.1%[2]	1.1%[2]
Pension fund	7.65%	7.65%
Maximum deductions for health insurance premiums and loan interest[3]	2 400 plus 1 200 per child	4 800 plus 1 200 per child
Deduction for two-income couples		5 400

1. 3% of net income, minimum CHF 2 000 CHF, maximum CHF 4 000.
2. 1.1% of income up to CHF 126 000; 1% of income between CHF 126 000 and CHF 315 000.
3. For the purposes of this publication, taxpayers are assumed to always receive the relevant maximum deduction.

1.2.3. Post-numerando *tax rates*

Cantonal income tax (Zurich)

a) Basic income tax rates for married, divorced, widowed or single taxpayers living with children:

Taxable income (CHF)[1]	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 12 400	–	0	–
12 400 to 18 100	–	2	12 400
18 100 to 25 200	113	3	18 100
25 200 to 33 800	326	4	25 200
33 800 to 43 700	670	5	33 800
43 700 to 56 500	1 165	6	43 700
56 500 to 84 900	1 933	7	56 500
84 900 to 113 300	3 921	8	84 900
113 300 to 156 000	6 192	9	113 300
156 000 to 207 100	10 035	10	156 000
207 100 to 262 500	15 145	11	207 100
262 500 to 326 400	21 238	12	262 500
Over 326 400	28 905	13	326 400

b) Basic income tax rates for other taxpayers (single without children).

Taxable income (CHF)[1]	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 6200	–	0	–
6 200 to 10 500	–	2	6 200
10 500 to 14 800	85	3	10 500
14 800 to 21 800	214	4	14 800
21 800 to 30 400	494	5	21 800
30 400 to 40 300	924	6	30 400
40 300 to 51 700	1 518	7	40 300
51 700 to 67 300	2 316	8	51 700
67 300 to 97 200	3 564	9	67 300
97 200 to 126 900	6 255	10	97 200
126 900 to 173 900	9 225	11	126 900
173 900 to 234 900	14 395	12	173 900
Over 234 900	21 714	13	234 900

1. Fractions below CHF 100 are disregarded.

c) Annual multiple as a percentage of basic tax rates:

Canton of Zurich	100
Commune of Zurich	119
Roman Catholic church tax	12 (for info.)
Reformed Church tax	10 (for info.)

A personal tax of CHF 24 is added.

1.2.4. *Tax rates used for this study*

This study uses the rates of tax levied by the federal, cantonal and communal tax authorities.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. *Employee contributions*

2.1.1. *Retirement pensions*

5.05% of gross income for old age insurance.

2.1.2. *Health insurance*

–.

2.1.3. *Unemployment*

1.1% on the portion of income up to CHF 126 000; 1% for income between CHF 126 000 and CHF 315 000.

2.1.4. *Work-related accidents*

–.

2.1.5. *Family allowances*

–.

2.1.6. Other

–.

2.2. Employer contributions

2.2.1. Retirement pensions

5.05% of gross income for old age insurance.

2.2.2. Health insurance

–.

2.2.3. Unemployment

–.

2.2.4. Work-related accidents

–.

2.2.5. Family allowances

The employer pays a benefit for dependent children of an employee. The effective benefits paid depend on the Canton of residence and the respective employer. As of 1 January 2009, a new Swiss-wide minimum amount of CHF 2 400 has been established. In most cases, the benefit paid exceeds this minimum. The average family benefit is estimated to amount to CHF 3 000 per child per year.

This benefit is taxable along with other components of income.

The family allowance contributions are not included in the *Taxing Wages* results either as they are paid to a privately-managed fund. These contributions therefore qualify as non-tax compulsory payments (see also Section 5.3).

2.2.6. Other

–.

3. Universal cash benefits

3.1. Benefits linked to marital status

No such benefits are paid.

3.2. Benefits for dependent children

The employer pays a benefit of, on average, approximately CHF 3 000 per year for each dependent child of an employee. This benefit is taxable along with other components of income. See 2.25.

4. Main changes in the tax/benefit system since 1998

On 1 January 1999, the canton of Zurich switched from biennial *pre-numerando* taxation to annual *post-numerando* taxation on individual income. As a result, the direct federal tax is based on annual *post-numerando* taxation as well.

As of 1 January 2008, the basic deduction for married couples and the deduction for two-income couples were introduced. These measures are intended to minimise the

marriage penalty and to reduce the high taxation of secondary earners, thereby increasing labour force participation of skilled secondary earners.

As of 1 January 2011, a tax credit for children has been introduced. This tax credit reduces the tax liability by CHF 250 per child.

5. Memorandum item

5.1. *Identification of the average worker*

The population includes men and women working in industry, arts and crafts. The stated income is for the average of workers in the same sector. The geographical scope is the entire country, whereas the amount of tax is computed in respect of the canton and commune of Zurich.

5.2. *Method of calculation used*

- Unemployment benefits: not included.
- Sick leave payments: not included.
- Paid leave allowances: included.
- Overtime: included.
- Periodic cash bonuses: included.
- Fringe benefits: not included.
- Basic method used for calculation: monthly wages are multiplied by 12.
- Close of the income tax year: 31 December.
- Reference period for computing wages: from 1 January to 31 December of the year in question.

5.3. *Calculation of non-tax compulsory payments*

Switzerland imposes some important non-tax compulsory payments (NTCPs). These NTPCs are not included in the *Taxing Wages* models except when they qualify as standard personal income tax reliefs. Compulsory payments indicators, which combine the effect of taxes and NTCPs, are calculated by the OECD Secretariat and presented in the *OECD Tax Database* (See: *www.oecd.org/ctp/taxdatabase*). Switzerland levies the following employee and/or employer NTCPs:

- Contributions to the second pillar of the pension system (occupational pension funds): occupational pension funds are mandatory for salaried persons earning at least CHF 20 880 annually. Old age insurance is based on individual savings. The savings assets accumulated by the insured person on his 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 the pension fund. An estimated representative rate amounts to 7.65% for employees and 9.75% for employers in 2011.
- Health insurance is compulsory for all persons domiciled in Switzerland. Every family member is insured individually, regardless of age. Health insurance contributions are lump sum contributions per capita depending on age, sex, canton of residence and insurer. The national average rates for 2011 amount to CHF 4 486 for adults and CHF 1 072 for children per year. Health insurance premiums can be reduced depending

on the contributor's income level and his family situation. Each canton has 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 the calculations.

- Family allowance: employers have to make family allowance contributions. The contribution rates differ among cantons and family contribution funds. A representative rate has to be estimated, for 2011 it amounts to 1.2%.
- Accident insurance: accident insurance is compulsory for every employee. Employees are automatically insured by their employer, whereas the employers are more or less 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. A representative rate would have to be estimated.

2011 Parameter values

AW earnings	Ave_earn	77 414	Secretariat estimate
Tax allowances	Child_al	6 400	
Tax credit	Child_cred	250	
Partner Allowance	partner_rate	0.5	
	partner_min	8 100	
	partner_max	13 200	
Basic deduction for married couples	Married_ded	2 600	
Partner income local	partner_local	5 400	
Single parent	sing_par_al	0	
Workrelated	work_exp	0.03	
	work_exp_min	2 000	
	work_exp_max	4 000	
Allowances for local tax	local_basic	0	
	local_child	6 800	
Federal tax	IFD_min_s	-	
Single	IFD_sch_s	0	14 400
		0.0077	31 500
		0.0088	41 200
		0.0264	55 000
		0.0297	72 200
		0.0594	77 700
		0.066	103 000
		0.088	133 900
		0.11	175 000
		0.132	751 200
		0.132	
Married	IFD_min_m	-	
	IFD_sch_m	0	28 100
		0.01	50 400
		0.02	57 900
		0.03	74 700
		0.04	89 700
		0.05	102 700
		0.06	113 900
		0.07	123 300
		0.08	130 800
		0.09	136 300
		0.1	140 200
		0.11	142 100
		0.12	144 000
		0.13	889 400

2011 Parameter values *(cont.)*

		0.13	
Cantonal tax	Zurich_min	24	
Single	Zurich_sch_s	0	6 200
		0.02	10 500
		0.03	14 800
		0.04	21 800
		0.05	30 400
		0.06	40 300
		0.07	51 700
		0.08	67 300
		0.09	97 200
		0.1	126 900
		0.11	173 900
		0.12	234 900
		0.13	
Married	Zurich_sch_m	0	12 400
		0.02	18 100
		0.03	25 200
		0.04	33 800
		0.05	43 700
		0.06	56 500
		0.07	84 900
		0.08	113 300
		0.09	156 000
		0.1	207 100
		0.11	262 500
		0.12	326 400
		0.13	
Canton and Commune Tax Mutiple	statetax_mult	2.19	
Social security contributions	old_age	0.0505	
Pension	pension_rate	0	
Unemployment	unemp_rate	0.011	
	unemp_rate2	0.01	
income ceiling	unemp_ciel	126 000	
	unemp_ciel2	315 000	
Cantonal deductible limit	local_dedn	2 400	
deductible extra for child	local_dedn_c	1 200	
Max other insurance deduction			
single	max_dedn_s	1 700	
married couples	max_dedn_m	3 500	
child	max_dedn_c	700	
Child cash transfer	child_ben	3 000	

2011 Tax equations

The equations for the Swiss system in 2011 are mostly calculated on a family basis.

Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:	partner_al	J	IF(earn_spouse>0,(Married*MAX(partner_min,MIN(partner_max,partner_rate*MIN(earn_princ,earn_spouse)))),0)+Married*Married_ded
Children	children_al	J	Children*Child_al+ (Children>0)*(Married=0)*sing_par_al
Soc sec contributions	SSC_al	B	SSC + NTCP_pension_ee*earn
Work related	work_al	B	MAX(work_exp_min, MIN(work_exp_max, work_exp*(earn-SSC_al)))
Other	oth_al	J	IF(Married,IF(Children>0,max_dedn_m+Children*fed_dedn_c,max_dedn_m),IF(Children>0,max_dedn_s+Children*fed_dedn_c,max_dedn_s))
Total	tax_al	J	partner_al+children_al+SSC_al+work_al+oth_al
3. Credits in taxable income	taxbl_cr	J	Cash_tran
4. CG taxable income	tax_inc	J	positive(earn_total-tax_al+taxbl_cr)
5. CG tax before credits	CG_tax_excl	J	IF(Married+Children=0, Tax(tax_inc, IFD_sch_s)+IFD_min_s*(Tax(tax_inc, IFD_sch_s)>0), Tax(tax_inc, IFD_sch_m)+IFD_min_m*(Tax(tax_inc, IFD_sch_m)>0))
6. Tax credits:	Children_cred	J	Child_cred*Children
7. CG tax	CG_tax	J	Positive(CG_tax_excl- Children_cred)
8. State and local taxes	local_tax_inc	J	MAX(earn_total+taxbl_cr-local_basic*(1+Married)-Children*local_child-work_al-SSC-(local_dedn*(1+Married)+Children*local_dedn_c)-(earn_spouse>0)*partner_local,0)
	local_tax		IF((Married+Children)>0, Tax(local_tax_inc, Zurich_sch_m)*statetax_mult+(1+Married)*Zurich_min*(Tax(local_tax_inc, Zurich_sch_m)>0), Tax(local_tax_inc, Zurich_sch_s)*statetax_mult+(Tax(local_tax_inc, Zurich_sch_s)>0)*Zurich_min)
9. Employees' soc security	SSC	B	(old_age)*earn+IF(earn<=unemp_ciel, earn*unemp_rate, IF(earn<=unemp_ciel2, unemp_ciel*unemp_rate+(earn-unemp_ciel)*unemp_rate2, unemp_ciel*unemp_rate+unemp_ciel2*unemp_rate2))
11. Cash transfers	Cash_tran	J	Children*child_ben
13. Employer's soc security	SSC_empr	B	SSC

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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Turkey

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Turkey 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		15091	22636	37727	15091
2.	**Standard tax allowances**					
	Basic allowance		0	0	0	0
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		2264	3395	5659	2264
	Work-related expenses					
	Other					
		Total	2264	3395	5659	2264
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		12827	19241	32068	12827
5.	**Central government income tax liability (exclusive of tax credits)**		2095	3378	6578	2095
	Stamp tax		100	149	249	100
		Total	2195	3528	6827	2195
6.	**Tax credits**					
	Basic credit		717	717	717	932
	Married or head of family					
	Children					
	Other					
		Total	717	717	717	932
7.	**Central government income tax finally paid (5-6)**		1478	2811	6110	1263
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2264	3395	5659	2264
	Taxable income					
		Total	2264	3395	5659	2264
10.	**Total payments to general government (7 + 8 + 9)**		3742	6206	11769	3527
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	0
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		11349	16430	25957	11564
13.	**Employer's compulsory social security contributions**		2490	3735	6225	2490
14.	**Average rates**					
	Income tax		9.8%	12.4%	16.2%	8.4%
	Employees' social security contributions		15.0%	15.0%	15.0%	15.0%
	Total payments less cash transfers		24.8%	27.4%	31.2%	23.4%
	Total tax wedge including employer's social security contributions		35.4%	37.7%	40.9%	34.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.7%	32.7%	38.6%	32.7%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		42.2%	42.2%	47.3%	42.2%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Turkey 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		22636	30181	37727	30181
2.	**Standard tax allowances**					
	Basic allowance		0	0	0	0
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		3395	4527	5659	4527
	Work-related expenses					
	Other					
		Total	3395	4527	5659	4527
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		19241	25654	32068	25654
5.	**Central government income tax liability (exclusive of tax credits)**		3378	4340	5474	4340
	Stamp tax		149	149	149	149
		Total	3528	4490	5623	4490
6.	**Tax credits**					
	Basic credit		1075	932	932	717
	Married or head of family					
	Children					
	Other					
		Total	1075	932	932	717
7.	**Central government income tax finally paid (5-6)**		2452	3607	4791	3822
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3395	4527	5659	4527
	Taxable income					
		Total	3395	4527	5659	4527
10.	**Total payments to general government (7 + 8 + 9)**		5848	8135	10450	8350
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	0
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		16788	22047	27277	21832
13.	**Employer's compulsory social security contributions**		3735	4980	6225	4980
14.	**Average rates**					
	Income tax		10.8%	12.0%	12.7%	12.7%
	Employees' social security contributions		15.0%	15.0%	15.0%	15.0%
	Total payments less cash transfers		25.8%	27.0%	27.7%	27.7%
	Total tax wedge including employer's social security contributions		36.3%	37.3%	37.9%	37.9%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.7%	32.7%	32.7%	32.7%
	Total payments less cash transfers: Spouse		28.4%	28.4%	32.7%	28.4%
	Total tax wedge: Principal earner		42.2%	42.2%	42.2%	42.2%
	Total tax wedge: Spouse		38.5%	38.5%	42.2%	38.5%

The national currency is the Türk Lirasi (TL). Turkey has changed its national currency unit in 2005 (after 1 January 2005, 1 YTL = 1 million TRL, after 1 January 2009, 1 TL = 1 YTL). In 2011, TL 1.67 was equal to USD 1. For 2011, the average production worker earned 22 636 TL (Country estimate).

1. Personal income tax systems

1.1. Central government income tax

1.1.1. Tax unit

Spouses are taxed separately on earned income. This rule has applied since 1 January 1999.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs:

- *Reliefs for social security contributions:* employee's social security contributions are deductible from gross earnings. These contributions are 15 per cent of gross income as stated by the Social Insurance Act. The contribution to the unemployment fund is included in this amount and equals 1 per cent of gross income.
- Contributions to public pension funds established by law are deductible.
- *Work-related expenses:* none.
- *Minimum Living Relief:* the calculation of the minimum living allowance is based on the annual gross amount of the minimum wage for employees older than 16 at the beginning of the calendar year in which the income is obtained multiplied by the following rates:
  - 50 per cent for the taxpayer him or herself;
  - 10 per cent for the spouse who neither works nor has an income;
  - 7.5 per cent for each of the first two children;
  - 5 per cent for each additional child.

  This total amount is then multiplied by the rate (15 per cent) which is applied to the first income bracket of PIT Schedule stated in Article 103 of PIT Law, and then minimum living relief is calculated by offsetting 1/12 of the allowance amount against monthly calculated tax due on employment income. Any excess is non-refundable.
- *Reliefs for disabled:* law 4842 regulates tax relief for disabled persons. The employee who lost his/her working capacity with at least 80 per cent is considered to be disabled in the 1st degree; employees are disabled in the 2nd and 3rd degree respectively, if they lost their working capacity with at least 60 and 40 per cent respectively. In these cases, the following amounts are deductible from monthly wages:
  - disabled in the 1st degree: 700 TL;
  - disabled in the 2nd degree: 350 TL;
  - disabled in the 3rd degree: 170 TL.

