



Taxing Wages

2013-2014

**SPECIAL FEATURE: MODELLING
THE TAX BURDEN ON LABOUR
INCOME IN BRAZIL, CHINA, INDIA,
INDONESIA AND SOUTH AFRICA**

Taxing Wages 2015

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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 are taken in personal income taxes (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 2014. In addition, the Report shows definitive data on the tax/benefit position of employees for the year 2013. It is important to note that, the average worker is designated as a full-time employee (including manual and non-manual) in either industry Sectors B-N inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev. 4) or industry Sectors C-K inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 3 (ISIC Rev. 3).

The Report is structured as follows:

- Chapter 1 contains an overview of the main results for 2014.
- Chapter 2 examines the taxation of labour income in 2013 for five major non-OECD economies: Brazil, China, India, Indonesia and South Africa.
- Part I (International Comparisons) reviews the main results for 2013 and 2014 and is divided into three chapters (3 to 5). Chapter 3 reviews the main results for 2014, which are summarised in comparative tables and figures included at the end of that section. Chapter 4 presents a graphical exposition of the estimated tax burden on labour income in 2014 for gross wage earnings between 50% and 250% of the average wage. Then Chapter 5 reviews the main results for 2013, which are summarised in the comparative tables at the end of the chapter and compares them with the 2014 figures.
- Part II (Chapter 6) focuses on the historical trends in the tax burden for the period 2000-14.

* 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).

- Part III contains individual country tables specifying the wage levels considered and the associated tax burdens for eight separate family types, together with descriptions of each tax/benefit system.
- The Annex describes the methodology and its limitations.

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. This document has been produced with the financial assistance of the European Union. The Views expressed herein can in no way be taken to reflect the official opinion of the European Union.

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Executive summary

The tax burden on wages continued to rise in OECD countries in 2014 by 0.1 percentage point to an average of 36.0%. The rate of increase was lower than in 2013 and has slowed since a significant increase in 2011. The tax burden or tax wedge is measured by taking the total taxes and social security contributions paid by employees and employers, minus family benefits received as a proportion of the total labour costs for employers. This measure provides an analysis of how these levies and cash benefits combine together to impact on net household income.

The main contributors to the 2014 increase were changes to personal income taxes, although there were no countries that raised statutory income tax rates at the average wage level. Increases in employee social security contributions also played a role in some countries. Reductions in employer social security contributions and personal income tax were key factors in those countries where the tax level fell in 2014.

Over the past four years, the tax burden has increased in 23 OECD countries and fallen in 10. At the same time, personal income tax burdens have risen in 24 out of 34 countries, largely because a higher proportion of earnings was subject to tax as the value of tax free allowances and tax credits fell relative to earnings. In 2014, only 7 countries had higher statutory income tax rates for workers on average earnings than in 2010, and in 6 countries they were lower.

This report looks at how these changes affect various types of household, such as single earners, families with or without children, or single parents. In most OECD countries, for example, the tax wedge for families with children is lower than that for single earners without children.

It also includes a special feature that looks at the tax burdens on labour income in Brazil, China, India, Indonesia and South Africa. The analysis shows that there is significant variation between the five countries. In 2013, tax wedges in Brazil and China were similar to those observed in many OECD countries. In contrast, employees in India, Indonesia and South Africa faced tax wedges that were much lower than in the vast majority of OECD countries. The mix of labour taxes also varies across these countries with social security contributions comprising the bulk of the tax burden measures in all these countries except South Africa for the model households that are covered.

Key findings

Tax burdens continued to rise in 2014

- Across OECD countries the average tax and social security burden on employment incomes increased by 0.1 of a percentage point to 36.0% in 2014. This followed rises of

0.2, 0.1 and 0.5 percentage points in the three years since 2010. This reversed the decline from 36.1% to 35.1% between 2007 and 2010.

- In 2014, the tax wedge increased in 23 of 34 countries, fell in 9 and remained unchanged in 1.
- Changes to the personal income taxes (PIT) were the main contributor to an increasing total tax wedge in 18 of the 23 countries. The largest increase was in Ireland (+1.1 percentage points) because a higher proportion of earnings was subject to tax.
- Changes to PIT and employer social security contributions were the primary factors in countries where the tax burden fell. The only country with a decline of more than one percentage point was Greece (-1.2 percentage points).
- The highest average tax burdens for childless single workers earning the average national wage were in Belgium (55.6%), Austria (49.4%), Germany (49.3%) and Hungary (49.0%). The lowest were in Chile (7%), New Zealand (17.2%), Mexico (19.5%) and Israel (20.5%).

Tax burdens in families with children

- The highest tax wedges for one-earner families with two children at the average wage were in Greece (43.4%), Belgium (40.6%) and France (40.5%). New Zealand had the smallest tax wedge for these families (3.8%), followed by Chile (7%), Switzerland (9.8%) and Ireland (9.9%). The average for OECD countries was 26.9%.
- The largest increases in the tax burden for one earner families with children were in Ireland (1.5 percentage points), New Zealand (1.3 percentage points) and Israel (1.1 percentage points) and the largest fall was in Greece (-1.1 percentage points). In New Zealand, the tax burden increase for one earner families with children was higher than for the average single worker without children (+0.4 percentage point) because the basic amounts in the Family Tax Credit and the In Work Tax Credit for families with dependent children were frozen.
- In all OECD countries except Mexico and Chile, the tax wedge for families with children is lower than that for single individuals without children. The differences are particularly large in the Czech Republic, Germany, Ireland, Luxembourg and Slovenia.

Tax burden on labour income in Brazil, China, India, Indonesia and South Africa

- The tax wedge figures for the single average worker in 2013 were between 33% and 34% in Brazil and China (where the modelling focuses on Shanghai); slightly below the OECD average of 35.9%. The corresponding averages in Indonesia and South Africa were 8.2% and 14.3% which are low compared with the vast majority of OECD countries.
- Two modelling scenarios are described in respect of India. In the standard model, the average worker has no tax liabilities and so the tax wedge is zero. The second scenario covers the situation where the employee works in a business with more than 20 employees and in that particular case the tax wedge was 6.2% in 2013.
- In Brazil, China, India and Indonesia, the average worker pays little or no income tax and the employer social security contributions component forms 70% to 80% of the tax wedge. In South Africa, the picture is different – the income tax as percentage of total labour costs (11.4%) is just 2 percentage points below the OECD average and it forms around 80% of the total tax wedge.

- In contrast with the OECD average, the presence of children has no impact has little or no effect on the tax burden in the five countries. In most cases, the families with children face the same tax wedge their childless counterparts. With the exception of Brazil, where the second earner earning 33% of the average wage receives the “salário família” which reduces the tax wedge slightly.

Chapter 1

Overview

This chapter presents the main results of the analysis of the taxation of labour income across OECD member countries in 2014. 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. The calculations also focus on the net personal average tax rate. This 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 analysis focuses in the single worker with no children on average earnings and makes a comparison with the single earner married couple with two children.

This Report provides unique information for each of the thirty four 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 OECD countries. The methodology followed in this Report is described briefly in the introduction section below and in more detail in the Annex.

The tables and charts present 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 2014 are summarised in second section below. Part I of the Report presents more detailed results for 2014, together with definitive results for 2013 and discusses the changes between the two years. Part II of the Report reviews historical changes in tax burdens between 2000 and 2014.

Introduction

This section briefly introduces the methodology employed for this Report, which focuses on full-time employees. It is assumed that their annual income from employment is equal to a given percentage 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 1.6 as well as in the Annex of this Report. Additional assumptions are made about the 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 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 – is not taken into account. The benefits included are those paid by general government as cash transfers, usually in respect of dependent children.

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 2014 are those for the fiscal year 2014-15. 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 2014 in respect of Australia has been defined to mean its fiscal year 2013-14.

The Report presents 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. However, 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 that part of an increase of total labour costs that is paid in these levies.

The calculations also focus on the net personal average tax rate. This 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 that part of an increase of gross wage earnings that is paid in personal income tax and employee social security contributions net of cash benefits.

Review of results for 2014

Tax wedge

Table 1.1 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 2014 (see column 1). While in Austria, Belgium, France, Germany, Hungary and Italy, the tax wedge is around 50% or higher, it is under 20% in Chile, Mexico and New Zealand. The highest tax wedge is observed in Belgium (55.6%) and the lowest in Chile (7.0%).

The changes in tax wedge between 2013 and 2014 for the average worker without children are described in column 2 of Table 1.1. The tax wedges increased in twenty three countries and fell in nine. Ireland was the only country with an increase of more than one percentage point (1.13 percentage points). At the other extreme, Greece (-1.25 percentage points) was the only country with a decrease of more than one percentage point. There was no change in the tax wedge for Chile and Hungary.

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 increase in income taxes as a percentage of labour costs was in Ireland (1.13 percentage points). By contrast, higher social security contributions account for virtually all of the increased tax wedge in Finland, Japan, the Netherlands and Turkey, and a substantial part in Korea. Increasing employer social security contributions have the largest part in the rise in tax wedges in the Netherlands (0.83 percentage points), Turkey (0.73 percentage points) and Finland (0.53 percentage points).

Table 1.1. Comparison of total tax wedge
As % of labour costs

Country ¹	Total tax wedge 2014	Annual change 2014-13 (in percentage points) ²			
		Tax wedge	Income tax	Employee SSC	Employer SSC ³
	(1)	(2)	(3)	(4)	(5)
Belgium	55.6	-0.08	-0.04	0.01	-0.05
Austria	49.4	0.17	0.17	0.00	0.00
Germany	49.3	0.09	0.09	0.00	0.00
Hungary	49.0	0.00	0.00	0.00	0.00
France	48.4	-0.43	0.22	0.31	-0.96
Italy	48.2	0.37	0.37	0.00	0.00
Finland	43.9	0.84	0.02	0.30	0.53
Czech Republic	42.6	0.19	0.19	0.00	0.00
Sweden	42.5	-0.55	-0.55	0.00	0.00
Slovenia	42.5	0.09	0.09	0.00	0.00
Portugal	41.2	-0.15	-0.15	0.00	0.00
Slovak Republic	41.2	0.08	0.08	0.00	0.00
Spain	40.7	0.05	0.05	0.00	0.00
Greece	40.4	-1.22	-0.06	-0.25	-0.90
Estonia	40.0	0.13	0.13	0.00	0.00
Turkey	38.2	0.59	-0.03	-0.11	0.73
Denmark	38.1	-0.14	-0.16	0.02	0.00
Netherlands	37.7	0.69	0.09	-0.23	0.83
Luxembourg	37.6	0.34	0.35	0.00	-0.01
Norway	37.0	-0.32	-0.68	0.35	0.00
Poland	35.6	0.03	0.03	0.00	0.00
Iceland	33.5	-0.61	-0.49	-0.03	-0.09
Japan	31.9	0.29	0.02	0.14	0.13
United States	31.5	0.11	0.15	0.00	-0.05
Canada	31.5	0.52	0.29	0.24	-0.01
United Kingdom	31.1	-0.27	-0.20	-0.02	-0.04
Ireland	28.2	1.13	1.13	0.00	0.00
Australia	27.7	0.29	0.28	0.00	0.01
Switzerland	22.2	0.10	0.10	0.00	0.00
Korea	21.5	0.14	0.05	0.04	0.04
Israel ⁴	20.5	0.20	0.17	-0.06	0.09
Mexico	19.5	0.23	0.21	0.00	0.01
New Zealand	17.2	0.36	0.36	0.00	0.00
Chile	7.0	0.00	0.00	0.00	0.00

Note: Single individual without children at the income level of the average worker.

1. Countries ranked by decreasing total tax wedge.
2. Due to rounding, the changes in tax wedge in column (2) may differ by one tenth of percentage point from the sum of columns (3)-(5). For Denmark, the Green Check (cash benefit) contributes to the difference as it is not included in columns (3)-(5).
3. Includes payroll taxes where applicable.
4. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Sources: Country submissions, OECD Economic Outlook Volume 2014 (No. 96).

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Table 1.2 and Figure 1.1 show the constituent components of the tax wedge in 2014, i.e. income tax, employee and employer social security contributions (including payroll taxes where applicable), as a percentage of labour costs for the average worker without children. The labour costs in Table 1.2 are expressed in terms of dollars with equivalent purchasing power. Figure 1.1 shows that the average tax wedge in OECD countries was 36.0% in 2014.

Table 1.2. Income tax plus employee and employer social security contributions
As % of labour costs, 2014

Country ¹	Total tax wedge ²	Income tax	Social security contributions		Labour costs ⁴
			Employee	Employer ³	
	(1)	(2)	(3)	(4)	(5)
Belgium	55.6	21.8	10.8	23.0	71 686
Switzerland	22.2	10.5	5.9	5.9	70 663
Germany	49.3	16.0	17.1	16.2	68 735
Luxembourg	37.6	15.7	11.0	11.0	67 557
Norway	37.0	18.3	7.3	11.5	67 072
Netherlands	37.7	14.6	13.9	9.2	65 303
Austria	49.4	12.8	14.0	22.6	65 046
France	48.4	10.6	10.2	27.7	61 040
Sweden	42.5	13.2	5.3	23.9	60 951
Finland	43.9	18.3	6.5	19.1	57 061
Australia	27.7	22.1	0.0	5.6	56 335
United Kingdom	31.1	13.0	8.4	9.7	56 317
United States	31.5	15.7	7.0	8.9	54 977
Japan	31.9	6.6	12.3	12.9	53 855
Iceland	33.5	26.1	0.4	7.1	53 796
Italy	48.2	16.7	7.2	24.3	53 395
Denmark	38.1	35.6	2.8	0.0	52 161
Korea	21.5	4.6	7.6	9.3	51 466
Spain	40.7	12.8	4.9	23.0	50 699
Ireland	28.2	14.9	3.6	9.7	46 468
Canada	31.5	13.9	6.8	10.8	44 188
Greece	40.4	7.1	12.7	20.6	40 912
New Zealand	17.2	17.2	0.0	0.0	37 226
Portugal	41.2	13.1	8.9	19.2	36 884
Slovenia	42.5	9.6	19.0	13.9	34 549
Israel ⁵	20.5	8.3	7.4	4.8	34 540
Czech Republic	42.6	9.1	8.2	25.4	30 898
Estonia	40.0	13.2	1.5	25.4	30 199
Hungary	49.0	12.5	14.4	22.2	29 726
Turkey	38.2	10.6	12.8	14.9	28 264
Poland	35.6	6.0	15.3	14.4	27 331
Slovak Republic	41.2	7.2	10.2	23.8	26 974
Chile	7.0	0.0	7.0	0.0	19 071
Mexico	19.5	7.8	1.2	10.5	13 821

Note: Single individual without children at the income level of the average worker.

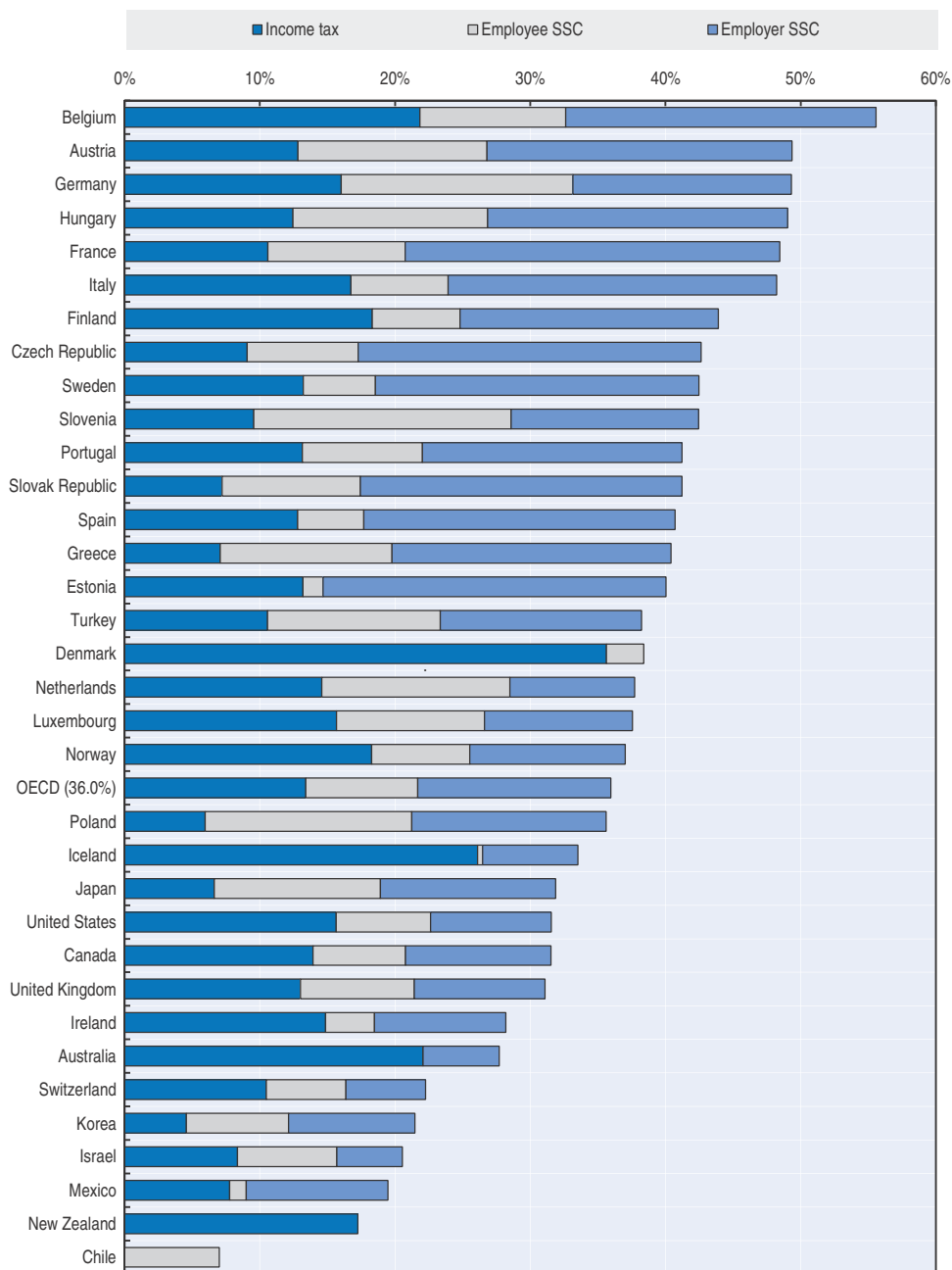
1. Countries ranked by decreasing labour costs.
2. Due to rounding, the total in column(1) may differ by one or more percentage points from the sum of columns (2)-(4). For Denmark, the Green Check (cash benefit) contributes to the difference as it is not included in columns (2)-(4).
3. Includes payroll taxes where applicable.
4. Dollars with equal purchasing power.
5. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Sources: Country submissions, OECD Economic Outlook Volume 2014 (No. 96).

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Figure 1.1. Income tax plus employee and employer social security contributions, 2014

As a % of labour costs



Notes: Single individual without children at the income level of the average worker.

Includes payroll taxes where applicable.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

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The percentage of labour costs paid in income tax varies considerably within OECD countries. The lowest figures are in Chile (zero) and Korea (4.6%). The highest values are in Denmark (35.6%), with Australia, Belgium and Iceland all over 20%. The percentage of labour costs paid in employee social security contributions also varies widely ranging from zero in Australia and New Zealand to 17.1% in Germany and 19.0% in Slovenia. Employers in France pay 27.7% of total labour costs in social security contributions, the highest amongst OECD countries. The corresponding figures are also more than 20% in ten other countries – Austria, Belgium, the Czech Republic, Estonia, Greece, Hungary, Italy, the Slovak Republic, Spain and Sweden.

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

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 1.3 and Figure 1.2 show the personal average tax rates in 2014 for a single worker without children at the average earnings level. The gross wage earnings figures in Table 1.3 are expressed in terms of dollars with equivalent purchasing power. Figure 1.2 provides a graphical representation of the personal average tax rate decomposed between income tax and employee social security contributions.

Figure 1.2 shows that on average, the personal average tax rate in OECD countries is 25.5%. Belgium at 42.3% 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 10.0% 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 1.2.

In 2014, 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 Denmark, Estonia, Iceland, Ireland and Mexico. In contrast, the single worker at the average wage level paid substantially more employee social security contributions than personal income tax in seven countries – Greece, Japan, Korea, Poland, the Slovak Republic and Slovenia plus Chile, where the average worker did not pay personal income tax in 2014. In eight countries – Austria, the Czech Republic, France, Germany, Hungary, Israel, the Netherlands, 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).

Table 1.3. **Income tax plus employee social security contributions, 2014**

As % of gross wage earnings

Country ¹	Total payment ²	Income tax	Employee social security contributions	Gross wage earnings ³
	(1)	(2)	(3)	(4)
Switzerland	17.4	11.1	6.3	66 506
Luxembourg	29.9	17.6	12.3	60 158
Norway	28.8	20.6	8.2	59 355
Netherlands	31.4	16.1	15.3	59 280
Germany	39.5	19.1	20.4	57 628
Belgium	42.3	28.3	14.0	55 225
Australia	23.4	23.4	0.0	53 170
Denmark	38.4	35.6	2.8	52 161
United Kingdom	23.7	14.4	9.3	50 865
Austria	34.6	16.5	18.1	50 373
United States	24.8	17.2	7.7	50 075
Iceland	28.5	28.1	0.4	50 001
Japan	21.7	7.6	14.1	46 884
Korea	13.4	5.0	8.3	46 664
Sweden	24.4	17.4	7.0	46 379
Finland	30.7	22.6	8.0	46 165
France	28.7	14.6	14.1	44 136
Ireland	20.5	16.5	4.0	41 958
Italy	31.6	22.1	9.5	40 426
Canada	23.3	15.6	7.7	39 438
Spain	23.0	16.6	6.4	39 029
New Zealand	17.2	17.2	0.0	37 226
Israel ⁴	16.5	8.8	7.7	32 865
Greece	24.9	8.9	16.0	32 467
Portugal	27.3	16.3	11.0	29 805
Slovenia	33.2	11.1	22.1	29 758
Turkey	27.4	12.4	15.0	24 054
Poland	24.8	7.0	17.8	23 403
Hungary	34.5	16.0	18.5	23 133
Czech Republic	23.1	12.1	11.0	23 058
Estonia	19.7	17.7	2.0	22 537
Slovak Republic	22.9	9.5	13.4	20 559
Chile	7.0	0.0	7.0	19 071
Mexico	10.0	8.7	1.4	12 373

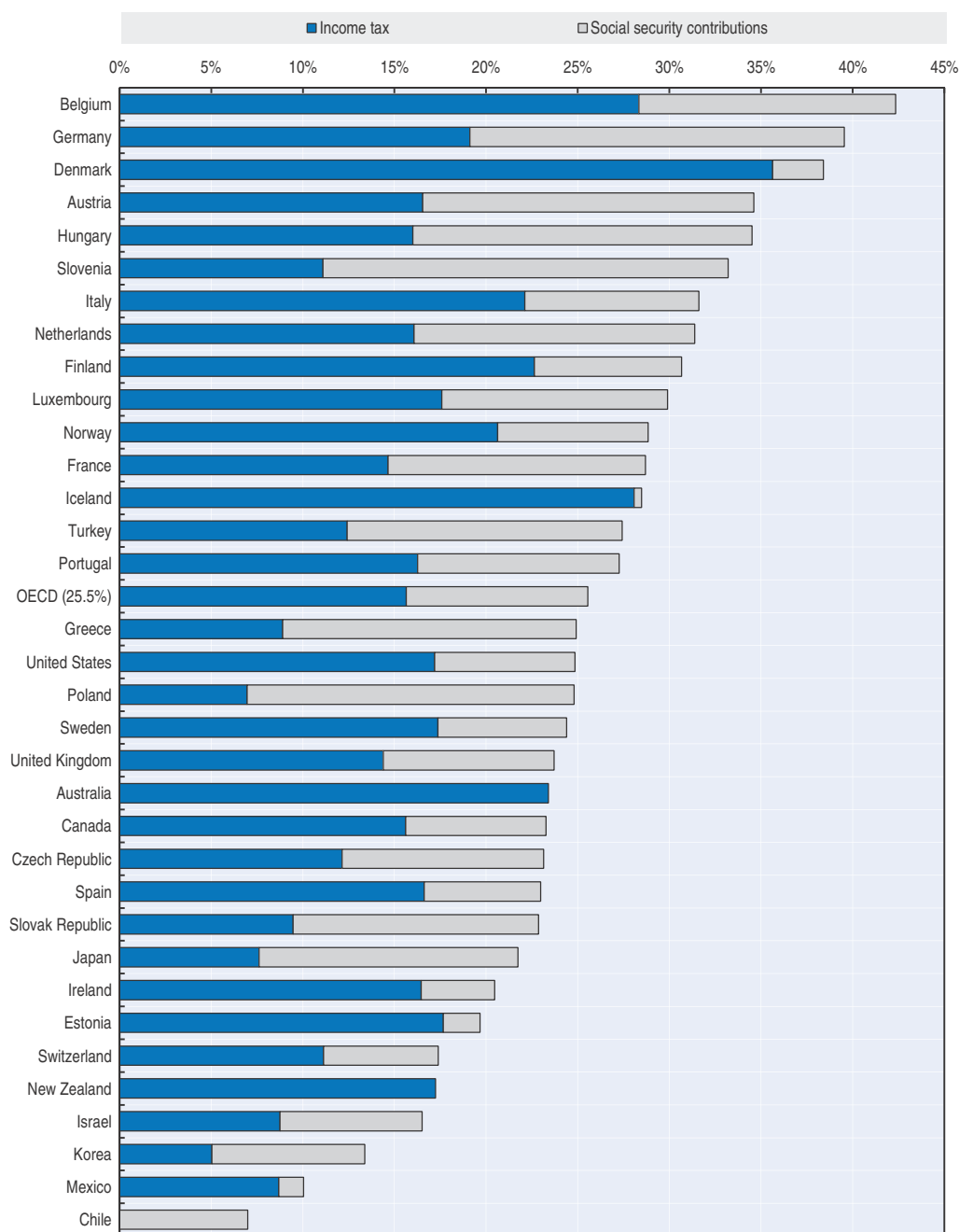
Note: Single individual without children at the income level of the average worker.

1. Countries ranked by decreasing gross wage earnings.
2. Due to rounding total may differ one percentage point from aggregate of columns for income tax and social security contributions.
3. Dollars with equal purchasing power.
4. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Sources: Country submissions, OECD Economic Outlook Volume 2014 (No. 96).

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Figure 1.2. **Percentage of gross wage earnings paid in income tax and employee social security contributions, 2014**



Notes: Countries ranked by decreasing tax burden.

Single workers at the income level of the average worker.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

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Family tax rates

Table 1.4 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 2014 (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.

Table 1.4. Comparison of total tax wedge by family type

As % of labour costs

Country ¹	Family ² total tax wedge 2014	Single ³ total tax wedge 2014	Annual change 2014-13 (in percentage points)		
			Family tax wedge	Single tax wedge	Difference between single and family (4)-(3)
	(1)	(2)	(3)	(4)	(5)
Greece	43.4	40.4	-1.1	-1.2	-0.1
Belgium	40.6	55.6	-0.1	-0.1	0.0
France	40.5	48.4	-0.6	-0.4	0.2
Italy	39.0	48.2	0.5	0.4	-0.1
Finland	38.9	43.9	0.9	0.8	-0.1
Austria	38.8	49.4	0.2	0.2	0.0
Sweden	37.4	42.5	-0.4	-0.5	-0.1
Turkey	36.8	38.2	0.6	0.6	0.0
Spain	34.9	40.7	0.1	0.0	-0.1
Hungary	34.6	49.0	0.4	0.0	-0.4
Germany	33.8	49.3	0.3	0.1	-0.2
Estonia	32.9	40.0	0.6	0.1	-0.5
Norway	32.2	37.0	1.0	-0.3	-1.3
Netherlands	31.9	37.7	0.9	0.7	-0.2
Poland	30.0	35.6	0.1	0.0	-0.1
Portugal	29.8	41.2	-0.4	-0.1	0.3
Slovak Republic	27.9	41.2	0.3	0.1	-0.2
Denmark	27.2	38.1	-0.3	-0.1	0.2
Czech Republic	26.8	42.6	0.7	0.2	-0.5
United Kingdom	26.6	31.1	-0.2	-0.3	-0.1
Japan	26.3	31.9	0.4	0.3	-0.1
Slovenia	23.4	42.5	0.2	0.1	-0.1
United States	20.6	31.5	0.2	0.1	-0.1
Iceland	20.4	33.5	-0.9	-0.6	0.3
Mexico	19.5	19.5	0.2	0.2	0.0
Canada	19.2	31.5	0.6	0.5	-0.1
Korea	19.0	21.5	0.2	0.1	-0.1
Israel ⁴	18.1	20.5	1.1	0.2	-0.9
Australia	17.5	27.7	0.6	0.3	-0.3
Luxembourg	15.1	37.6	0.5	0.3	-0.2
Ireland	9.9	28.2	1.5	1.1	-0.4
Switzerland	9.8	22.2	0.1	0.1	0.0
Chile	7.0	7.0	0.0	0.0	0.0
New Zealand	3.8	17.2	1.3	0.4	-0.9

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. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Sources: Country submissions, OECD Economic Outlook Volume 2014 (No. 96).