1.1.2.2. Main non-standard tax reliefs applicable to an APW

- Legal deductions for public institutions such as OYAK (Social Aid Institution for Military Officers).
- Contributions to private pension funds and premiums paid by the wage-earner for himself (or herself), the spouse and dependent children to personal insurance schemes covering death, illness, accident, disablement, maternity, birth and education, provided that the insurance is contracted with a company established in or with a main office in Turkey. The total amount of deductible contributions to the private pension funds cannot exceed 10 per cent (5 per cent with respect to premiums that are paid to personal insurance schemes) of the wage that is earned in the month when the premiums or contributions are actually paid. The annual amount cannot exceed the annual minimum wage either.
- Membership payments made to labour unions.

1.1.3. Tax schedule

The tax schedule in 2011 is as follows:

Taxable income (TL)	Tax on lower threshold (TL)	Tax on excess amount above lower threshold (%)
Up to 9.400		15
9 400 up to 23 000	1 410	20
23 000 up to 80 000	4 130	27
80 000 and over	19 520	35

1.2. State and local income taxes

Income tax is levied only by the central government.

1.3. Stamp tax

The stamp tax base is gross earnings. The tax rate is 0.66 per cent in 2011.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employees' contributions

2.1.1. Pensions (disability, old age and death insurance): 9 per cent.

2.1.2. Sickness: 5 per cent.

2.1.3. Unemployment: 1 per cent.

2.2. Employers' contributions

2.2.1. Pensions (disability, old age and death insurance): 6 per cent.

2.2.2. Sickness: 6 per cent.

2.2.3. Unemployment: 2 per cent.

2.2.4. Work injury: The industry-dependent rate varies between 1.5 and 7.0 per cent. The rate includes occupational disease insurance. In this Report, the lowest rate is used (1.5 per cent).

2.2.5. Others (maternity insurance): 1 per cent.

There is no distinction by marital status or sex and the contributions apply to gross earnings. Compulsory social security contributions of employees and their employers are calculated according to the schemes presented above.

For employees whose gross earnings are below the base or above ceiling earnings, which are determined at least twice a year, these contribution rates are applied to the base or ceiling amounts respectively. In 2011, the ceiling amount is TL 63 707.40 and the base amount is TL 9 801.00. Under the Law No. 5510 (Social Security and General Health Insurance Law), the base wage for social security contributions is equal to the minimum wage. Because employees cannot earn less than the minimum wage, the base wage is not considered in this publication. However, the ceiling earnings are considered for the purposes of this Report.

3. Universal cash transfers

Employees obtain universal cash transfers according to the collective labour agreements that are signed between their employer and the labour union(s). These agreements vary with the bargaining power of the different parties in the different sectors in the economy. This explains why there is no standard amount reflecting these general transfers.

4. Main changes in tax/benefit system since 2004

Changes were made under Laws 4967, 4842, 5510 and 5615: see Section 1.1.2. By the Law No. 5763 as of 1 October 2008, employers' social security contributions have been reduced: see Section 2.2.

5. Memorandum items

5.1. *Identification of an APW*

The earnings figure refers to all production workers in the manufacturing sector. The APW figure has been calculated using monthly data and it refers to the calendar year.

5.2. *Contribution to private pension and health schemes*

Business enterprises (employers) are permitted to make additional contributions for pension savings of their employees, but only in addition to the obligatory contributions to the national retirement schemes. Such additional pension arrangements, which are optional, are not widely used.

2011 Parameter values

Average earnings/yr	Ave_earn	22 636	Country estimate
Income tax	Tax_sch	0.15	9 400.00
		0.20	23 000.00
		0.27	80 000.00
		0.35	
Stamp tax	Stamp_rate	0.0066	
Employees SSC	SSC_rate	0.15	
	SSC_ceil	63 707.4	
Employers SSC	SSC_empr	0.165	
Minimum living relief	credit_rate	0.15	
	basic_allow	0.5	
	spouse_allow	0.1	
	child_allow	0.075	
	add_child_allow	0.05	
	min_wage	9 558.00	

2011 Tax equations

The equations for the Turkish system are on an individual basis.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:	tax_al	B	SSC
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al)
Stamp tax	stamp_tax	B	earn*stamp_rate
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc,tax_sch)
6. Tax credits:	tax_cr	B	credit_rate*min_wage*(basic_allow+spouse_allow*(IF(Wife=0,Married,0))+IF(OR (Children=1,Children=2),Children*child_allow,0)+IF(Children>2.2*child_allow+ (Children-2)* add_child_allow,0))
7. CG tax	CG_tax	B	positive(CG_tax_excl-tax_cr)+stamp_tax
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	Min(earn,SSC_ceil)*SSC_rate
11. Cash transfers	cash_trans	B	0
13. Employer's soc security	SSC_empr	B	Min(earn,SSC_ceil)*SSC_empr

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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United Kingdom

(2011-12 income tax year)

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

United Kingdom 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)		67	100	167	67
	Number of children		none	none	none	2
1.	**Gross wage earnings**		22857	34286	57143	22857
2.	**Standard tax allowances**					
	Basic allowance		7475	7475	7475	7475
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	7475	7475	7475	7475
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		15382	26811	49668	15382
5.	**Central government income tax liability (exclusive of tax credits)**		3076	5362	12867	3076
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	3587
	Other					
		Total	0	0	0	3587
7.	**Central government income tax finally paid (5-6)**		3076	5362	12867	-510
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1876	3247	4523	1876
	Taxable income					
		Total	1876	3247	4523	1876
10.	**Total payments to general government (7 + 8 + 9)**		4952	8610	17391	1366
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	1757
		Total	0	0	0	1757
12.	**Take-home pay (1-10+11)**		17905	25677	39753	23249
13.	**Employer's compulsory social security contributions**		2178	3756	6910	2178
14.	**Average rates**					
	Income tax		13.5%	15.6%	22.5%	-2.2%
	Employees' social security contributions		8.2%	9.5%	7.9%	8.2%
	Total payments less cash transfers		21.7%	25.1%	30.4%	-1.7%
	Total tax wedge including employer's social security contributions		28.5%	32.5%	37.9%	7.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.0%	32.0%	42.0%	73.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		40.2%	40.2%	49.0%	76.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

United Kingdom 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		34286	45715	57143	45715
2.	**Standard tax allowances**					
	Basic allowance		7475	14950	14950	14950
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	7475	14950	14950	14950
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		26811	30765	42193	30765
5.	**Central government income tax liability (exclusive of tax credits)**		5362	6153	8439	6153
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		548	0	0	0
	Other					
		Total	548	0	0	0
7.	**Central government income tax finally paid (5-6)**		4815	6153	8439	6153
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3247	3752	5123	3752
	Taxable income					
		Total	3247	3752	5123	3752
10.	**Total payments to general government (7 + 8 + 9)**		8062	9905	13562	9905
11.	**Cash transfers from general government**					
	For head of family					
	For two children		1757	1757	1757	0
		Total	1757	1757	1757	0
12.	**Take-home pay (1-10+11)**		27981	37567	45339	35810
13.	**Employer's compulsory social security contributions**		3756	4357	5934	4357
14.	**Average rates**					
	Income tax		14.0%	13.5%	14.8%	13.5%
	Employees' social security contributions		9.5%	8.2%	9.0%	8.2%
	Total payments less cash transfers		18.4%	17.8%	20.7%	21.7%
	Total tax wedge including employer's social security contributions		26.4%	25.0%	28.1%	28.5%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.0%	32.0%	32.0%	32.0%
	Total payments less cash transfers: Spouse		16.1%	32.0%	32.0%	32.0%
	Total tax wedge: Principal earner		40.2%	40.2%	40.2%	40.2%
	Total tax wedge: Spouse		20.3%	40.2%	40.2%	40.2%

The national currency is the Pound Sterling (GBP). In May 2011, GBP 0.62 was equal to USD 1. In 2011-12, the Average Worker is estimated to earn GBP 34 286 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income taxes

1.1.1. Tax unit

The tax unit is the individual, but certain reliefs depend on family circumstances (see Section 1.1.2.1).

1.1.2. Tax allowances and tax credits

All figures shown are those applying at the start of the tax year in April.

1.1.2.1. Standard reliefs

- Basic reliefs: a personal allowance of GBP 7 475 is granted to each individual with income below GBP 100 000. The personal allowance is then tapered away by GBP 1 for every GBP 2 of income above GBP 100 000.
- Standard marital status reliefs: none.
- Working Tax Credit (WTC): a non-wastable tax credit available to low income families with or without children. It is available for families with children where one person works at least 16 hours a week. It is also available for people with a disability who work at least 16 hours a week and for families without children where one person works at least 30 hours a week. The amount depends upon the hours worked, the ages of children, eligible childcare costs, and gross income. A family with a child 16 or under where the claimant (or, where applicable, their partner, or both claimants jointly) works at least 30 hours a week, would get a maximum credit of GBP 4 660 per year before taking into account eligible childcare costs.* This credit is reduced by 41 pence for each GBP 1 of net income above a threshold of GBP 6 420 per year. Extra amounts are available where one or, where applicable, both claimants are disabled. WTC was introduced on 6 April 2003.
- Relief for social security contributions and other taxes: none.
- Child Tax Credit (CTC): a non-wastable tax credit available to low and middle income families with children. It provides support for children until 1st September following their 16th birthday, and beyond that date to the age of 19 for those who continue in full-time non-advanced education. The amount depends on gross income and the number and age of the children. A family with two children would get a maximum credit

* The amount of credit received is calculated by dividing separately each element of the credit by the number of days in the tax year and rounding up to the nearest penny to give a daily rate. These daily rates are then multiplied by the number of days in the relevant period (for the purposes of this Report, the tax year) and added together.

GBP 5 650 per year, which is reduced by 41 pence for each GBP 1 of gross income above a threshold of GBP 15 860 if the family is not working. A higher threshold applies if the family is working; their CTC is reduced at the same rate once their WTC has been tapered to zero. There is a minimum value to the award of GBP 545 for all families with children and gross income up to GBP 40 000. A taper of 41 per cent is applied for incomes exceeding GBP 40 000. Extra amounts are available for children less than one year old and for children with disabilities. CTC was introduced on 6 April 2003.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- Work-related expenses: flat rate expenses for tools and special clothing are allowed to certain occupational categories. Since this provision is not applicable to all manufacturing occupations, and hence average workers, and because the rates vary slightly across categories, this relief is considered here as non-standard.
- Contributions to approved superannuation schemes or personal pension schemes are deducted when calculating taxable income. Premiums on approved life assurance policies payable to life assurance companies attract 12.5 per cent tax relief for policies entered into force before 13 March 1984.

1.1.3. Tax schedule

In 2011-12 all taxpayers are liable on taxable income other than savings and dividend income at the basic rate of 20 per cent on the first GBP 35 000, 40 per cent over the basic rate limit of GBP 35 000 and 50 per cent over the higher rate limit of GBP 150 000. (Taxable Income is defined as gross income for income tax purposes less allowances and reliefs available at the marginal rate.) Dividend income is charged at 10 per cent up to the basic rate limit of GBP 35 000, 32.5 per cent above GBP 35 000 and 42.5 per cent above GBP 150 000. Savings income is charged at 10 per cent up to the starting rate limit on the first GBP 2 560, at 20 per cent up to GBP 35 000, 40 per cent above GBP 35 000 and 50 per cent above GBP 150 000.

Taxable income (GBP)	Rate %
0-35 000	20
35 000-150 000	40
Over 150 000	50

1.2. State and local income tax

There are no regional or local income taxes.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employees' contributions

National Insurance contributions are payable by employees earning more than GBP 139 in any week. These are 12 per cent of earnings between GBP 139 and GBP 817 and 2 per cent of earnings above GBP 817 for employees not contracted out of the state second pension scheme (additional state pension which supplements the basic retirement pension). For employees who are contracted out, there is a rebate of 1.6 per cent on earnings between GBP 102 and GBP 770. Depending on eligibility, members of the National Insurance scheme qualify for pensions, sickness, industrial injury, unemployment

benefits, etc. All employees earning under GBP 139 per week have no National Insurance contribution liability but a notional contribution will be deemed to have been paid in respect of earnings between GBP 102 and GBP 139 to protect benefit entitlement.

2.2. Employers' contributions

Employer's contributions are not payable for employees earning less than GBP 136 per week. The rate of employers' contributions for employees not contracted out of the additional (earnings related) scheme is 13.8 per cent of earnings above GBP 136 per week. For employees who are contracted out, there is a rebate of 3.7 per cent on earnings between GBP 102 and GBP 770 per week.

3. Universal cash transfers

3.1. Transfers related to marital status

None (widows' benefit is covered by the government pensions scheme noted above).

3.2. Transfers for dependent children

A child benefit of GBP 20.30 per week is paid in respect of the first child in the family up to the age of 19 (if the child aged 16-19 is in education or training) with GBP 13.40 per week paid for each subsequent child.

4. Memorandum items

4.1. Identification of AW and valuation of earnings

A new Annual Survey of Hours and Earnings (ASHE) has been developed to replace the New Earnings Survey (NES) (results of which are published in *Labour Market Trends*) and shows the average weekly earnings of full-time employees in April each year. It covers men and women at adult rates in the United Kingdom (excluding Northern Ireland). The annual figure used for the gross earnings of the AW in the United Kingdom is the annual equivalent of the arithmetic average of the weekly earnings figures for April at the beginning and end of the fiscal year, as published in *Labour Market Trends*.

The earnings figures exclude the earnings of those whose pay was affected by absence (due to sickness, etc.). They include overtime, payment by results and shift payments. But they do not include benefits in kind (which could in some circumstances be included in the employee's taxable income in the United Kingdom).

4.2. Employers' contributions to private pension, health etc. schemes

In 2008, there were 9.0 million active members of occupational pension schemes with two or more members in the UK, of whom 3.6 million were in the private sector and 5.4 million in the public sector.

2011 Parameter values

Average earnings/yr	Ave_earn	34 286	Secretariat Estimate	
Allowances	Basic_al	7 475		
	PA taper start	100 000		
	Married_al	0		
	Married_rate	0		
Income tax	Tax_sch	0.2	35 000	
		0.4	150 000	
		0.5		
Employees SSC				
Primary threshold	SSC_sch	0	7 225	PT
Upper earnings limit		0.12	42 475	UEL
		0.02		
Employers SSC	SSC_rate2	0.138		
	ST	7 072		
Child benefit (first)	CB_first	20.30		
Child benefit (others)	CB_others	13.40		
NEW TAX CREDITS				
WTC				
Basic element	WTC_Basic	1 920		
Couple/Lone parent	WTC_couple_or_lone	1 950		
30 Hour element	WTC_30hr	790		
CTC				
Family element	CTC_family	545		
Child element	CTC_child	2 555		
Baby element	CTC_baby			
Threshold	NTC_1st_thres	6 420		
	NTC_1st_taper	0.41		
	NTC_2nd_thres	40 000		
	NTC_2nd_taper	0.41		
Days in tax year	Numdays	365		

2011 Tax equations

The equations for the UK system are mostly on an individual basis. But Child and Working tax credits are calculated on a family basis and child benefit is calculated only once. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	Earn		
2. Allowances:	tax_al	B	Tax_al =IF(earn<PA_taper,Basic_al,IF(earn>(PA_taper+(Basic_al*2)),0,MAX(0,(Basic_al-((earn-PA_taper)/2)))))
2. PA Start	PA_taper	B	IF(earn<PA_taper,Basic_al,IF(AA7>(PA_taper+(Basic_al*2)),0,MAX(0,(Basic_al-((AA7-PA_taper)/2)))))
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al)
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6. Tax credits (nonwastable)	tax_cr	J	IF(Children>0, IF((earn_total)>NTC_2nd_thres, Taper(ROUNDUP(CTC_family/numdays, 2)*numdays, earn_total, NTC_2nd_thres, NTC_2nd_taper), MAX(Taper(ROUNDUP(CTC_family/numdays, 2)*numdays+Children*ROUNDUP(CTC_child/numdays, 2)*numdays+ROUNDUP(WTC_Basic/numdays, 2)*numdays+ROUNDUP(WTC_30hr/numdays, 2)*numdays+ROUNDUP(WTC_couple_or_lone/numdays, 2)*numdays, earn_total, NTC_1st_thres, NTC_1st_taper), ROUNDUP(CTC_family/numdays, 2)*numdays)), Taper(ROUNDUP(WTC_Basic/numdays, 2)*numdays+ROUNDUP(WTC_30hr/numdays, 2)*numdays+IF(Married=1, ROUNDUP(WTC_couple_or_lone/numdays, 2)*numdays, 0), earn_total, NTC_1st_thres, NTC_1st_taper))
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	Tax(earn, SSC_sch)
11. Cash transfers	cash_trans	J	Numdays/7*((CB_first*(Children>0)+ CB_others*Positive (Children-1))+ (Married=0)*(Children>0)*CB_onepar))
13. Employer's soc security	SSC_empr	B	(earn>ST)*(earn-ST)*SSC_rate2
Memorandum item: Non-wastable tax credit			
tax expenditure component	Taxexp	J	Tax_cr-transfer
cash transfer component	Transfer	J	IF(CG_tax_excl<0, -CG_tax_excl, 0)