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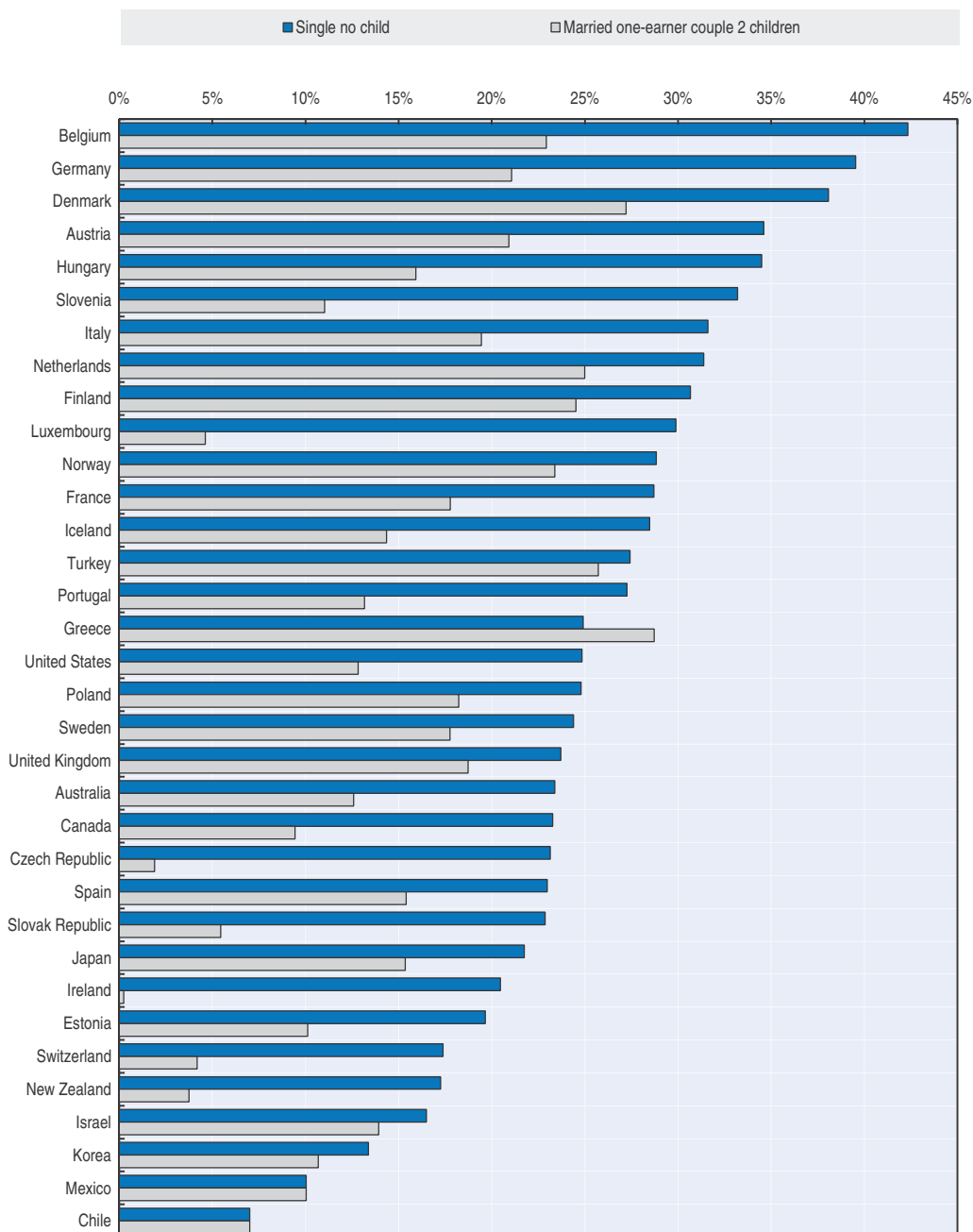
The savings realised by a one-earner married couple compared to a single worker are greater than 20% of labour costs in Luxembourg, and greater than 15% of labour costs in four other countries – the Czech Republic, Germany, Ireland and Slovenia. The tax burdens are the same in Chile and Mexico and different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

In 29 of 34 OECD countries, there is a change in the tax wedge of an average one-earner married couple with two children between 2013 and 2014 not exceeding plus or minus one percentage point (see column 3). There is no change in Chile. There are increases of greater than 1 percentage point in three countries: Ireland (1.5), New Zealand (1.3) and Israel (1.1). The tax wedge fell by 1.1 percentage points in Greece. In 2014, the tax wedge of families also decreased by less than one percentage point in seven other countries: Belgium, Denmark, France, Iceland, Portugal, Sweden and the United Kingdom. By comparison, the change in the tax wedge of a single taxpayer without children at the average wage level was greater than one percentage point in two OECD countries (Greece and Ireland). Detailed explanations on the latter are given in section on the tax wedge above.

A comparison of the changes in tax wedges between 2013 and 2014 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 1.4. The fiscal preference for families increased in four OECD member countries: Denmark, France, Iceland and Portugal. Additionally, the effects of changes in the tax system on the tax wedge were independent of the family type in Austria, Belgium, Chile, Mexico, Switzerland and Turkey.

Figure 1.3 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 the same pattern as 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% of earnings in four countries – Luxembourg (25.3%), Slovenia (22.2%) the Czech Republic (21.2%) and Ireland (20.2%). In contrast, the savings as a percentage of gross earnings are less than 10% of earnings in twelve countries – Estonia (9.5%), Spain (7.6%), Poland and Sweden (both 6.6%), Japan and the Netherlands (both 6.4%), Finland (6.1%), Norway (5.4%), the United Kingdom (5.0%), Korea (2.7%), Israel (2.6%) and Turkey (1.7%). 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 net personal average tax rate for the average one-earner married couples with two children in Ireland is close to zero (0.2%) as cash benefits substantially counterbalance the income tax and social security payments.

Figure 1.3. Income tax plus employee contributions less cash benefits, 2014
As % of gross wage earnings, by family-type



Notes: Countries ranked by decreasing rates for single taxpayer without children.

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.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

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Wages

Table 1.5 shows the gross wage earnings in national currency of the average worker in each OECD member country for 2013 and 2014. The figures for 2014 are estimated by the OECD Secretariat by applying the change in the compensation per employee in the total

Table 1.5. **Comparison of wage levels**

Country	Gross wage in national currency		Annual change 2014-13 (in percentage)			
	2013	2014	Gross wage	Inflation ¹	Real wage before tax	Change in personal average tax rate ²
	(1)	(2)	(3)	(4)	(5)	(6)
Australia	77 530	79 689	2.8	2.6	0.2	0.3
Austria	41 940	42 573	1.5	1.5	0.0	0.2
Belgium	46 197	46 464	0.6	0.6	0.0	-0.1
Canada	47 946	49 481	3.2	2.0	1.2	0.6
Chile	6 604 419	7 018 884	6.3	4.8	1.4	0.0
Czech Republic	302 403	312 084	3.2	0.3	2.9	0.3
Denmark	393 463	397 484	1.0	0.5	0.5	-0.1
Estonia	11 732	12 436	6.0	0.5	5.4	0.2
Finland	42 257	42 910	1.5	1.3	0.3	0.6
France	36 808	37 427	1.7	0.6	1.1	0.4
Germany	44 700	45 952	2.8	0.9	1.9	0.1
Greece	20 766	20 168	-2.9	-1.0	-1.9	-0.7
Hungary	2 933 520	3 009 284	2.6	-0.1	2.7	0.0
Iceland	6 672 000	6 856 100	2.8	2.2	0.6	-0.6
Ireland	33 154	34 466	4.0	0.2	3.7	1.2
Israel ³	128 664	130 605	1.5	0.4	1.1	0.1
Italy	30 039	30 463	1.4	0.1	1.3	0.5
Japan	4 835 595	4 881 994	1.0	2.9	-1.9	0.2
Korea	39 360 890	39 781 075	1.1	1.4	-0.3	0.1
Luxembourg	53 485	54 560	2.0	0.9	1.1	0.4
Mexico	98 491	101 904	3.5	4.0	-0.5	0.2
Netherlands	48 421	48 856	0.9	0.4	0.5	0.1
New Zealand	53 234	54 733	2.8	1.2	1.5	0.4
Norway	524 330	542 386	3.4	2.1	1.3	-0.4
Poland	41 652	42 360	1.7	0.1	1.6	0.0
Portugal	17 640	17 436	-1.2	-0.2	-1.0	-0.2
Slovak Republic	10 001	10 342	3.4	0.0	3.4	0.1
Slovenia	17 673	17 851	1.0	0.4	0.6	0.1
Spain	26 027	26 162	0.5	-0.1	0.6	0.1
Sweden	398 220	407 974	2.4	-0.1	2.5	-0.7
Switzerland	89 743	90 522	0.9	0.0	0.9	0.1
Turkey	26 206	28 370	8.3	9.0	-0.7	0.1
United Kingdom	35 081	35 633	1.6	1.6	0.0	-0.3
United States	48 774	50 075	2.7	1.7	1.0	0.2

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 2014 and 2013.

3. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Sources: Country submissions, OECD Economic Outlook Volume 2014 (No. 96).

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economy as presented in the *OECD Economic Outlook (No. 96) 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 the Annex of this Report.

The annual change in 2014 – shown in column 3 – varied between a decrease of -2.9% in Greece and an increase of 8.3% in Turkey. To a large extent, the changes reflect the different inflation levels of individual OECD countries – see column 4 of Table 1.5. The annual change in real wage levels (before personal income tax and employee social security contributions) is found to be in the -2% to +2% range for most countries; see column 5 of Table 1.5. Sweden (2.5%), Hungary (2.7%), the Czech Republic (2.9%), the Slovak Republic (3.4%), Ireland (3.7%) and Estonia (5.4%) show changes 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, some countries do not include the wages earned by supervisory and managerial workers and not all countries exclude the wage earnings from part-time workers (see Table A.4 in the Annex).

Table 1.6 provides more information on whether the average wages for the years 2000 to 2014 are based on 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 at least since 2008. 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, Canada, the Czech Republic, Estonia, Finland, Hungary, Iceland, Italy, Japan, the Slovak Republic, Slovenia, Spain, Sweden and Switzerland. Australia (for all years) and New Zealand (years 2004 to 2014) 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 2014 may slightly deviate from the values reported in last year's edition on this account.

Table 1.6. **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 ¹		2000-14
Austria ²	2004-07	2008-14
Belgium	2000-07	2008-14
Canada		2000-14
Chile ³	2000-14	
Czech Republic		2000-14
Denmark	2000-07	2008-14
Estonia		2000-14
Finland		2000-14
France	2000-07	2008-14
Germany	2000-05	2006-14
Greece ⁴	2000-07	2008-14
Hungary		2000-14
Iceland ⁵		2000-14
Ireland ⁶	2000-07	2008-14
Israel ⁷	2000-12	2013-14
Italy		2000-14
Japan		2000-14
Korea ⁸	2000-07	2008-14
Luxembourg	2000-04	2005-14
Mexico ⁹		
Netherlands	2000-07	2008-14
New Zealand ¹⁰	2000-03	2004-14
Norway	2000-08	2009-14
Poland	2000-07	2008-14
Portugal	2000-05	2006-14
Slovak Republic ¹¹		2000-14
Slovenia		2000-14
Spain		2000-14
Sweden		2000-14
Switzerland		2000-14
Turkey ¹²		2010-14
United Kingdom	2000-06	2007-14
United States	2000-06	2007-14

1. Australia: Based on ANZSIC06 such that the categories substantially overlap with ISIC 4, Sectors B-N.
2. Austria: 2000-03 average wage values are not based on the NACE (ISIC) classification.
3. Chile: the AW values are based on Sectors C to O from years 2006 to 2014. From 2010 onwards Sectors L (7522) and L (7523) are excluded.
4. Greece: The average annual earnings refer to full time employees for the Sectors B to N of NACE Rev 2, including Division 95 and excluding Divisions 37, 39 and 75 for 2008 onwards.
5. Iceland: Using national classification system that corresponds with the NACE Rev. 2 classification system.
6. Ireland: Values from 2000 to 2007 are based on Sectors C-E (NACE). From 2008 onwards, they are based on Sectors B-E (NACE Rev. 2).
7. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
8. Korea: Average wage values are based on 6th Korean Standard Industrial Classification (KSIC) C-K for 2000-01, 8th KSIC C-M for 2002 to 2007 and 9th KSIC B-N except E for 2008 onwards.
9. Mexico: 2000-14 AW values are based on the Mexican Classification of Economic Activities (Clasificación Mexicana de Actividades Económicas (CMAE)) which is based on one of the first versions of ISIC.
10. New Zealand: See the note for Australia which applies from 2004.
11. Slovak Republic: Average wage values based on ISIC Rev. 4 classification (B to N) and still include the self-employment data.
12. Turkey: The average wage is based on the average production worker wage ISIC Rev. 3.1 Sector D for years 2000 to 2009.

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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), the Australian and New Zealand Standard Industrial Classification (ANZSIC 2006) and the Korean Standard Industrial Classification (6th to 9th KISC) 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, the division made between personal income taxes and employee social security contributions is slightly different to the methodology generally applied in this Report.

Chapter 2

Special feature: Modelling the tax burden on labour income in Brazil, China, India, Indonesia and South Africa

This Special feature examines the taxation of labour income in five major non-OECD economies: Brazil, China, India, Indonesia and South Africa. It sets out the key features of the taxation of labour income in each of the five countries in 2013 and then uses this information together with corresponding details for earlier years to model changes to the tax burden between 2010 and 2013 in each case. The analysis follows the pattern of the main Taxing Wages Report. It calculates the tax wedge and the net personal average tax rate for a single worker on average earnings. These results are then compared with those for a single earner married couple with two children and then extended to cover all eight of the model family types.

Introduction

This special feature examines the taxation of labour income in five major non-OECD economies: Brazil, China, India, Indonesia and South Africa. It sets out the key features of the taxation of labour income in each of the five countries in 2013 and then uses this information together with corresponding details for earlier years to model changes to the tax burden between 2010 and 2013 in each case.

The following section below describes the tax wedge and net average personal tax rate modelling results using the “Taxing Wages”) methodology in four stages;

- initially the main focus is on the single worker on average earnings with no children;
- comparison is then made with the one-earner married couple with two children on average earnings;
- the modelling is then extended to whole of the eight “Taxing Wages” family types;
- finally, there is a review of the evolution of the tax burdens between 2010 and 2013.

The Annex contains the country details for 2013 that lie behind the comparative analysis. In each case, a table of detailed country results is followed by a description of the tax and in-work benefits system.

The modelling results

Tax wedges for the single average worker

Table 2.1 shows the tax wedge figures for the single average worker in 2013. In Brazil and China (where the modelling focuses on Shanghai), the average tax wedges (column 1) are between 33% and 34%; slightly below the OECD average of 35.9%. The corresponding averages in Indonesia and South Africa are 8.2% and 14.3% are low compared with the vast majority of OECD countries. The same is true in India where two scenarios are considered. In the standard modelling result, the average worker has no tax liabilities and so the tax wedge is zero. The second scenario covers the situation where the employee works in a business with more than 20 employees. In that particular case the tax wedge is 6.2%.

Table 2.1 also shows the breakdown of the tax wedge into income tax and employee and employer social security contributions (SSCs) for 2013. Figure 2.1. shows a graphical illustration of the tax wedge components. The labour cost figures in the table are expressed in terms of US dollars with equivalent purchasing power. In Brazil, China, India and Indonesia, the average worker pays little or no income tax and the employer SSC component forms 70% to 80% of the tax wedge. In South Africa, there is a different picture – the income tax component of the tax wedge (11.4%) is just 2 percentage points below the OECD average and it forms around 80% of the total tax wedge.

Table 2.2 provides details of the changes in the tax wedge between 2012 and 2013. The tax wedge fell 19.9 percentage points in India (from 26.1% to 6.2%) for the person working in a business with more than 20 employees. In India, both employees and employers are

Table 2.1. **Income tax plus employee and employer social security contributions, 2013**

As % of labour costs

	Total tax wedge ¹	Income tax	Social security contributions		Labour costs ³
			Employee	Employer ²	
	(1)	(2)	(3)	(4)	(5)
Brazil	33.5	0.0	6.6	26.9	19 230
China	33.7	0.0	7.8	25.9	18 400
India	0.0	0.0	0.0	0.0	4 768
India (SSC) ⁴	6.2	0.0	1.7	4.5	4 994
Indonesia	8.2	0.0	1.9	6.3	6 185
South Africa	14.3	11.4	1.0	2.0	35 311
OECD average	35.9	13.3	8.3	14.3	46 506

Note: Single individual without children at the income level of the average worker.

1. Due to rounding, the total in column (1) may differ by one or more percentage points from the sum of columns (2)-(4).

2. Includes payroll taxes where applicable.

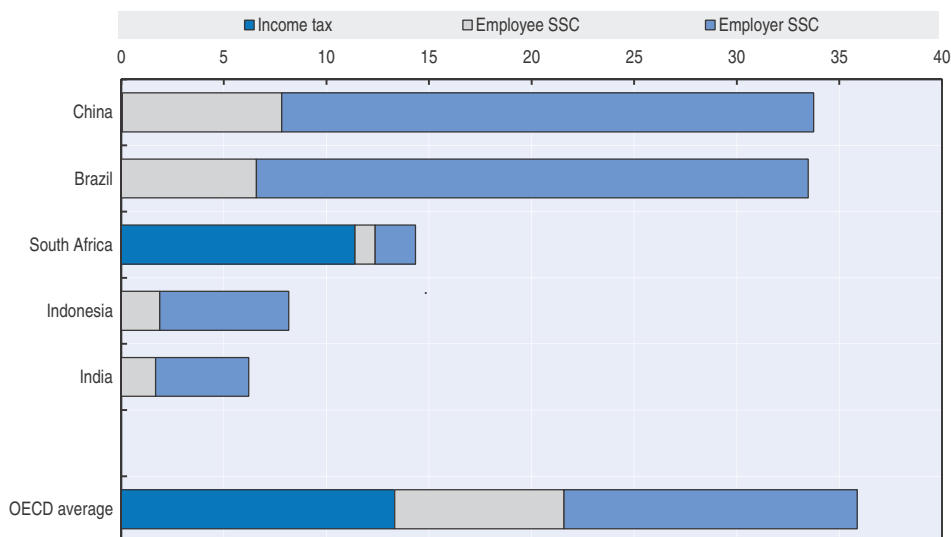
3. Dollars with equal purchasing power.

4. Results apply only for the minority case where the employee works in a firm with more than 20 employees.

Sources: Taxing Wages models.

StatLink  <http://dx.doi.org/10.1787/888933196097>Figure 2.1. **Income tax plus employees' and employers' social security contributions, 2013**

As % of labour costs



Notes: Single individual without children at the income level of the average worker.

Includes payroll taxes where applicable.

StatLink  <http://dx.doi.org/10.1787/888933196088>

required to contribute to the Employees' State Insurance Corporation for health insurance (respective contribution rates are 1.75% and 4.75%). They also contribute to the Employees Provident Fund (contribution rate of 12%) but these contributions become voluntary when the employee's gross earnings exceed an income ceiling. In 2012, the contributions were compulsory for the average employee since his/her gross earnings were below the income ceiling. In contrast, in 2013, the average gross earnings level exceeded the income ceiling.

As a result, the contributions to the Employee Provident Fund became voluntary and are not included in the modelling as they are no longer considered to be taxes. In China, there was a corresponding fall of 1.3 percentage points again due to changes in employee and employer SSCs. The unemployment contribution rates decrease from 1% to 0.5% for the employee and from 1.7% to 1.5% for the employer. In addition, each of the retirement and medical care contribution rates were decreased for the employer by 1 percentage point to 21% and 11% respectively. There were small increases [less than 0.5 percentage points] in the tax wedges for Indonesia and South Africa and no changes for either Brazil or the standard modelling case for India.

Table 2.2. **Comparison of total tax wedge, 2013**

As % of labour costs

	Total tax wedge 2013	Annual change 2013/12 (in percentage points) ¹			
		Tax wedge	Income tax	Employee SSC	Employer SSC ²
	(1)	(2)	(3)	(4)	(5)
Brazil	33.5	0.00	0.00	0.00	0.00
China	33.7	-1.29	0.04	-0.25	-1.08
India	0.0	0.00	0.00	0.00	0.00
India (SSC) ³	6.2	-19.92	0.00	-10.11	-9.81
Indonesia	8.2	0.47	-0.52	-0.02	1.01
South Africa	14.3	0.21	0.15	0.03	0.03
OECD average	35.9	0.16	0.15	0.08	-0.06

Note: Single individual without children at the income level of the average worker.

1. Due to rounding, the changes in tax wedge in column (2) may differ by one tenth of percentage point from the sum of columns (3)-(5).

2. Includes payroll taxes where applicable.

3. Results apply only for the minority case where the employee works in a firm with more than 20 employees.

Sources: Taxing Wages models.

StatLink  <http://dx.doi.org/10.1787/888933196102>

Net personal average tax rates for the single average worker

The net personal average tax rate is defined as income tax plus employee SSCs as a percentage of gross wage earnings. Table 2.3 shows these figures for the single average worker in 2013 together with a breakdown of the total between the two components. As with Table 2.2, the labour cost figures in the table are expressed in terms of US dollars with equivalent purchasing power. The highest personal average tax rate is in South Africa at 12.6%, around half the value of the OECD of 25.4%. China was the second highest at 10.6% followed by Brazil at 9%. The corresponding figures for India and Indonesia were between zero and 2%

Table 2.3 also shows that income tax comprised over 90% of the net personal average tax rate in South Africa. In the other countries, the income tax component was either zero or negligible.

Table 2.3. **Income tax plus employee social security contributions, 2013**

As % of gross wage earnings

	Total payment	Income tax	Employee social security contributions	Gross wage earnings ¹
	(1)	(2)	(3)	(4)
Brazil	9.0	0.0	9.0	14 057
China	10.6	0.1	10.5	13 630
India	0.0	0.0	0.0	4 768
India (SSC) ²	1.8	0.0	1.8	4 768
Indonesia	2.0	0.0	2.0	5 797
South Africa	12.6	11.6	1.0	34 618
OECD average	25.4	15.6	9.9	39 806

Note: Single individual without children at the income level of the average worker.

1. Dollars with equal purchasing power.

2. Results apply only for the minority case where the employee works in a firm with more than 20 employees.

Sources: Taxing Wages models.

StatLink  <http://dx.doi.org/10.1787/888933196115>**Family tax rates**

The 2013 tax wedges for a one-earner married couple with two children on average earnings and the corresponding single worker without children are compared in Table 2.4. The only country where the family tax wedge is different to that of the single worker is in Indonesia where it is higher by 2.5% of labour costs at 10.7% because workers married to a non-employed spouse pay higher health-related SSCs. There is no difference in Brazil, China, India and South Africa. This picture contrasts with the OECD average where the tax wedge for the savings realised by the one-earner married couple with two children compared with the single worker represents almost 10% of labour costs. This reflects the fact that the vast majority of OECD countries provide cash transfers, either universal or based on the level of income, to working families.

Table 2.4. **Comparison of total tax wedge by family type, 2013**

As % of labour costs

	Family ¹ total tax wedge 2013	Single ² total tax wedge 2013	Annual change 2013/12 (in percentage points)		
			Family tax wedge	Single tax wedge	Difference between single and family (4)-(3) ³
	(1)	(2)	(3)	(4)	(5)
Brazil	33.5	33.5	0.0	0.0	0.0
China	33.7	33.7	-1.3	-1.3	0.0
India	0.0	0.0	0.0	0.0	0.0
India (SSC) ⁴	6.2	6.2	-19.9	-19.9	0.0
Indonesia	10.7	8.2	1.9	0.5	-1.4
South Africa	14.3	14.3	0.2	0.2	0.0
OECD average	26.6	35.9	0.3	0.2	-0.2

1. One earner married couple with two children and earnings at the average wage level.

2. Single individual without children and earnings at the average wage level.

3. Due to rounding total may differ one percentage point from the subtraction results of columns 4 and 3.

4. Results apply only for the minority case where the employee works in a firm with more than 20 employees.

Sources: Taxing Wages models.

StatLink  <http://dx.doi.org/10.1787/888933196129>

No cash transfers to working families exist in China, India and Indonesia. But there are income related cash transfers in Brazil (the “salário família”) and South Africa (the “Child Support Grant”). Regarding Brazil, the cash transfer is only paid to the two-earner couple with two children earning 100% and 33% of the average wage among the household types that are considered in the Taxing Wages models. The payment is assessed against the level of the secondary earner income. For South Africa, all the households that are covered in the model exceed the income limit and none receive any cash transfer payments.

Table 2.4 also shows the change in the savings realised by the one earner married couple with two children between 2012 and 2013. In Indonesia the savings were reduced by 1.4% of labour costs as the tax wedge for the married couple rose by 1.9 percentage points compared with 0.5 percentage points for the average single worker. There was no change in the level of savings for the other countries. In the OECD, the average level of the savings realised also declined but only 0.2 percentage point.

Modelling the eight family types

Table 2.5 compares the average tax wedges for the eight family types that are covered in the Taxing Wages models, taking into account the cash transfers. A comparison of the results for the first three family types (the single worker earning 67%, 100% and 167% of the average wage) shows evidence of increasing tax wedge as the level of income rises in four of the five countries, the exception being India. This is most marked in South Africa where income tax payments form the bulk of the tax wedge. In Brazil, China and Indonesia, the tax burden measure for the single earner on 167% of average earnings shows an increase compared with the person on 67% of the average as the higher earner becomes liable for income tax. In contrast, in India (when considering employees working in a firm with more than 20 employees), the average tax wedge shows a reduction over this earnings range because the contributions to the Employee Provident Fund are compulsory only for workers with earnings not exceeding an income ceiling.

Table 2.5. **Income tax plus employee and employer contributions less cash benefits, 2013**

By family-type and wage level (as % of labour costs)

Family-type: Wage level (% of AW):	Single	Single	Single	Single	Married	Married	Married	Married
	No ch	No ch	No ch	2 ch	2 ch	2 ch	2 ch	No ch
	67	100	167	67	100-0	100-33 ¹	100-67 ¹	100-33 ¹
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Brazil	33.5	33.5	36.3	33.5	33.5	31.4	33.5	33.3
China	34.1	33.7	35.3	34.1	33.7	35.9	33.9	35.9
India	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
India (SSC) ²	26.1	6.2	6.2	26.1	6.2	11.6	14.7	11.6
Indonesia	8.2	8.2	9.4	8.2	10.7	8.2	8.2	8.2
South Africa	10.6	14.3	19.5	10.6	14.3	11.5	12.8	11.5
OECD average	32.3	35.9	40.3	17.7	26.6	28.3	31.2	32.9

Note: ch = children.

1. Two-earner family.

2. Results apply only for the minority case where the employee works in a firm with more than 20 employees.

StatLink  <http://dx.doi.org/10.1787/888933196131>

The results also confirm that the presence of children has little or no effect on the tax wedges in the five countries. In all cases, the single worker with no children on 67% of average earnings has the same tax wedge as the corresponding single parent with two children. With the exception of Brazil, the same is true for the comparison of the two-earner family without children earning 100% and 33% of the average and their counterparts with two children. In Brazil, the second earner earning 33% of the average wage receives the “salário família” which reduces the tax wedge slightly. None of the other family types with children in Brazil are eligible for this benefit since it is targeted at relatively lower income levels.

Table 2.5 shows that the figures for the first three family types in South Africa demonstrate a higher level of progressivity than for the OECD average. The levels of progressivity demonstrated in Brazil, China and Indonesia are lower than in the OECD average. In the OECD, the presence of children tends to result in lower tax wedges. The average OECD tax wedge for the single parent with two children on 67% of average earnings was 15 percentage points below that for the corresponding single worker with no children in 2013. The corresponding saving for the two-earner married couple (earning 100% and 33% of the average wage) and two children compared for the counterpart with no children was 4.5 percentage points.

The tax wedges in Brazil and China are higher than the OECD average for all the four family types with children, the single worker on 67% of average earnings and the two earner married couple (earning 100% and 33% of average earnings) with no children. They were lower for the single workers with no children on 100% and 167% of average earnings. For all other combinations of country and family type, the OECD average showed higher tax wedges, with the exception of the single parent with two children earning 67% of average earnings in India in a firm with more than 20 employees.

Table 2.6 compares the marginal tax wedges for the eight family types assuming an increase of one additional unit of national currency in gross earnings for the principal earner. The marginal tax rates show a similar pattern to the average tax rates in the five countries. They increase with income except for minority India (SSC) case. There are also no differences arising from the presence of children. As with the average tax wedges, the only difference between the single average worker with no children and the corresponding one earner married couple relates to Indonesia where workers married to a non-employed spouse pay higher health-related SSCs.

There are substantial gaps between the marginal tax wedges in the five countries and the OECD averages for all eight family types. The gaps are largest for India and Indonesia followed by South Africa.

Table 2.6. **Marginal rate of income tax plus employee and employer contributions less cash benefits, 2013**

By family-type and wage level (as % of labour costs)

Family-type: Wage level (% of AW):	Single	Single	Single	Single	Married	Married	Married	Married
	No ch	No ch	No ch	2 ch	2 ch	2 ch	2 ch	No ch
	67	100	167	67	100-0	100-33 ¹	100-67 ¹	100-33 ¹
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Brazil	33.5	33.5	39.3	33.5	33.5	33.5	33.5	33.5
China	25.9	35.7	40.3	25.9	35.7	35.7	35.7	35.7
India	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
India (SSC) ²	26.1	6.2	6.2	26.1	6.2	6.2	6.2	6.2
Indonesia	8.2	8.2	12.5	8.2	10.7	8.2	8.2	8.2
South Africa	20.6	27.5	30.7	20.6	27.5	27.5	27.5	27.5
OECD average	41.4	44.9	46.9	44.3	45.2	45.5	44.2	43.2

Notes: 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.
ch = children.

1. Two-earner family.

2. Results apply only for the minority case where the employee works in a firm with more than 20 employees.

StatLink  <http://dx.doi.org/10.1787/888933196140>

Evolution of the tax burden from 2010 to 2013

Table 2.7a shows that the OECD average tax wedge for the average single worker with no children has shown a small but steady increase from 35.1% to 35.9% between 2010 and 2013. There have also been increases over the same period in Indonesia and South Africa. In contrast there has been a steady decline in China. With the exception of the substantial fall in 2013 for the minority case in India, there were no other changes in the figures in either Brazil or India between 2010 and 2013.

Table 2.7. **Income tax plus employee and employer contributions less cash benefits as a % of labour costs, 2010-13**

	2010	2011	2012	2013
a) Single persons without children at 100% of average earnings				
Brazil	33.5	33.5	33.5	33.5
China	36.1	35.0	35.0	33.7
India	0.0	0.0	0.0	0.0
India (SSC) ¹	26.1	26.1	26.1	6.2
Indonesia	7.6	7.5	7.7	8.2
South Africa	13.8	13.9	14.1	14.3
OECD average	35.1	35.6	35.7	35.9
b) One-earner married couple with two children at 100% of average earnings				
Brazil	33.5	33.5	33.5	33.5
China	36.1	35.0	35.0	33.7
India	0.0	0.0	0.0	0.0
India (SSC) ¹	26.1	26.1	26.1	6.2
Indonesia	9.5	9.4	8.8	10.7
South Africa	13.8	13.9	14.1	14.3
OECD average	25.1	25.9	26.3	26.6

1. Results apply only for the minority case where the employee works in a firm with more than 20 employees.

StatLink  <http://dx.doi.org/10.1787/888933196154>

Table 2.7b shows the corresponding results for the one-earner married couple with two children on average earnings. In this case, the OECD average tax wedge also increases steadily over the period but at a lower level compared with that of the single worker without children. The results for the five countries are identical to those of the single worker, with the exception of Indonesia. For the latter, the trends for the two family types are of a similar shape but the married couple has higher tax wedges because of the additional SSCs paid in respect of the non-working spouse.

Conclusions

The modelling results show significant variation in the tax burdens imposed on labour income in the five countries. For the average single worker without children, the tax wedges range from zero in India to 33.7% in China (Shanghai) and the marginal tax wedges from zero to 35.7%. Results for the other family types show that tax wedges do increase with income. But the presence of children does not reduce average tax wedges as it does in the majority of OECD countries.

Tax wedges in Brazil and China are similar to those observed in many OECD countries. In contrast, employees in India, Indonesia and South Africa face tax wedges that are much lower than in the vast majority of OECD countries. The mix of labour taxes also varies across these countries with SSCs comprising the bulk of the tax burden measures in all countries except South Africa. Nevertheless, in India and Indonesia (as well as South Africa), SSCs still contribute less to the tax wedge than on average in OECD countries. The modelling shows both Brazil and China imposing SSCs that are higher than the OECD average. For China, the figures reflect the position of employees in urban areas. No SSCs are levied in the rural areas of China.

Supplement to the Special feature: Brazil, China, India, Indonesia and South Africa, 2013

This supplement to the special feature of *Taxing Wages 2015* examines the taxation of labour income in five major non-OECD economies: Brazil, China, India, Indonesia and South Africa. It sets out the key features of the taxation of labour income in each of the five countries in 2013 and shows calculations of the average tax wedge, the net personal average tax rate and the corresponding marginal measures for the eight model family types. The presentation follows the pattern of the Part III of the main *Taxing Wages Report*. This supplement is available online only.

This supplement is available online at :

http://dx.doi.org/10.1787/tax_wages-2015-5-en

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 2014; definitive results for 2013 and discusses the changes between the two years. Results reported include the marginal and average tax burden for eight different family types.

PART I
Chapter 3

Tax burdens, 2014 estimates

The 2014 tax burden estimates based on the eight model family types are presented in Tables 3.1 to 3.11 and Figures 3.1 to 3.6. The model family types vary by marital status, number of children and economic status: single taxpayers without children earning 67%, 100% and 167% of the average wage (AW); a single parent with two children earning 67% of the AW; a single earner couple at the AW level with two children; two-earner couples at 133% and 167% of the AW with two children; and a two-earner couple without children at 133% of the AW.

The chapter presents different measures for the average tax burdens (tax wedge, personal tax rate, net personal tax rate, personal income tax rate and employee social security contribution rate) and marginal rates (tax wedge and net personal tax rate). The results for two measures of tax progressivity are also considered: tax elasticity on gross earnings and labour costs.

Average tax burdens

Table 3.1 and Figure 3.1 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% (Chile) and 17.2% (New Zealand) to 49.4% (Austria) and 55.6% (Belgium). For a one-earner married couple with two children at the same wage level the wedge is lowest in New Zealand (3.8%) and Chile (7.0%) and highest in Greece (43.4%) and Belgium (40.6%). As stated in Chapter 1, 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 both 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% of the average wage level is negative in Australia (-1.6%), Canada (-4.9%), New Zealand (-15.8%) and Ireland (-18.9%). This is due to the amount of cash benefits received by these families plus any applicable non-wastable tax credits that exceed the sum of the total tax and social security contributions that are due.

Table 3.2 and Figure 3.2 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 3.4 and 3.5). A single person at the average wage level without children is liable to an average tax plus contributions burden of over 40% only in Belgium (42.3%). The lowest average rates (below 20%) were in Estonia (19.7%), Switzerland (17.4%), New Zealand (17.2%), Israel (16.5%), Korea (13.4%), Mexico (10.0%) and Chile (7.0%).

Table 3.3 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 3.3 illustrates this burden for single individuals without children and one-earner married couples with two children at average earnings, respectively. Comparing Tables 3.2 and 3.3, the average tax rates for families with children (columns 4-7) are lower in Table 3.3 because most OECD countries support families with children through cash benefits.

A lower burden is also observed for a single individual *without* children at 67% of the average wage in 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). The same is true in Denmark for single taxpayers at 67 and 100% of the average wage and two-earner married couples without children at 133% of the average wage who receive a green check to compensate for increased environmental taxes.

For single parents with two children earning 67% of the average wage level, 26 countries provide benefits that range up to 39.7% of income (Ireland). The benefits are at least 25% of income in 4 other countries: Australia (25.5%), Canada (26.0%), Denmark

(26.2%) and New Zealand (30.6%). 25 countries provide benefits for a one-earner married couple with two children earning the average wage level, although these are less generous relative to income, ranging up to 13.9% (Slovenia) and 13.8% (Luxembourg). 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; or the benefits may be subject to income testing.

Table 3.4 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% (Chile) and 35.6% (Denmark). 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 3.4. In ten 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, Korea, Luxembourg, Poland, Portugal, the Slovak Republic, Slovenia, Switzerland and the United States). In contrast, there is no difference in eight countries – Australia, Chile, Finland, Israel, Mexico, New Zealand, Sweden and the United Kingdom.

There are only two OECD member countries where a married average worker with 2 children faces a personal income tax burden less than zero. This is due to non-wastable tax credits, whereby credits are paid in excess of the taxes otherwise due. This results in tax burdens of -4.4% in the Czech Republic and -2.5% in the Slovak Republic. Similarly, in five countries – the Czech Republic, Germany, the Slovak Republic, the United Kingdom and the United States – single parents with two children earning 67% of the average wage show a negative tax burden. In five other countries – Chile, Israel, Korea, Poland and Slovenia – this family-type pays no income tax.

A comparison of columns 5 and 6 in Table 3.4 demonstrates that if the previously non-employed spouse finds a job which pays 33% of the average wage level, the income tax burden of the family (now expressed as 133% of the average wage level) is slightly higher in eighteen countries, the largest increases being in the Czech Republic (7.1 percentage points) with Germany and the Slovak Republic (both 5.7 percentage points). At the same time, the income tax burden is lower in fifteen countries, the largest differences being in Australia, Finland and Mexico (all -4.4 percentage points). There is no impact on the tax burden in Chile.

An important consideration in the design of an income tax is the level of progressivity – the rate at which the income tax burden increases with income. A comparison of columns 1 to 3 in Table 3.4 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% of the average (columns 2 and 3), the lower paid worker faces a lower tax burden except in Hungary, where a flat tax rate is applied on labour income, the households without children pay the same percentage of income tax. The same is true for single individuals at 67% of the average wage level compared with the average with an additional exception in Chile where these workers do not pay income tax. Finally the burden faced by single individuals at 67% of the average wage level is less than one-quarter of the burden faced by their counterparts at 167% in only four OECD countries: the Netherlands (19%), Greece (16%), Mexico (12%) and Chile (0%).

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 3.2 and Table 3.4). The OECD personal average tax burden of single individuals at 67% of the average wage level is only 32% lower than their counterparts at 167% compared to the OECD average savings of 50% for personal income taxes alone. The average fiscal savings observed for one-earner married couples with two children at the average wage level relative to single individuals falls from 36% to 20%. These lower figures reflect that there is little variation between social security contribution rates across family types, as shown in Table 3.5.

Table 3.5 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 contribution rate varies between zero (Australia and New Zealand) and 22.1% (Slovenia). Australia and New Zealand do not levy any employee social security contributions paid to general government and there are four other countries with very low rates – Iceland (0.4%), Mexico (1.4%), Estonia (2.0%), and Denmark (2.8%). 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% of the average wage. These rate structures reflect a roughly constant average burden of employee social security contributions for most countries between 33% and 167% of average wage earnings. Some examples of a constant proportional burden for employee social security contributions for over the eight model family types, are (in decreasing order) Slovenia (22.1%), Hungary (18.5%), Poland (17.8%), Greece (16.0%), Turkey (15.0%), the Slovak Republic (13.4%), the Czech Republic and Portugal (11.0%), Norway (8.2%), the United States (7.7%), Chile (7.0%) and Estonia (2.0%).

In addition, at the average wage level only Germany and the Netherlands impose different burden of social security contributions on employees; according to their family status (see Figure 3.5).

Marginal tax burdens

Table 3.6 and Figure 3.6 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 for a marginal increase in labour costs. This is the marginal wedge. In most cases, the marginal tax wedge absorbs 25%-55% of a rise in labour costs for single individuals without children at the average wage level. However, in six OECD countries these individuals face higher marginal wedges – Belgium (66.3%), Austria (60.6%), Germany (60.0%), France (59.3%), Ireland (56.7%), Finland (55.4%), Italy (55.3%) and Luxembourg (55.1%). Mexico (23.4%) and Chile (7.0%) have the lowest marginal tax rates.

In twenty two OECD member countries, the marginal tax wedge for one-earner married couples at average earnings with 2 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 eight countries: Ireland (19.0 percentage points), Luxembourg (16.1 percentage points), France (15.8 percentage points), Portugal (14.1 percentage points), the United States (9.3 percentage points), Germany (7.8 percentage points), Switzerland (7.5 percentage points) and Slovenia (7.4 percentage points). In contrast, in Iceland

(8.9 percentage points), Australia (16.5 percentage points), New Zealand (21.2 percentage points) and Canada (20.9 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 workers with no children.

Table 3.7 and Figure 3.7 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% of a worker's pay rise for single individuals without children at the average wage level. The marginal tax rate is lower than 25% only in Chile (7.0%), Mexico (17.6%), Korea (21.0%) and Estonia (22.6%).

As in the case of the tax wedge, in twenty two OECD member countries, the net marginal personal tax rate for one-earner married couples with two children at the average wage level 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 eight countries: France (21.9 percentage points), Ireland (21.0 percentage points), Luxembourg (18.1 percentage points), Portugal (17.5 percentage points), the United States (10.0 percentage points), Germany (9.3 percentage points), Slovenia (8.5 percentage points) and Switzerland (7.9 percentage points). By contrast, in Iceland (9.6 percentage points), Australia (17.5 percentage points), New Zealand (21.2 percentage points) and Canada (22.9 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 arise because of 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 3.8 shows the percentage increase in net income when gross wage earnings increase by 1 currency unit, 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 of a unit. 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 with two children at the average wage level, column 5 of Table 3.8 shows that of all OECD member countries Canada (0.46), New Zealand (0.51), Australia (0.55) and Belgium (0.58) have, on this measure, the most progressive systems of income tax plus employee social security contributions taking into account tax provisions and cash transfers for children at this income level. In contrast, Chile (1.00), France (0.95), Mexico (0.92), Turkey (0.91), Greece and Poland (both 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% of the average earnings in Austria (1.02), 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 3.9 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 eight selected family-types. This elasticity is below 0.5 for single parents earning 67% of the average wage level in Australia (0.41), Canada (0.37), Ireland (0.27) and the United Kingdom (0.25), for one-earner married households at the average wage level with two children in Canada (0.47) and for two-earner married households where one spouse earns the average wage and the other 33% of it with two children in Australia (0.43) and Israel (0.35). In contrast, the elasticity is between 0.97 and 1.0 for some family types in Chile, Estonia, Hungary, Japan, Korea, Mexico, Poland and Spain. It is interesting to mention that under this elasticity measure the income tax system is regressive for a single individual at 167% of average earnings in Spain (1.09), Germany (1.14) and Austria (1.20).

Table 3.10 sets out figures for gross wage earnings and net income for the eight 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 3.10, column 4) over USD 37 000 in eight countries: Switzerland (USD 54 944), Norway (USD 42 243), Luxembourg (USD 42 178), Australia (USD 40 732), the Netherlands (USD 40 678), Korea (40 421), the United Kingdom (USD 38 806) and the United States (USD 37 367). The corresponding lowest levels were in Mexico (USD 11 131), in Hungary (USD 15 152) and in the Slovak Republic (USD 15 858). In the case of a one-earner married couple with two children at the average earnings level, families take home over USD 50 000 in Luxembourg and Switzerland; 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 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 3.11 shows the corresponding figures to Table 3.10 for labour costs and net income. So the “net” columns in Tables 3.10 and 3.11 are identical. Usually, labour costs are found to be much higher than gross wages, 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 Belgium (USD 71 686) and Switzerland (USD 70 663), and the lowest in Mexico (USD 13 821) and Chile (USD 19 071). 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 compulsory 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 notably to pension schemes.

Notes

1. The reported elasticities in Table 3.8 are calculated as $(100 - \text{METR}) / (100 - \text{AETR})$, where METR is the marginal rate of income tax plus employee social security contributions less cash benefits reported in Table 3.7 and AETR is the average rate plus employee social security contributions less cash benefits reported in Table 3.3.
2. The reported elasticities in Table 3.9 are calculated as $(100 - \text{METR}) / (100 - \text{AETR})$, where METR is the marginal rate of income tax plus employee and employer social security contributions less cash benefits reported in Table 3.6 and AETR is the average rate plus employee and employer social security contributions less cash benefits reported in Table 3.1.

Table 3.1. Income tax plus employee and employer contributions less cash benefits, 2014
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	22.4	27.7	33.4	-1.6	17.5	21.0	25.6	23.5
Austria	44.8	49.4	52.0	29.1	38.8	38.4	41.9	45.4
Belgium	49.9	55.6	60.8	36.1	40.6	41.8	48.4	48.1
Canada	26.5	31.5	33.3	-4.9	19.2	24.1	27.3	28.4
Chile	7.0	7.0	7.9	6.1	7.0	4.7	6.6	7.0
Czech Republic	39.7	42.6	45.0	24.9	26.8	32.9	35.5	40.4
Denmark	36.4	38.1	43.6	9.1	27.2	31.8	33.6	36.7
Estonia	39.0	40.0	40.9	27.5	32.9	35.2	36.7	38.9
Finland	38.4	43.9	49.7	27.7	38.9	36.5	38.7	40.2
France	45.2	48.4	54.3	36.7	40.5	37.6	43.7	44.4
Germany	45.1	49.3	51.3	31.3	33.8	38.6	42.2	45.1
Greece	35.7	40.4	48.0	37.5	43.4	40.9	41.4	39.5
Hungary	49.0	49.0	49.0	26.1	34.6	38.2	40.4	49.0
Iceland	29.1	33.5	38.0	17.6	20.4	27.4	31.3	29.3
Ireland	22.1	28.2	39.6	-18.9	9.9	14.8	20.3	21.0
Israel ¹	13.7	20.5	29.5	2.4	18.1	13.7	14.7	17.2
Italy	42.4	48.2	53.8	26.7	39.0	39.7	42.4	44.1
Japan	30.5	31.9	34.7	24.1	26.3	27.8	28.8	31.0
Korea	18.9	21.5	23.2	16.9	19.0	18.9	19.2	20.3
Luxembourg	30.4	37.6	44.6	5.9	15.1	19.5	25.2	28.7
Mexico	14.7	19.5	22.5	14.7	19.5	17.3	17.5	17.3
Netherlands	32.1	37.7	43.1	11.6	31.9	28.9	31.0	33.6
New Zealand	13.4	17.2	23.1	-15.8	3.8	11.1	16.3	16.0
Norway	33.9	37.0	42.6	22.2	32.2	31.4	33.5	34.3
Poland	34.8	35.6	36.2	29.6	30.0	31.4	32.6	34.8
Portugal	35.0	41.2	47.5	25.2	29.8	30.9	36.8	34.8
Slovak Republic	38.6	41.2	43.3	26.7	27.9	33.3	35.4	39.3
Slovenia	38.5	42.5	46.3	13.3	23.4	30.6	34.5	40.1
Spain	37.3	40.7	45.0	30.5	34.9	36.5	37.6	37.5
Sweden	40.5	42.5	50.6	33.0	37.4	36.9	38.7	40.7
Switzerland	19.5	22.2	26.8	4.7	9.8	12.9	16.1	20.0
Turkey	36.0	38.2	41.7	34.7	36.8	35.6	36.8	36.3
United Kingdom	26.4	31.1	37.5	5.6	26.6	22.9	26.5	26.3
United States	29.4	31.5	36.3	12.1	20.6	25.1	26.9	29.9
<i>Unweighted average</i>								
OECD-Average	32.2	36.0	40.4	17.9	26.9	28.5	31.3	32.9
OECD-EU 21	38.2	42.1	46.8	22.6	31.6	33.2	36.3	38.5

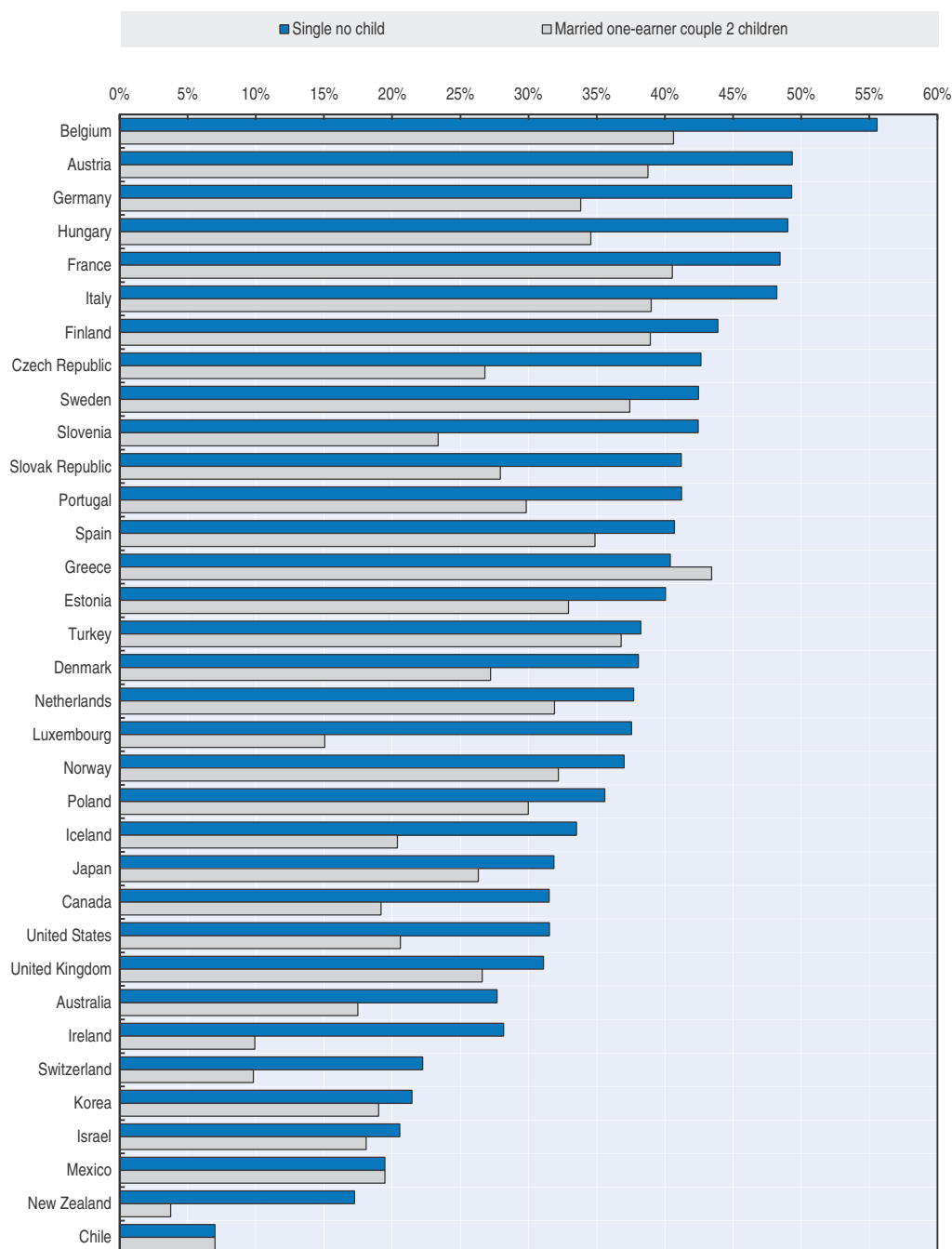
Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933196964>

Figure 3.1. **Income tax plus employee and employer contributions less cash benefits, 2014**
As a % of labour costs, by family-type



Note: The family type “single no child” corresponds to a wage level of 100% of average wage. The family type “married one earner couple 2 children” corresponds to a combined wage level of 100%-0% of average wage.

Source: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2014 (No. 96).

StatLink  <http://dx.doi.org/10.1787/888933196212>

Table 3.2. Income tax plus employee contributions, 2014
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	17.8	23.4	29.4	17.8	23.4	19.0	21.1	19.0
Austria	28.7	34.6	39.2	25.8	32.6	29.2	31.9	29.6
Belgium	35.9	42.3	49.2	30.4	31.0	32.8	38.3	34.7
Canada	19.0	23.3	27.1	8.6	16.3	18.2	20.3	19.8
Chile	7.0	7.0	7.9	7.0	7.0	7.0	7.0	7.0
Czech Republic	19.2	23.1	26.3	6.4	6.6	13.7	16.4	20.1
Denmark	36.9	38.4	43.6	35.3	34.4	37.2	37.8	37.2
Estonia	18.2	19.7	20.8	13.9	13.8	16.0	17.3	18.2
Finland	23.8	30.7	37.8	23.8	30.7	26.1	27.9	26.1
France	26.7	28.7	34.2	21.6	21.9	20.8	25.6	26.7
Germany	34.6	39.5	43.8	18.1	21.1	26.7	31.1	34.5
Greece	18.9	24.9	34.5	21.2	28.7	25.6	26.2	23.7
Hungary	34.5	34.5	34.5	22.6	26.5	28.5	29.7	34.5
Iceland	23.7	28.5	33.3	23.7	19.6	24.0	26.6	24.0
Ireland	13.8	20.5	33.1	8.1	12.3	12.9	17.2	12.9
Israel ¹	10.0	16.5	25.4	5.6	16.5	11.6	12.1	13.3
Italy	23.9	31.6	39.0	16.1	24.7	22.6	25.6	26.1
Japan	20.2	21.7	25.5	20.2	20.3	20.8	21.1	20.8
Korea	10.6	13.4	16.2	8.3	10.7	10.6	10.9	12.1
Luxembourg	21.8	29.9	37.8	14.8	18.4	19.9	24.2	19.9
Mexico	2.9	10.0	14.7	2.9	10.0	5.6	7.2	5.6
Netherlands	25.4	31.4	39.3	12.0	28.8	24.7	26.4	27.0
New Zealand	13.4	17.2	23.1	14.8	17.2	16.0	16.3	16.0
Norway	25.3	28.8	35.2	21.7	27.7	25.7	27.4	25.7
Poland	23.9	24.8	25.5	17.8	18.2	19.9	21.3	23.8
Portugal	19.5	27.3	35.0	14.6	17.2	17.3	21.8	19.3
Slovak Republic	19.4	22.9	25.7	12.0	10.9	16.6	18.5	20.3
Slovenia	28.7	33.2	37.6	22.1	24.9	25.8	27.7	30.4
Spain	18.5	23.0	28.7	9.8	15.4	17.5	19.0	18.9
Sweden	21.8	24.4	35.1	21.8	24.4	22.1	23.4	22.1
Switzerland	14.4	17.4	22.3	8.6	10.8	12.4	14.8	15.0
Turkey	24.8	27.4	31.5	23.3	25.7	24.4	25.8	25.1
United Kingdom	19.6	23.7	30.0	4.4	23.7	19.5	22.1	19.5
United States	21.7	24.8	30.6	2.5	12.8	16.9	19.4	22.3
<i>Unweighted average</i>								
OECD-Average	21.3	25.5	31.0	15.8	20.1	20.2	22.3	22.1
OECD-EU 21	24.5	29.0	34.8	17.7	22.2	22.6	25.2	25.0

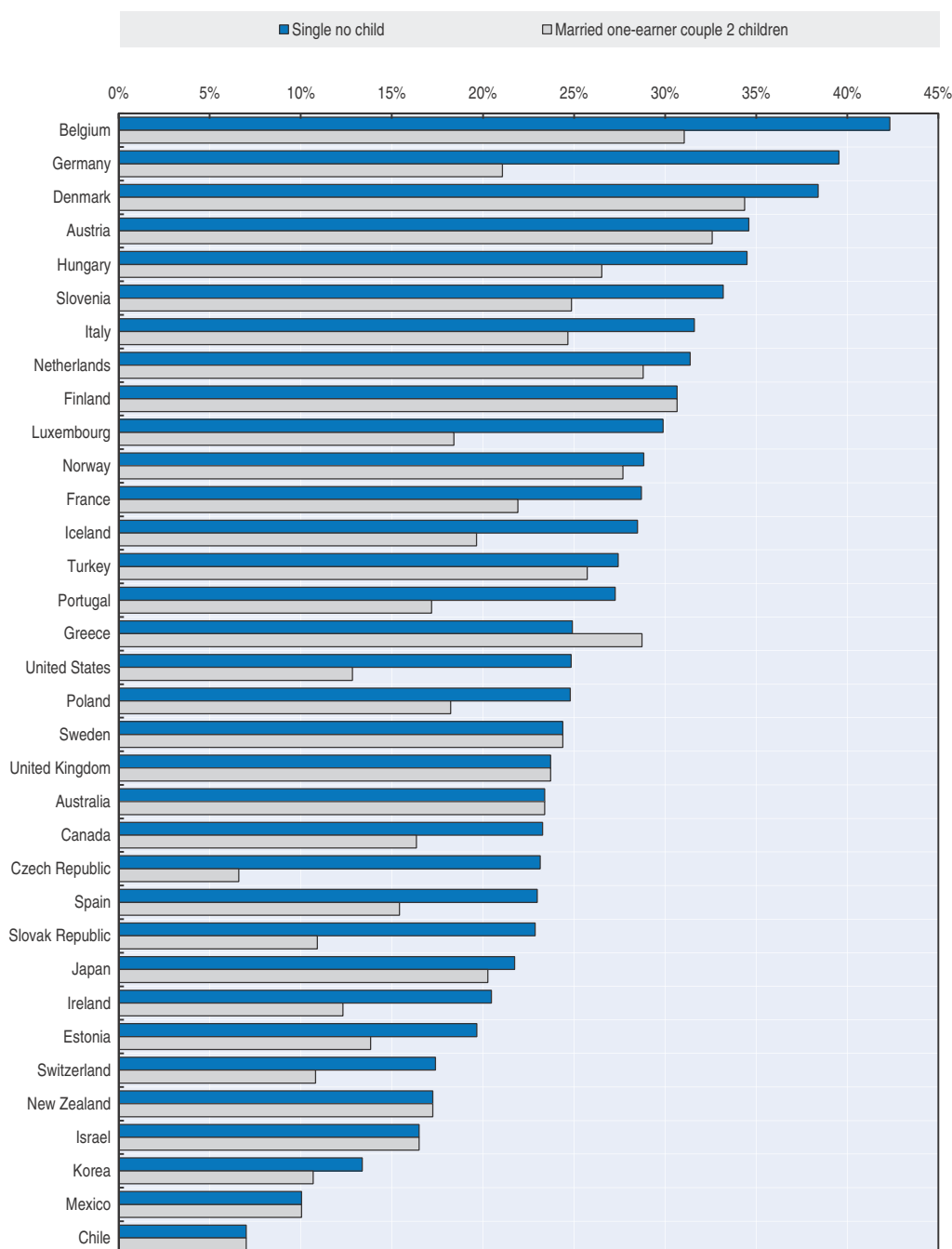
Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933196977>

Figure 3.2. Income tax plus employee contributions, 2014
As % of gross wage earnings, by family-type and wage level



Note: The family type “single no child” corresponds to a wage level of 100% of average wage. The family type “married one earner couple 2 children” corresponds to a combined wage level of 100%-0% of average wage.

Sources: country submissions, OECD Economic Outlook Volume 2014 (No. 96).