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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United States

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

United States 2011

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	31200	46800	77999	31200
2.	**Standard tax allowances**				
	Basic allowance	9500	9500	9500	12200
	Married or head of family				
	Dependent children	0	0	0	7400
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	9500	9500	9500	19600
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	21700	37300	68499	11600
5.	**Central government income tax liability (exclusive of tax credits)**	2830	5450	13250	1160
6.	**Tax credits**				
	Basic credit	0	0	0	2056
	Married or head of family				
	Children	0	0	0	2000
	Other	378	378	378	378
	Total	378	378	378	4434
7.	**Central government income tax finally paid (5-6)**	2452	5072	12872	-3274
8.	**State and local taxes**	1905	2955	5053	1092
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1763	2644	4407	1763
	Taxable income				
	Total	1763	2644	4407	1763
10.	**Total payments to general government (7 + 8 + 9)**	6120	10671	22331	-420
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	0
	Total	0	0	0	0
12.	**Take-home pay (1-10+11)**	25079	36129	55668	31620
13.	**Employer's compulsory social security contributions**	3262	4455	6842	3262
14.	**Average rates**				
	Income tax	14.0%	17.2%	23.0%	-7.0%
	Employees' social security contributions	5.7%	5.7%	5.7%	5.7%
	Total payments less cash transfers	19.6%	22.8%	28.6%	-1.3%
	Total tax wedge including employer's social security contributions	27.2%	29.5%	34.4%	8.2%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	27.4%	37.4%	37.4%	47.6%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	32.5%	41.8%	41.8%	51.4%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

United States 2011

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		46800	62399	77999	62399
2.	**Standard tax allowances**					
	Basic allowance		19000	19000	19000	19000
	Married or head of family					
	Dependent children		7400	7400	7400	0
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	26400	26400	26400	19000
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		20400	35999	51599	43399
5.	**Central government income tax liability (exclusive of tax credits)**		2210	4550	6890	5660
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family					
	Children		2000	2000	2000	0
	Other		378	378	378	378
		Total	2378	2378	2378	378
7.	**Central government income tax finally paid (5-6)**		-168	2172	4512	5282
8.	**State and local taxes**		2377	3426	4475	3828
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2644	3526	4407	3526
	Taxable income					
		Total	2644	3526	4407	3526
10.	**Total payments to general government (7 + 8 + 9)**		4853	9123	13394	12636
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	0
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		41947	53276	64605	49763
13.	**Employer's compulsory social security contributions**		4455	6524	7717	6524
14.	**Average rates**					
	Income tax		4.7%	9.0%	11.5%	14.6%
	Employees' social security contributions		5.7%	5.7%	5.7%	5.7%
	Total payments less cash transfers		10.4%	14.6%	17.2%	20.3%
	Total tax wedge including employer's social security contributions		18.2%	22.7%	24.6%	27.8%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		27.4%	27.4%	27.4%	27.4%
	Total payments less cash transfers: Spouse		27.4%	27.4%	27.4%	27.4%
	Total tax wedge: Principal earner		32.5%	32.5%	32.5%	32.5%
	Total tax wedge: Spouse		35.9%	32.5%	32.5%	32.5%

The national currency is the dollar (USD). In 2011, the average worker earned USD 46 800 (Secretariat estimate).

1. Personal income tax system

1.1. Central/federal government income taxes

1.1.1. Tax unit

Families are generally taxed in one of three ways:

- as married couples filing jointly on the combined income of both spouses;
- as married individuals filing separately and reporting actual income of each spouse; or
- as heads of households (only unmarried or separated individuals with dependents).

All others, including dependent children with sufficient income, file as single individuals.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- *Basic reliefs:* in 2011, a married couple filing a joint tax return is entitled to a standard deduction of USD 11 600. The standard deduction is USD 8 500 for heads of households and USD 5 800 for single individuals. This relief is indexed for inflation. More liberal standard deductions are available for taxpayers who are age 65 or older and taxpayers who are blind. Special rules apply to children who have sufficient income to pay tax and are also claimed as dependents by their parents.

  In addition to the standard deduction, in 2011 a USD 3 700 *personal exemption* is given to every taxpayer (including both husband and wife filing a joint return). The personal exemption is indexed annually for inflation. In 2011, there is no phase out for personal exemptions.
- *Standard marital status reliefs:* married couples generally benefit from a more favourable schedule of tax rates for joint returns of spouses (see Section 1.1.3). There are no other general tax reliefs for marriage.
- *Relief for children:* for each child and other person claimed as a dependent on a taxpayer's return, the taxpayer is entitled to a dependency exemption of USD 3 700 in 2011. Low income workers with dependants are allowed a refundable (non-wastable) earned income credit. For taxpayers with one child, the credit is 34 per cent of up to USD 9 100 of earned income in 2011. The credit phases down when income exceeds USD 16 690 (21 770 for married taxpayers) and phases out when it reaches USD 36 052 (41 132 for married taxpayers). The earned income threshold and the phase-out threshold are indexed for inflation. For taxpayers with two children, the credit is 40 per cent of up to USD 12 780 of earned income in 2011. The credit phases down when income exceeds USD 16 690 (21 770 for married taxpayers) and phases out when it reaches USD 40 964

(46 044 for married taxpayers). For 2011, an increase in the earned income tax credit is available for taxpayers with three or more children. The credit is 45 per cent of up to USD 12 780 of earned income. The credit phases down when income exceeds USD 16 690 (21 770 for married taxpayers) and phases out when it reaches USD 43 998 (49 078 for married taxpayers).

Since 1998, taxpayers are permitted a tax credit for each qualifying child under the age of 17. In 2011, the maximum credit is USD 1 000. The maximum credit is reduced for taxpayers with income in excess of certain thresholds. The credit is reduced by USD 50 for each USD 1 000 of income in excess of USD 110 000 for married taxpayers (USD 75 000 for single and head of household taxpayers). These threshold amounts are not indexed for inflation. The child credit is refundable (non-wasteable) to the extent of 15 per cent of earned income in excess of USD 3 000. A taxpayer with three or more qualifying children may be allowed a supplemental refundable (non-wasteable) child credit, subject to certain restrictions. The refundable credit is the excess of the taxpayer's share of social security (including Medicare) taxes over his earned income tax credit for the year not used to offset income tax liability.

- *Relief for low income workers without children:* in 1994 and thereafter, low income workers without children are eligible for the earned income credit. In 2011, low income workers without children are permitted a non-wastable earned income credit of 7.65 per cent of up to USD 6 070 of earned income. The credit phases down when income exceeds USD 7 590 (12 670 for married taxpayers) and phases out when income reaches USD 13 660 (18 740 for married taxpayers). This credit is available for taxpayers at least 25 years old and under 65 years old.
- *Relief for social security and other taxes:* in 2011, the withholding rate for Social Security taxes for employees is reduced from 6.2 per cent to 4.2 per cent. The earned income credits described above are sometimes considered an offset to social security contributions made by eligible employees. Furthermore, only a portion of social security benefits are subject to tax.

1.1.2.2. Main non-standard reliefs applicable to an AW

The basic non-standard relief is the deduction of certain expenses to the extent that, when itemised, they exceed in aggregate the standard deduction. For the purposes of this Report, it is assumed that workers claim the standard deduction. The principal itemised deductions claimed by individuals where the standard deduction is not being claimed are:

- *medical and dental expenses that exceed* 7.5 per cent of income;
- State and local income taxes, real property taxes, and personal property taxes; home mortgage interest;
- investment interest expense up to investment income with an indefinite carry forward of disallowed investment interest expense;
- contributions to qualified charitable organisations (including religious and educational institutions);
- *casualty and theft losses* to the extent that each loss exceeds USD 100 and that all such losses combined exceed 10 per cent of income; and
- miscellaneous expenses such as non-reimbursed employee business expenses (union dues, work shoes, etc.), investment expenses, tax return preparation fees and

educational expenses required by employment, to the extent that, in aggregate; they exceed 2 per cent of income.

In 2008, the most recent year for which such statistics are available, the 38 per cent of taxpayers with income between USD 40 000 and USD 50 000 (the AW range) who itemised their deductions claimed average deductions as follows: medical expenses, USD 1 854; taxes paid, USD 1 764; charitable contributions, USD 1 706; interest expense, USD 7 075.

Contributions to pension and life insurance plans. No relief is provided for employee contributions to employer sponsored pension plans or for life insurance premiums. However, tax relief is provided for certain retirement savings.

1.1.3. *Tax schedule*

Table 0.1. **Federal income tax rates**

Taxable income bracket (USD)[1]			Marginal tax rate (%)
Single individual	Joint return of married couple	Head of household	
0 to 8 500	0 to 17 000	0 to 12 150	10
8 500 to 34 500	17 000 to 69 000	12 150 to 46 250	15
34 500 to 83 600	69 000 to 139 350	46 250 to 119 400	25
83 600 to 174 400	139 350 to 212 300	119 400 to 193 350	28
174 400 to 379 150	212 300 to 379 150	193 350 to 379 150	33
379 150 and over	379 150 and over	379 150 and over	35

1. The taxable income brackets are indexed for inflation.

1.2. *State and local income taxes*

1.2.1. *General description of the system*

The District of Columbia and 43 of the 50 States impose some form of individual income tax. In addition, some local governments (cities and counties) impose an individual income tax, although this is not generally the case. State individual income tax structures are usually related to the federal tax structure by the use of similar definitions of taxable income, with some appropriate adjustments. This linkage is not a legal requirement but a practical convention that functions for the convenience of the taxpayer who must fill out both federal and State income tax returns.

The AW calculations assume that the average worker lives in Detroit, Michigan. The state of Michigan permits a personal exemption of USD 3 700 for the taxpayer, the taxpayer's spouse and each child, an additional USD 600 exemption for each child 18 years old and younger, and taxes income at the rate of 4.35 per cent. Michigan allows taxpayers who are eligible to claim the federal earned income tax credit to claim a Michigan earned income tax credit. The Michigan earned income tax credit is a refundable (non-wasteable) credit equal to 20 per cent of the federal earned income tax credit.

The city of Detroit permits a personal exemption of USD 600 and taxes income at the rate of 2.5 per cent. Michigan provides a credit for city taxes paid. If the city income tax paid is USD 100 or less, the credit is 20 per cent of the city income tax paid. If the city income tax paid is over USD 100 but not over USD 150, the credit is 10 per cent of the excess of the city income tax paid over USD 100 plus USD 20. If the city income tax paid is over USD 150, the credit is 5 per cent of the excess of the city income tax paid over USD 150 plus USD 25.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employees' contributions

2.1.1. Pensions

In 2011, the rate for employee contributions is 5.65 per cent (4.2 per cent for old age, survivors, and disability insurance, and 1.45 per cent for old age hospital insurance). The 4.2 per cent rate applies to earnings up to USD 106 800. Beginning in 1994, there is no limit on the amount of earnings subject to the 1.45 per cent rate.

There is no distinction by marital status or sex.

2.1.2. Other

No compulsory employee contributions exist.

2.2. Employers' contributions

2.2.1. Pensions

The rate for employers' contributions is 6.2 per cent on earnings up to USD 106 800 and 1.45 per cent of all earnings (without limit).

2.2.2. Unemployment

Employers are required by the federal government to pay unemployment tax of 6.2 per cent on earnings up to USD 7 000. Taxes are also paid to various state-sponsored unemployment plans which may generally be credited against the required federal percentage. In 2007, the average unemployment insurance tax rate in Michigan was 4.9 per cent of the first USD 9 000 of wages. The model considers that the Federal government allows employers to take a credit for state unemployment taxes of up to 5.4 per cent, resulting in a net Federal tax of 0.8 per cent on earnings up to USD 7 000.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

No general cash transfers exist, although low-income mothers qualifying for categorical welfare grants may receive cash transfers.

4. Principal changes since 2009

The phase out for personal exemptions and the limitations on itemised deductions for high income taxpayers do not apply in 2010 and 2011.

5. Memorandum items

5.1. Identification of an AW at the wage calculation

- The AW is identified from monthly data compiled from establishment questionnaires covering more than 40 million non-agricultural full- and part-time workers. Beginning in March 2006, data on average weekly hours and average hourly earnings cover all employees rather than solely production or non-supervisory workers. To obtain average

annual wages, the product of average weekly hours (including overtime) and average hourly earnings (including overtime) is multiplied by 52 and is adjusted to reflect a full-time equivalent worker. The AW wage is estimated to be USD 45 688 for 2010.

5.2. Employer contributions to private social security arrangements

Employers commonly contribute to private pension plans, health insurance and life insurance. Data for these contributions are available only on a total workforce basis. It is not possible to state with accuracy the levels applicable to the AW. The following are estimates for 2010 for employees in private industry:

	Pension	Health	Life
Per cent of workers covered	50	56	56
USD per covered employee	n.a.	9 629 (family) 4 031 (single)	n.a.

2011 Parameter values

APW earnings	Ave_earn	46 800	Secretariat estimate			
Standard deductions	Married_al	11 600				
	hh_al	8 500				
	single_al	5 800				
Personal exemption	pers_ex	3 700				
Dependency exemption	dep_ex	3 700				
Federal tax schedules	Fed_sch_s	0.1	8 500			
		0.15	34 500			
Single individuals		0.25	83 600			
		0.28	174 400			
		0.33	379 150			
		0.35				
Married filing jointly	Fed_sch_m	0.1	17 000			
		0.15	69 000			
		0.25	139 350			
		0.28	212 300			
		0.33	379 150			
		0.35				
Head of household	Fed_sch_h	0.1	12 150			
		0.15	46 250			
		0.25	119 400			
		0.28	193 350			
		0.33	379 150			
		0.35				
Earned income credit	EIC_sch	rate	income limit	threshold	thresh-married	phase-out
	no children	0.0765	6 070	7 590	12 670	0.0765
	1 child	0.34	9 100	16 690	21 770	0.1598
	2 children	0.4	12 780	16 690	21 770	0.2106
	3 or more children	0.45	12 780	16 690	21 770	0.2106
Child credit	chcrd_max	1 000				
	chcrd_rdn	50				
	chcrd_thrsh_m	110 000				
	chcrd_thrsh_oth	75 000				
	chcrd_ref_perct	0.15				
	chcrd_ref_thresh	3 000				
Detroit	Detroit_ex	600				
	Detroit_rate	0.025				
Michigan	Mich_ex	3 700				
	Mich_ex_child	600				
	Mich_rate	0.0435				
Michigan's earned income tax credit	Mich_EIC_rate	0.2				
credit schedule on city tax	Mich_cr_sch	0.2	100			
		0.1	150			
		0.05				
maximum	Mich_cr_max	10 000				
Pension contributions	pens_rate_er	0.062				
	pens_rate_ee	0.042				
	hosp_rate	0.0145				
Ceiling for employers	pens_ceil	106 800				
Unemployment insurance tax	Unemp_rate	0.062				
	Unemp_dedn_rate	0.054				
	Unemp_max	7 000				
Michigan unemploy insur	Mich_unemp_rate	0.049				
	Mich_unemp_max	9 000				

2011 Tax equations

The equations for the US system in 2011 are mostly calculated on a family basis. There is a special function EIC which is used to calculate the earned income credit. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:	tax_al	J	IF(Married, Married_al, IF(Children=0, single_al, hh_al))+ (1+Married)*pers_ex+ Children*dep_ex
3. Credits in taxable income	taxbl_cr	J	0
4. CG taxable income	tax_inc	J	positive(earn-tax_al+taxbl_cr)
5. CG tax before credits	CG_tax_excl	J	Tax(tax_inc, IF(Married, Fed_sch_m, IF(Children, Fed_sch_h, Fed_sch_s)))
6. Tax credits :	EIC	J	EIC(Children, earn_total, EIC_sch)
	Unemp	J	Unemp_dedn_rate*(MIN(earn,Unemp_max))
	ch_crd_max	J	Children*Positive((chcrd_max-chcrd_rdn*Positive(TRUNC(earn, -3)-IF(Married>0, chcrd_thrsh_m, chcrd_thrsh_oth))/1000))
	ch_crd_tax	J	IF(ch_crd_tax>0, MIN(ch_crd_max, CG_tax_excl), 0)
	ch_crd_ref		IF(ch_crd_tax<ch_crd_max, MIN(ch_crd_max-ch_crd_tax, MAX(chcrd_ref_perct*(earn-chcrd_ref_thresh), 0)), 0)
	tax_cr	J	EIC+Unemp+ch_crd_tax+ch_crd_ref
7. CG tax	CG_tax	J	CG_tax_excl-tax_cr
8. State and local taxes	local_tax	J	Detroit_rate* Positive(earn_total-Detroit_ex*(1+Married+Children))+ Mich_rate*Positive(earn_total - Mich_ex*(1+Married+Children) - Mich_ex_child*Children) -MIN(Mich_cr_max, Tax(AJ7, Mich_cr_sch)) -Mich_EIC_rate*EIC
9. Employees' soc security	SSC	B	pens_rate_ee*MIN(earn, pens_ceil)+hosp_rate*earn
11. Cash transfers	Cash_tran	J	
13. Employer's soc security	SSC_empr	B	pens_rate_er*MIN(earn, pens_ceil) +hosp_rate*earn+MIN(earn,Unemp_max)*Unemp_rate +MIN(earn,Mich_unemp_max)*Mich_unemp_rate
Memorandum item: non-wastable tax credits			
tax expenditure component	taxexp		(rate_rd_crd+EIC)-transfer
cash transfer component	transfer		IF(CG_tax<0, -CG_tax, 0)

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

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PART IV

Methodology and limitations

Methodology

1. Introduction

The personal circumstances of taxpayers vary greatly. To identify representative taxpayers and to calculate the amount of their taxes, this Report uses a specific methodology. The focus is on employees. It is assumed that their annual income from employment is equal to a given fraction of the average gross wage earnings of adult, full-time workers in a broad range of industry sectors of each OECD economy. Additional assumptions are made regarding other relevant personal circumstances of these wage earners to enable their tax/benefit position to be determined. Table IV.1 sets out the terminology used in this Report, while Table IV.2 provides information on the industry sectors covered.