StatLink  <http://dx.doi.org/10.1787/888933196225>

Table 3.3. Income tax plus employee contributions less cash benefits, 2014
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	17.8	23.4	29.4	-7.7	12.6	16.3	21.1	19.0
Austria	28.7	34.6	39.2	8.4	20.9	20.5	25.0	29.6
Belgium	35.9	42.3	49.2	18.3	22.9	26.7	33.4	34.7
Canada	17.7	23.3	27.1	-17.4	9.4	15.0	18.5	19.8
Chile	7.0	7.0	7.9	6.1	7.0	4.7	6.6	7.0
Czech Republic	19.2	23.1	26.3	-0.6	1.9	10.1	13.6	20.1
Denmark	36.4	38.1	43.6	9.1	27.2	31.8	33.6	36.7
Estonia	18.2	19.7	20.8	2.8	10.1	13.2	15.1	18.2
Finland	23.8	30.7	37.8	10.6	24.5	21.5	24.3	26.1
France	26.7	28.7	34.2	15.4	17.8	17.7	23.1	26.7
Germany	34.6	39.5	43.8	18.1	21.1	26.7	31.1	34.5
Greece	18.9	24.9	34.5	21.2	28.7	25.6	26.2	23.7
Hungary	34.5	34.5	34.5	5.0	15.9	20.5	23.4	34.5
Iceland	23.7	28.5	33.3	11.3	14.4	21.9	26.1	24.0
Ireland	13.8	20.5	33.1	-31.6	0.2	6.1	11.7	12.9
Israel ¹	10.0	16.5	25.4	-1.8	13.9	9.7	10.6	13.3
Italy	23.9	31.6	39.0	3.2	19.4	20.3	23.9	26.1
Japan	20.2	21.7	25.5	12.9	15.4	17.1	18.2	20.8
Korea	10.6	13.4	16.2	8.3	10.7	10.6	10.9	12.1
Luxembourg	21.8	29.9	37.8	-5.7	4.6	9.6	16.0	19.9
Mexico	2.9	10.0	14.7	2.9	10.0	5.6	7.2	5.6
Netherlands	25.4	31.4	39.3	2.9	25.0	21.9	24.1	27.0
New Zealand	13.4	17.2	23.1	-15.8	3.8	11.1	16.3	16.0
Norway	25.3	28.8	35.2	12.1	23.4	22.5	24.9	25.7
Poland	23.9	24.8	25.5	17.8	18.2	19.9	21.3	23.8
Portugal	19.5	27.3	35.0	7.4	13.2	14.5	21.8	19.3
Slovak Republic	19.4	22.9	25.7	3.9	5.5	12.5	15.2	20.3
Slovenia	28.7	33.2	37.6	-0.6	11.0	19.5	23.9	30.4
Spain	18.5	23.0	28.7	9.8	15.4	17.5	19.0	18.9
Sweden	21.8	24.4	35.1	11.9	17.8	17.1	19.4	22.1
Switzerland	14.4	17.4	22.3	-1.2	4.2	7.5	10.8	15.0
Turkey	24.8	27.4	31.5	23.3	25.7	24.4	25.8	25.1
United Kingdom	19.6	23.7	30.0	-3.0	18.7	15.8	19.1	19.5
United States	21.7	24.8	30.6	2.5	12.8	16.9	19.4	22.3
<i>Unweighted average</i>								
OECD-Average	21.3	25.5	31.0	4.7	14.8	16.8	20.0	22.1
OECD-EU 21	24.4	29.0	34.8	5.9	16.2	18.5	22.1	25.0

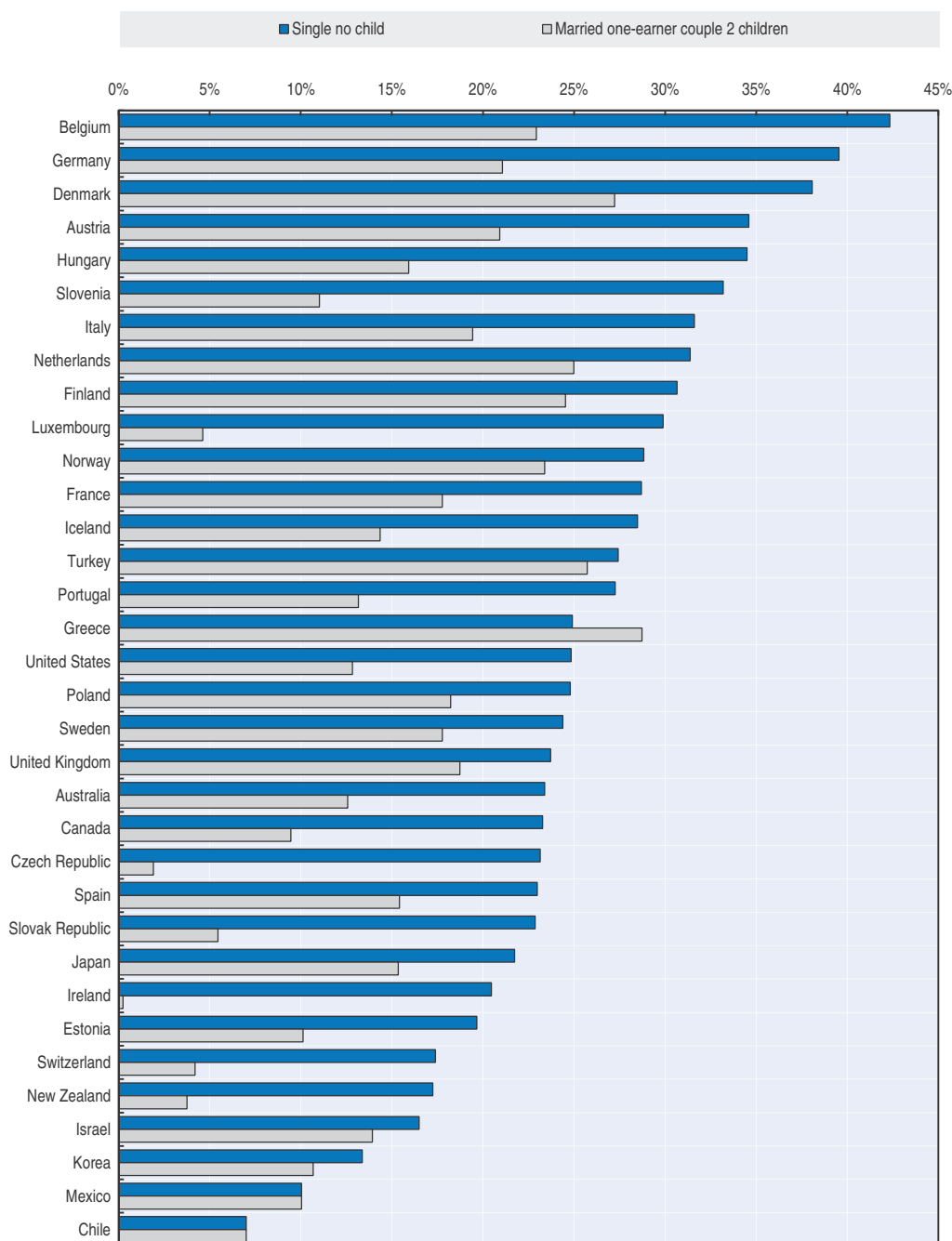
Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933196987>

Figure 3.3. Income tax plus employee contributions less cash benefits, 2014
As % of gross wage earnings, by family-type and wage level



Note: The family type “single no child” corresponds to a wage level of 100% of average wage. The family type “married one earner couple 2 children” corresponds to a combined wage level of 100%-0% of average wage.

Source: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2014 (No. 96).

StatLink  <http://dx.doi.org/10.1787/888933196233>

Table 3.4. **Income tax, by family-type and wage level, 2014**
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	17.8	23.4	29.4	17.8	23.4	19.0	21.1	19.0
Austria	10.6	16.5	23.1	7.7	14.5	11.9	13.9	12.2
Belgium	22.0	28.3	35.2	16.5	17.0	22.0	24.3	23.9
Canada	11.8	15.6	22.1	1.4	8.7	11.0	12.8	12.6
Chile	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0
Czech Republic	8.2	12.1	15.3	-4.6	-4.4	2.7	5.4	9.1
Denmark	32.8	35.6	42.0	31.1	31.6	33.1	34.5	33.1
Estonia	16.2	17.7	18.8	11.9	11.8	14.0	15.3	16.2
Finland	15.9	22.6	29.8	15.9	22.6	18.3	19.9	18.3
France	12.6	14.6	20.9	7.6	7.9	6.7	11.5	12.6
Germany	14.1	19.1	27.6	-2.1	0.9	6.6	10.9	14.1
Greece	2.9	8.9	18.5	5.2	12.7	9.6	10.2	7.7
Hungary	16.0	16.0	16.0	4.1	8.0	10.0	11.2	16.0
Iceland	23.1	28.1	33.0	23.1	19.2	23.3	26.1	23.3
Ireland	9.8	16.5	29.1	4.1	8.3	9.9	13.2	9.9
Israel ¹	4.4	8.8	16.0	0.0	8.8	4.9	5.2	6.6
Italy	14.4	22.1	29.4	6.6	15.2	13.1	16.1	16.6
Japan	6.1	7.6	12.2	6.1	6.2	6.7	7.0	6.7
Korea	2.2	5.0	9.0	0.0	2.3	2.2	2.6	3.8
Luxembourg	9.6	17.6	25.4	2.6	6.1	7.7	11.9	7.7
Mexico	1.6	8.7	13.2	1.6	8.7	4.2	5.9	4.2
Netherlands	5.4	16.1	28.6	3.1	15.7	12.2	11.4	12.6
New Zealand	13.4	17.2	23.1	14.8	17.2	16.0	16.3	16.0
Norway	17.1	20.6	27.0	13.5	19.5	17.5	19.2	17.5
Poland	6.0	7.0	7.7	0.0	0.4	2.1	3.4	6.0
Portugal	8.5	16.3	24.0	3.6	6.2	6.3	10.8	8.3
Slovak Republic	6.0	9.5	12.3	-1.4	-2.5	3.2	5.1	6.9
Slovenia	6.6	11.1	15.5	0.0	2.8	3.7	5.6	8.3
Spain	12.2	16.6	22.5	3.4	9.1	11.1	12.6	12.5
Sweden	14.8	17.4	30.4	14.8	17.4	15.1	16.3	15.1
Switzerland	8.2	11.1	16.1	2.4	4.6	6.2	8.5	8.7
Turkey	9.8	12.4	16.5	8.3	10.7	9.4	10.8	10.1
United Kingdom	11.6	14.4	22.6	-3.6	14.4	11.6	13.3	11.6
United States	14.1	17.2	23.0	-5.1	5.2	9.3	11.8	14.6
<i>Unweighted average</i>								
OECD-Average	11.4	15.6	21.7	6.2	10.3	10.6	12.5	12.4
OECD-EU 21	12.2	17.0	23.6	6.0	10.3	11.0	13.2	13.3

Note: ch = children

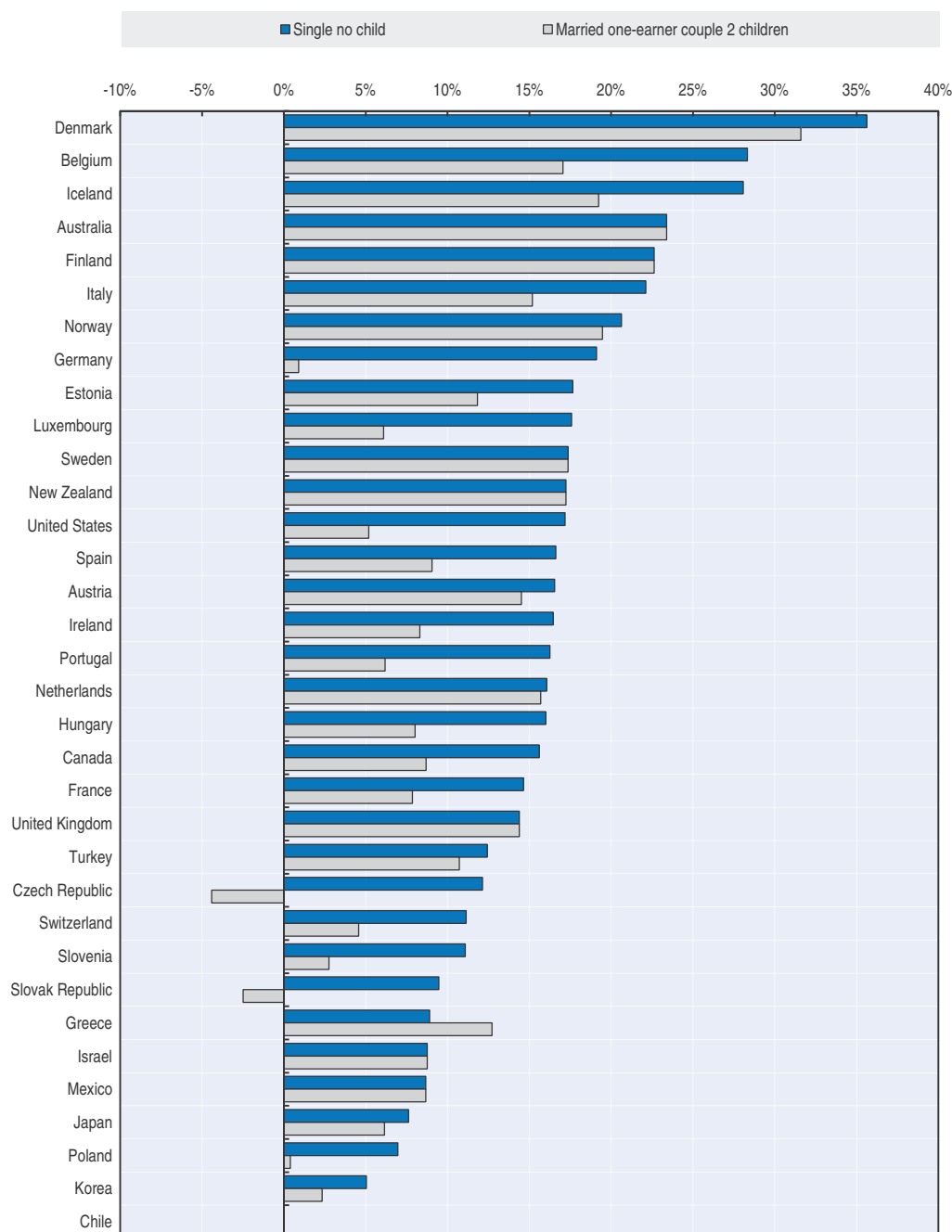
1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933196995>

Figure 3.4. **Income tax, by family-type, 2014**

As % of gross wage earnings



Note: The family type “single no child” corresponds to a wage level of 100% of average wage. The family type “married one earner couple 2 children” corresponds to a combined wage level of 100%-0% of average wage.

Source: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2014 (No. 96).

StatLink  <http://dx.doi.org/10.1787/888933196246>

Table 3.5. Employee contributions, 2014
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	16.1	18.1	18.1	17.3	18.1	17.3
Belgium	13.9	14.0	14.0	13.9	14.0	10.8	14.0	10.8
Canada	7.2	7.7	4.9	7.2	7.7	7.2	7.5	7.2
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	4.1	2.8	1.7	4.1	2.8	4.2	3.3	4.2
Estonia	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finland	7.9	8.0	8.1	7.9	8.0	7.8	8.0	7.8
France	14.1	14.1	13.4	14.1	14.1	14.1	14.1	14.1
Germany	20.4	20.4	16.2	20.2	20.2	20.2	20.2	20.4
Greece	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Hungary	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5
Iceland	0.6	0.4	0.2	0.6	0.4	0.6	0.5	0.6
Ireland	4.0	4.0	4.0	4.0	4.0	3.0	4.0	3.0
Israel ¹	5.6	7.7	9.5	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	14.1	14.1	13.4	14.1	14.1	14.1	14.1	14.1
Korea	8.3	8.3	7.2	8.3	8.3	8.3	8.3	8.3
Luxembourg	12.2	12.3	12.4	12.2	12.3	12.2	12.3	12.2
Mexico	1.3	1.4	1.5	1.3	1.4	1.3	1.3	1.3
Netherlands	20.0	15.3	10.7	8.9	13.1	12.5	15.0	14.4
New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2
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	13.4	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	6.3	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	6.3	6.3	6.2	6.3	6.3	6.3	6.3	6.3
Turkey	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
United Kingdom	8.0	9.3	7.4	8.0	9.3	8.0	8.8	8.0
United States	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
<i>Unweighted average</i>								
OECD-Average	10.0	9.9	9.3	9.6	9.8	9.6	9.9	9.7
OECD-EU 21	12.3	12.0	11.3	11.7	11.9	11.7	12.0	11.8

Note: ch = children

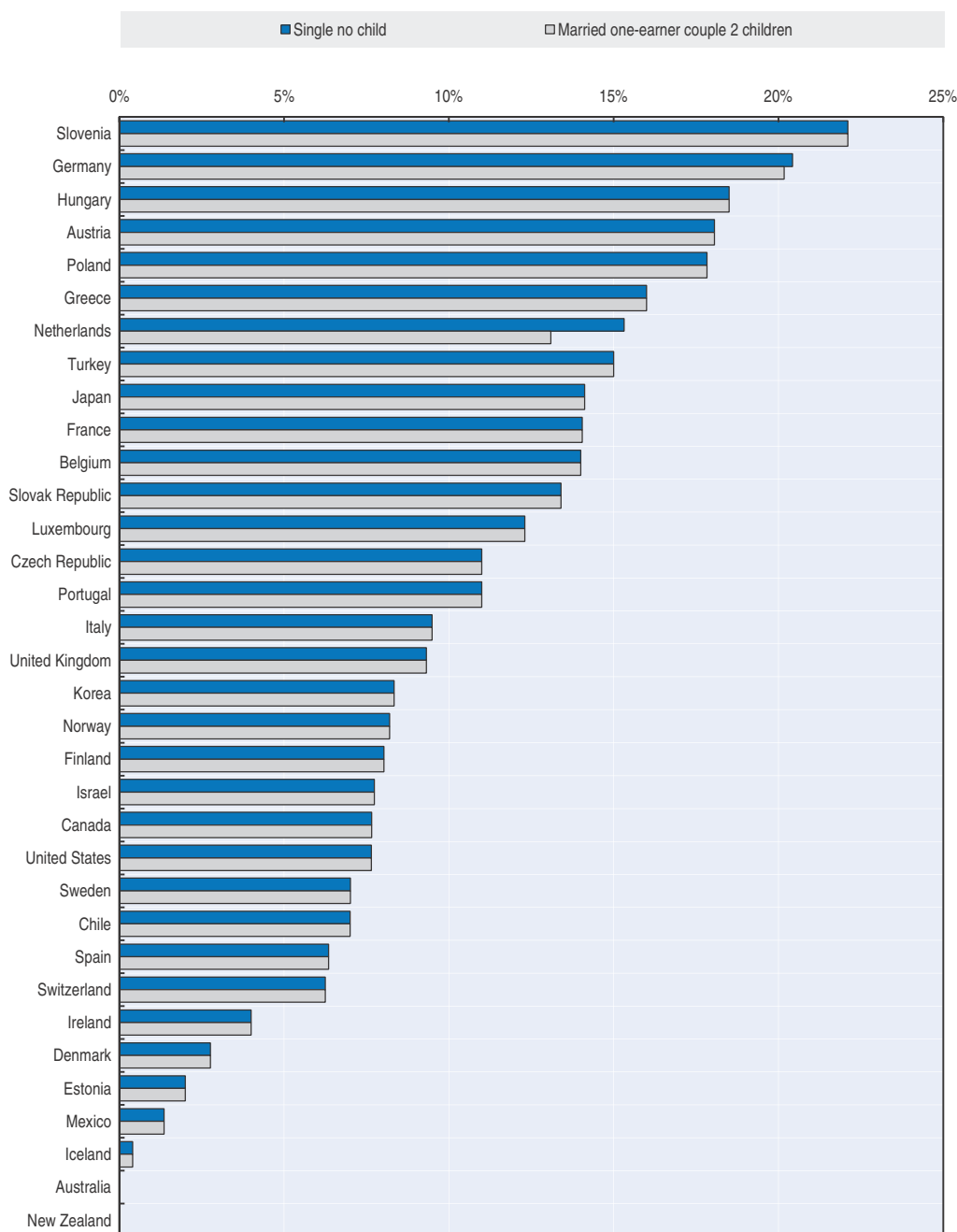
1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933197003>

Figure 3.5. Employee contributions, 2014

As % of gross wage earnings, by family-type



Note: The family type "single no child" corresponds to a wage level of 100% of average wage. The family type "married one earner couple 2 children" corresponds to a combined wage level of 100%-0% of average wage.

Source: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2014 (No. 96).

StatLink  <http://dx.doi.org/10.1787/888933196259>

Table 3.6. **Marginal rate of income tax plus employee and employer contributions less cash benefits, 2014**

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	39.1	37.7	42.0	58.0	54.2	66.0	37.7	37.7
Austria	56.9	60.6	42.2	56.9	60.6	60.6	60.6	60.6
Belgium	66.3	66.3	68.5	66.3	66.3	66.3	65.5	66.3
Canada	33.8	40.9	38.4	60.7	61.8	38.2	38.2	40.9
Chile	7.0	7.0	10.2	7.0	7.0	7.0	7.0	7.0
Czech Republic	48.6	48.6	48.6	48.6	48.6	48.6	48.6	48.6
Denmark	40.1	42.5	56.2	38.5	42.5	42.5	42.5	42.5
Estonia	42.2	42.2	42.2	42.2	42.2	42.2	42.2	42.2
Finland	54.5	55.4	58.4	54.5	55.4	55.4	55.4	55.4
France	62.6	59.3	59.9	57.0	43.5	58.3	50.9	50.9
Germany	55.5	60.0	44.3	53.8	52.2	55.2	57.5	55.5
Greece	48.0	48.7	56.0	48.7	49.3	49.3	49.3	48.7
Hungary	49.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0
Iceland	42.5	42.5	48.3	51.4	51.4	47.9	47.9	42.5
Ireland	37.7	56.7	56.7	67.9	37.7	37.7	37.7	37.7
Israel ¹	30.7	37.2	46.6	17.6	37.2	69.6	37.2	37.2
Italy	55.3	55.3	62.6	56.5	56.5	56.5	55.9	55.3
Japan	32.6	36.8	35.3	32.6	36.8	36.8	36.8	36.8
Korea	25.3	28.4	31.9	16.9	28.4	28.4	28.4	28.4
Luxembourg	45.8	55.1	55.1	50.0	39.0	44.1	50.9	44.1
Mexico	17.4	23.4	28.4	17.4	23.4	23.4	23.4	23.4
Netherlands	47.6	51.1	53.4	50.7	51.1	51.1	51.1	51.1
New Zealand	17.5	30.0	33.0	38.8	51.3	51.3	30.0	30.0
Norway	42.7	50.6	53.3	42.7	50.6	50.6	50.6	50.6
Poland	37.2	37.2	37.2	29.6	37.2	37.2	37.2	37.2
Portugal	53.9	53.9	60.8	51.1	39.8	51.1	51.1	53.9
Slovak Republic	46.5	46.5	46.5	46.5	46.5	46.5	46.5	46.5
Slovenia	43.6	51.0	60.4	32.9	43.6	43.6	43.6	51.0
Spain	45.7	49.5	40.0	53.0	49.5	49.5	49.5	49.5
Sweden	45.5	48.2	67.2	45.5	48.2	48.2	48.2	48.2
Switzerland	26.3	31.9	35.9	18.9	24.4	26.9	29.4	26.9
Turkey	42.8	42.8	47.8	42.8	42.8	42.8	42.8	42.8
United Kingdom	40.2	40.2	49.0	76.3	40.2	40.2	40.2	40.2
United States	34.3	43.6	43.6	50.4	34.3	34.3	34.3	34.3
<i>Unweighted average</i>								
OECD-Average	41.6	45.0	47.3	45.0	44.2	45.8	43.4	43.3
OECD-EU 21	48.7	51.3	53.1	51.2	47.6	49.2	49.2	49.3

Note: ch = children

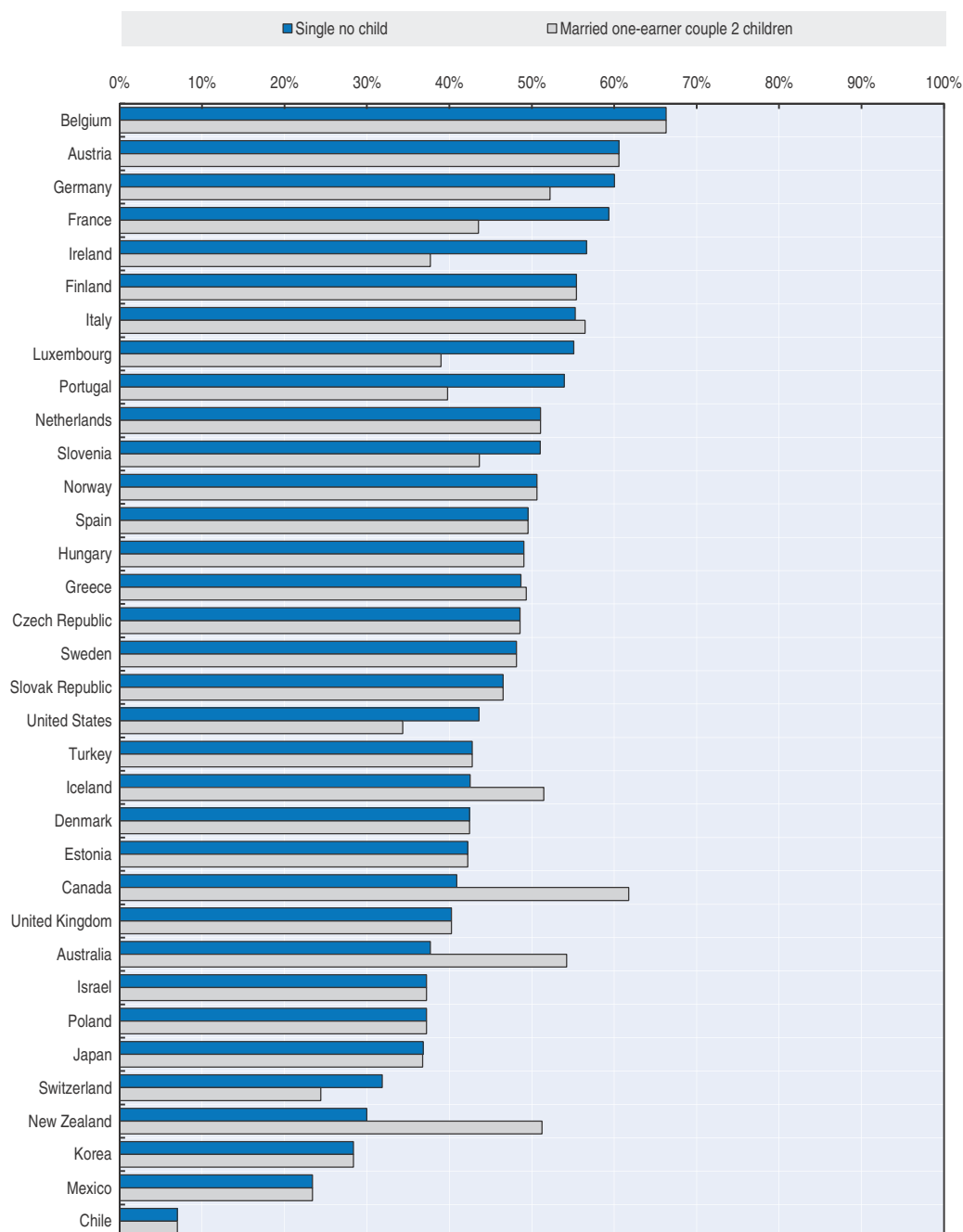
It is assumed that gross earnings of the principal earner in the household rise. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.
2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933197012>

Figure 3.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, 2014

As % of labour costs, by family-type



Note: The family type "single no child" corresponds to a wage level of 100% of average wage. The family type "married one earner couple 2 children" corresponds to a combined wage level of 100%-0% of average wage.

Source: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2014 (No. 96).

StatLink  <http://dx.doi.org/10.1787/888933196263>

Table 3.7. Marginal rate of income tax plus employee contributions less cash benefits, 2014
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	35.5	34.0	38.5	55.5	51.5	64.0	34.0	34.0
Austria	44.4	49.1	37.9	44.4	49.1	49.1	49.1	49.1
Belgium	54.9	54.9	59.8	54.9	54.9	54.9	53.8	54.9
Canada	25.5	35.1	35.4	55.8	58.0	32.1	32.1	35.1
Chile	7.0	7.0	10.2	7.0	7.0	7.0	7.0	7.0
Czech Republic	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1
Denmark	40.1	42.5	56.2	38.5	42.5	42.5	42.5	42.5
Estonia	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6
Finland	43.7	44.9	48.6	43.7	44.9	44.9	44.9	44.9
France	32.1	43.8	42.5	21.9	21.9	42.3	32.1	32.1
Germany	47.0	52.3	44.3	44.9	43.0	46.6	49.4	46.9
Greece	34.5	35.3	44.6	35.3	36.2	36.2	36.2	35.3
Hungary	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Iceland	38.2	38.2	44.4	47.8	47.8	43.9	43.9	38.2
Ireland	31.0	52.0	52.0	64.4	31.0	31.0	31.0	31.0
Israel ¹	26.0	33.0	43.0	12.0	33.0	67.5	33.0	33.0
Italy	40.9	40.9	50.6	42.5	42.5	42.5	41.7	40.9
Japan	22.6	27.4	31.2	22.6	27.4	27.4	27.4	27.4
Korea	17.6	21.0	27.9	8.3	21.0	21.0	21.0	21.0
Luxembourg	39.1	49.6	49.6	43.9	31.5	37.2	44.8	37.2
Mexico	12.1	17.6	22.9	12.1	17.6	17.6	17.6	17.6
Netherlands	42.0	45.8	53.4	45.4	45.8	45.8	45.8	45.8
New Zealand	17.5	30.0	33.0	38.8	51.3	51.3	30.0	30.0
Norway	35.2	44.2	47.2	35.2	44.2	44.2	44.2	44.2
Poland	26.7	26.7	26.7	17.8	26.7	26.7	26.7	26.7
Portugal	43.0	43.0	51.5	39.5	25.5	39.5	39.5	43.0
Slovak Republic	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9
Slovenia	34.6	43.1	54.0	22.1	34.6	34.6	34.6	43.1
Spain	29.5	34.4	40.0	38.9	34.4	34.4	34.4	34.4
Sweden	28.3	31.9	56.9	28.3	31.9	31.9	31.9	31.9
Switzerland	21.7	27.6	32.2	13.8	19.7	22.3	25.0	22.3
Turkey	32.8	32.8	38.7	32.8	32.8	32.8	32.8	32.8
United Kingdom	32.0	32.0	42.0	73.0	32.0	32.0	32.0	32.0
United States	29.3	39.3	39.3	46.6	29.3	29.3	29.3	29.3
<i>Unweighted average</i>								
OECD-Average	31.8	36.1	40.4	35.5	34.9	36.8	34.3	34.2
OECD-EU 21	36.3	40.0	44.2	38.9	35.5	37.6	37.5	37.6

Note: ch = children

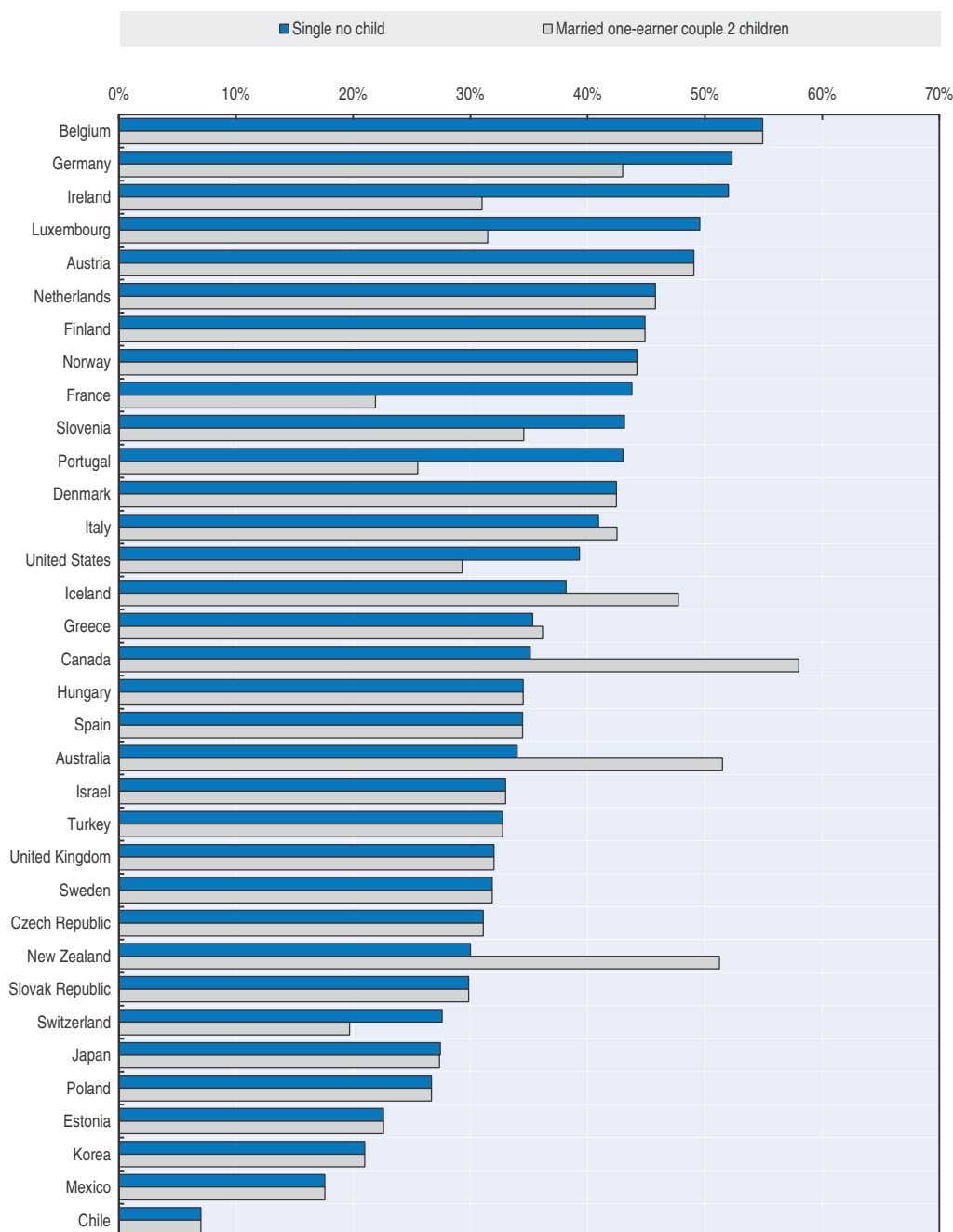
It is assumed that gross earnings of the principal earner in the household rise. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933197027>

Figure 3.7. Marginal rate of income tax plus employee contributions less cash benefits, 2014
As % of gross wage earnings, by family-type



Note: The family type “single no child” corresponds to a wage level of 100% of average wage. The family type “married one earner couple 2 children” corresponds to a combined wage level of 100%-0% of average wage.

Source: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2014 (No. 96).

StatLink  <http://dx.doi.org/10.1787/888933196273>

Table 3.8. Increase in net income after an increase of 1 currency unit in gross wages, 2014
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	0.79	0.86	0.87	0.41	0.56	0.43	0.84	0.82
Austria	0.78	0.78	1.02	0.61	0.64	0.64	0.68	0.72
Belgium	0.70	0.78	0.79	0.55	0.59	0.62	0.69	0.69
Canada	0.91	0.85	0.89	0.38	0.46	0.80	0.83	0.81
Chile	1.00	1.00	0.97	0.99	1.00	0.98	1.00	1.00
Czech Republic	0.85	0.90	0.94	0.69	0.70	0.77	0.80	0.86
Denmark	0.94	0.93	0.78	0.68	0.79	0.84	0.87	0.91
Estonia	0.95	0.96	0.98	0.80	0.86	0.89	0.91	0.95
Finland	0.74	0.80	0.83	0.63	0.73	0.70	0.73	0.75
France	0.93	0.79	0.87	0.92	0.95	0.70	0.88	0.93
Germany	0.81	0.79	0.99	0.67	0.72	0.73	0.74	0.81
Greece	0.81	0.86	0.85	0.82	0.90	0.86	0.87	0.85
Hungary	1.00	1.00	1.00	0.69	0.78	0.82	0.86	1.00
Iceland	0.81	0.87	0.83	0.59	0.61	0.72	0.76	0.81
Ireland	0.80	0.60	0.72	0.27	0.69	0.74	0.78	0.79
Israel ¹	0.82	0.80	0.76	0.87	0.78	0.36	0.75	0.77
Italy	0.78	0.86	0.81	0.59	0.71	0.72	0.77	0.80
Japan	0.97	0.93	0.92	0.89	0.86	0.88	0.89	0.92
Korea	0.92	0.91	0.86	1.00	0.89	0.88	0.89	0.90
Luxembourg	0.78	0.72	0.81	0.53	0.72	0.70	0.66	0.78
Mexico	0.91	0.92	0.90	0.91	0.92	0.87	0.89	0.87
Netherlands	0.78	0.79	0.77	0.56	0.72	0.69	0.71	0.74
New Zealand	0.95	0.85	0.87	0.53	0.51	0.55	0.84	0.83
Norway	0.87	0.78	0.81	0.74	0.73	0.72	0.74	0.75
Poland	0.96	0.98	0.99	1.00	0.90	0.92	0.93	0.96
Portugal	0.71	0.78	0.75	0.65	0.86	0.71	0.77	0.71
Slovak Republic	0.87	0.91	0.94	0.73	0.74	0.80	0.83	0.88
Slovenia	0.92	0.85	0.74	0.77	0.74	0.81	0.86	0.82
Spain	0.87	0.85	0.84	0.68	0.78	0.79	0.81	0.81
Sweden	0.92	0.90	0.67	0.81	0.83	0.82	0.85	0.87
Switzerland	0.92	0.88	0.87	0.85	0.84	0.84	0.84	0.91
Turkey	0.89	0.93	0.90	0.88	0.91	0.89	0.91	0.90
United Kingdom	0.85	0.89	0.83	0.26	0.84	0.81	0.84	0.85
United States	0.90	0.81	0.88	0.55	0.81	0.85	0.88	0.91
<i>Unweighted average</i>								
OECD-Average	0.86	0.86	0.86	0.69	0.77	0.76	0.82	0.84
OECD-EU 21	0.84	0.84	0.85	0.66	0.77	0.77	0.80	0.83

Note: ch = children

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 elasticity would equal 1. The more progressive the system at these income levels, the lower is the elasticity.

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Two-earner family. Assumes a rise in the labour costs associated with the principal earner in the household.

StatLink  <http://dx.doi.org/10.1787/888933197037>

Table 3.9. Increase in net income after an increase of 1 currency unit in gross labour cost, 2014
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	0.79	0.86	0.87	0.41	0.56	0.43	0.84	0.82
Austria	0.78	0.78	1.21	0.61	0.64	0.64	0.68	0.72
Belgium	0.67	0.76	0.80	0.53	0.57	0.58	0.67	0.65
Canada	0.90	0.86	0.92	0.38	0.47	0.81	0.85	0.83
Chile	1.00	1.00	0.97	0.99	1.00	0.98	1.00	1.00
Czech Republic	0.85	0.90	0.94	0.69	0.70	0.77	0.80	0.86
Denmark	0.94	0.93	0.78	0.68	0.79	0.84	0.87	0.91
Estonia	0.95	0.96	0.98	0.80	0.86	0.89	0.91	0.95
Finland	0.74	0.80	0.83	0.63	0.73	0.70	0.73	0.75
France	0.68	0.79	0.88	0.68	0.95	0.67	0.87	0.88
Germany	0.81	0.79	1.15	0.67	0.72	0.73	0.74	0.81
Greece	0.81	0.86	0.85	0.82	0.90	0.86	0.87	0.85
Hungary	1.00	1.00	1.00	0.69	0.78	0.82	0.86	1.00
Iceland	0.81	0.87	0.83	0.59	0.61	0.72	0.76	0.81
Ireland	0.80	0.60	0.72	0.27	0.69	0.73	0.78	0.79
Israel ¹	0.80	0.79	0.76	0.85	0.77	0.35	0.74	0.76
Italy	0.78	0.86	0.81	0.59	0.71	0.72	0.77	0.80
Japan	0.97	0.93	0.99	0.89	0.86	0.88	0.89	0.92
Korea	0.92	0.91	0.89	1.00	0.89	0.88	0.89	0.90
Luxembourg	0.78	0.72	0.81	0.53	0.72	0.70	0.66	0.78
Mexico	0.97	0.95	0.92	0.97	0.95	0.93	0.93	0.93
Netherlands	0.77	0.79	0.82	0.56	0.72	0.69	0.71	0.74
New Zealand	0.95	0.85	0.87	0.53	0.51	0.55	0.84	0.83
Norway	0.87	0.78	0.81	0.74	0.73	0.72	0.74	0.75
Poland	0.96	0.98	0.99	1.00	0.90	0.92	0.93	0.96
Portugal	0.71	0.78	0.75	0.65	0.86	0.71	0.77	0.71
Slovak Republic	0.87	0.91	0.94	0.73	0.74	0.80	0.83	0.88
Slovenia	0.92	0.85	0.74	0.77	0.74	0.81	0.86	0.82
Spain	0.87	0.85	1.09	0.68	0.78	0.79	0.81	0.81
Sweden	0.92	0.90	0.67	0.81	0.83	0.82	0.85	0.87
Switzerland	0.92	0.88	0.88	0.85	0.84	0.84	0.84	0.91
Turkey	0.89	0.93	0.90	0.88	0.91	0.89	0.91	0.90
United Kingdom	0.81	0.87	0.82	0.25	0.81	0.78	0.81	0.81
United States	0.93	0.82	0.89	0.56	0.83	0.88	0.90	0.94
<i>Unweighted average</i>								
OECD-Average	0.86	0.86	0.88	0.68	0.77	0.76	0.82	0.84
OECD-EU 21	0.83	0.84	0.88	0.65	0.77	0.76	0.80	0.83

Note: ch = children

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 elasticity would equal 1. The more progressive the system at these income levels, the lower is the elasticity.

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Two-earner family. Assumes a rise in the labour costs associated with the principal earner in the household.

StatLink  <http://dx.doi.org/10.1787/888933197047>

Table 3.10a. Annual gross wage and net income, single person, 2014
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	35 624	29 284	53 170	40 732	88 793	62 650	35 624	38 349
Austria	33 750	24 065	50 373	32 944	84 123	51 148	33 750	30 920
Belgium	37 001	23 720	55 225	31 846	92 225	46 883	37 001	30 222
Canada	26 423	21 740	39 438	30 261	65 861	48 045	26 423	31 024
Chile	12 777	11 883	19 071	17 736	31 848	29 347	12 777	11 996
Czech Republic	15 449	12 480	23 058	17 723	38 508	28 367	15 449	15 542
Denmark	34 948	22 212	52 161	32 303	87 110	49 092	34 948	31 770
Estonia	15 100	12 348	22 537	18 106	37 637	29 796	15 100	14 674
Finland	30 931	23 556	46 165	32 012	77 096	47 922	30 931	27 642
France	29 571	21 676	44 136	31 470	73 707	48 465	29 571	25 004
Germany	38 611	25 263	57 628	34 841	96 238	54 062	38 611	31 631
Greece	21 753	17 633	32 467	24 381	54 221	35 533	23 928	18 858
Hungary	15 499	10 152	23 133	15 152	38 633	25 304	15 499	14 728
Iceland	33 501	25 555	50 001	35 760	83 501	55 733	33 501	29 709
Ireland	28 112	24 244	41 958	33 371	70 069	46 865	28 112	37 003
Israel ¹	22 019	19 813	32 865	27 442	54 884	40 934	22 019	22 406
Italy	27 085	20 618	40 426	27 648	67 511	41 190	27 085	26 209
Japan	31 412	25 066	46 884	36 691	78 296	58 314	31 412	27 371
Korea	31 265	27 956	46 664	40 421	77 928	65 311	31 265	28 657
Luxembourg	40 306	31 516	60 158	42 178	100 463	62 512	40 306	42 615
Mexico	8 290	8 051	12 373	11 131	20 663	17 630	8 290	8 051
Netherlands	39 718	29 642	59 280	40 678	98 998	60 083	39 718	38 563
New Zealand	24 942	21 597	37 226	30 806	62 168	47 828	24 942	28 878
Norway	39 768	29 698	59 355	42 243	99 124	64 275	39 768	34 962
Poland	15 680	11 938	23 403	17 602	39 084	29 100	15 680	12 885
Portugal	19 969	16 074	29 805	21 681	49 774	32 335	19 969	18 492
Slovak Republic	13 775	11 099	20 559	15 858	34 334	25 521	13 775	13 243
Slovenia	19 938	14 225	29 758	19 880	49 695	30 993	19 938	20 059
Spain	26 149	21 309	39 029	30 061	65 179	46 449	26 149	23 592
Sweden	31 074	24 297	46 379	35 071	77 453	50 245	31 074	27 366
Switzerland	44 559	38 133	66 506	54 944	111 065	86 312	44 559	45 114
Turkey	16 116	12 120	24 054	17 458	40 171	27 507	16 116	12 366
United Kingdom	34 080	27 392	50 865	38 806	84 944	59 462	34 080	35 113
United States	33 550	26 257	50 075	37 637	83 625	58 002	33 550	32 696
<i>Unweighted average</i>								
OECD-Average	27 316	21 253	40 770	29 908	68 086	45 977	27 380	26 109
OECD-EU 21	27 071	20 260	40 405	28 267	67 476	42 920	27 175	25 530

Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

StatLink  <http://dx.doi.org/10.1787/888933197050>

Table 3.10b. Annual gross wage and net income, married couple, 2014
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	53 170	46 482	70 715	59 193	88 793	70 016	70 715	57 285
Austria	50 373	39 834	66 996	53 292	84 123	63 131	66 996	47 194
Belgium	55 225	42 562	73 449	53 846	92 225	61 388	73 449	47 982
Canada	39 438	35 712	52 452	44 569	65 861	53 656	52 452	42 047
Chile	19 071	17 736	25 364	24 171	31 848	29 732	25 364	23 589
Czech Republic	23 058	22 620	30 668	27 557	38 508	33 265	30 668	24 495
Denmark	52 161	37 964	69 375	47 280	87 110	57 865	69 375	43 930
Estonia	22 537	20 255	29 974	26 013	37 637	31 945	29 974	24 521
Finland	46 165	34 844	61 400	48 223	77 096	58 400	61 400	45 391
France	44 136	36 293	58 701	48 326	73 707	56 668	58 701	43 052
Germany	57 628	45 485	76 645	56 157	96 238	66 352	76 645	50 218
Greece	38 961	27 770	51 818	38 570	65 065	48 035	47 500	36 220
Hungary	23 133	19 451	30 767	24 451	38 633	29 603	30 767	20 153
Iceland	50 001	42 825	66 501	51 937	83 501	61 706	66 501	50 567
Ireland	41 958	41 856	55 804	52 380	70 069	61 839	55 804	48 582
Israel ¹	32 865	28 288	43 710	39 479	54 884	49 064	43 710	37 908
Italy	40 426	32 566	53 767	42 844	67 511	51 392	53 767	39 723
Japan	46 884	39 685	62 355	51 698	78 296	64 062	62 355	49 394
Korea	46 664	41 679	62 063	55 503	77 928	69 412	62 063	54 535
Luxembourg	60 158	57 380	80 010	72 353	100 463	84 436	80 010	64 060
Mexico	12 373	11 131	16 456	15 538	20 663	19 181	16 456	15 538
Netherlands	59 280	44 468	78 843	61 599	98 998	75 136	78 843	57 553
New Zealand	37 226	35 830	49 511	44 021	62 168	52 049	49 511	41 607
Norway	59 355	45 476	78 943	61 199	99 124	74 489	78 943	58 652
Poland	23 403	19 138	31 127	24 934	39 084	30 769	31 127	23 705
Portugal	29 805	25 881	39 641	33 882	49 774	38 924	39 641	31 979
Slovak Republic	20 559	19 438	27 344	23 932	34 334	29 101	27 344	21 789
Slovenia	29 758	26 476	39 578	31 876	49 695	37 809	39 578	27 529
Spain	39 029	33 014	51 909	42 839	65 179	52 801	51 909	42 123
Sweden	46 379	38 140	61 684	51 134	77 453	62 437	61 684	48 065
Switzerland	66 506	63 721	88 453	81 863	111 065	99 043	88 453	75 194
Turkey	24 054	17 867	31 992	24 195	40 171	29 824	31 992	23 950
United Kingdom	50 865	41 340	67 650	56 972	84 944	68 732	67 650	54 438
United States	50 075	43 648	66 600	55 331	83 625	67 368	66 600	51 781
<i>Unweighted average</i>								
OECD-Average	40 961	34 613	54 478	44 916	68 405	54 107	54 351	41 904
OECD-EU 21	40 714	33 656	54 150	43 736	67 993	52 382	53 944	40 129

Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.
2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933197063>

Table 3.11a. Annual labour costs and net income, single person, 2014
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	37 745	29 284	56 335	40 732	94 080	62 650	37 745	38 349
Austria	43 581	24 065	65 046	32 944	106 662	51 148	43 581	30 920
Belgium	47 304	23 720	71 686	31 846	119 478	46 883	47 304	30 222
Canada	29 573	21 740	44 188	30 261	72 015	48 045	29 573	31 024
Chile	12 777	11 883	19 071	17 736	31 848	29 347	12 777	11 996
Czech Republic	20 702	12 480	30 898	17 723	51 600	28 367	20 702	15 542
Denmark	34 948	22 212	52 161	32 303	87 110	49 092	34 948	31 770
Estonia	20 234	12 348	30 199	18 106	50 433	29 796	20 234	14 674
Finland	38 231	23 556	57 061	32 012	95 291	47 922	38 231	27 642
France	39 530	21 676	61 040	31 470	106 109	48 465	39 530	25 004
Germany	46 053	25 263	68 735	34 841	111 117	54 062	46 053	31 631
Greece	27 411	17 633	40 912	24 381	68 323	35 533	30 152	18 858
Hungary	19 917	10 152	29 726	15 152	49 643	25 304	19 917	14 728
Iceland	36 043	25 555	53 796	35 760	89 839	55 733	36 043	29 709
Ireland	31 134	24 244	46 468	33 371	77 602	46 865	31 134	37 003
Israel ¹	22 962	19 813	34 540	27 442	58 045	40 934	22 962	22 406
Italy	35 774	20 618	53 395	27 648	89 169	41 190	35 774	26 209
Japan	36 083	25 066	53 855	36 691	89 347	58 314	36 083	27 371
Korea	34 482	27 956	51 466	40 421	85 026	65 311	34 482	28 657
Luxembourg	45 263	31 516	67 557	42 178	112 820	62 512	45 263	42 615
Mexico	9 436	8 051	13 821	11 131	22 739	17 630	9 436	8 051
Netherlands	43 631	29 642	65 303	40 678	105 592	60 083	43 631	38 563
New Zealand	24 942	21 597	37 226	30 806	62 168	47 828	24 942	28 878
Norway	44 938	29 698	67 072	42 243	112 010	64 275	44 938	34 962
Poland	18 311	11 938	27 331	17 602	45 642	29 100	18 311	12 885
Portugal	24 712	16 074	36 884	21 681	61 596	32 335	24 712	18 492
Slovak Republic	18 073	11 099	26 974	15 858	45 047	25 521	18 073	13 243
Slovenia	23 148	14 225	34 549	19 880	57 696	30 993	23 148	20 059
Spain	33 968	21 309	50 699	30 061	84 432	46 449	33 968	23 592
Sweden	40 837	24 297	60 951	35 071	101 789	50 245	40 837	27 366
Switzerland	47 344	38 133	70 663	54 944	117 896	86 312	47 344	45 114
Turkey	18 937	12 120	28 264	17 458	47 201	27 507	18 937	12 366
United Kingdom	37 215	27 392	56 317	38 806	95 099	59 462	37 215	35 113
United States	37 188	26 257	54 977	37 637	91 094	58 002	37 188	32 696
<i>Unweighted average</i>								
OECD-Average	31 836	21 253	47 622	29 908	79 281	45 977	31 917	26 109
OECD-EU 21	32 856	20 260	49 233	28 267	82 012	42 920	32 986	25 530

Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

StatLink  <http://dx.doi.org/10.1787/888933197071>

Table 3.11b. Annual labour costs and net income, married couple, 2014
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	56 335	46 482	74 926	59 193	94 080	70 016	74 926	57 285
Austria	65 046	39 834	86 511	53 292	108 626	63 131	86 511	47 194
Belgium	71 686	42 562	92 538	53 846	118 989	61 388	92 538	47 982
Canada	44 188	35 712	58 684	44 569	73 761	53 656	58 684	42 047
Chile	19 071	17 736	25 364	24 171	31 848	29 732	25 364	23 589
Czech Republic	30 898	22 620	41 095	27 557	51 600	33 265	41 095	24 495
Denmark	52 161	37 964	69 375	47 280	87 110	57 865	69 375	43 930
Estonia	30 199	20 255	40 165	26 013	50 433	31 945	40 165	24 521
Finland	57 061	34 844	75 891	48 223	95 291	58 400	75 891	45 391
France	61 040	36 293	77 396	48 326	100 570	56 668	77 396	43 052
Germany	68 735	45 485	91 418	56 157	114 788	66 352	91 418	50 218
Greece	49 095	27 770	65 296	38 570	81 988	48 035	59 855	36 220
Hungary	29 726	19 451	39 536	24 451	49 643	29 603	39 536	20 153
Iceland	53 796	42 825	71 549	51 937	89 839	61 706	71 549	50 567
Ireland	46 468	41 856	61 491	52 380	77 602	61 839	61 491	48 582
Israel ¹	34 540	28 288	45 759	39 479	57 502	49 064	45 759	37 908
Italy	53 395	32 566	71 015	42 844	89 169	51 392	71 015	39 723
Japan	53 855	39 685	71 627	51 698	89 937	64 062	71 627	49 394
Korea	51 466	41 679	68 450	55 503	85 948	69 412	68 450	54 535
Luxembourg	67 557	57 380	89 851	72 353	112 820	84 436	89 851	64 060
Mexico	13 821	11 131	18 777	15 538	23 257	19 181	18 777	15 538
Netherlands	65 303	44 468	86 648	61 599	108 934	75 136	86 648	57 553
New Zealand	37 226	35 830	49 511	44 021	62 168	52 049	49 511	41 607
Norway	67 072	45 476	89 205	61 199	112 010	74 489	89 205	58 652
Poland	27 331	19 138	36 350	24 934	45 642	30 769	36 350	23 705
Portugal	36 884	25 881	49 055	33 882	61 596	38 924	49 055	31 979
Slovak Republic	26 974	19 438	35 875	23 932	45 047	29 101	35 875	21 789
Slovenia	34 549	26 476	45 950	31 876	57 696	37 809	45 950	27 529
Spain	50 699	33 014	67 429	42 839	84 667	52 801	67 429	42 123
Sweden	60 951	38 140	81 065	51 134	101 789	62 437	81 065	48 065
Switzerland	70 663	63 721	93 981	81 863	118 007	99 043	93 981	75 194
Turkey	28 264	17 867	37 591	24 195	47 201	29 824	37 591	23 950
United Kingdom	56 317	41 340	73 852	56 972	93 532	68 732	73 852	54 438
United States	54 977	43 648	73 836	55 331	92 164	67 368	73 836	51 781
<i>Unweighted average</i>								
OECD-Average	47 863	34 613	63 443	44 916	79 860	54 107	63 283	41 904
OECD-EU 21	49 623	33 656	65 610	43 736	82 740	52 382	65 350	40 129

Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.
2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933197087>

PART I
Chapter 4

Graphical exposition of the 2014 estimated tax burden

The chapter presents a graphical exposition of the estimated tax burdens on labour income in 2014 for gross wage earnings ranging from 50% to 250% of the average wage. These are illustrated in separate graphs for each OECD member country and 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 graphs are divided in two sets showing the average and the marginal tax wedge components as percentage of total labour costs (central and local income taxes; employee and employer social security contributions and family benefits). The graphs also show the net personal average and marginal tax rates.

The graphs in this section show the estimated tax burden on labour income in 2014 for gross wage earnings between 50% and 250% of the average wage (AW). For each OECD member country, 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 graphs illustrate the relative importance of the different components of the tax wedges; central income taxes, local income taxes, employee social security contributions, employer social security contributions (including payroll taxes where applicable) and family benefits as a percentage of total labour costs (TLC). It should be noted that a decreasing share in total labour costs implies that the corresponding taxes and benefits are not increasing as rapidly as total labour costs. It does not necessarily imply that the corresponding taxes are decreasing or cash benefits are increasing in cash terms.

Low-income households are treated favourably by the tax-benefit system in many OECD countries. 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.

When cash benefits are also taken into account, single parents and one-earner married couples with 2 children do not pay income taxes and employee social security contributions up to income levels between 50% and 85% of the AW in 14 OECD member countries. The net personal average tax rate for single parents with two children becomes positive at 93% of the AW in New Zealand and 97% of the AW in Ireland. The corresponding measure for one-earner married couples with 2 children becomes positive at 93% of the AW in New Zealand, 94% of the AW in the Czech Republic and at the AW level in Ireland.

* 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 33% 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 variations in cash benefits levels across OECD countries. They represent about a quarter or more of total labour costs for low-income single parents and/or one-earner married couples with two children in Australia, Canada, Denmark, Ireland, Luxembourg, New Zealand and Slovenia.

The marginal 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 42.2% in Estonia (over the 50-250% income range), 48.6% in the Czech Republic and 49.0% in Hungary. The tax wedge is also relatively flat in Chile, Poland, the Slovak Republic, Turkey and the United Kingdom. In Chile, it is 7.0% on earnings below 122% of the AW and then 10.2% on higher earnings up to 250% of the AW. In Poland, it is 37.2% on earnings below 237% of the AW and 47.6% on earnings between 238% and 250% of the AW. In the Slovak Republic, it is 46.5% on earnings below 221% of the AW and 49.7% on earnings between 222% and 250% of the AW. In Turkey, it is 42.8% on earnings below 111% of the AW and 47.8% on earnings between 112% and 250% of the AW. In the United Kingdom, it is 40.2% on earnings below 117% of the AW and then 49.0% on earnings between 118% and 250% of the AW.

In Norway, single taxpayers without children face a constant marginal tax wedge of 42.7% from 50% to 97% of the AW, and of 50.6% on earnings ranging from 98% to 158% of the AW. It then rises to 53.3% on earnings between 159% and 250% of the AW. In Iceland, the marginal tax wedge is 42.5% on earnings between 53% and 143% of the AW and then 48.3% on earnings between 144% and 250% of the AW. In Ireland, it is 37.7% on earnings between 54% and 95% of the AW and 56.7% on earnings between 96% and 250% of the AW.

Social security contributions are levied at flat rates in many OECD countries. Some countries have an earnings ceiling above which no additional social security contributions have to be paid. Within the income range going from 50% to 250% of the AW, the marginal employer social security rates fall to zero as a result of income ceilings in Germany, Luxembourg, the Netherlands and Spain and to a large extent in the United States (the rate drops from 7.65% to 1.45% on earnings above USD 117 000). The marginal employee social security rates fall to zero in Austria, Canada, Germany, the Netherlands, Spain and Sweden. They also fall to a large extent in Luxembourg (employee social security contributions drop to 1.4% on earnings above EUR 115 261.80); the United Kingdom (employee national insurance contributions drop to 2% of earnings above GBP 41 865); and the United States (the rate drops from 6.2% to 1.45% on earnings above USD 117 000).

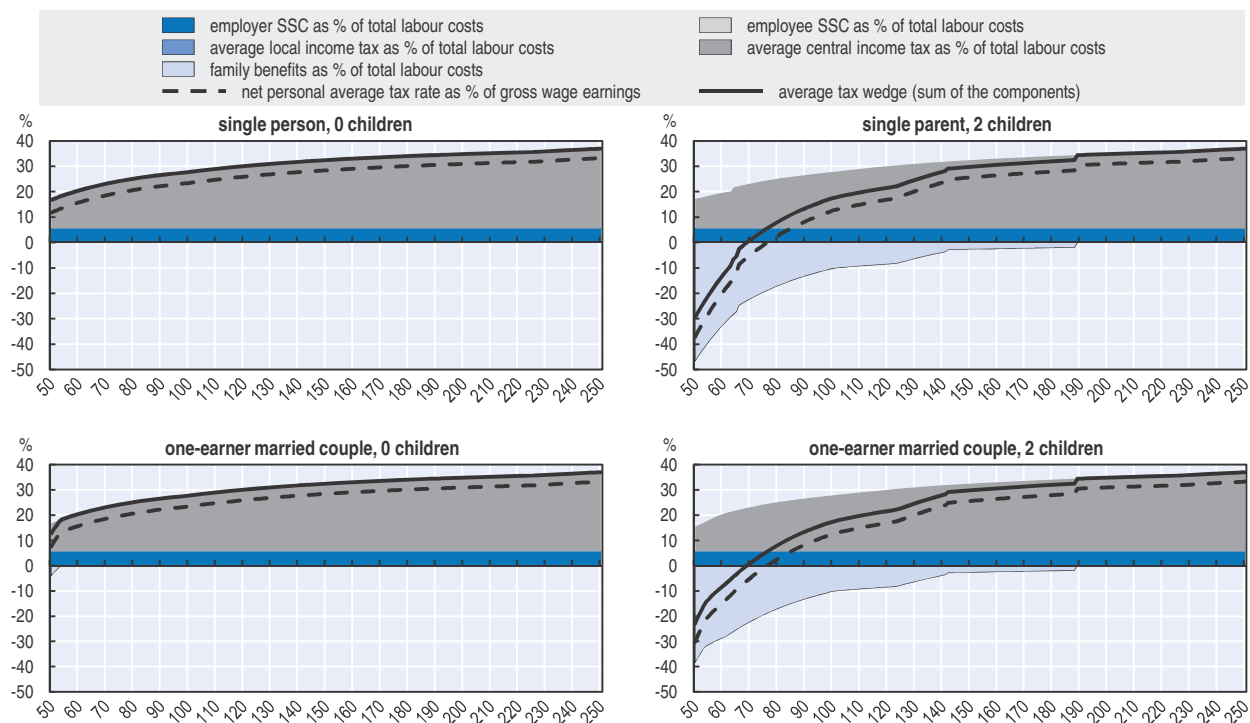
Taxpayers in some OECD countries experience declining marginal social security contribution rates as percentage of total labour costs over some parts of the earnings range as income increases. This can be observed for single taxpayers without children in Austria, Belgium, Canada, France, Germany, Japan, Korea, the Netherlands and Switzerland.