Taxes paid and cash transfers received by employees are presented for one-earner and two-earner families at various fractions of average gross wage earnings. The number of taxpayers with the defined characteristics and the wage level of the average workers differ between OECD economies.

The guidelines described in the following paragraphs form the basis for the calculations shown in Parts O, I, II and III. Where a country has had to depart from the guidelines, this is noted in the text and/or in the country chapters contained in Part III of the Report.

2. Calculation of gross wage earnings

This section sets out the standard definition of "the average worker" for which average earnings figures are then determined. Table IV.3 indicates how countries have implemented the standard definition. Levels of gross wage earnings have been established using statistical data. Further information on the calculation of the earnings figure is provided in the country chapters in Part III. The sources of the earnings data are provided in Annex A. Earnings levels for the edition year 2011 had to be estimated (except for Australia and Slovenia), as relevant statistical data are not yet available. The estimation procedures followed are explained in Section 3 below.

It should be noted that, as a result of data limitations, the average wage figures reported by Turkey depart from the common "average worker" definition. The relevant differences are set out below and should be taken into account when comparing *Taxing Wages* results across countries. At the same time, potential comparability problems are limited by the fact that *Taxing Wages* compares tax rates and tax wedges, and not earnings levels as such.

Industry sectors covered

A new definition of the average worker was adopted in the 2005 edition of *Taxing Wages,* and from that time average wages were calculated using a broad set of industry sectors including categories C to K inclusive as defined in the *International Standard Industrial Classification of All Economic Activities* (ISIC Revision 3.1, United Nations).[1] The reasons for moving to a broadened average wage definition were set out in the Special Feature of *Taxing Wages* 2003-04.

Recently, many countries have started calculating average wage earnings on the basis of Revision 4 of the *International Standard Industrial Classification of All Economic Activities*. Many countries (for more detailed country information, see Table 0.6) now calculate average wage earnings for Sectors B to N inclusive of the ISIC Rev. 4 industry classification, which broadly corresponds to Sectors C to K inclusive of the ISIC Rev. 3.1 classification (see Table IV.2).

As stated in Part I, Section 1 of this Report, only Turkey has not yet moved to this broadened industry definition. The average wage figures reported for Turkey therefore still refer to manual workers in manufacturing (industry sector D). These differences may affect the comparability of the data.

Table IV.1. **Terminology**

General terms	
Average worker (AW)	An adult full-time worker in the industry sectors covered whose wage earnings represent the average for workers.
Single persons	Unmarried men and women.
Couple with two children	Married couple with two dependent children between six to eleven years of age inclusive.
Labour costs	The sum of Gross wage earnings,employers' social security contributions and payroll taxes.
Net take-home pay	Gross wage earnings less the sum of personal income tax and employee social security contributions, plus cash transfers received from general government.
Personal average tax rate (tax burden)	The sum of Personal income tax and employee social security contributions expressed as a percentage of gross wage earnings.
Tax wedge	The sum of personal income tax,employee and employer social security contributions plus any payroll tax less cash transfers, expressed as a percentage of labour costs.
Elasticity of income after tax	Percentage change in "after-tax" income following an increase in one currency unit of income before tax (defined more precisely as one minus a marginal tax rate divided by one minus a corresponding average tax rate).
Terms used under the income tax	
Tax reliefs	A generic term to cover all the means of giving favourable income tax treatment to potential taxpayers.
Tax allowances	Amounts deducted from gross earnings to arrive at taxable income.
Tax credits	Amounts which a taxpayer may subtract from his tax liability. They are described as payable if they can exceed tax liability (sometimes the terms "refundable" and "non-wastable" are used).
Standard tax reliefs	Reliefs unrelated to the actual expenses incurred by taxpayers and automatically available to all taxpayers who satisfy the eligibility rules specified in the legislation are counted as standard reliefs. These also include deductions for compulsory social security contributions.
Basic relief	Any standard tax relief available irrespective of marital or family status.
Marriage allowance	Additional tax relief given to married couples. (In some countries, this is not distinguished from the basic relief which may be doubled on marriage).
Non-standard tax reliefs	Reliefs wholly determined by reference to actual expenses incurred.
Average rate of income tax	Amount of income tax payable after accounting for any reliefs calculated on the basis of the tax provisions covered in this Report, divided by gross wage earnings.
Schedule rate	The rate which appears in the schedule of the income tax and in the schedule of social security contributions.
Terms used under cash transfers	
Cash transfers	Cash payments made by general government (agencies) paid to families usually in respect of dependent children.

StatLink http://dx.doi.org/10.1787/888932588632

Table IV.2. **International standard industrial classification of all economic activities**

	Revision 3.1 (ISIC Rev. 3.1)
A	Agriculture, hunting and forestry
B	Fishing
C	Mining and quarrying
D	Manufacturing
E	Electricity, gas and water supply
F	Construction
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods
H	Hotels and restaurants
I	Transport, storage and communications
J	Financial intermediation
K	Real estate, renting and business activities
L	Public administration and defence; compulsory social security
M	Education
N	Health and social work
O	Other community, social and personal service activities
P	Activities of private households as employers and undifferentiated production activities of private households
Q	Extraterritorial organisations and bodies
	Revision 4 (ISIC Rev. 4)
A	Agriculture, forestry and fishing
B	Mining and quarrying
C	Manufacturing
D	Electricity, gas, steam and air conditioning supply
E	Water supply; sewerage, waste management and remediation activities
F	Construction
G	Wholesale and retail trade; repair of motor vehicles and motorcycles
H	Transportation and storage
I	Accommodation and food service activities
J	Information and communication
K	Financial and insurance activities
L	Real estate activities
M	Professional, scientific and technical activities
N	Administrative and support service activities
O	Public administration and defence; compulsory social security
P	Education
Q	Human health and social work activities
R	Arts, entertainment and recreation
S	Other service activities
T	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
U	Activities of extraterritorial organizations and bodies

StatLink http://dx.doi.org/10.1787/888932588651

Geographical coverage

The data relate to average earnings in the industry sectors covered for the country as a whole.

Type of worker

The calculations are based on an adult worker (including both manual and non-manual). Some countries are not able to provide averages that include supervisory and/or management employees (see Table IV.3). In such countries, the reported averages are lower than would otherwise be the case (for instance, OECD Secretariat analysis of available Eurostat earnings data for selected European countries has shown that excluding this type of

workers can reduce average earnings by 10% to 18%). In the case of Turkey that has not yet been able to move to the broadened industry definition, the definition includes only manual workers and minor shop-floor supervisory workers in the manufacturing industry.

Sex

The earnings data refer to the average earnings of all workers, both male and female.

Full-time worker

The worker is assumed to be full-time employed during the entire year, although several countries are unable to separate and exclude part-time workers from the earnings figures (see Table IV.3). Most of them report full-time equivalent wages in these cases. In four countries (Chile, Ireland, Slovak Republic and Turkey), the wages of part-time workers can be neither excluded nor converted into full-time equivalents because of the ways in which the earnings samples are constructed. As a result, average wages reported for these countries will be lower than an average of full-time workers (for instance, Secretariat analysis of available Eurostat earnings data for selected European countries has shown that including part-time workers reduces average earnings by around 10%).

Two of the household types include a second earner at 33 per cent of average earnings. Such individuals are more likely to be working part-time rather than full-time (as shown in the Special Feature of the 2005 edition). However, it is also shown that the assumption that all employees are working full-time does not significantly affect the tax rates calculated in *Taxing Wages*, except in the case of Belgium for married couples where the spouse is earning 33 per cent of the average wage level. This is because any special provisions made for part-time workers tend to be either of minor importance or not applicable for the household types currently presented in *Taxing Wages*.

Determination of earnings

The methodologies for calculating the earnings data in each country are set out in Table IV.3. The earnings calculation includes all cash remuneration paid to workers in the industries covered taking into account average amounts of overtime, cash supplements (*e.g.* Christmas bonuses, thirteenth month) and vacation payments typically paid to workers in the covered industry sectors.

Profit-sharing schemes which take the form of dividend distributions and are often subject to special tax treatments should be excluded from the calculations.

However, not all countries are able to include overtime pay, vacation payments and cash bonuses according to the definition. Furthermore, several countries are unable to exclude fringe benefits from the earnings figures.

Sickness and unemployment

The worker is assumed not to be sick or unemployed during the year, although some countries are not able to exclude sickness payments from the earnings figures.

In most of the OECD countries where sickness payments are made by the employer, either on behalf of the government or on behalf of private sickness schemes, these amounts are included in the wage calculations. It is unlikely that this has a marked impact on the results since employers usually make these payments during a short period and the amounts usually correspond very closely to normal hourly wages.

The treatment of (non-cash) fringe benefits

Fringe benefits – which include, for example, provision of food, housing or clothing by the employer either free of charge or at below market-price – are, where possible, excluded from the calculation of average earnings. This decision has been taken because:

- These types of benefits are difficult to evaluate in a consistent way (they may be valued at the actual cost to the employer, their value to the employee or their fair market value).
- In most countries are of minimal importance for workers at the average wage level.
- The tax calculations would be significantly more complicated if the tax treatment of fringe benefits were to be incorporated.

As fringe benefits are a part of the total remuneration of employees, excluding them from the earnings definition may affect comparability of tax wedges – as the reliance on fringe benefits may vary between countries and over time. On the other hand, the lack of comparability is probably limited as fringe benefits rarely account for more than 1-2 per cent of labour costs and are normally more common among high-income employees than in the income ranges covered by *Taxing Wages* (33% to 167% of average earnings). Table IV.3 shows that some member countries are not able to exclude fringe benefits from the earnings figures reported and used in *Taxing Wages*.

In the case of employers' contributions to private pension, family allowance or health and life insurance schemes, the amounts involved can be significant. In the United States, for example, these contributions can account for more than 5 per cent of the earnings of employees. Although these contributions are excluded from the earnings base (and therefore do not affect the tax calculations), the country chapters in Part III indicate of the existence of schemes which may be relevant for an average worker.

Calculation method used

Table IV.3 indicates the basic calculation method used in each country while more details are, where relevant, provided in the country chapters in Part III. In principle, countries are recommended to calculate annual earnings by referring to the average of hourly earnings in each week, month or quarter, weighted by the hours worked during each period, and multiplied by the average number of hours worked during the year, assuming that the worker is neither unemployed nor sick and including periods of paid vacation. A similar procedure was recommended to calculate overtime earnings. For countries unable to separate out part-time employees from the data, it is recommended that earnings of part-time employees should if possible be converted into their full-time equivalents (see section "full-time worker" above).

3. Estimating gross wage earnings in 2011

Statistical data on average gross wage earnings in 2011 are not presently available (except for Australia and Slovenia). Still, it is felt that including estimates of the tax/benefit position of employees in the edition year increases the relevance of the Report for policy-making. Therefore the Report presents preliminary data for the 2011 edition year. Estimates of gross wage earnings of average workers in 2011 were derived by the Secretariat on the basis of a uniform approach: all year 2010 earnings levels (or the earnings level in the most recent year for which final average wage earnings country information is available) are multiplied by the country-specific annual percentage change of wages reported in the most recently published edition of the OECD *Economic Outlook*.[2]

Table IV.3. **Method used to calculate average earnings**

	Items included and exluded from the earnings base					Types of worker included and excluded in the average wage measure			Basic method of calculation used	Income tax year ends	Period to which the earnings calculation refers
	Sickness[1]	Vacations	Overtime	Recurring cash payments	Fringe Benefits	Supervisory workers	Managerial workers	Part-time workers			
Australia	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average weekly earnings x 52	30th June	Fiscal year
Austria	Exc	Inc	Inc	Inc	Taxable value Inc	Inc	Inc	Exc	Average annual earnings	31st December	Calendar year
Belgium	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Monthly earnings in October x 12 (plus recurring bonuses)	31st December	Calendar year
Canada	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Inc[6]	Average weekly hours x average hourly earnings x 52	31st December	Calendar year
Chile	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Inc	Hourly earnings x hours worked	31st December	Calendar year
Czech Republic	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Inc[6]	Average monthly earnings x 12	31st December	Calendar year
Denmark	Exc	Inc	Exc	Inc	Exc	Inc	Inc	Inc[6]	Hourly earnings x hours worked	31st December	Calendar year
Estonia	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Inc	Average earnings	31st December	Calendar year
Finland	Exc	Inc	Inc	Inc	Exc	Inc	Inc[5]	Exc	Hourly wages x usual working time or (monthly earnings x months) + vacation payments+ end of year bonuses	31st December	Calendar year
France	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Annual earnings	31st December	Calendar year
Germany	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Annual earnings	31st December	Calendar year
Greece	Exc	Inc	Inc	Inc[2]	Inc	Inc	Inc	Exc	Hourly earnings x hours worked	31st December	Calendar year
Hungary	Exc	Inc	Inc	Inc	Exc	Inc	Inc[5]	Exc	Average monthly earnings x 12	31st December	Calendar year
Iceland	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Hourly earnings x hours worked x 12	31st December	Calendar year
Ireland	Exc	Inc	Inc	Inc	Exc	Exc	Exc	Inc	Average weekly earnings in each quarter for four quarters/4*52	31st December	Calendar year
Israel	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average earnings	31st December	Calendar year
Italy	Exc[3]	Inc	Inc	Inc	Exc[4]	Inc	Inc	Inc[6]	Average monthly earnings x 12	31st December	Calendar year
Japan	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Monthly earnings in June x 12	31st December	Calendar year
Korea	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average monthly earnings x 12	31st December	Calendar year
Luxembourg	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Aggregate annual earnings divided by annual average number of full-time employees. Any parts of earnings that exceed the upper social contribution limit (7 times the minimum wage) are not recorded.	31st December	Calendar year
Mexico	Exc	Inc	Exc	Inc	Exc	Inc	Inc	Exc	Average monthly earnings x 12	31st December	Calendar year
Netherlands	Exc	Inc	Exc	Inc	Exc	Inc	Inc	Exc	Annual gross earnings	31st December	Calendar year
New Zealand	Exc	Inc	Inc	Inc	Exc	Inc	Inc[5]	Inc[6]	Average weekly earnings in each quarter x 13	31st March	Tax year
Norway	Exc	Exc	Inc	Inc	Exc	Inc	Inc	Inc[6]	Annual wages + estimated overtime	31st December	Calendar year

Table IV.3. **Method used to calculate average earnings** *(cont.)*

	Items included and exluded from the earnings base					Types of worker included and excluded in the average wage measure			Basic method of calculation used	Income tax year ends	Period to which the earnings calculation refers
	Sickness[1]	Vacations	Overtime	Recurring cash payments	Fringe Benefits	Supervisory workers	Managerial workers	Part-time workers			
Poland	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Inc[6]	Average monthly earnings x 12	31st December	Calendar year
Portugal	Exc	Inc	Inc	Inc	Inc	Inc	Inc	Exc	Weighted monthly average x 12	31st December	Calendar year
Slovak Republic	Exc	Inc	Inc	Inc	Inc	Inc	Inc	Inc	Average monthly earnings x 12	31st December	Calendar year
Slovenia	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Inc	Average monthly earnings * 12	31st December	Calendar year
Spain	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Weighted monthly average x 12	31st December	Calendar year
Sweden	Exc	Inc	Inc	Inc	Actual value Inc	Inc	Inc	Inc[6]	Average hourly earnings in September x hours worked; and monthly earnings in September * 12	31st December	Calendar year
Switzerland	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Inc[6]	Monthly earnings x 12	31st December	Calendar year
Turkey	Exc	Inc	Inc	Inc	Actual value inc	Exc	Exc	Inc	Average annual earnings	31st December	Calendar year
United Kingdom	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average gross annual earnings	5th April	Fiscal year
United States	Exc	Inc	Inc	Inc[2]	Exc	Inc	Inc	Inc[6]	Average weekly earnings x 52	31st December	Calendar year

Note: Exc = Excluded; Inc = Included; "–" = information not available.