Taxpayers face marginal tax rates and wedges of about 80% or more in several of OECD countries. This is the case for low-income taxpayers without children in France, Greece, Ireland, Mexico, Portugal and Slovenia. They also apply to families with children only (at particular income levels) in Australia, Austria, Belgium, Canada, Chile, the Czech Republic, France, Greece, Ireland, Israel, Italy, Japan, Luxembourg, Mexico, Poland, Portugal, the Slovak Republic, Slovenia and Spain. In many countries, these high marginal tax rates are partly the result of a reduction as income rises in benefits, allowances or tax credits that are targeted at low-income taxpayers.

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

Australia 2014: Average tax wedge decomposition

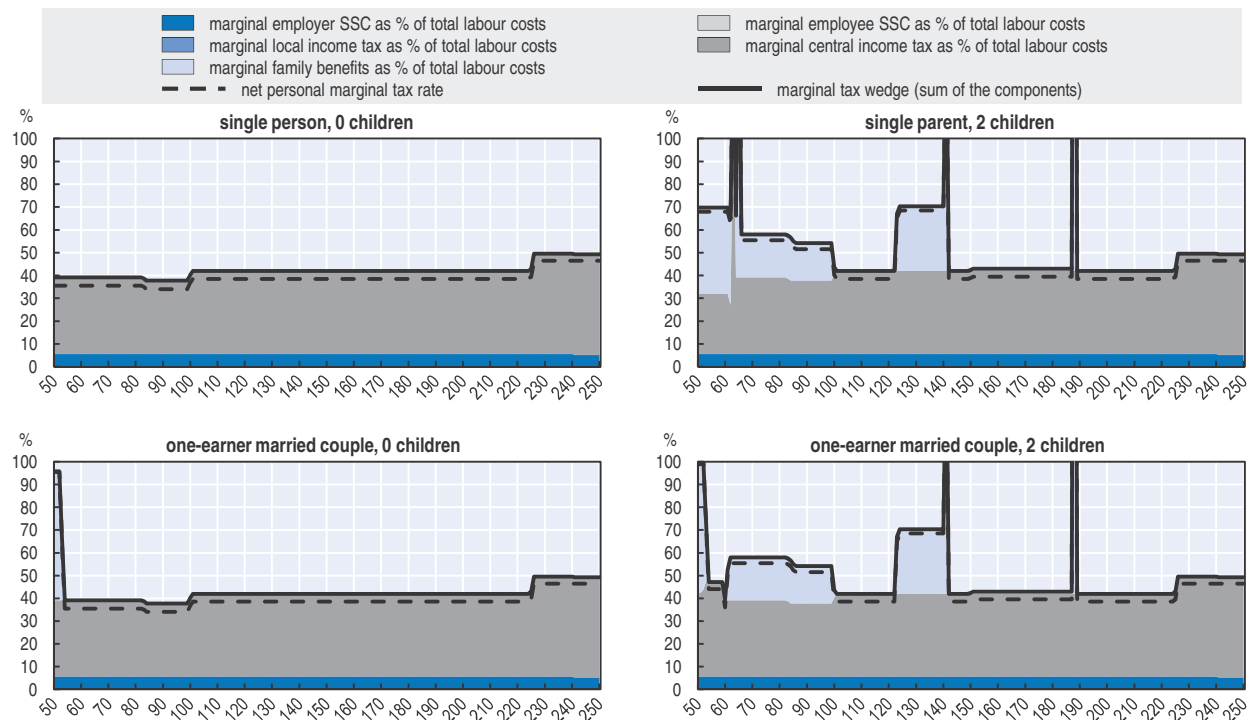
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196287>

Australia 2014: Marginal tax wedge decomposition

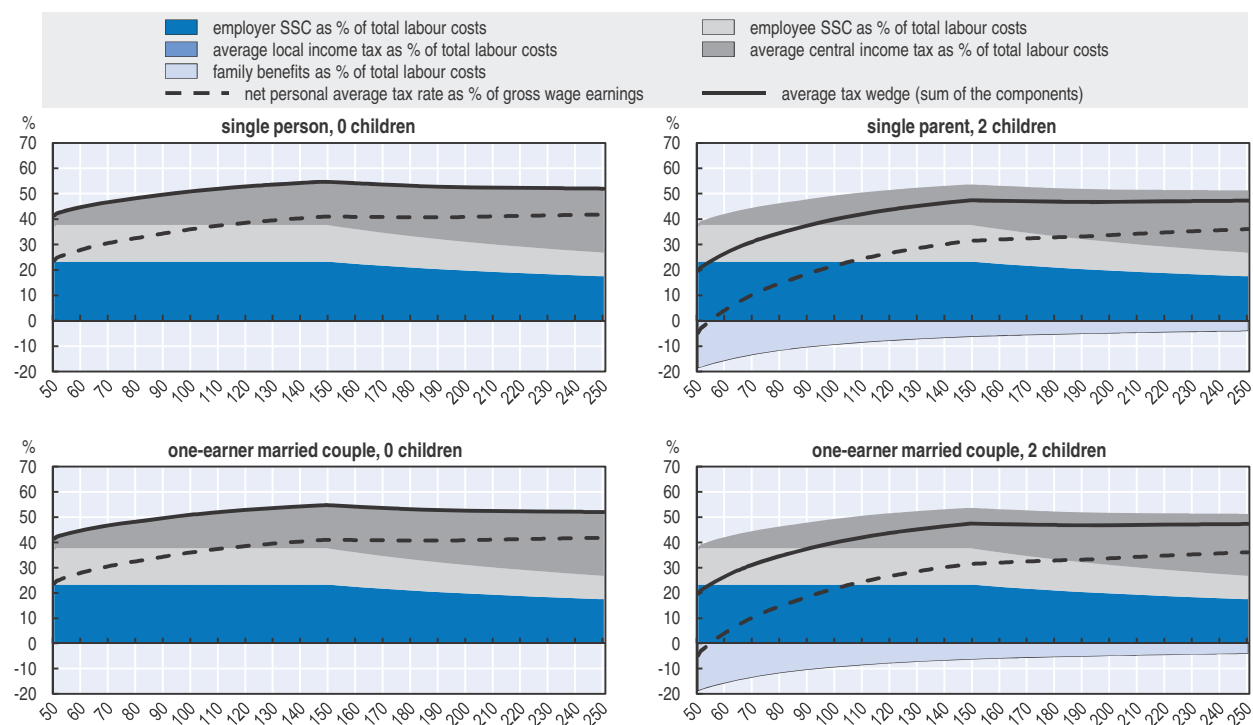
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196624>

Austria 2014: Average tax wedge decomposition

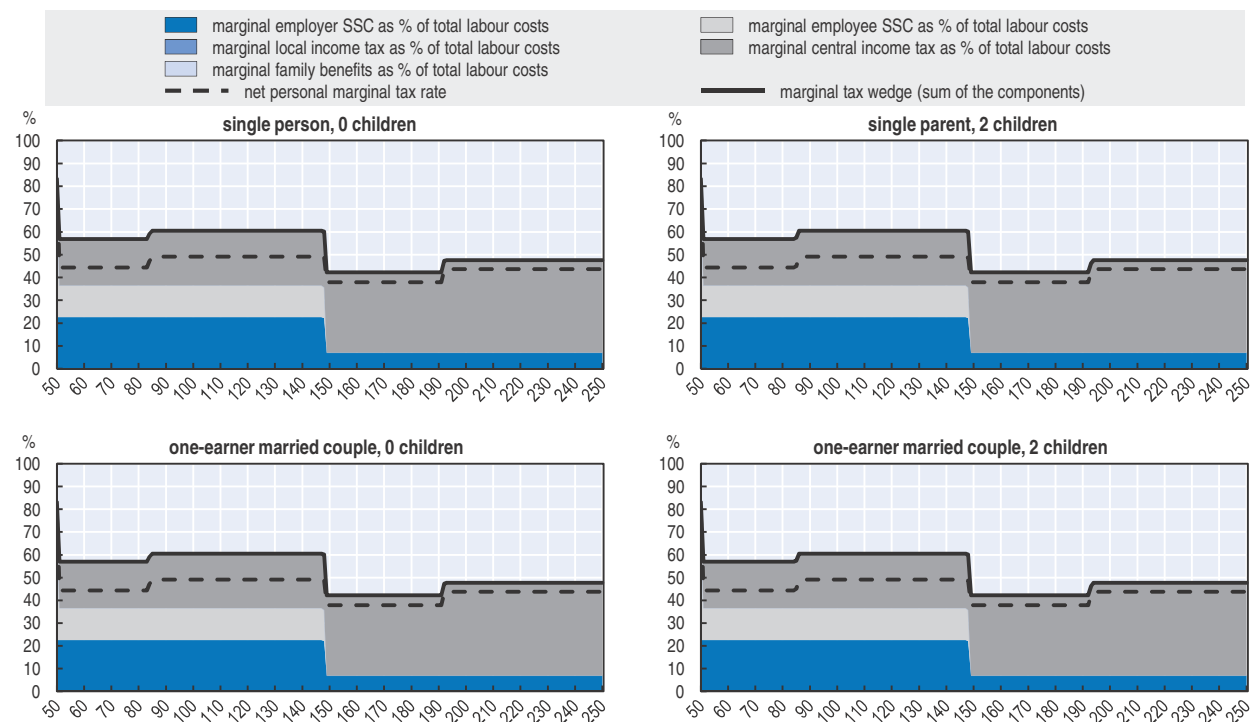
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196299>

Austria 2014: Marginal tax wedge decomposition

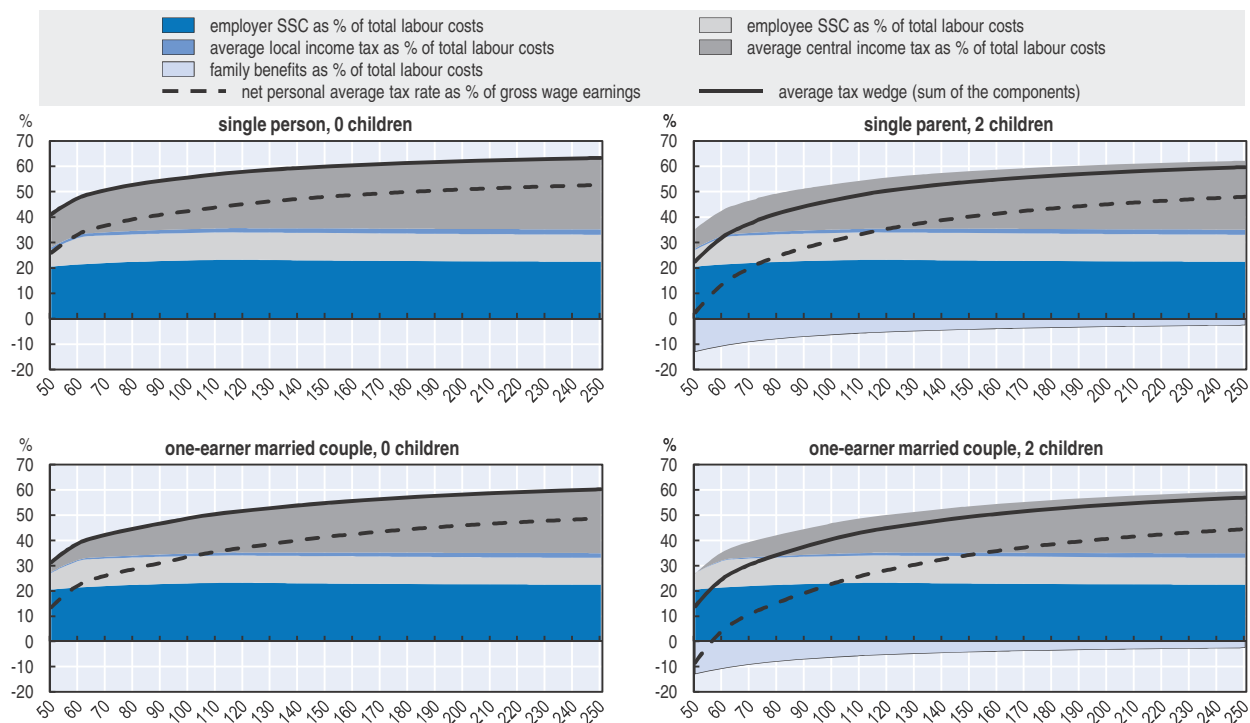
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196630>

Belgium 2014: Average tax wedge decomposition

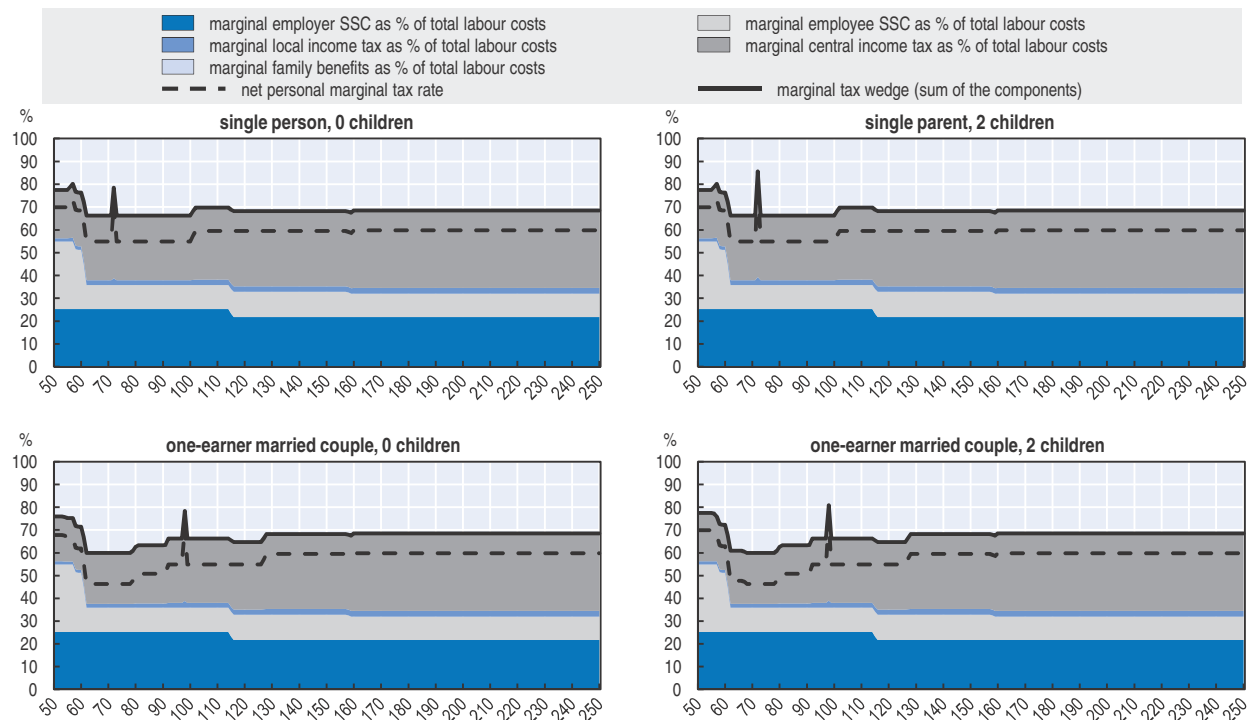
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196302>

Belgium 2014: Marginal tax wedge decomposition

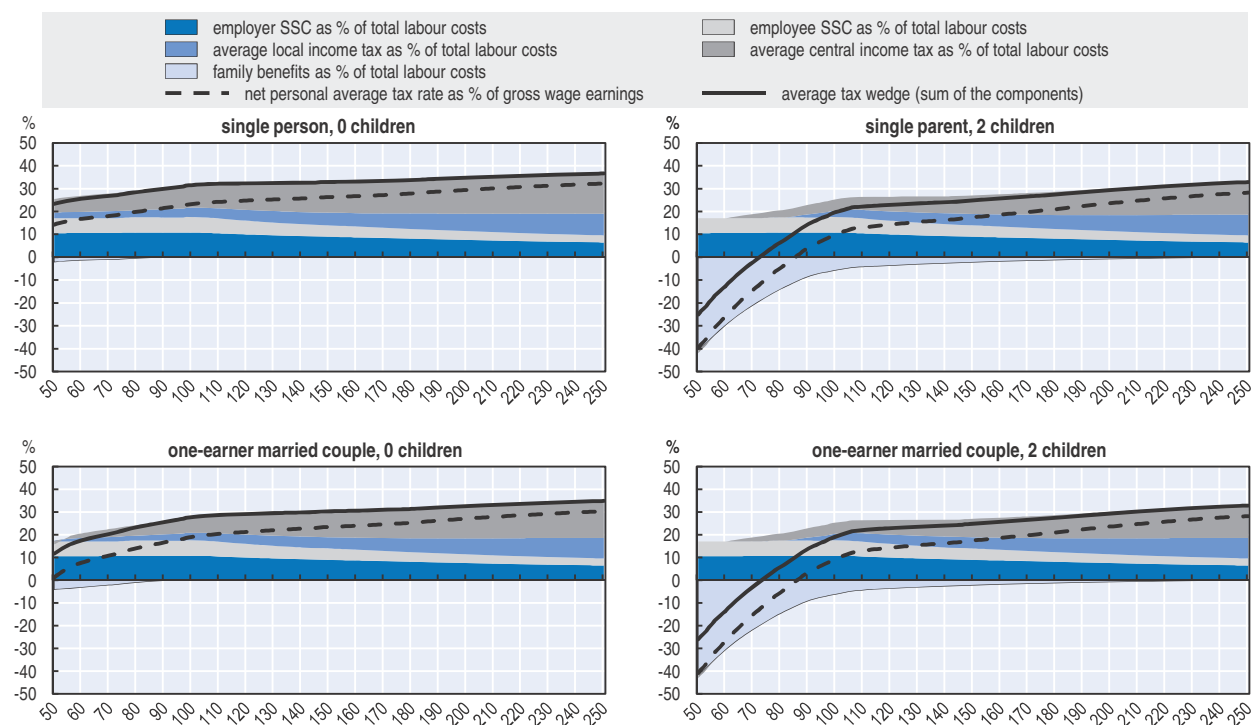
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196649>

Canada 2014: Average tax wedge decomposition

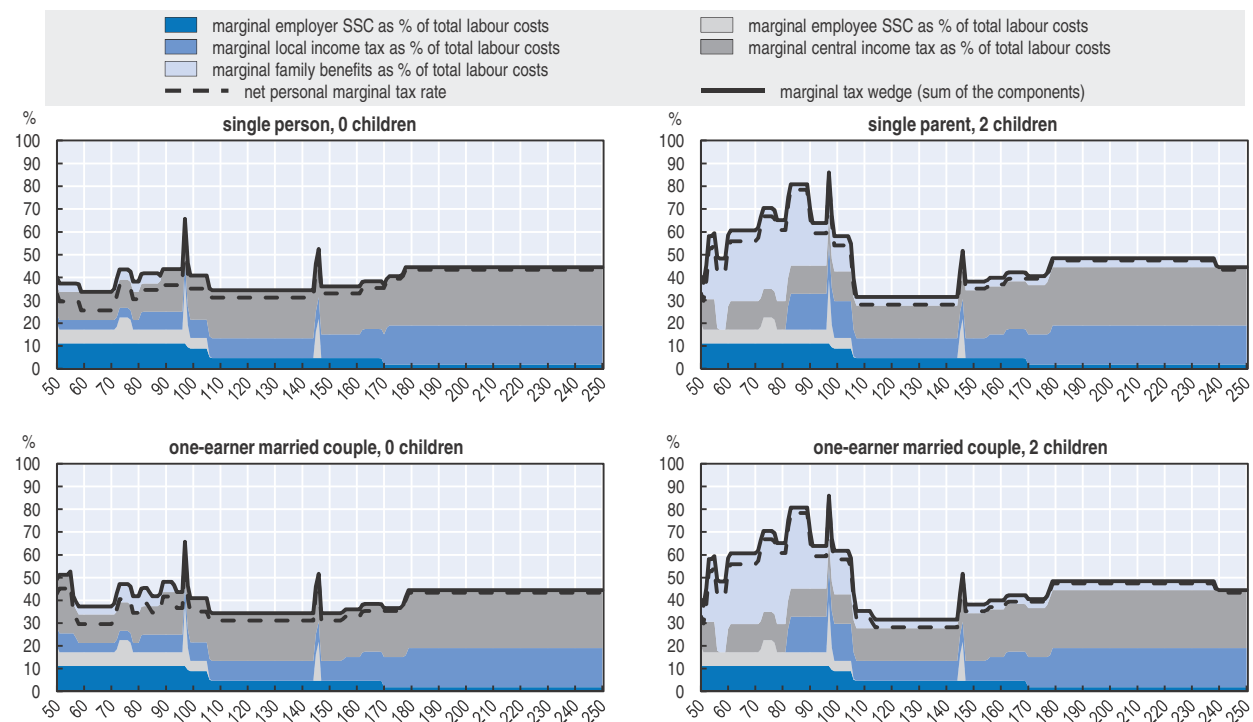
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196319>

Canada 2014: Marginal tax wedge decomposition

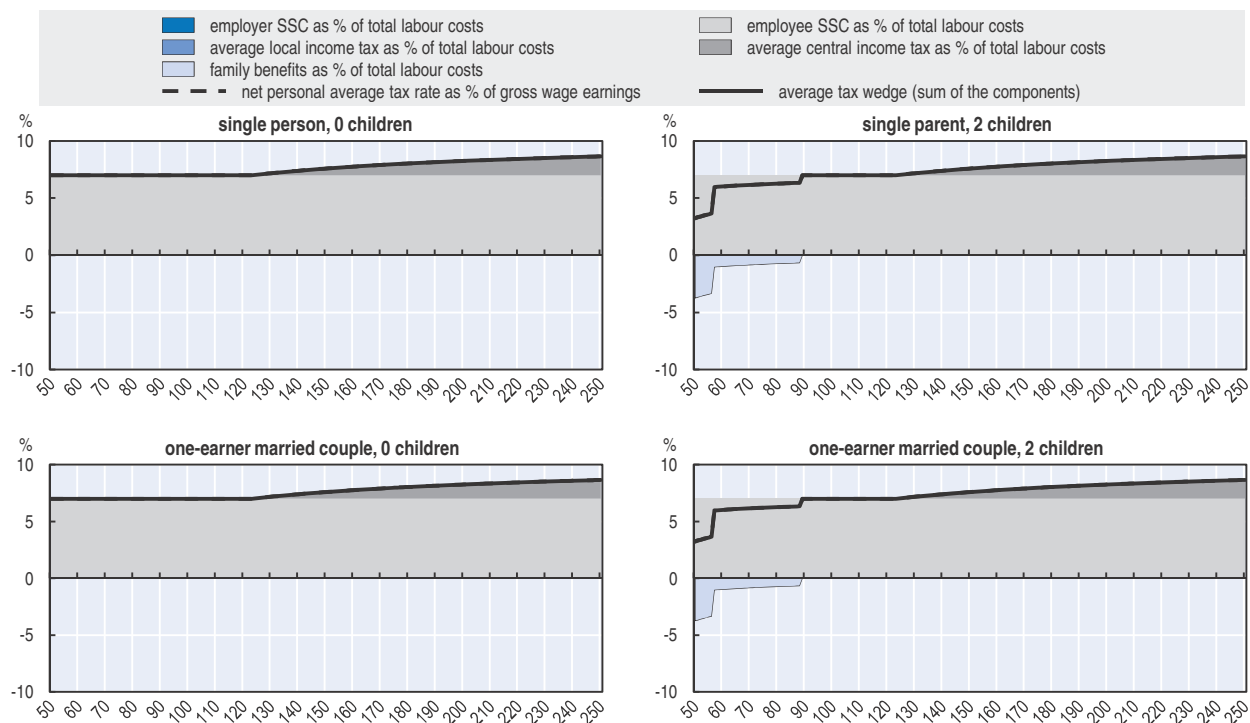
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196651>

Chile 2014: Average tax wedge decomposition

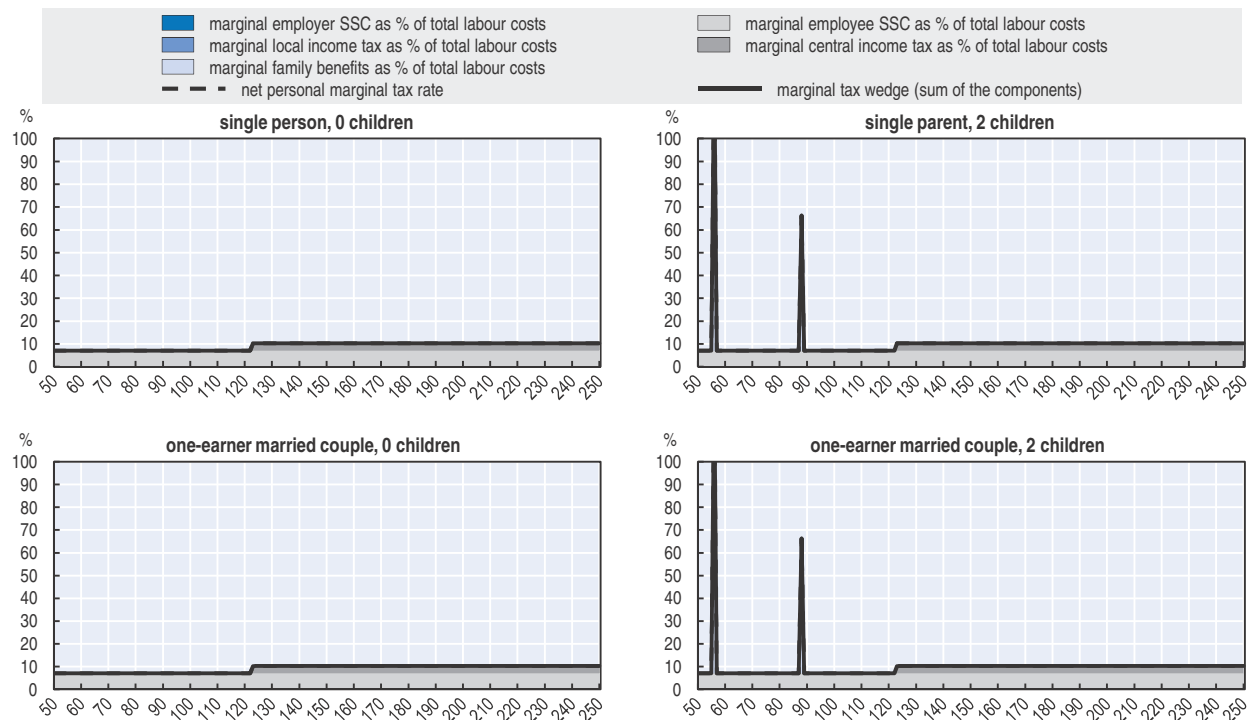
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196331>

Chile 2014: Marginal tax wedge decomposition

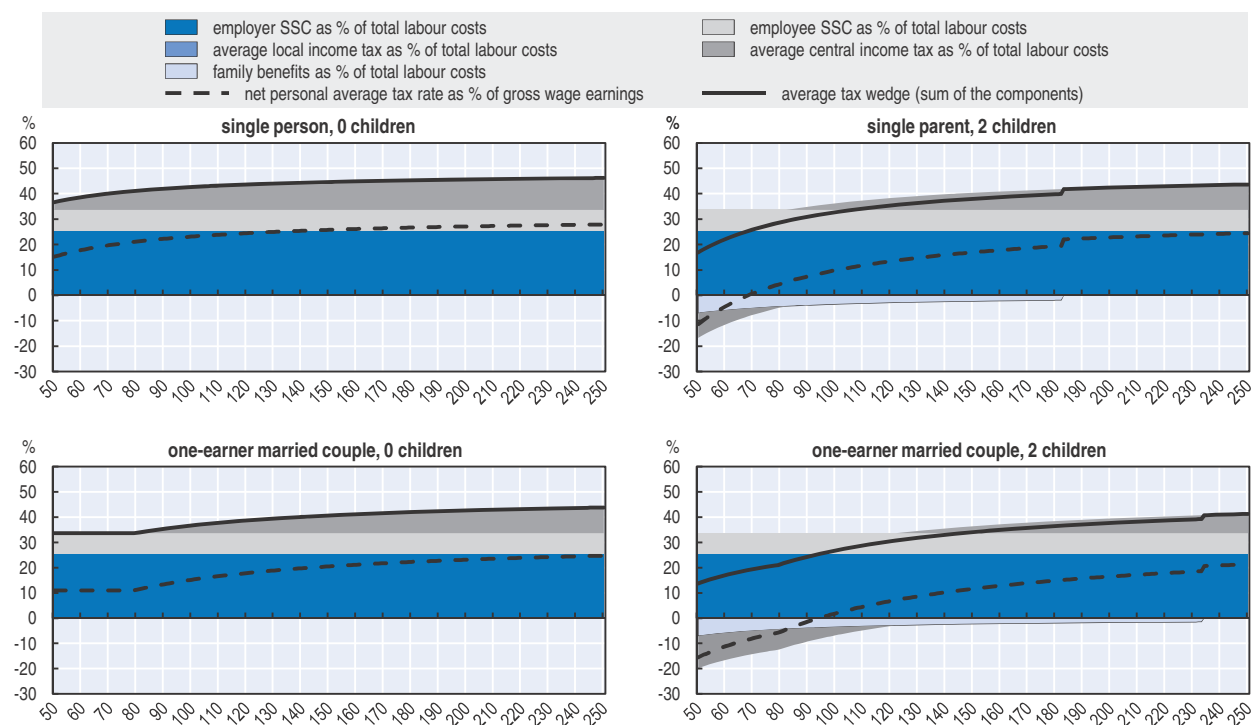
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196673>

Czech Republic 2014: Average tax wedge decomposition

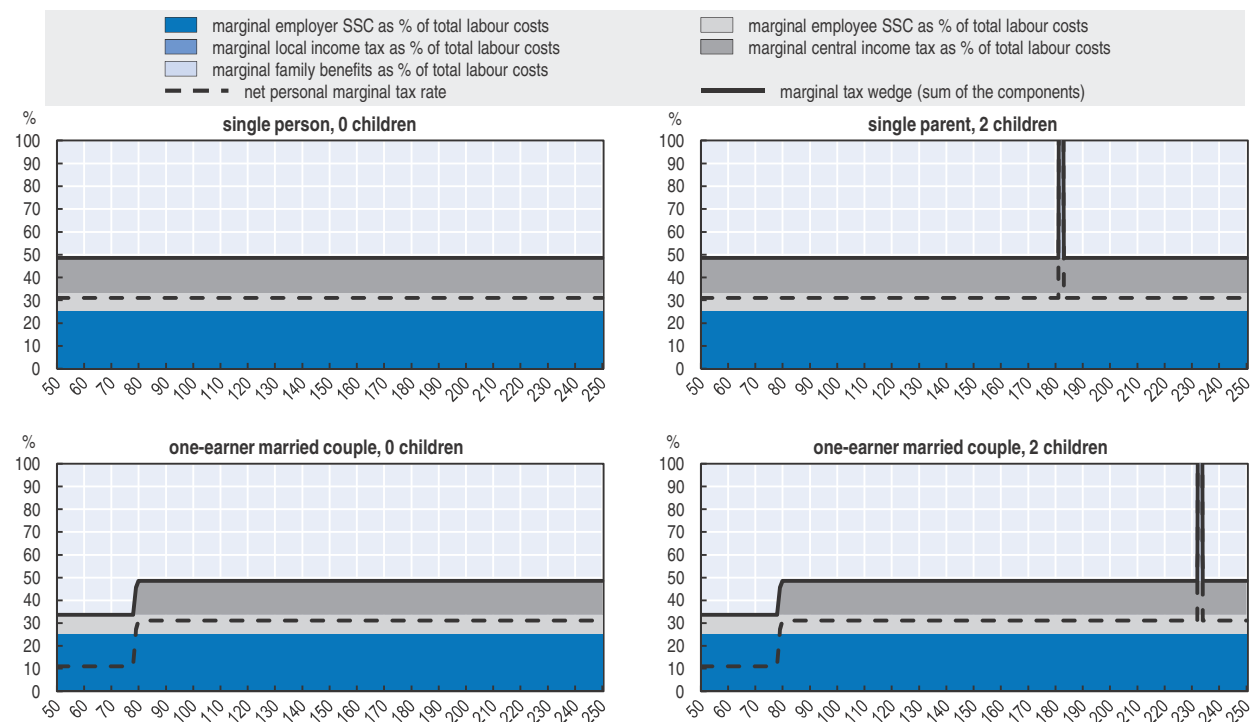
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196347>

Czech Republic 2014: Marginal tax wedge decomposition

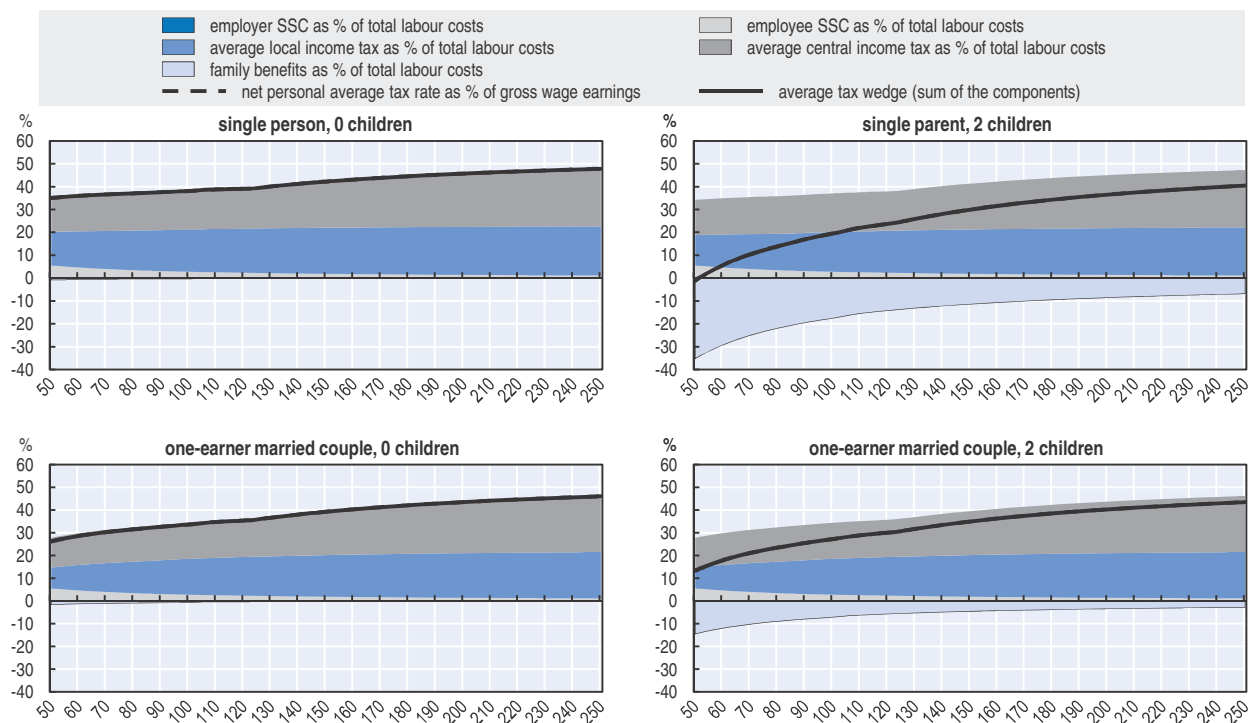
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196688>

Denmark 2014: Average tax wedge decomposition

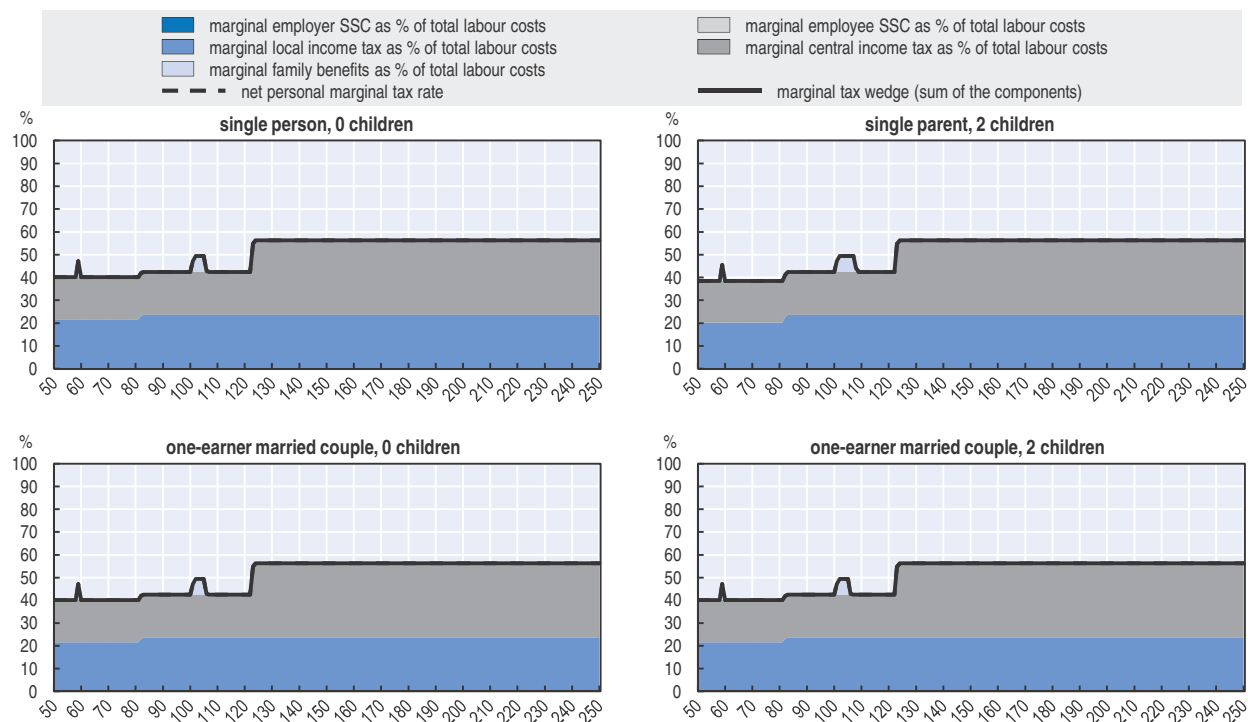
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196361>

Denmark 2014: Marginal tax wedge decomposition

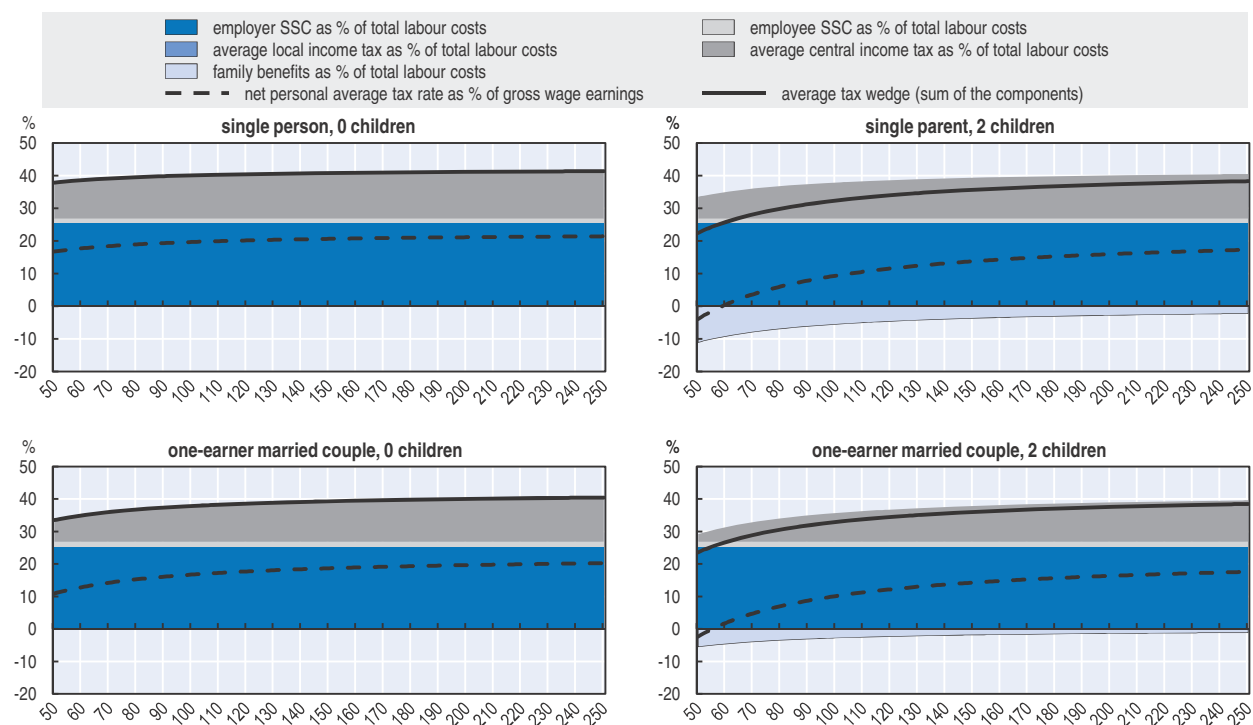
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196703>

Estonia 2014: Average tax wedge decomposition

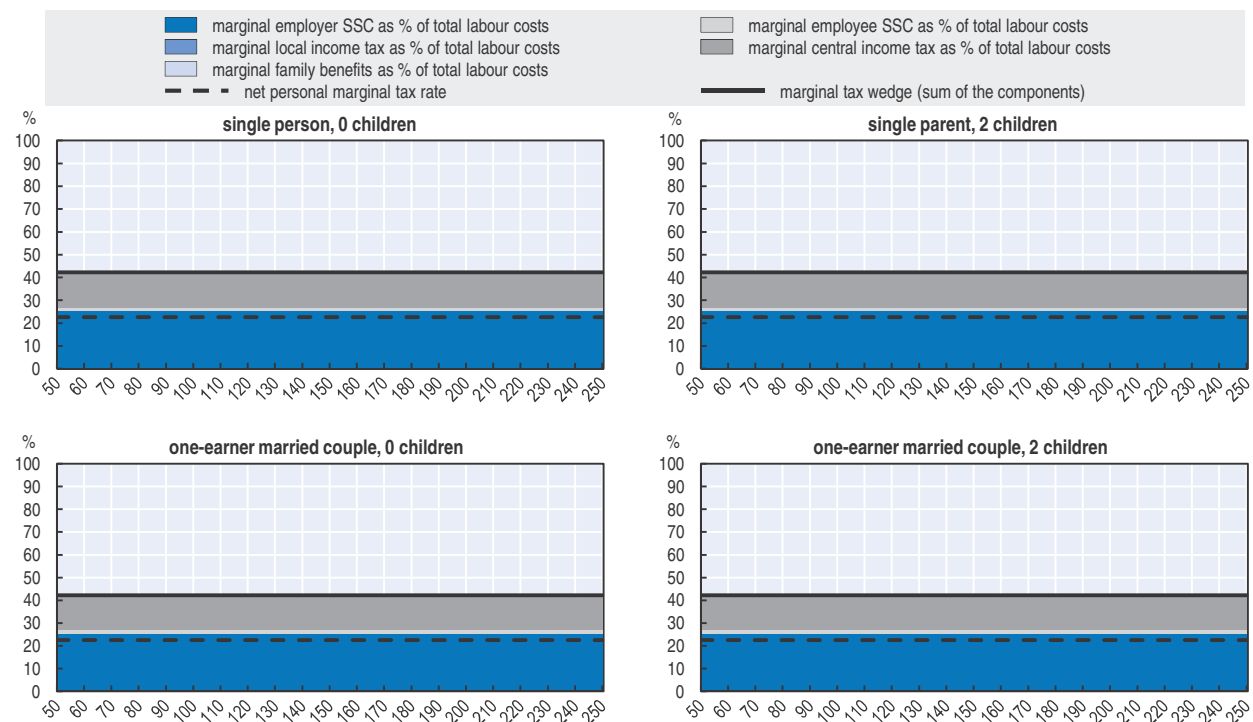
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196380>

Estonia 2014: Marginal tax wedge decomposition

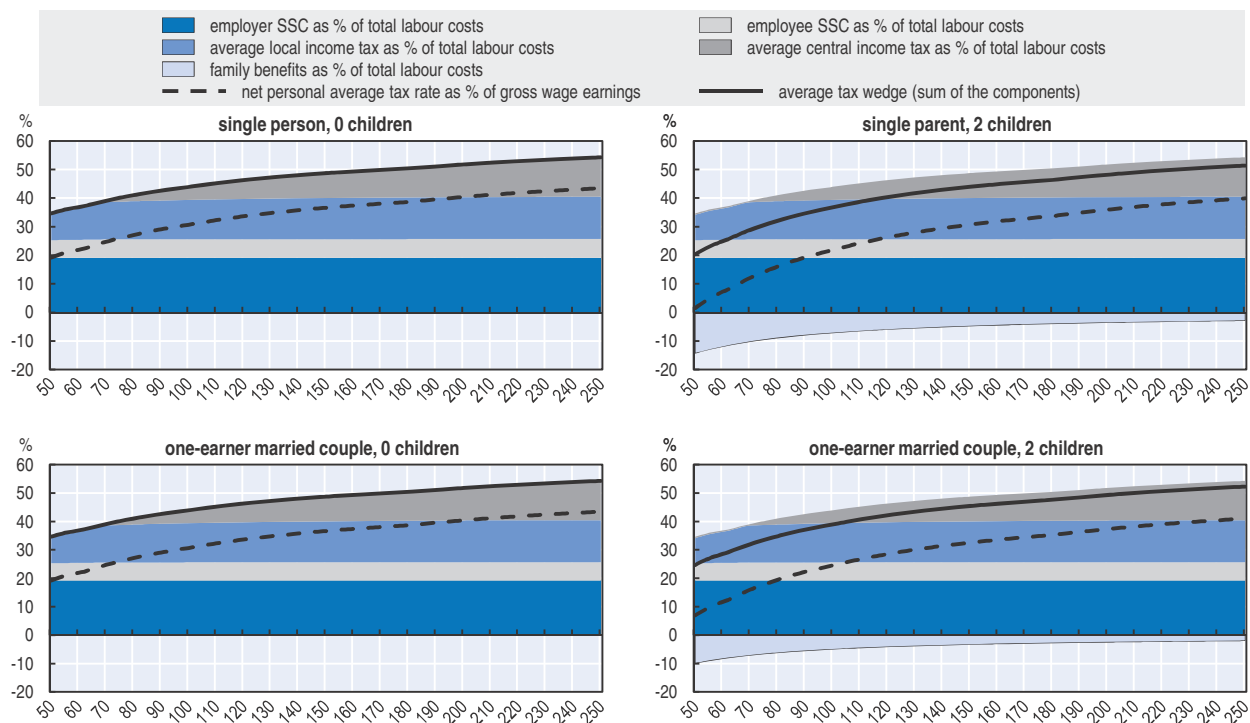
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196724>

Finland 2014: Average tax wedge decomposition

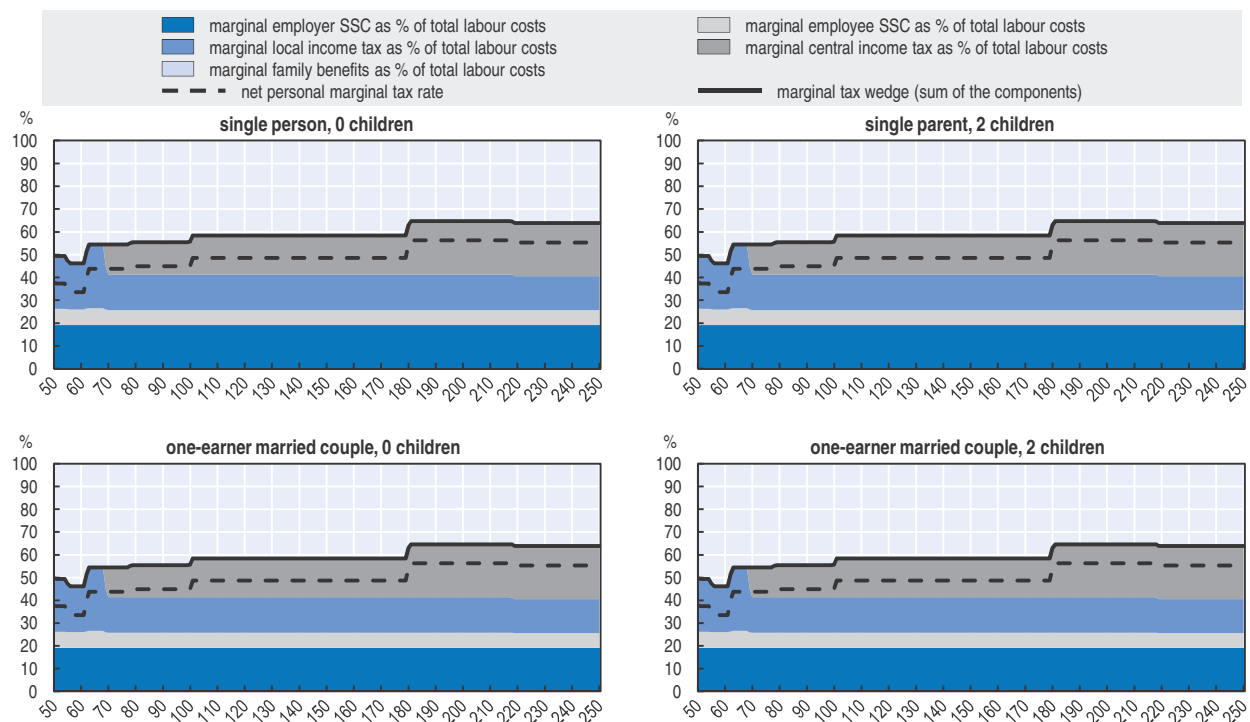
By level of gross earnings expressed as a % of the average wage



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Finland 2014: Marginal tax wedge decomposition

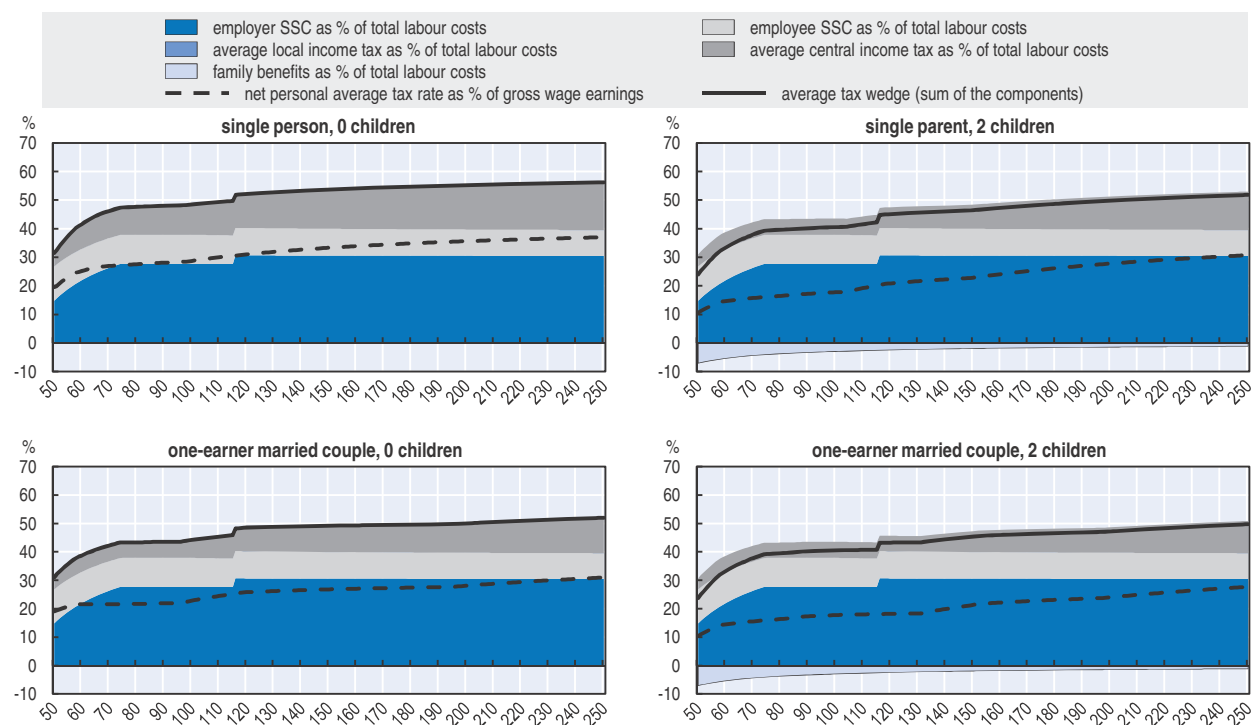
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196732>

France 2014: Average tax wedge decomposition

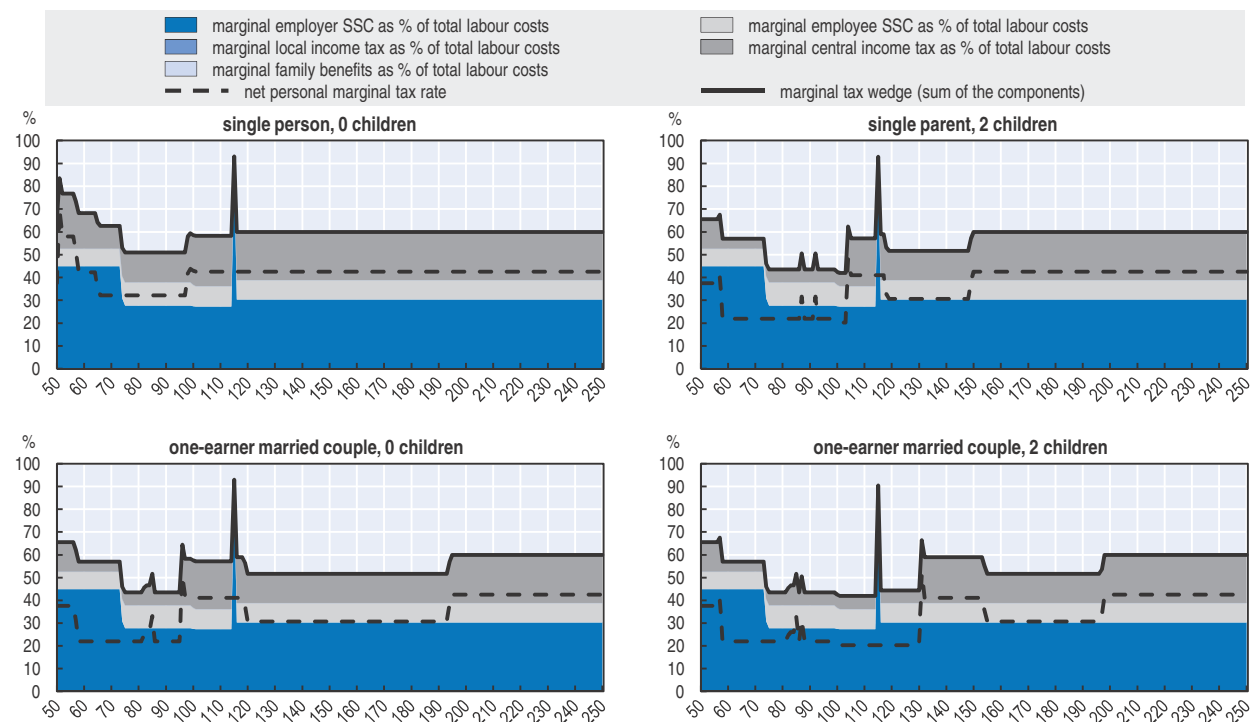
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196405>

France 2014: Marginal tax wedge decomposition

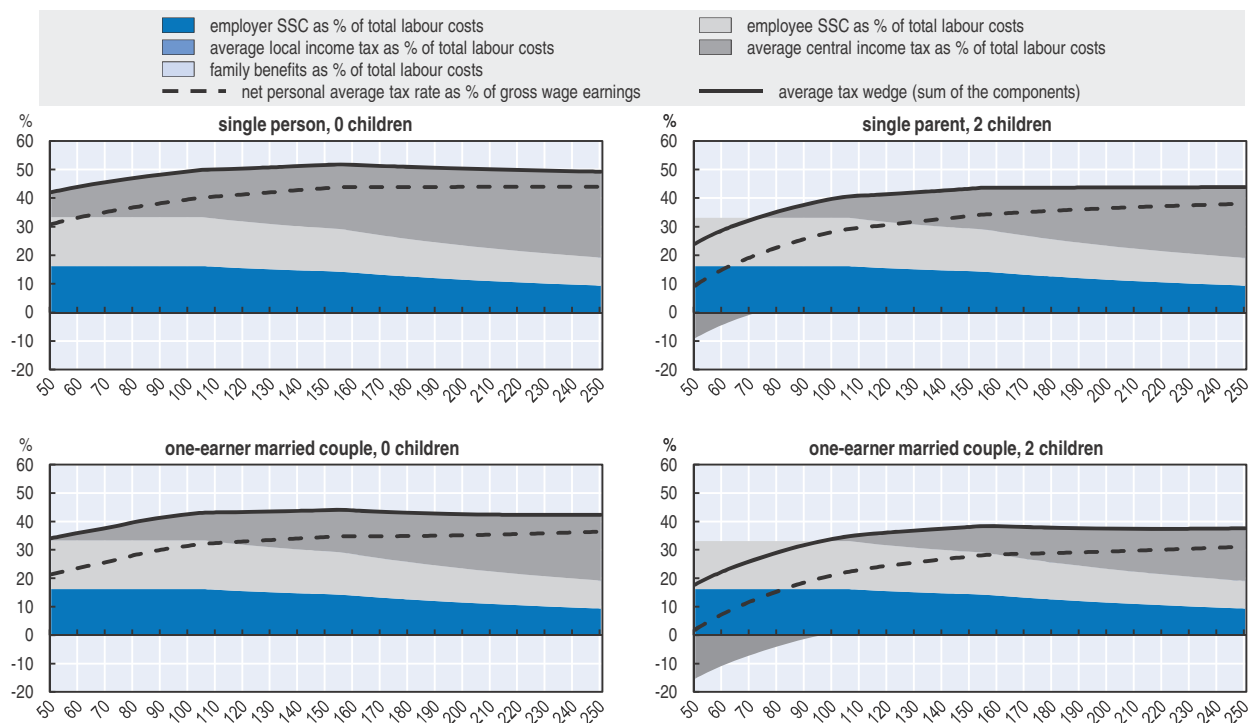
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196743>

Germany 2014: Average tax wedge decomposition

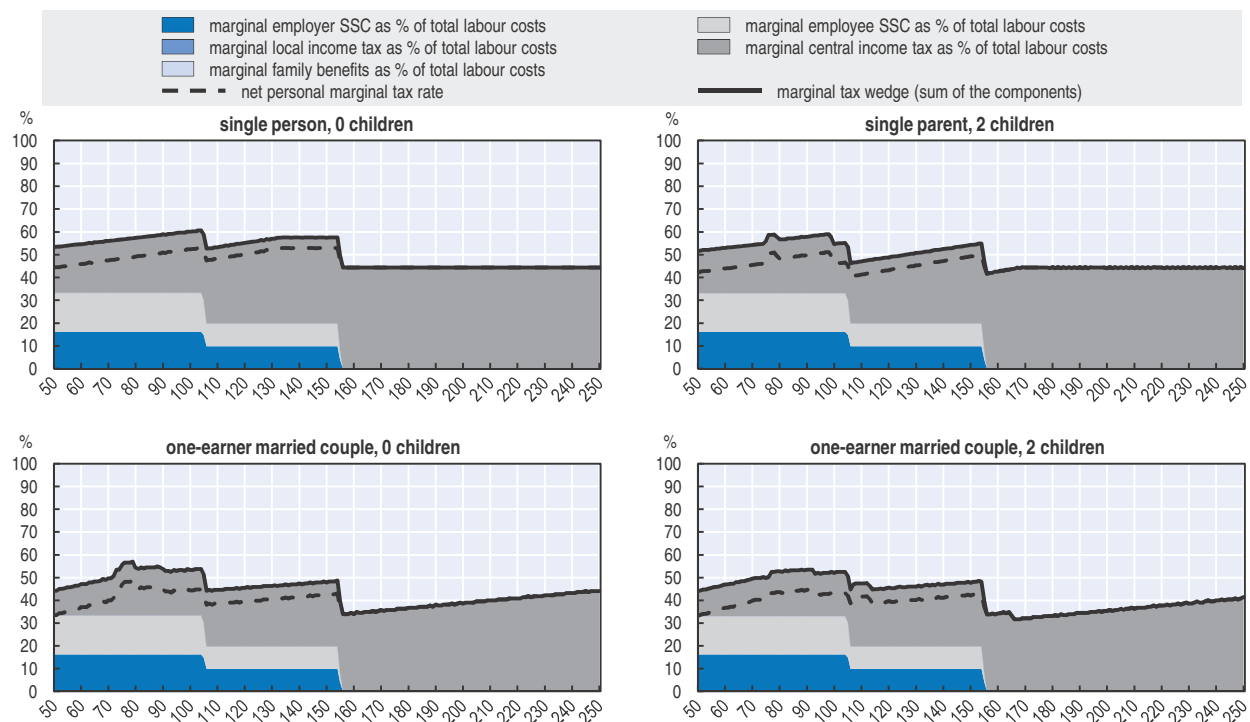
By level of gross earnings expressed as a % of the average wage