1. Usually includes compensation paid by employer whether paid on behalf of the government or as part of a private sickness scheme.
2. In Greece and the United States, end of the year bonuses and profit sharing bonuses are excluded.
3. Sickness payments are only included to the extent that they are paid by the employer. For manual workers, this is only the case during the first three days of sick leave, while payments for the fourth day onwards are made by INPS.
4. Partly: the (small) taxable part of fringe benefits is included.
5. Except for top management (Finland); except if income from profits exceeds 50% of total income (Hungary); except for proprietors (New Zealand).
6. Part-time wages are converted to full-time equivalents before calculating the average wage measure.

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This transparent procedure is intended to avoid any bias in the results. Only in the cases of the Czech Republic, Estonia, Korea, Mexico, New Zealand, the Slovak Republic, Slovenia and Turkey are national estimates used as the necessary inputs for Secretariat estimates do not sufficiently reflect wage changes in the covered industry sector. For Australia, the final 2011 gross wage earnings were used. Average wage earnings were also estimated for prior years for Belgium (2009, 2010), Finland (2010), France (2010) and Switzerland (2007, 2009, 2010) as no country information on average wage earnings levels was available for these years in these countries.

There are gaps between wage levels reported in this publication and those contained in the *OECD Analytical Database* (ADB) corresponding to what is shown in the *Economic Outlook*. This is due to the different definitions used. Data in the ADB include: 1) all employees in the business sector; 2) wages in cash and in kind; 3) fringe benefits and profit sharing schemes; and 4) allowances to cover certain costs, notably to commute to work. In contrast, this Report includes: 1) only employees in industry sectors C-K (ISIC Rev. 3.1) or B-N (ISIC Rev. 4); 2) cash wages; 3) generally, no fringe benefits and no profit sharing schemes; and 4) generally, no allowances to cover costs. In addition, for a number of countries the methodology for determining the average wage level is different.

Seventeen of the OECD member countries have opted to provide national estimates of the level of gross wage earnings of average workers in 2011. These estimates were not used (except for the countries listed above where no reliable OECD Secretariat estimate could be determined) because of potential inconsistency with the Secretariat estimates derived for other countries. However they are included in Table IV.4 to enable comparisons to be made between the estimates obtained by applying the Secretariat formula and those from national sources. In all cases, the two categories are fairly close.

Table IV.4. **Estimated gross wage earnings, 2010-11 (in national currency)**

	Average wage 2010	Average wage 2011 (Secret. estimates)	Average wage 2011 (Country estimates)	EO90 forecasted Rates for 2011
Australia[2]	66 724		69 903	5.6
Austria	38 504	39 263	39 543	2.0
Belgium	41 499	42 740	42 844	3.0
Canada	44 717	46 163		3.2
Chile	5 508 104	5 907 326	5 803 457	
Czech Republic[2]	287 320		290 481	2.9
Denmark	376 073	382 850	383 594	1.8
Estonia[2]	9 580		9 916	
Finland	39 982	41 445		3.7
France	34 849	35 859		2.9
Germany	42 400	43 855		3.4
Greece[3]	20 457			
Hungary	2 511 852	2 624 088		4.5
Iceland	5 256 000	5 577 213		6.1
Ireland	32 308	32 841		1.7
Israel	113 280	119 016	117 264	5.1
Italy	28 224	29 030		2.9
Japan	4 773 076	4 781 406		0.2
Korea[2]	36 929 183		36 154 826	
Luxembourg	49 317	49 890		1.2
Mexico[2]	87 324		89 944	
Netherlands	45 215	45 904		1.5
New Zealand[2]	48 007		49 395	
Norway	469 247	487 324	488 017	3.9
Poland	36 121	38 557	36 952	6.7
Portugal	17 352	17 588		1.4
Slovak Republic[2]	9 325		9 658	3.2
Slovenia[2]	16 915		17 373	
Spain	24 786	25 223		1.8
Sweden	368 208	375 436	378 150	2.0
Switzerland	75 331	77 414		2.8
Turkey[2, 4]	21 661		22 636	
United Kingdom	34 297	34 286		0.0
United States	45 688	46 800		2.4

1. Increase of compensation per employee in the business sector (*Economic Outlook No. 90*).
2. The country AW estimate is used instead of the OECD Secretariat's AW estimate in the *Taxing Wages* calculations.
3. The 2011 average earnings figure for Greece was not available at the final compilation stage.
4. Turkey wage figures under the old definition of average worker (ISIC D, Rev. 3).

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4. Coverage of taxes and benefits

The Report is concerned with personal income tax and employee and employer social security contributions payable on wage earnings. In addition, payroll taxes (see Section 9 below) and in one case church tax (see Section 10 below) are included in the calculation of the total wedge between labour costs to the employer and the corresponding net take-home pay of the employee.

The calculation of the after-tax income includes family benefits paid by general government as cash transfers (see Section 11 below). Income tax due on capital income and non-wage labour income, several direct taxes (net wealth tax, corporate income tax) and all indirect taxes are not considered in this Report. However, all central, state and local government income taxes are included in the data.[3]

In this study, compulsory social security contributions paid to general government are treated as tax revenues. Being compulsory payments to general government they clearly resemble taxes. They may, however, differ from taxes in that the receipt of social security benefits depends upon appropriate contributions having been made, although the size of the benefits is not necessarily related to the amount of the contributions. Countries finance compulsory public social security programmes to a varying degree from general tax and non-tax revenue and earmarked contributions, respectively. Better comparability between countries is obtained by treating social security contributions as taxes, but they are listed under a separate heading so that their amounts can be identified in any analysis.

5. Taxpayer characteristics

Further assumptions are required to calculate the tax/benefit position of employees. The present Report identifies eight types of households, as set out in Table IV.5:

In cases of families with children, the children are assumed to be aged between six and eleven inclusive.

The family is assumed to have no income source other than employment and cash benefits.

Table IV.5. **Characteristics of taxpayers**

Marital status	Children	Principal earner	Secondary earner
Single individual	No children	67% of average earnings	
Single individual	No children	100% of average earnings	
Single individual	No children	167% of average earnings	
Single individual	2 children	67% of average earnings	
Married couple	2 children	100% of average earnings	
Married couple	2 children	100% of average earnings	33% of average earnings
Married couple	2 children	100% of average earnings	67% of average earnings
Married couple	No children	100% of average earnings	33% of average earnings

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6. Calculation of personal income taxes

The method by which income tax payments are calculated is described in the country tables in Part III. First, the tax allowances applicable to a taxpayer with the characteristics and income level related to gross annual wage earnings of an average worker are determined. Next, the schedule of tax rates is applied and the resulting tax liability is reduced by any relevant tax credits. An important issue arising in the calculation of the personal income tax liability involves determining which tax reliefs should be taken into account. Two broad categories of reliefs may be distinguished:

- *Standard tax reliefs:* reliefs which are unrelated to actual expenditures incurred by the taxpayer and are automatically available to all taxpayers who satisfy the eligibility rules specified in the legislation. Standard tax reliefs are usually 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. These reliefs are taken into account in the calculations – they include:
  - the *basic relief* which is fixed and is available to all taxpayers or all wage earners, irrespective of their marital or family status;
  - the *standard relief* which is available to taxpayers depending on their *marital status*;

- the *standard child relief* granted to a family with two children between the ages of six to eleven inclusive;
- the *standard relief* in respect of *work expenses*, which is usually a fixed amount or fixed percentage of (gross) wage earnings; and
- tax reliefs allowed for *social security contributions* and other (sub-central government) *income taxes* are also considered as standard reliefs since they apply to all wage earners and relate to compulsory payments to general government.[4]

- *Non-standard tax reliefs:* these are reliefs which are wholly determined by reference to actual expenses incurred. They are therefore 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), private insurance premiums, contributions to private pension schemes, and charitable donations. These are not taken into account in calculating the tax position of employees.

Standard reliefs are separately identified and their impact on average tax rates is calculated in the results tables shown in the Country chapters. The latter include a brief description of the main non-standard reliefs in most cases.

7. State and local income taxes

Personal income taxes levied by sub-central levels of government – state, provincial, cantonal or local – are included in the scope of this study. State income taxes exist in Canada, Switzerland and the United States. Since 1997, Spain has an income tax for the Autonomous Regions. Local income taxes are imposed in Belgium, Denmark, Finland, Iceland, Italy, Japan, Korea, Norway, Sweden, Switzerland and the United States. In Belgium, Canada (other than Québec), Denmark, Iceland, Italy, Korea, Norway and Spain they are calculated as a percentage of taxable income or of the tax paid to central government. In Finland, Japan, Sweden and Switzerland, local government provides different tax reliefs from central government. In the United States, the sub-central levels of government operate a separate system of income taxation under which they have discretion over both the tax base and tax rates. Except for Canada, Japan, Spain and Switzerland, the rate schedule of these sub-central taxes consists of a single rate.

When tax rates and/or the tax base of sub-central government income taxes vary within a country, it is sometimes assumed that the average worker lives in a typical area. The income taxes (and benefits) applicable in this area are presented. This is the procedure followed in Canada, Italy, Spain, Switzerland and the United States where the tax base and tax rates vary very widely throughout the country. Denmark, Finland, Iceland and Sweden have preferred to select the average rate of sub-central government income taxes for the country as a whole. No problem arises in Norway and Korea where the local rates in practice do not vary. Japan has used the widely prevalent standard schedule and Belgium the widely prevalent rate of local income tax.

8. Social security contributions

Compulsory social security contributions paid by employees and employers to general government or to social security funds under the effective control of government are included in the coverage of this Report. In most countries, contributions are levied on gross earnings and earmarked to provide social security benefits. In Finland, Iceland and the

Netherlands, some contributions are levied as a function of taxable income (*i.e.* gross wage earnings after most/all tax reliefs). Australia and New Zealand do not levy social security contributions.

Contributions to social security schemes outside the general government sector are not included in the calculations. However, information on "non-tax compulsory payments" as well as "compulsory payment indicators" is included in the *OECD Tax Database*, which is accessible at *www.oecd.org/ctp/taxdatabase*.

9. Payroll taxes

The tax base of payroll taxes is either a proportion of the payroll or a fixed amount per employee. In the OECD *Revenue Statistics* payroll taxes are reported under heading 3000. Twelve OECD countries report revenue from payroll taxes: Australia, Austria, Canada, Denmark, France, Hungary, Ireland, Korea, Mexico, New Zealand, Poland and Sweden.

Payroll taxes are included in total tax wedges reported in this publication, given that they increase the gap between gross labour costs and net take-home pay in the same way as income tax and social security contributions do. The main difference with the latter is that the payment of payroll taxes does not confer an entitlement to social security benefits. Also, the tax base of payroll taxes may differ from the tax base of employer social security contributions. For example, certain fringe benefits may only be liable to payroll tax. Because this Report presents the standard case, the payroll tax base is – depending on the relevant legislation – gross wage (excluding fringe benefits and other items of compensation that vary per employee), gross wage plus employer social security contributions, or a fixed amount per employee.

Four of the OECD member countries include payroll taxes in the *Taxing Wages* calculations: Australia, Austria, Hungary and Sweden. For a variety of reasons, several countries reporting payroll tax revenue in *Revenue Statistics* have not included these taxes in the calculations for the present Report.

In the case of the Greece, Ireland and Poland revenues reported in *Revenue Statistics* are of no quantitative importance or are linked to taxes that are no longer imposed.

In Denmark, employers pay a fixed amount per employee. Tax revenues thus collected are fed into a fund. This fund provides subsidies to employers hiring medium and low-skilled trainees. This payroll tax is not included in the tax equations for Denmark.

Hungary does take into account the employer lump sum health insurance contribution. However, the communal tax on corporations is not included, since not all municipalities levy the tax.

Korea does not take into account the Business Office Tax that is imposed on employers with over 150 employees.

New Zealand has not included its payroll taxes in the tax calculations, mainly because its Fringe Benefit Tax is not a function of the employee's income and the authorities have inadequate information to allocate the tax to all employees, pro-rated by income. An added argument is that probably not all employees in the manufacturing sector receive taxable fringe benefits. It follows that the Fringe Benefit Tax is not a "standard" item; therefore, it should not be included in the tax/benefit calculations.

10. Church tax

Several OECD member countries impose a levy known as "Church tax". With one exception, countries do not report revenues from the Church tax in the OECD *Revenue Statistics*. Denmark does report revenues from its Church tax since the Danish State Church is classified as a part of general government. Denmark argues that this inclusion of the church in general government is appropriate because of the high degree of control that the government exercises over the church. Since the Working Party on Tax Policy Analysis and Tax Statistics has agreed that Church taxes should be treated consistently in its two main statistical publications, only the Danish Church tax is included in the calculations for *Taxing Wages*.

11. Family cash benefits from general government

Tax reliefs and family cash transfers universally paid in respect of dependent children between thef ages of six to eleven inclusive who are attending school are included in the scope of the study. If tax reliefs or cash transfers vary within this age range, the most generous provisions are adopted. The case of twins is explicitly disregarded. Suppose the child benefit programme of a country is structured as follows:

Age group	Benefits per child
Children 6-8	100 units
Children 9-10	120 units
Children 11-14	150 units

The most favourable outcome arises in the case of 11-year old twins: 300 units. However, as the case of twins is excluded, the best outcome now becomes 270 units (one child 11 years old, one child 9 or 10 years old). This amount would be included in the country table. Often, the amount in benefits is raised once children become one year older. By assuming that children have been born on 1 January, the annual amount received in child benefits may be calculated from the benefit schedule that is in place at the start of the year. Revisions of these amounts during the year are taken into account.

Relevant cash payments include those made by central, state and local governments. For most of the families in this study, these constitute the only major cash transfer received from general government. In some cases, the cash benefits include amounts that are paid without consideration to the number of children.

12. Payable tax credits

Payable (non-wastable) tax credits are included in *Taxing Wages*. Payable tax credits are tax credits that can exceed tax liability, where the excess, if any, can be paid as a cash transfer to the taxpayer. In principle, these credits can be treated in different ways according to whether they are regarded as tax provisions or cash transfers or a combination of these. A Special Feature in the 2001 edition of *Revenue Statistics* discusses these alternative treatments and the conceptual and practical difficulties that arise in deciding which is the most appropriate approach for the purpose of reporting internationally comparable tax revenue figures.[5] Based on this review and assessment, editions of the *Revenue Statistics* from 2002 continue to follow the *Interpretative Guide* which requires that only the tax expenditure component of payable tax credits be taken into account when measuring tax revenues (see below). However, additional information is provided in

Revenue Statistics on aggregate tax expenditure components and aggregate transfer components of payable tax credits to show the effect of alternative treatments.[6]

The treatment of payable tax credits in *Taxing Wages* includes a memorandum item reporting of tax expenditure and cash transfer components. The taxpayer calculations in the country tables apply the full amount of payable tax credits against personal income tax. As noted above, the *Interpretative Guide* of the *Revenue Statistics* requires that:

- only the portion of a payable tax credit that is claimed to reduce or eliminate a taxpayer's liability (the "tax expenditure" component)[7] should be deducted in the reporting of tax revenues;
- the part of the tax credit that exceeds a taxpayer's tax liability and is paid to him (the "cash transfer" component) should be treated as an expenditure item and not deducted in the reporting of tax revenues.

Strict consistency with the *Interpretative Guide* to the *Revenue Statistics* would require that only the tax expenditure component derived in *Taxing Wages* be offset against derived income tax, with the excess (if any) treated as a cash transfer. However, this approach would diminish rather than strengthen the informational content of the derived results. In particular, limiting tax credit claims to tax expenditure amounts would yield a zero income tax liability and zero average income tax rate where cash refunds are provided. Where tax credits claims are not constrained in this way, negative income tax liabilities and negative average income tax rates would result where cash transfers are provided. Arguably, these negative amounts more clearly convey the taxpayer's position (which is improved relative to the no-tax situation). Also, not including the cash transfer portion of payable tax credits in the section (11) of the country tables focusing on "pure" cash transfers permits greater transparency of the latter amounts.

Thus, in order to improve the informational content of country tables as regards payable tax credits, the memorandum item reporting at the bottom of the relevant country tables shows tax expenditure amounts on one line, with a second line showing cash transfer amounts. Where more than one payable tax credit program applies, the figures show aggregate tax expenditure and aggregate cash transfer amounts (rather than separate amounts for each program). Total program costs in each of the household cases considered can be derived by adding the tax expenditure and cash transfer amounts.

13. The calculation of marginal tax rates

In most cases, the marginal tax rates are calculated by considering the impact of a small increase in gross earnings on personal income tax, social security contributions and cash benefits. However, in the case of a non-working spouse, the move from a zero to a small positive income is unrepresentative of income changes and therefore of little interest. So, for this case, the marginal rates for the spouse are calculated by considering the impact of an income increase from zero to 33 per cent of the average wage.

Notes

1. Not all national statistical agencies use ISIC Rev. 3.1 or ISIC Rev. 4 to classify industries. However, the Statistical Classification of Economic Activities in the European Community (NACE), the North American Industry Classification System (NAICS) and the Australian and New Zealand Standard Industrial Classification (ANZSIC) include a classification which is broadly in accordance with industries C-K in ISIC Rev. 3.1 or industries B-N in ISIC Rev. 4.

2. Wage estimates reported in the *Economic Outlook* are consistent with information in the *Analytical Database* (ADB) of the Economics Department (ECO) of the OECD. These estimates are prepared by the ECO country desks. Data in the ADB/EO90 are consistent with the December 2011 issue of the *Economic Outlook*.
3. Information on the fiscal powers of sub-central governments may be found in the publication "Taxing Powers of State and Local Government", *OECD Tax Policy Studies*, No. 1 (Paris, 1999).
4. In this case, the amount of tax relief is related to actual social security contributions paid by the employee or withheld from his wage – thus in this respect this item deviates from the general definition of standard tax relief under which relief is unrelated to actual expenses incurred.
5. OECD, *Revenue Statistics 1965-2000*, p. 28-31.
6. See Table D in the latest edition of OECD, *Revenue Statistics*.
7. This characterisation must be viewed as informal, as the determination of tax expenditures requires the identification of a benchmark tax system for each country, or preferably, a common international benchmark. In practice, it has not been possible to reach agreement on a common international benchmark for such purposes.

Limitations

1. General limitations

The simple approach of comparing the tax/benefit position of example families avoids many of the conceptual and definitional problems involved in more complex international comparisons of tax burdens and transfer programmes. However, a drawback of this methodology is that the earnings of an average worker will usually occupy a different position in the overall income distribution in different economies, although the earnings relate to workers in similar jobs in various OECD member countries.

Because of the limitations on the taxes and benefits covered in the Report, the data cannot be taken as an indication of the overall impact of the government sector on the welfare of taxpayers and their families. Complete coverage would require studies of the impact of indirect taxes, the treatment of non-wage labour income and other income components under personal income taxes and the effect of other tax allowances and cash benefits. Complete coverage would also require that consideration be given to the effect on welfare of services provided by the state, either free or below cost, and the incidence of corporate and other direct taxes on earnings and prices. Such a broad coverage is not possible in an international comparison of all OECD countries. The differences between the results shown here and those of a full study of the overall impact on employees of government interventions in the economy would vary from one country to another. They would depend on the relative shares of different kinds of taxes in government revenues and on the scope and nature of government social expenditures.

The Report shows only the formal incidence of taxes on employees and employers. The final, economic incidence of taxes may be quite different, because the tax burden may be shifted from employers onto employees and *vice versa* by market adjustments to gross wages.

The income left at the disposal of a taxpayer may represent different standards of living in various countries because the range of goods and services on which the income is spent and their relative prices differ as between countries. In those countries where the general government sector provides a wide range of goods and services (generous basic old age pension, free health services, public housing, university education, etc.), the taxpayer may be left with less cash income but may enjoy the same living standards as a taxpayer receiving a higher cash income but living in a country where there are fewer publicly provided goods and services.

As mentioned in Part 0 and detailed in the Special Feature of the 2005 edition of *Taxing Wages*, second earners who are earning 33 per cent of the average wage are very likely to be working part-time, although the *Taxing Wages* methodology generally assumes that they are working full-time. However, this only affects the accuracy of the results in *Taxing Wages* for one family type in Belgium (married couple where a second earner is earning 33 per

cent of average wages). Therefore, one should be cautious when interpreting the results for this family type for Belgium. In addition, for all countries with hour-based rules, (see the 2005 Special Feature), caution should be used in applying the results in this Report to other household types.

2. Some specific limitations on the income tax calculation

The exclusion of non-wage income and the limited number of tax reliefs covered imply that the average rates of income tax in the tables in this publication will not necessarily reflect the actual rates confronting taxpayers at these levels of earnings. Actual rates may be lower than the calculated rates because the latter do not take into account non-standard expense-related reliefs. On the other hand, actual rates may be higher than calculated rates because the latter do not take into account tax on non-wage income received by employees.

The decision not to calculate separately average rates of income tax taking into account the effect of non-standard tax reliefs was taken because:

- In many cases, expense-related reliefs are substitutes for direct cash subsidies. To take into account these reliefs while ignoring any corresponding direct subsidies would distort comparisons of take-home pay plus cash transfers.
- The special tax treatment of certain expenses may be linked to special treatment of any income associated with these expenses (*e.g.* the tax treatment of social security contributions and pension income) which is beyond the scope of this study.
- A few countries were unable to estimate the value of these reliefs and even those countries which could do so could not limit their estimates to taxpayers with the characteristics assumed in the above part on methodology. And
- Not all countries could calculate separately the reliefs available to different family-types. Where a split is provided between single individuals and families with children, there are large differences in the value of the reliefs typically received by these two categories of households.

3. Limitations to time-series comparisons

The Calculations of the tax burden on labour income in OECD countries reported in previous editions of *Taxing Wages*, including the 2004 edition, are based on an average earnings measure calculated for manual full-time workers in the manufacturing sector (the "average production worker"). From 1996 onwards there are time-series results covering all 8 family types, whereas there are results from 1979 onwards for two of these family-types: single individuals without children and married one-earner couples with two children with earnings equal to those of an average production worker.

Any analysis of the results has to take into account the fact that the earnings data do not necessarily relate to the same taxpayer throughout the period. The average earnings are calculated for each year. As such, the results do not reflect the changing earnings and tax position of particular individuals over time but rather to the position of workers earning a wage equal to average earnings in the covered industry sectors in each particular year. This, in turn, may mean that the earnings levels referred to may be at different points in the income distribution over the period covered and changes in tax rates may be influenced by these trends.

From the 2005 edition, *Taxing Wages* has reported tax calculations under a broadened average worker definition that includes all full-time employees covering industry sectors C-K (reference to ISIC Rev. 3.1). The implications of adopting this new definition for time-series comparisons are discussed in the 2005 edition of *Taxing Wages*. As of the 2010 edition of the *Taxing Wages* Report, many countries have started reporting average wage earnings for full-time employees covering industry sectors B-N of the ISIC Rev. 4 industry classification (which broadly corresponds to sectors C-K in ISIC Rev. 3.1).

Despite the focus on the years since 2000 in the main body of the Report, Annex C also reports figures since 1979 for single individuals without children and married one-earner couples with two children with earnings equal to those of an average production worker under the old definition of average worker.

It should, however, be noted that there are a number of additional limitations which apply to the interpretation of the results for the period from 1979-2004 (Tables in Annex C).

- For technical reasons, the procedures countries follow to determine the benchmark earnings level of the national average production worker may change over time. For instance, in the time-series from 1979 onwards on needs to be aware of the fact that the average worker wage level in France as of 1997 is based on improved statistical data, which lead to a one-off additional increase in the average worker's wage level of 5 to 7 per cent in that year. In the same vein, starting with the 1999 edition, the Netherlands assumes that the wage for manual workers in industry is on average equal to 90 per cent of the wage for all industrial workers, including white collar workers and supervisors.
- In certain cases, the taxes covered for a given country may differ over the years. For example, in the time-series from 1979 onwards on needs to be aware of the fact that Korea extended the coverage of its social security contributions as of 1997. This extended coverage largely explains why the wedge between labour costs and net take-home pay of a single average production worker in the case of Korea doubles from 6.3 per cent (1996) to 12.4 per cent (1997). Another example is the reporting of payroll taxes. In Australia, the payroll taxes are only included in the calculations from 2003; and in Austria from 1998.
- In some of the countries with state and/or local income taxes, the rates of tax applied to an average worker refer to a typical region. Consequently, if movements in tax rates in this region are unrepresentative of changes in income taxes elsewhere in the country, they will provide a poor indication of how country-wide average rates of taxes are evolving.

Particular care is required in interpreting the results where many of the limitations set out above apply to one particular country since, while taken individually, each limitation may not significantly distort the results, but cumulatively the impact may be important.

To conclude, the data are comparable for the specific situations referred to and the results show the proportion of gross wage earnings retained. This net cash income (including universal cash benefits) is the amount over which the household is able to exercise a free choice in the allocation of its expenditure.

A note on the tax equations

Each country chapter contains a section describing in a standard format the equations under-pinning the calculations required to derive the amounts of income tax, social security contributions and cash transfers. These algorithms represent in algebraic form the legal provisions described in the chapter and are consistent with the figures shown in the country and comparative tables. This section describes the conventions used in the definition of the equations and how they could be used by those wishing to implement the equations for their own research.

The earlier sections of the country chapters describe how the tax and other systems work and present the values of the parameters of those systems such as the levels of allowances and credits, and the schedule of tax rates.

In the first part of the equations section is a table showing a brief description of each parameter (such as "Basic tax credit"), the name of the parameter as used in the algebraic equation ("Basic_cred") and the actual value for the relevant year (such as "1098"). Where there is a table of values – for example a schedule of tax rates and the associated thresholds of taxable income – a name is given to the entire table (for example "tax_sch"). These variable names are those used in the equations.

After the table of parameters is the table of equations. The four columns contain information as follows:

- The first two columns give a description and a variable name for the result of the equation on that row of the table. These always include the thirteen main financial value entries in the country tables. Additional rows define any intermediate values which are calculated either to show the detail included in the tables (such as the subdivision of total tax allowances into the different categories) or values which make the calculation clearer.
- The third column shows the range of the calculation in that row. This is necessary to allow for the different way that tax may be calculated for married couples. The options are:
  - B: the calculation is carried out separately for both the principal earner and the spouse using their individual levels of earnings. This applies in the case of independent income tax and usually also in respect of social security contributions.
  - P: the calculation applies for the principal earner only. An example is where the principal earner can use any of the basic tax allowance of the spouse which cannot be set against the income of the spouse.
  - S: the calculation applies for the lower earning spouse only.
  - J: the calculation is carried out only once on the basis of joint income. This applies to systems of joint or family taxation and is also usual for the calculation of cash transfers in respect of children.

- The final column contains the equation itself. The equation may refer to the variables in the parameters table and to variables which result from one of the rows of the equations table itself. Use is also made of the two standard variables "Married", which has the value 1 if the family consists of a married couple and 0 in the case of a single individual, and "Children" which denotes the number of children. Sometimes there is a reference to a variable with the affix "_total" which indicates the sum of the relevant variable values for the principal earner and the spouse. Similarly, the affixes "_princ" and "_spouse" indicate the value for the principal earner and spouse, respectively.

In the equations, a number of functions are used. Some of these are used in the same way as in a number of widely available "spreadsheet" computer packages. For example, MAX(X,Y) and MIN(X,Y) find the maximum and minimum of the two values, respectively. IF(condition X,Y) chooses the expression X if the condition is true and the expression Y if it is false. Boolean expressions are also used and are taken to have the value 1 if true and 0 if false. As an example, (Children=2*CB_2) is equivalent to IF(Children=2, CB_2,0).

There are also three special functions commonly used which denote calculations often required in tax and social security systems. These are:

- Tax (taxinc, tax_sch): this calculates the result of applying the schedule of tax rates and thresholds in "tax_sch" to the value of taxable income represented by "taxinc". This function may be used in any part of the equations, not just in the income tax calculation. For some countries it is used for social security contributions or even for allowance levels which may be income dependent.
- Positive (X): this gives the result X when this value is positive and zero otherwise. It is therefore equivalent to MAX(0,X).
- Taper (value, income, threshold, rate): this gives the amount represented by "value" if "income" is less than "threshold". Otherwise, it gives "value" reduced by "rate" multiplied by (income-threshold), unless this produces a negative result in which case zero is returned. This provides the calculation which is sometimes required when a tax credit, for example, is available in full provided that total income is below a threshold but is then withdrawn at a given rate for each currency unit in excess of the threshold until it is withdrawn completely.

In some circumstances, there are country specific special functions. These functions involve programming that is designed to simplify the tax calculations. The programming underlying these functions is based on the description of the particular measure given in the relevant country chapter found in Part III. For example, the Earned Income Credit in the United States is calculated using the function called EIC.

Anyone wishing to make their own implementation of the equations will have to write functions corresponding to these special functions or make appropriate modifications to any equations that use them.

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ANNEX A

Source of earnings data

Table A.1. **Source of earnings data, 2011**

Country	Type of sample	Source
Australia	Quarterly survey of firms resulting in a representative sample of wage and salary earners in each industry.	Australian Bureau of Statistics "Average Weekly Earnings, Australia" and "Labour Force, Australia".
Austria	Annual Wage Tax Statistics.	"Lohnsteuerstatistik".
Belgium	Data collected or estimated on the basis of an annual establishment survey and social insurance registers of employees.	Statistics Division of the Ministry of Economy (Federal Public Service, Economy, SMEs, Self-employed and Energy). Same source as for Eurostat "Annual gross earnings" data.
Canada	Monthly survey of all firms.	Statistics Canada, "Survey of Employment Payrolls and Hours".
Chile	Monthly sample of businesse with 10+ employees.	National Statistics Institute of Chile (INE).
Czech Republic	Employer survey data.	National Statistical Office.
Denmark	Danish Employers Confederation survey of earnings.	Annual Report Danish Employers Confederation (Dansk Arbejds Giverforening).
Estonia	–	Statistics Estonia/Ministry of Finance.
Finland	(1) Finnish Employers Federation survey of hourly and monthly earnings; (2) Survey for unorganised employers "Structure of Earnings Statistics" published by the Central Statistical Office.	"Wages Statistics" published by the Central Statistical Office.
France	Social insurance registers covering all employers.	INSEE, "Déclarations Annuelles des Données Sociales" (DADS).
Germany	Survey carried out by the Federal Statistical Office.	National Statistical Office.
Greece[1]	Survey carried out by National Statistics Service and Social Security Institutions.	National Statistical Service Labour Statistics. Same source as for Eurostat "Annual gross earnings" data.
Hungary	Monthly surveys among enterprises with at least five employees.	Central Statistical Office.
Iceland	Monthly survey of earnings in the private sector market.	Statistics Iceland.
Ireland	Quarterly surveys of industrial employment, earnings and hours worked.	Central Statistics Office.
Israel	–	Central Bureau of Statistics.
Italy	Quarterly indicators of wages in industry and services (OROS).	National Institute of Statistics.
Japan	Basic survey on wage structure of all establishments with more than 10 employees.	Ministry of Health, Labour and Welfare, Annual Report.
Korea	Major Labour Statistics.	Ministry of Labour.
Luxembourg	Monthly aggregated files of Social security services.	National Statistical Office and Social Security Services.
Mexico	Administrative data from the Mexican Social Security Institute (Instituto Mexicano del Seguro Social [IMSS]).	The National Minimum Wage Commission (Comisión Nacional de Salarios Mínimos [CONASAMI]).
Netherlands	Survey "Employment and Wages".	Central Bureau of Statistics, Statline.
New Zealand	The quarterly employment survey is a sample survey of significant business with an employment count of 1 or more.	Statistics New Zealand INFOS.
Norway	Sample of enterprises based on published sector statistics for 3rd quarter – except agriculture, forestry and fishing and private households.	Statistics Norway Wage.
Portugal	April and October survey of earnings carried out by the Ministry of Labour.	Ministry of Labour.
Poland	Estimates for different sectors.	Monthly Statistical Bulletin.
Slovak Republic	Quarterly and annual statistical data.	Slovak Statistical Office.
Slovenia	Monthly survey of employees.	Statistical Office of the Republic of Slovenia.
Spain	Quarterly survey of firms.	Instituto Nacional de Estadistica "Encuesta Trimestral de Coste Laboral" (Labour Cost Survey).
Sweden	September survey of Swedish employers.	Statistics Sweden.
Switzerland	Swiss Statistics Office. Personnes actives occupées selon la branche économique.	La vie économique, SECO (Secrétariat d'État à l'économie) table B.8.1, *www.bfs.admin.ch/bfs/portal/fr/index/themen/03/04.html*.
Turkey	Annual Manufacturing Industry Survey.	Turkish Statistical Institute.
United Kingdom	1% sample of PAYE earnings.	Office for National Statistics, Annual Survey of Hours and Earnings (ASHE).
United States	Monthly surveys by Department of Labour on the basis of a questionnaire covering more than 40 million non-agricultural wage and salary-workers.	Employment, Hours, and Earnings from the Current Employment Statistics Survey

1. Refers to earnings data for 2010.

ANNEX B

Exchange rates and purchasing power parities of national currencies, 2011

Table B.1. **Exchange rates**

	Monetary unit	Exchange rates[1]	Purchasing power parities
Australia	AUD	0.97	1.56
Austria	EUR	0.72	0.85
Belgium	EUR	0.72	0.87
Canada	CAD	0.99	1.23
Chile	CLP	483.54	406.55
Czech Rep.	CZK	17.66	13.92
Denmark	DKK	5.36	7.81
Estonia	EUR	0.72	0.53
Finland	EUR	0.72	0.95
France	EUR	0.72	0.87
Germany	EUR	0.72	0.80
Greece	EUR	0.72	0.71
Hungary	HUF	200.57	129.89
Iceland	ISK	115.97	137.69
Ireland	EUR	0.72	0.84
Israel	ILS	3.57	3.71
Italy	EUR	0.72	0.80
Japan	JPY	79.84	106.88
Korea	KRW	1 107.81	822.78
Luxembourg	EUR	0.72	0.93
Mexico	MXN	12.43	8.15
Netherlands	EUR	0.72	0.83
New Zealand	NZD	1.27	1.52
Norway	NOK	5.60	9.62
Poland	PLN	2.96	1.87
Portugal	EUR	0.72	0.63
Slovak republic	EUR	0.72	0.52
Slovenia	EUR	0.72	0.63
Spain	EUR	0.72	0.71
Sweden	SEK	6.48	8.91
Switzerland	CHF	0.89	1.50
Turkey	TRL	1.67	1.04
United Kingdom	GBP	0.62	0.66
United States	USD	1.00	1.00

1. Average of 12 months daily rates.

ANNEX C

Historical series under the old definition of average worker, 1979-2004

Warning

The tables contained in this annex reproduce data published in *Taxing Wages 2003-2004*, for the convenience of the reader as the main body of this Report only presents data for 2000-08. However, any user of the data should be aware of its limitations. First, it is based on the previous definition of the wage – the average production worker (APW) wage. Second, there were changes in the reporting practices of some countries over the period 1979-2004 and so the times series cannot be regarded as completely consistent. The most important breaks in the series for recent years are the following:

- Australia: from 2002, payroll taxes included in calculations. They are excluded in earlier years.
- Austria: from 1998, payroll taxes included in calculations. They are excluded in earlier years.
- France: from 1997, earning figure based on improved statistical data.
- Japan: from 2002, improvements were made in the reporting of social security contributions.
- Korea: from 1997, the coverage of social security contributions is extended.
- The Netherlands: from 1999, average wage level for manual workers assumed to be equal to 90% of the wage for all industrial workers, including white collar workers and supervisors.

Table C.1. **Income tax plus employee and employer contributions (as % of labour costs), 1979–2004 single persons without children**

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	29.6	30.4	27.4	27.8	28.3	28.3	28.6
Austria	36.5	38.6	38.1	40.3	39.6	38.1	39.1	40.0	41.2	45.6	45.9	44.9	44.5	44.7	45.0	44.9
Belgium	47.4	49.8	49.2	51.0	53.5	53.2	53.7	54.6	56.3	56.6	56.9	56.2	55.6	55.1	54.6	54.2
Canada	23.2	24.7	25.6	26.9	29.0	27.2	29.0	30.8	31.5	32.3	31.1	31.8	30.4	32.2	32.4	32.3
Czech Republic	-	-	-	-	-	-	-	42.6	43.2	42.9	42.7	42.7	42.6	42.9	43.2	43.6
Denmark	40.6	42.7	46.5	47.8	47.6	46.6	46.7	47.0	45.2	45.1	44.5	44.4	43.6	42.7	42.7	41.5
Finland	41.6	42.4	43.2	45.2	45.5	46.2	44.5	49.3	51.2	48.9	47.4	47.3	45.9	45.2	44.4	43.8
France[1]	-	-	-	-	-	-	-	-	49.1	48.7	48.1	48.2	48.3	48.2	48.3	47.4
Germany	40.8	41.9	43.4	44.5	45.1	45.5	46.4	46.4	50.2	52.3	51.9	51.8	50.8	51.1	51.9	50.7
Greece	25.6	25.5	31.2	31.4	31.6	33.8	33.0	35.3	35.6	35.8	35.7	36.0	35.7	34.6	34.4	34.9
Hungary	-	-	-	-	-	-	-	-	51.4	52.0	50.7	49.6	49.0	49.0	45.6	45.8
Iceland	-	18.4	18.8	16.5	13.9	19.5	20.1	22.0	23.1	24.4	26.0	26.7	27.5	28.8	29.4	29.7
Ireland	33.9	34.7	40.1	42.4	42.8	40.6	39.8	40.0	36.9	33.9	32.4	28.9	25.8	24.5	24.2	23.8
Italy[2]	45.3	47.3	50.5	50.0	49.4	51.2	48.8	49.2	50.3	51.5	47.2	46.7	46.1	46.1	45.4	45.7
Japan	16.7	17.3	17.7	21.6	21.4	20.4	21.5	21.2	19.5	20.7	24.0	24.1	24.2	29.8	26.7	26.6
Korea	-	-	-	-	-	-	-	-	6.9	12.4	16.1	16.5	16.6	16.1	16.3	16.6
Luxembourg	38.5	38.2	38.6	38.4	35.7	35.5	33.9	34.9	34.3	35.2	34.6	35.5	33.9	31.3	31.5	31.9
Mexico	-	-	-	-	-	23.5	24.4	26.6	27.2	20.8	14.1	15.4	14.4	16.1	17.2	15.4
Netherlands	48.0	48.3	52.0	49.9	49.5	47.0	46.5	45.7	44.8	43.6	44.3	45.1	42.3	35.5	35.2	43.6
New Zealand	26.0	26.8	26.6	27.9	26.1	23.4	23.8	24.0	24.5	21.6	19.4	19.5	19.5	20.1	20.3	20.7
Norway	43.5	43.1	42.3	41.8	42.6	42.7	41.2	36.8	37.5	37.4	37.3	37.2	36.9	36.9	36.8	36.9
Poland[3]	-	-	-	-	-	-	-	44.1	44.7	43.9	43.0	43.0	42.7	42.8	42.9	43.1
Portugal	28.1	29.9	32.3	34.9	34.5	33.9	33.2	33.3	33.7	33.9	33.4	33.5	32.5	32.6	32.6	32.6
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	41.2	41.7	41.1	41.4	42.0
Spain	36.4	37.4	38.0	36.6	37.9	35.9	36.5	38.0	38.5	39.0	37.5	37.6	37.9	38.2	37.7	38.0
Sweden	50.7	50.8	50.6	50.9	51.7	52.7	46.0	45.6	49.3	50.7	50.5	49.5	48.5	47.6	47.9	48.0
Switzerland	28.2	29.1	28.8	28.8	28.5	28.6	27.3	28.7	30.6	30.0	29.8	29.5	29.5	29.6	29.0	28.8
Turkey	53.9	47.7	44.8	37.0	40.2	40.1	41.2	40.0	35.3	40.7	30.3	40.4	43.6	42.5	42.2	42.7
United Kingdom	36.1	37.6	38.2	37.8	36.0	34.2	33.2	32.6	33.4	32.0	30.8	30.1	29.5	29.5	31.0	31.2
United States	31.9	35.3	34.9	33.6	30.6	31.1	31.3	31.2	31.0	31.1	31.1	30.8	29.8	29.7	29.5	29.6

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. Employers' social security contributions not reported by France for period 1979 to 1993.
2. As from 1990 on, data on wages have been revised to include only production workers.
3. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

Table C.2. **Income tax (in % of gross wage), 1979-2004, single persons without children**

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	24.8	25.9	22.8	23.3	24.0	24.0	24.3
Austria	9.3	10.2	9.4	10.2	9.5	7.0	7.5	8.6	8.9	10.2	10.8	9.8	10.2	10.5	10.8	10.8
Belgium	15.2	18.7	25.5	26.4	25.9	25.3	25.9	26.1	27.2	27.6	27.9	27.9	27.8	27.2	26.7	26.6
Canada	18.3	19.0	18.8	19.4	21.4	20.0	20.4	21.1	21.7	22.1	20.8	21.1	19.3	17.9	18.0	17.8
Czech Republic	-	-	-	-	-	-	-	8.5	10.0	10.4	10.2	10.1	10.0	10.4	10.8	11.4
Denmark	35.7	37.8	39.4	40.0	44.0	44.0	44.2	44.4	37.4	35.1	33.0	32.4	32.6	31.7	31.7	30.6
Finland	26.7	27.3	29.5	30.5	30.8	30.8	28.3	28.6	29.3	28.0	26.3	26.6	25.9	25.4	24.9	24.2
France	8.5	8.6	8.4	7.4	6.8	6.7	8.1	8.5	8.8	10.5	14.3	13.4	13.5	13.6	13.2	13.1
Germany	16.0	16.4	17.1	18.1	18.6	18.6	18.4	18.3	20.8	21.2	21.2	21.5	20.1	20.4	20.8	19.6
Greece	1.4	1.3	3.0	3.2	3.5	5.8	3.6	1.7	1.7	2.0	1.9	2.2	1.8	0.4	0.0	0.6
Hungary	-	-	-	-	-	-	-	-	16.4	17.8	17.6	18.9	19.2	16.9	12.9	12.4
Iceland	-	16.8	16.9	14.5	12.0	17.5	17.9	19.7	20.4	21.2	22.3	23.1	23.5	24.8	25.2	25.5
Ireland	23.7	23.4	24.6	26.8	27.9	25.5	24.7	23.9	22.4	20.5	19.3	15.2	12.0	11.4	11.1	10.6
Italy[1]	11.6	14.1	16.3	18.4	18.4	18.1	16.3	15.8	17.5	18.8	20.0	19.3	18.6	19.1	18.2	18.6
Japan	7.6	8.5	9.0	8.8	8.5	7.9	8.5	8.4	6.4	8.0	6.1	6.2	6.2	5.6	5.9	5.9
Korea	-	-	-	-	-	-	-	-	2.5	1.7	2.1	2.5	2.5	2.2	2.3	2.2
Luxembourg	17.4	16.8	17.4	16.7	14.0	13.5	11.8	12.7	13.1	13.8	12.1	12.6	10.8	8.3	8.5	8.9
Mexico	-	-	-	-	-	6.6	6.1	6.5	2.5	-1.2	0.0	1.3	1.9	2.1	2.8	3.0
Netherlands	14.8	13.5	12.0	11.3	11.9	12.1	11.5	12.2	6.7	6.5	6.3	7.6	8.8	7.0	6.0	8.5
New Zealand	26.0	26.8	26.6	27.9	26.1	23.4	23.8	24.0	24.5	21.6	19.4	19.5	19.5	20.1	20.3	20.7
Norway	25.7	24.7	23.3	22.7	22.7	25.9	24.4	20.9	21.8	21.7	21.6	21.4	21.0	21.0	20.9	20.9
Polamd[2]	-	-	-	-	-	-	-	17.2	18.1	16.9	6.6	6.6	6.0	6.1	6.0	6.1
Portugal	4.4	4.9	7.1	6.9	7.5	6.5	5.9	6.8	7.0	7.2	6.6	6.7	5.4	5.5	5.6	5.6
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	6.0	6.8	5.9	6.3	7.9
Spain	10.1	11.3	12.2	10.6	12.7	10.4	11.3	12.3	13.2	13.8	11.8	12.1	12.6	13.0	12.3	12.7
Sweden	36.5	36.1	35.5	35.6	36.6	37.0	28.0	28.5	28.7	28.5	27.2	25.8	24.6	23.4	23.8	24.0
Switzerland	10.6	11.6	11.4	11.2	10.8	10.8	9.6	11.1	11.0	10.3	10.2	9.8	9.9	9.9	9.7	9.8
Turkey	42.0	35.2	30.2	22.9	22.4	23.5	27.1	27.4	25.2	23.9	15.2	14.7	14.9	15.1	14.8	15.4
United Kingdom	23.2	23.4	22.7	22.3	20.3	19.0	18.7	18.0	18.2	16.7	16.3	15.8	15.5	15.6	15.7	15.9
United States	20.6	23.5	23.0	21.8	18.4	18.4	18.4	18.3	18.1	18.2	18.2	17.9	16.8	16.6	16.4	16.5

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.
1. As from 1990 on, data on wages have been revised to include only production workers.
2. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

Table C.3. **Income tax plus employee contributions (in % of gross wage), 1979-2004, single persons without children**

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	24.8	25.9	22.8	23.3	24.0	24.0	24.3
Austria	23.5	25.1	24.5	26.6	25.9	23.8	24.7	25.9	27.0	28.3	28.8	27.9	28.3	28.6	28.9	28.8
Belgium	25.3	28.8	37.0	38.5	38.0	37.4	37.9	39.2	41.1	41.5	41.9	41.9	41.7	41.2	40.7	40.5
Canada	20.8	22.0	22.3	23.3	25.4	23.8	25.0	26.3	27.1	27.7	26.5	27.1	25.5	24.4	24.6	24.7
Czech Republic	-	-	-	-	-	-	-	22.0	23.2	22.9	22.7	22.6	22.5	22.9	23.3	23.9
Denmark	40.1	42.2	44.8	46.3	46.0	46.6	46.7	47.0	45.2	44.9	44.2	44.1	43.3	42.3	42.3	41.2
Finland	29.4	30.0	32.2	34.2	34.2	34.0	31.7	35.7	38.0	35.8	33.7	33.6	32.4	31.5	31.0	30.3
France	20.3	20.5	22.6	22.6	23.5	25.0	25.2	26.9	27.4	28.1	27.7	26.8	27.0	26.8	26.8	26.7
Germany	31.6	32.6	33.9	35.0	35.7	36.0	36.6	36.6	40.5	42.3	41.9	42.0	40.7	41.0	41.8	40.5
Greece	11.6	11.5	16.2	16.4	16.8	19.1	17.4	17.5	17.6	17.9	17.8	18.1	17.7	16.3	16.0	16.6
Hungary	-	-	-	-	-	-	-	-	27.9	29.3	30.1	31.4	31.7	29.4	25.4	25.9
Iceland	-	17.0	17.2	14.7	12.2	17.5	18.1	20.0	20.6	21.5	22.5	23.2	23.7	25.1	25.4	25.7
Ireland	28.1	28.1	33.1	35.3	35.7	33.3	32.4	32.7	29.2	26.0	24.3	20.3	16.9	16.4	16.0	15.7
Italy[1]	20.0	22.6	25.8	27.0	27.3	26.7	25.3	25.8	27.5	29.0	29.1	28.5	27.8	28.3	27.4	27.8
Japan	12.5	13.2	13.1	15.8	15.5	14.9	15.5	15.4	13.4	15.0	16.1	16.2	16.2	19.3	17.5	17.4
Korea	-	-	-	-	-	-	-	-	4.8	5.6	8.8	9.2	9.2	8.9	9.2	9.3
Luxembourg	29.3	28.8	29.5	28.9	26.2	25.9	24.1	25.2	25.6	26.4	25.8	26.6	24.8	22.1	22.3	22.7
Mexico	-	-	-	-	-	11.1	10.9	11.3	7.7	1.4	1.6	2.9	3.4	3.7	4.4	4.5
Netherlands	35.5	35.8	40.4	38.0	37.4	35.6	40.4	41.8	40.5	39.3	35.4	36.2	32.9	28.6	29.0	34.4
New Zealand	26.0	26.8	26.6	27.9	26.1	23.4	23.8	24.0	24.5	21.6	19.4	19.5	19.5	20.1	20.3	20.7
Norway	34.4	33.8	33.0	32.7	33.6	33.8	32.2	28.7	29.6	29.5	29.4	29.2	28.8	28.8	28.7	28.7
Poland[2]	-	-	-	-	-	-	-	17.2	18.1	16.9	31.4	31.4	31.0	31.1	31.2	31.5
Portugal	14.4	15.4	18.1	18.4	18.5	17.4	17.6	16.9	18.0	18.2	17.6	17.7	16.4	16.5	16.6	16.6
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	18.8	19.6	18.7	19.1	21.3
Spain	15.7	16.9	18.1	16.9	18.7	16.4	17.3	18.4	19.6	20.2	18.2	18.5	18.9	19.3	18.6	19.0
Sweden	36.5	36.1	35.5	35.6	36.6	37.0	28.0	29.5	32.6	34.5	34.1	32.8	31.7	30.4	30.7	31.0
Switzerland	20.9	21.9	21.5	21.5	21.1	21.2	19.9	21.4	22.5	21.9	21.7	21.3	21.4	21.4	21.0	20.9
Turkey	49.0	42.2	38.2	31.3	31.8	32.6	34.8	34.3	30.5	33.1	22.9	28.7	30.9	30.1	29.8	30.4
United Kingdom	29.7	31.2	31.7	31.3	29.3	27.3	26.2	25.6	26.7	25.2	24.4	23.6	23.1	23.2	24.2	24.4
United States	26.8	30.2	29.7	28.9	25.6	26.0	26.0	26.0	25.8	25.8	25.8	25.5	24.4	24.3	24.1	24.2

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.
1. As from 1990 on, data on wages have been revised to include only production workers.
2. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

Table C.4. **Income tax plus employee and employer contributions less cash benefits (as % of labour costs), 1979–2004**
one-earner family with two children

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	21.2	22.4	18.6	19.2	20.4	16.1	17.2
Austria	20.5	23.9	24.3	25.6	24.4	23.3	24.7	24.3	27.2	32.2	31.6	29.5	29.0	29.5	29.5	28.8
Belgium	33.1	36.0	35.3	38.4	41.6	36.1	37.3	38.6	40.3	40.8	41.2	40.5	40.3	39.7	39.1	35.6
Canada	11.7	13.5	13.3	15.2	17.4	15.7	18.5	20.6	21.7	23.4	21.2	22.2	20.4	23.1	23.1	23.0
Czech Republic	-	-	-	-	-	-	-	23.1	28.5	31.2	24.4	22.7	24.5	24.5	27.1	29.5
Denmark	30.9	33.6	37.5	37.7	35.5	32.4	32.5	32.5	30.9	31.3	31.1	31.0	30.7	30.1	30.1	29.8
Finland	32.4	33.2	32.7	35.6	35.8	34.8	32.5	38.1	42.1	40.8	39.6	39.9	38.8	38.3	37.6	36.8
France[1]	-	-	-	-	-	-	-	-	39.5	39.5	38.9	39.8	39.4	39.5	39.9	39.0
Germany	30.7	30.9	33.3	34.2	32.7	34.0	34.3	33.6	37.3	35.6	34.4	33.3	32.7	32.2	33.4	32.2
Greece	9.3	9.3	14.5	22.9	30.3	32.0	30.5	34.3	34.9	36.2	35.8	36.1	35.9	35.0	34.4	34.9
Hungary	-	-	-	-	-	-	-	-	37.4	40.8	35.9	35.0	32.8	33.9	30.3	31.3
Iceland	-	6.2	4.6	-3.0	-4.8	-11.4	-14.0	-11.2	-10.9	-2.8	5.8	7.6	7.8	9.5	10.4	11.7
Ireland	20.4	22.7	27.4	30.0	30.6	30.0	29.4	29.9	26.8	23.8	20.1	15.5	12.8	9.1	6.4	5.9
Italy[2]	40.9	41.1	42.3	43.9	44.6	43.9	40.7	42.4	44.9	43.3	37.0	36.5	35.4	36.0	35.7	36.2
Japan	11.2	11.9	12.3	16.0	15.9	14.8	15.3	16.0	15.1	15.6	19.8	20.2	20.4	26.2	22.9	23.8
Korea	-	-	-	-	-	-	-	-	6.0	11.6	15.4	15.8	15.9	15.5	15.8	15.8
Luxembourg	20.1	19.5	18.1	18.1	15.3	14.0	14.3	12.5	12.7	13.0	10.7	11.4	11.5	9.2	9.2	9.3
Mexico	-	-	-	-	-	23.5	24.4	26.6	27.2	20.8	14.1	15.4	14.4	16.1	17.2	15.4
Netherlands	39.4	39.7	43.6	41.2	41.1	38.7	40.1	35.7	34.9	33.0	34.1	35.5	33.0	25.1	24.5	34.3
New Zealand	10.4	16.8	17.5	15.5	24.3	18.0	20.8	22.2	22.4	16.2	14.1	15.5	16.7	18.8	19.4	20.7
Norway	32.6	30.1	28.5	28.0	28.4	28.0	26.4	23.0	24.4	24.9	26.2	26.9	26.9	27.3	27.5	27.8
Poland[3]	-	-	-	-	-	-	-	36.8	39.3	38.9	38.1	38.2	37.8	41.2	37.9	41.5
Portugal	24.3	25.8	27.5	31.4	29.7	26.5	25.4	25.3	26.6	26.8	26.0	26.2	24.1	23.6	23.7	22.5
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	25.2	28.5	28.2	32.3	27.2
Spain	31.9	32.7	33.4	32.4	34.1	31.6	32.6	32.9	33.3	33.7	30.4	30.6	31.1	31.5	30.9	31.6
Sweden	42.5	42.9	43.2	42.5	43.0	45.5	37.7	37.7	42.2	45.2	44.4	42.6	41.1	40.3	40.8	41.2
Switzerland	19.2	20.6	19.9	19.0	18.3	18.6	18.0	17.3	18.9	17.7	17.8	17.7	17.9	18.1	17.5	17.2
Turkey	53.9	47.7	44.8	37.0	40.2	40.1	41.2	40.0	35.3	40.7	30.3	40.4	43.6	42.5	42.2	42.7
United Kingdom	25.2	26.8	26.6	26.2	25.6	25.1	24.3	23.8	26.1	24.8	23.3	21.4	18.1	17.3	17.4	18.0
United States	23.5	26.8	27.7	26.7	25.5	24.7	24.8	24.7	24.4	24.1	21.1	21.3	18.3	17.8	15.6	16.4

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. Employers' social security contributions not reported by France for period 1979 to 1993.

2. As from 1990 on, data on wages have been revised to include only production workers.

3. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

Table C.5. **Income tax (as % of gross wage), 1979–2004, one-earner family with two children**

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	23.7	24.9	22.8	23.3	24.0	24.0	24.3
Austria	6.5	7.6	6.6	7.6	6.4	3.1	3.8	2.8	3.5	5.0	9.2	8.2	8.7	9.0	9.3	8.1
Belgium	8.0	11.6	18.4	19.3	19.1	14.2	15.0	15.5	16.1	16.5	17.0	17.1	17.1	16.7	15.9	15.2
Canada	9.7	10.6	9.0	10.3	12.3	10.9	12.1	10.3	11.2	12.6	10.2	16.9	15.3	14.1	14.2	13.9
Czech Republic	-	-	-	-	-	-	-	2.5	4.5	5.2	4.3	4.2	4.0	4.5	4.9	5.3
Denmark	30.3	32.6	33.8	34.3	35.7	35.6	36.0	36.2	29.4	27.8	26.2	25.7	26.2	25.7	25.7	25.4
Finland	20.9	21.9	23.8	25.3	25.2	23.7	21.8	23.3	29.3	28.0	26.3	26.6	25.9	25.4	24.9	24.2
France	0.4	0.5	0.4	0.0	0.0	0.0	1.0	1.7	1.9	3.7	7.6	7.6	7.0	7.1	7.1	7.1
Germany	9.9	9.7	10.5	10.9	8.6	9.2	8.7	7.9	9.6	1.0	0.0	-0.9	-1.7	-2.4	-1.6	-2.8
Greece	0.0	0.0	0.0	0.0	1.8	3.7	0.5	0.5	0.8	2.5	1.9	2.3	2.0	0.9	0.0	0.6
Hungary	-	-	-	-	-	-	-	-	16.4	17.8	12.0	12.6	9.2	8.0	4.6	4.7
Iceland	-	10.2	9.4	6.4	4.8	1.3	0.3	2.5	3.6	6.8	11.3	12.0	12.6	13.3	13.3	14.0
Ireland	11.5	13.0	14.0	16.2	17.9	17.0	16.2	15.9	15.4	14.1	10.1	5.0	2.9	2.5	2.2	2.2
Italy[1]	9.4	10.8	12.5	16.2	15.2	14.8	12.7	11.9	14.0	15.3	15.8	14.9	13.4	11.9	11.3	11.9
Japan	1.8	2.8	3.3	2.8	2.7	1.9	2.4	2.8	1.6	2.6	1.5	2.0	2.0	1.4	1.6	2.7
Korea	-	-	-	-	-	-	-	-	1.5	0.9	1.3	1.7	1.8	1.6	1.7	1.4
Luxembourg	3.4	3.1	2.7	2.2	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mexico	-	-	-	-	-	6.6	6.1	6.5	2.5	-1.2	0.0	1.3	1.9	2.1	2.8	3.0
Netherlands	12.5	11.2	9.6	8.4	8.9	9.2	10.1	9.5	4.4	3.5	4.8	4.9	8.3	6.4	5.7	8.3
New Zealand	17.0	21.5	21.7	24.8	24.3	20.3	20.8	22.2	22.4	16.2	14.1	19.5	19.5	20.1	20.3	20.7
Norway	17.5	17.0	15.6	15.0	15.2	18.6	17.8	15.9	17.0	17.1	17.4	17.1	18.1	18.2	18.0	18.0
Poland[2]	-	-	-	-	-	-	-	15.3	16.1	14.7	4.6	4.7	4.0	4.2	4.0	4.1
Portugal	4.0	4.0	6.0	6.0	6.0	2.1	1.2	1.1	3.3	3.1	2.4	2.7	0.1	0.3	0.3	0.4
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	2.0	3.5	2.6	3.1	-5.3
Spain	6.1	6.7	7.5	5.9	8.3	5.3	6.4	5.6	6.4	6.8	2.5	3.0	3.6	4.2	3.5	4.3
Sweden	33.7	33.7	33.3	33.9	35.0	35.7	28.0	28.5	28.7	28.5	27.2	25.8	24.6	23.4	23.8	24.0
Switzerland	6.3	7.2	6.1	6.4	6.0	5.8	5.4	5.7	5.7	5.1	5.0	4.9	5.0	5.1	5.0	5.1
Turkey	42.0	35.2	30.2	22.9	22.4	23.5	27.1	27.4	25.2	23.9	15.2	14.7	14.9	15.1	14.8	15.4
United Kingdom	19.3	19.8	18.6	17.9	16.5	15.5	15.4	15.0	16.6	15.1	15.2	13.3	10.2	9.3	7.9	8.1
United States	11.6	14.4	15.2	14.5	13.0	11.5	11.3	11.3	11.0	10.7	7.4	7.6	4.3	3.9	1.5	2.4

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. As from 1990 on, data on wages have been revised to include only production workers.

2. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

Table C.6. **Income tax plus employee contributions less cash benefits (as % of gross wage), 1979-2004**
one-earner family with two children

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	15.8	17.5	13.5	14.2	15.6	11.1	12.2
Austria	4.2	7.1	7.8	8.6	7.3	5.6	6.9	6.5	9.5	10.7	10.0	7.6	8.2	8.9	8.9	8.0
Belgium	5.0	9.1	19.8	22.6	22.1	14.5	16.0	17.8	19.5	20.2	20.7	21.1	21.6	21.0	20.4	16.4
Canada	9.0	10.4	9.4	11.0	13.1	11.8	14.0	15.5	16.6	18.2	15.9	16.9	14.8	14.3	14.2	14.4
Czech Republic	-	-	-	-	-	-	-	-4.5	3.3	7.1	-2.1	-4.3	-2.0	-1.9	1.5	4.9
Denmark	30.3	33.1	35.5	35.9	33.5	32.4	32.5	32.5	30.9	31.1	30.7	30.7	30.2	29.7	29.7	29.4
Finland	18.2	18.9	19.7	22.6	22.5	20.0	17.0	21.5	26.3	25.7	23.9	24.3	23.5	22.8	22.6	21.7
France	6.8	6.6	6.4	7.7	9.3	10.9	11.2	13.1	13.8	15.3	15.0	15.0	14.4	14.6	15.0	15.1
Germany	19.9	19.8	22.2	23.1	21.2	22.5	22.4	21.5	25.0	22.1	20.7	19.6	18.9	18.3	19.4	18.1
Greece	-7.7	-7.7	-4.1	-4.1	15.1	16.9	14.2	16.3	16.7	18.4	17.8	18.2	17.9	16.8	16.0	16.6
Hungary	-	-	-	-	-	-	-	-	7.3	12.9	9.1	11.6	9.9	8.5	4.4	6.1
Iceland	-	4.5	2.7	-5.2	-6.8	-14.2	-16.9	-14.0	-14.5	-6.8	1.3	3.2	3.0	4.7	5.3	6.6
Ireland	13.4	14.9	19.0	21.5	22.1	21.5	20.8	21.3	17.9	14.6	10.5	5.4	2.3	-0.7	-3.7	-4.2
Italy[1]	12.1	11.5	13.6	18.1	20.3	15.8	15.5	15.9	19.6	17.0	15.5	14.8	13.5	14.9	14.4	15.2
Japan	6.7	7.6	8.0	9.8	9.7	8.9	9.4	9.8	8.6	9.6	11.5	12.0	12.0	15.1	13.2	14.3
Korea	-	-	-	-	-	-	-	-	3.8	4.7	8.0	8.4	8.5	8.3	8.7	8.4
Luxembourg	8.1	7.3	5.9	5.5	2.8	1.2	1.6	-0.6	1.2	1.3	-1.3	-0.8	-0.7	-3.0	-3.0	-2.9
Mexico	-	-	-	-	-	11.1	10.9	11.3	7.7	1.4	1.6	2.9	3.4	3.7	4.4	4.5
Netherlands	24.8	25.1	29.9	27.2	27.0	25.5	33.2	31.1	29.8	27.9	23.6	25.0	22.1	17.1	17.3	23.6
New Zealand	10.4	16.8	17.5	15.5	24.3	18.0	20.8	22.2	22.4	16.2	14.1	15.5	16.7	18.8	19.4	20.7
Norway	21.8	18.8	17.0	16.7	17.1	16.8	15.2	13.1	14.9	15.4	16.8	17.6	17.5	18.0	18.2	18.4
Poland[2]	-	-	-	-	-	-	-	6.4	10.1	9.5	25.4	25.6	25.0	29.2	25.3	29.5
Portugal	9.9	10.5	12.3	13.9	12.5	8.6	7.1	7.0	9.2	9.4	8.4	8.7	6.1	5.4	5.6	4.1
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	-3.2	1.4	0.9	6.6	1.2
Spain	9.8	10.6	12.0	11.3	13.8	10.8	12.2	11.7	12.8	13.2	8.9	9.3	10.0	10.5	9.8	10.6
Sweden	25.9	25.9	25.9	24.6	25.2	27.5	17.0	19.1	23.1	27.2	26.0	23.7	21.8	20.8	21.4	21.9
Switzerland	11.0	12.5	11.7	10.6	9.9	10.1	9.6	8.8	9.5	8.2	8.4	8.2	8.4	8.6	8.1	8.0
Turkey	49.0	41.4	38.2	31.3	31.8	32.6	34.8	34.3	30.5	33.1	22.9	28.7	30.9	30.1	29.8	30.4
United Kingdom	17.7	19.4	19.0	18.5	17.8	17.3	16.5	15.9	18.6	17.3	16.2	14.1	10.7	9.9	9.3	9.8
United States	17.7	21.0	21.9	21.6	20.2	19.0	19.0	18.9	18.6	18.3	15.0	15.3	12.0	11.5	9.2	10.0

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. As from 1990 on, data on wages have been revised to include only production workers.

2. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

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