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Germany 2014: Marginal tax wedge decomposition

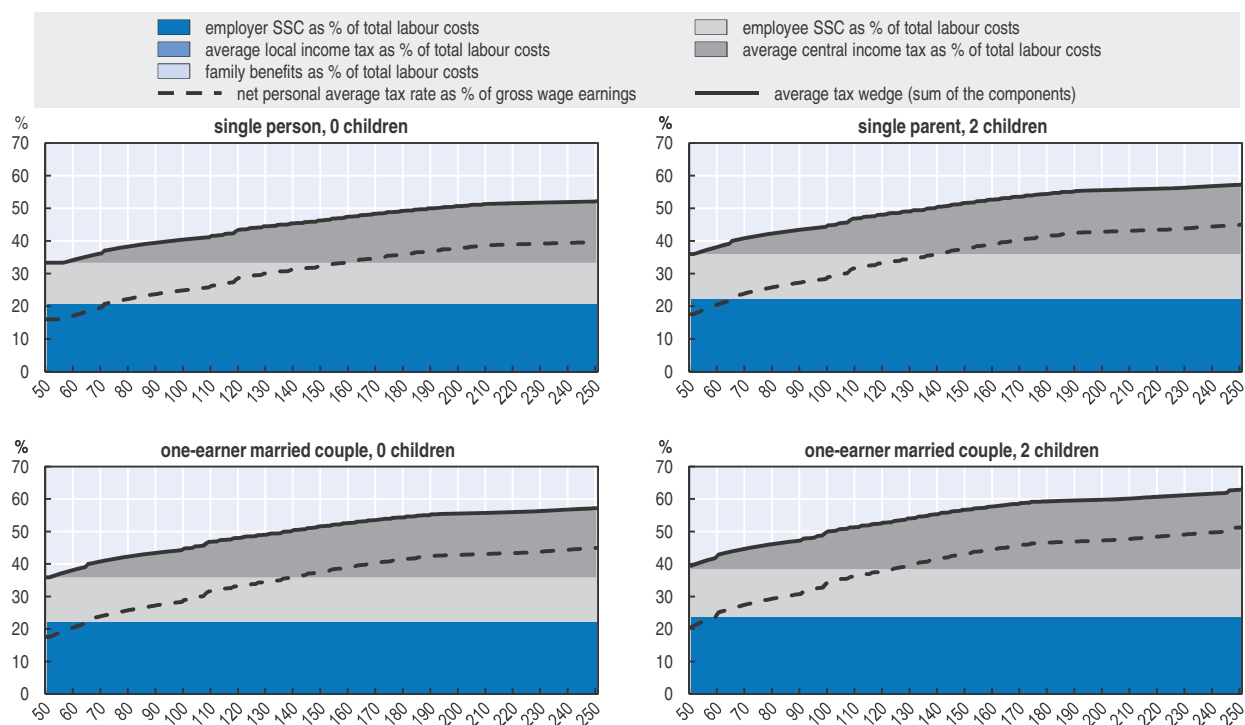
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196693>

Greece 2014: Average tax wedge decomposition

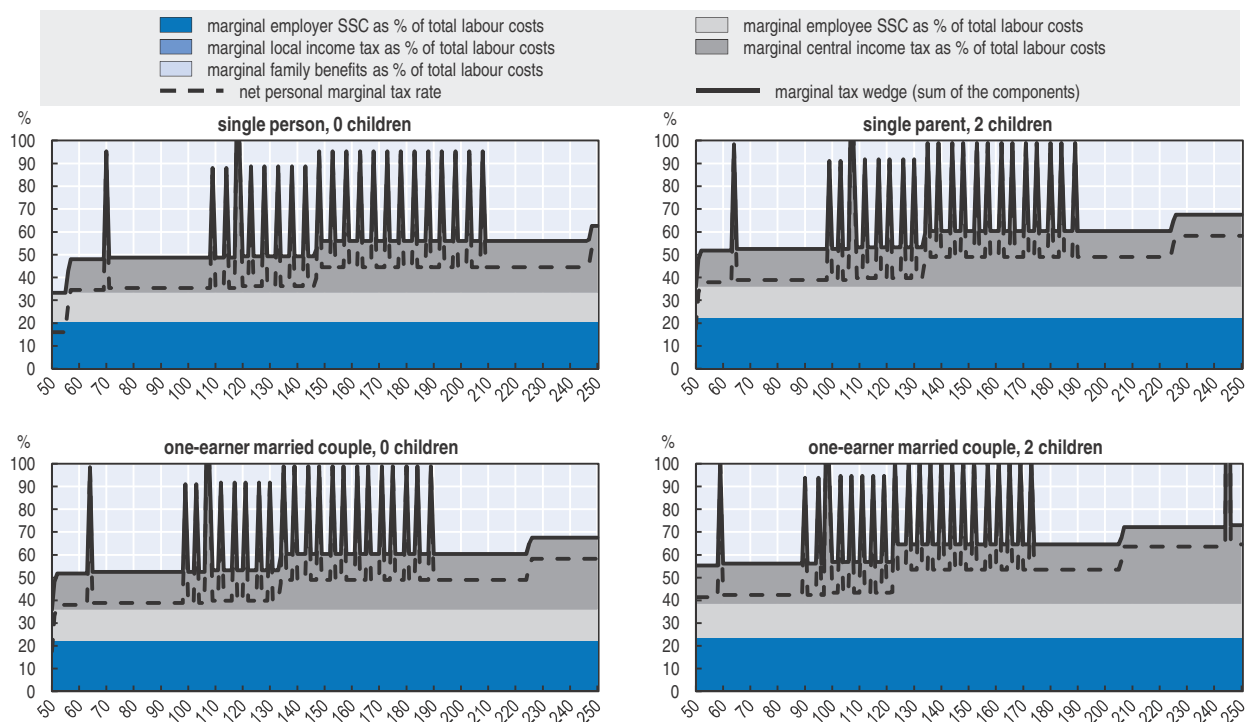
By level of gross earnings expressed as a % of the average wage



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Greece 2014: Marginal tax wedge decomposition

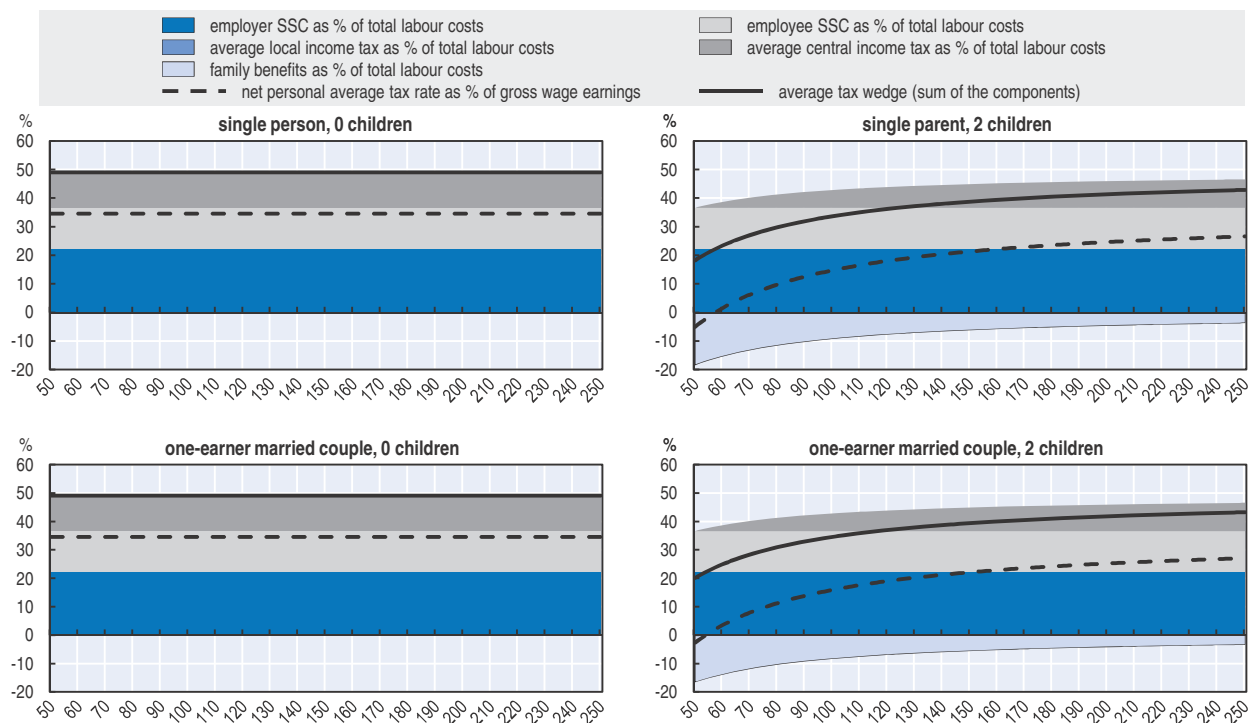
By level of gross earnings expressed as a % of the average wage



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Hungary 2014: Average tax wedge decomposition

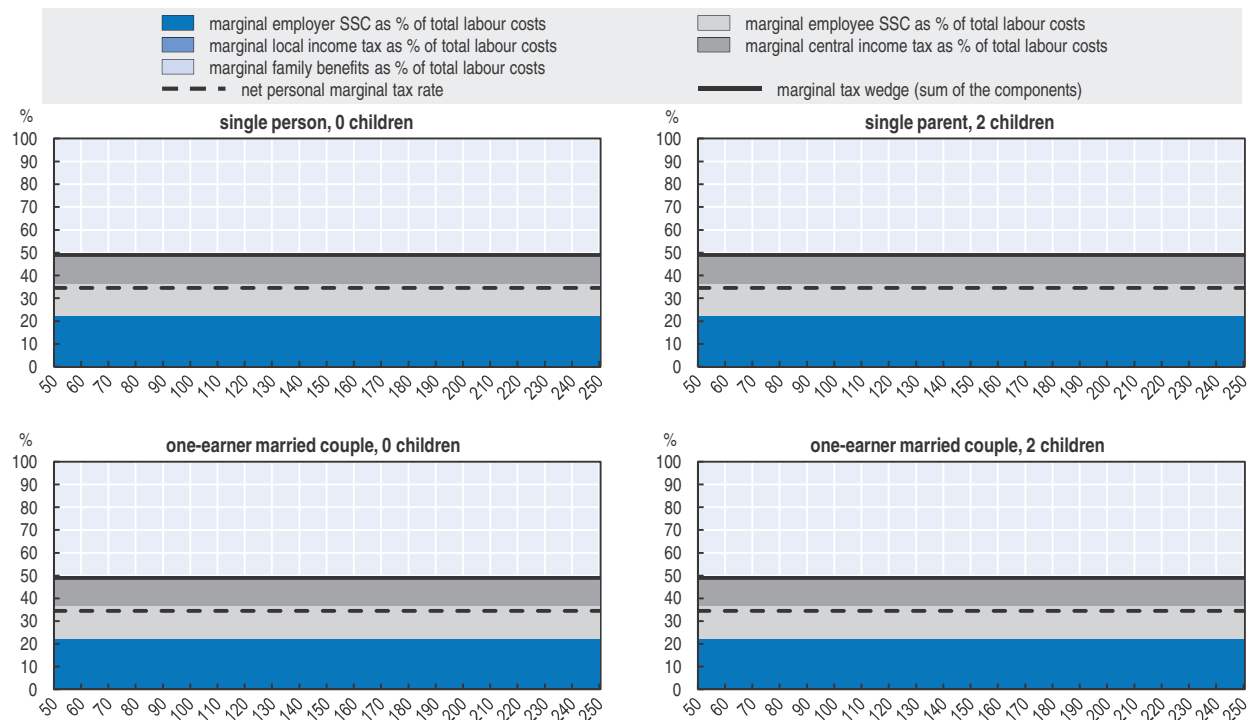
By level of gross earnings expressed as a % of the average wage



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Hungary 2014: Marginal tax wedge decomposition

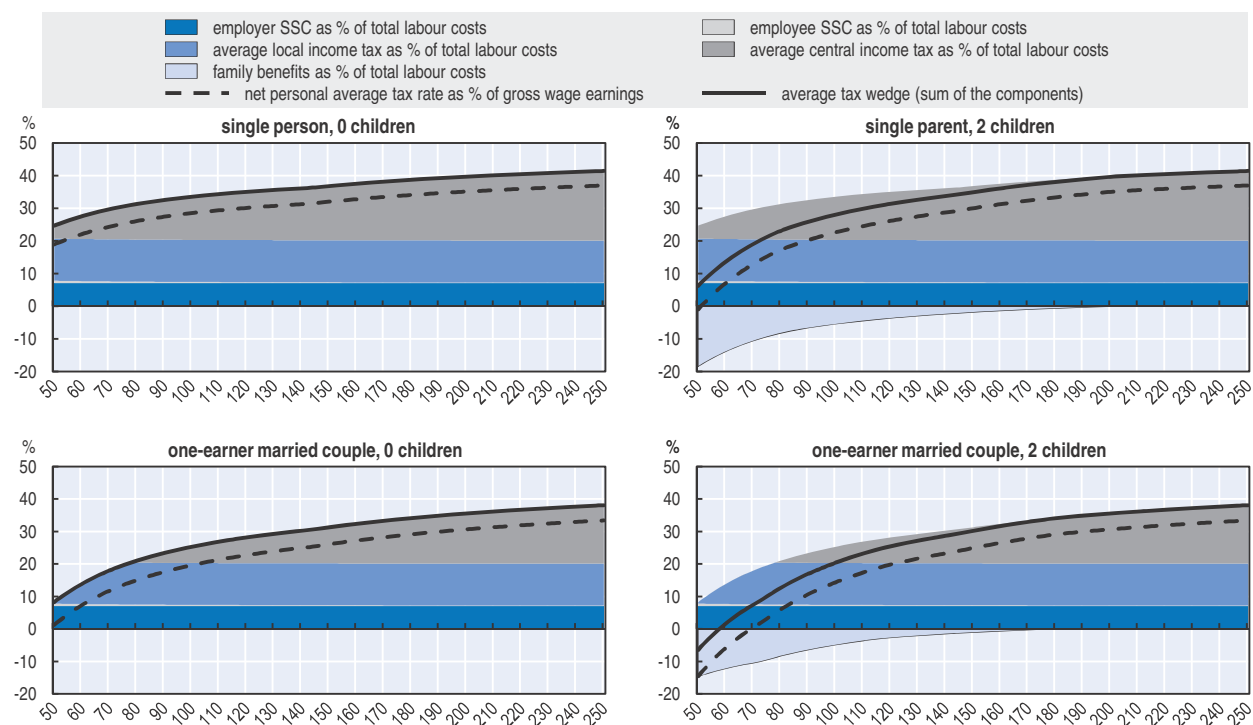
By level of gross earnings expressed as a % of the average wage



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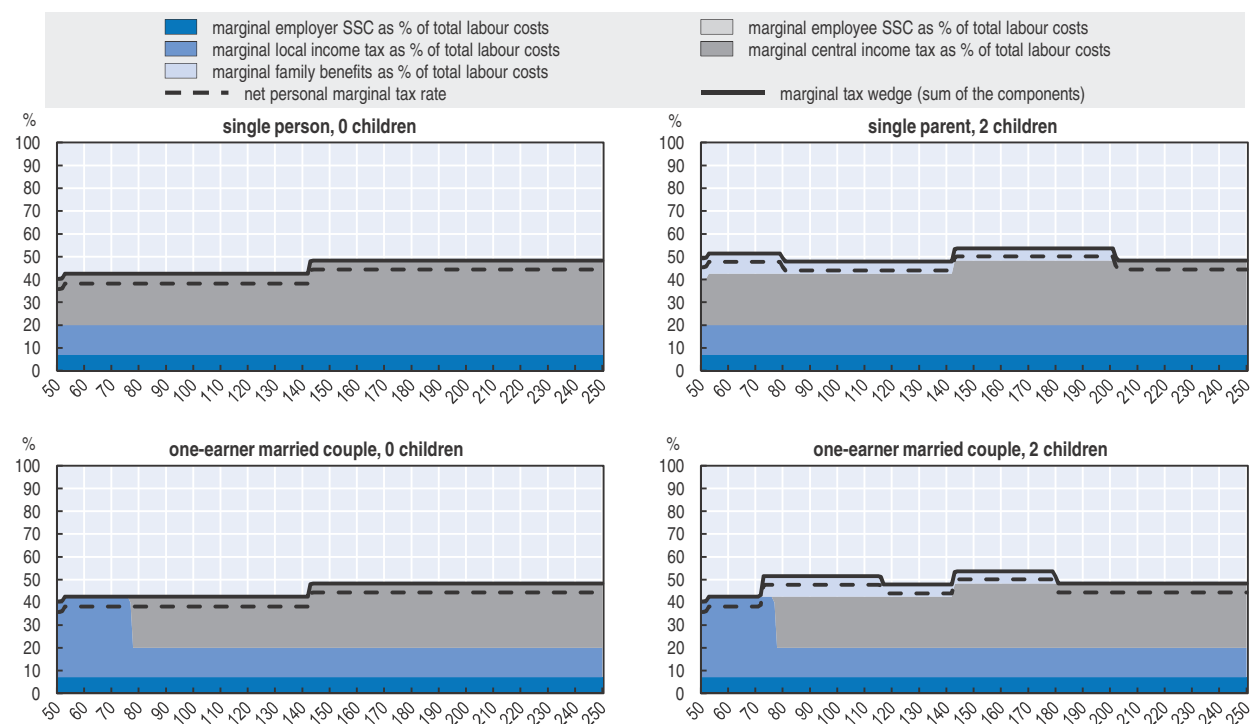
Iceland 2014: Average tax wedge decomposition

By level of gross earnings expressed as a % of the average wage



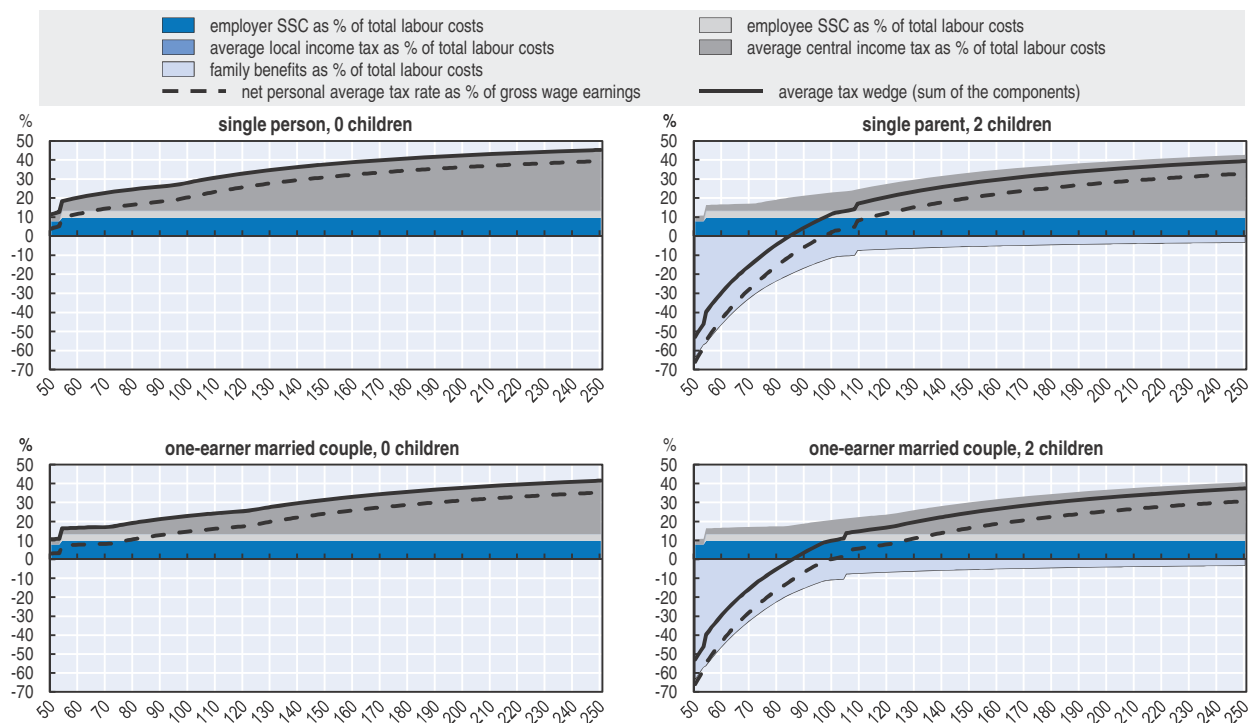
Iceland 2014: Marginal tax wedge decomposition

By level of gross earnings expressed as a % of the average wage



Ireland 2014: Average tax wedge decomposition

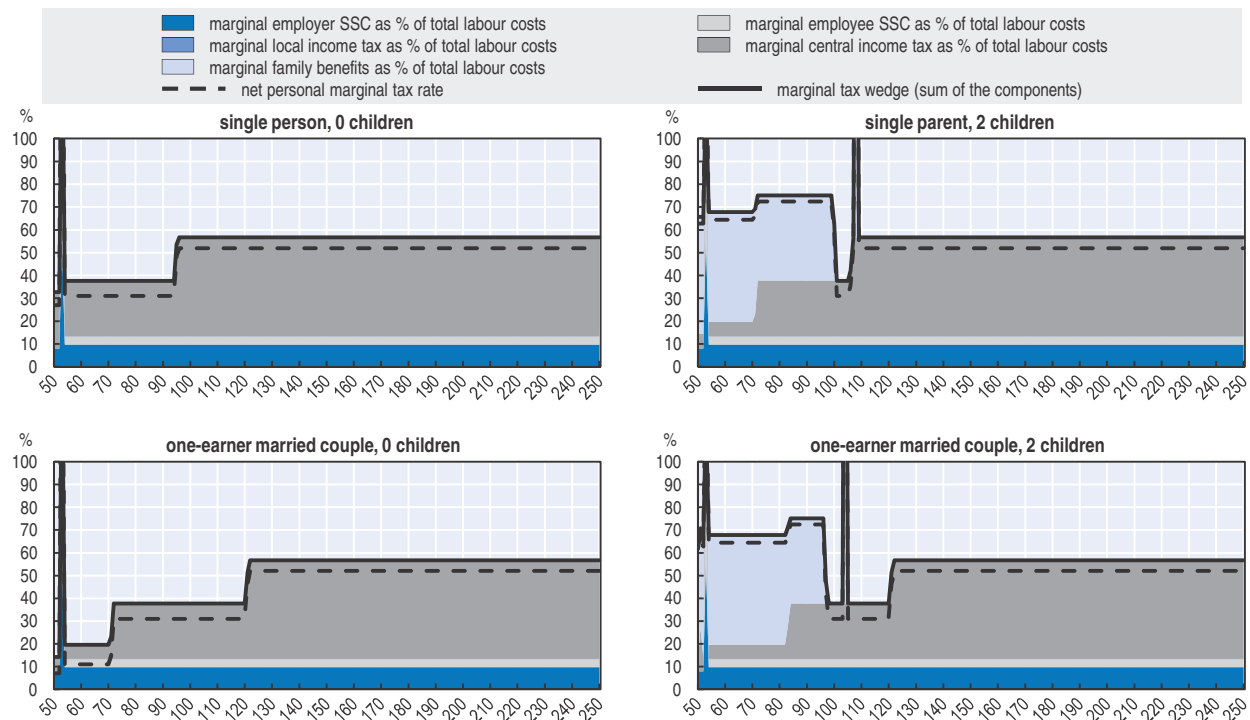
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196446>

Ireland 2014: Marginal tax wedge decomposition

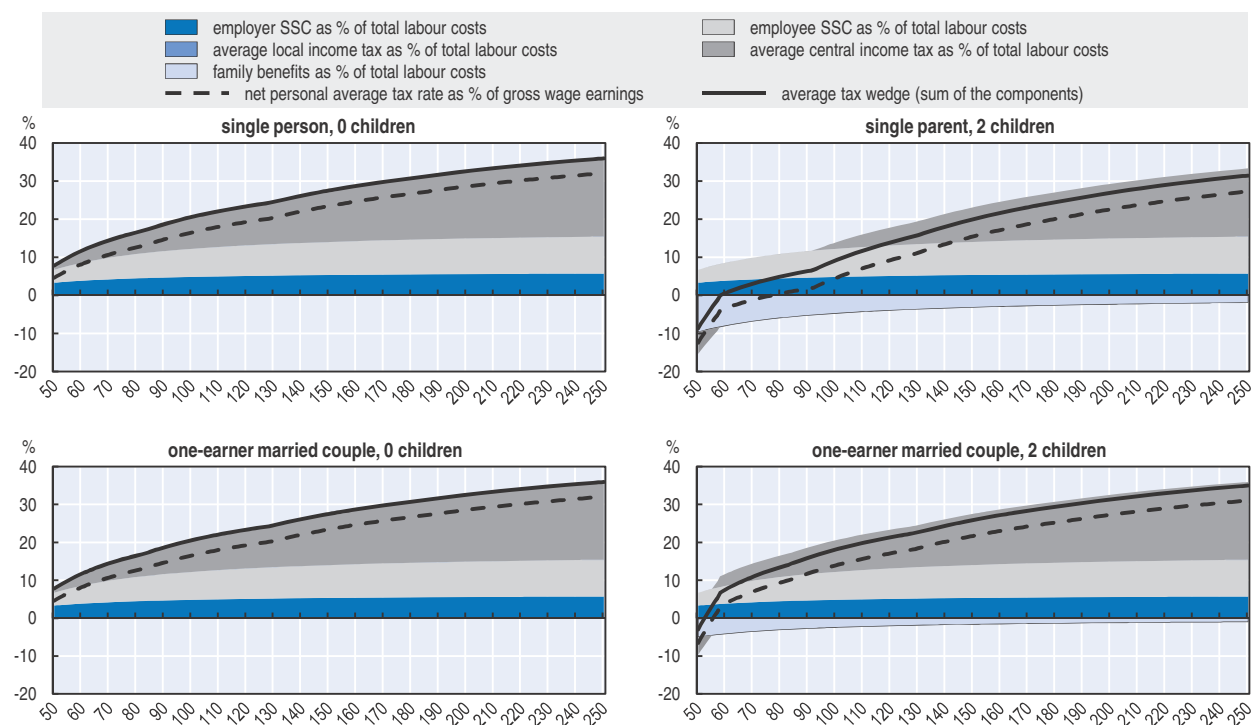
By level of gross earnings expressed as a % of the average wage



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Israel 2014: Average tax wedge decomposition

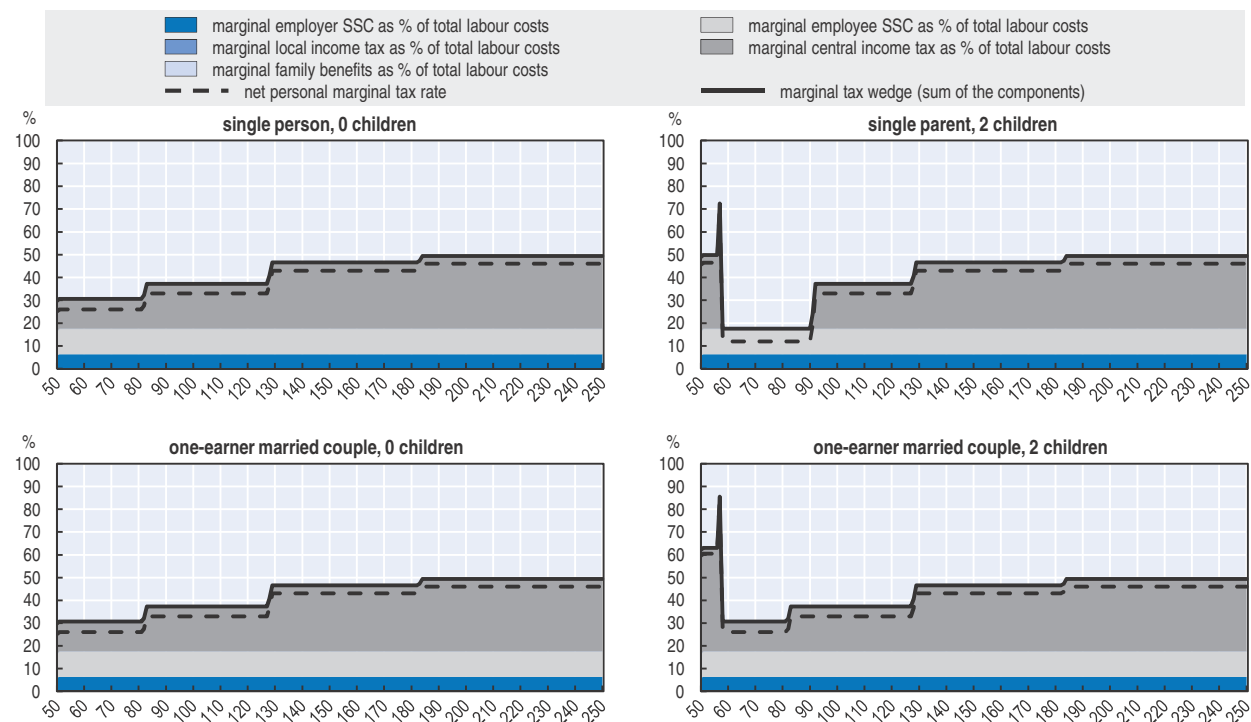
By level of gross earnings expressed as a % of the average wage



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Israel 2014: Marginal tax wedge decomposition

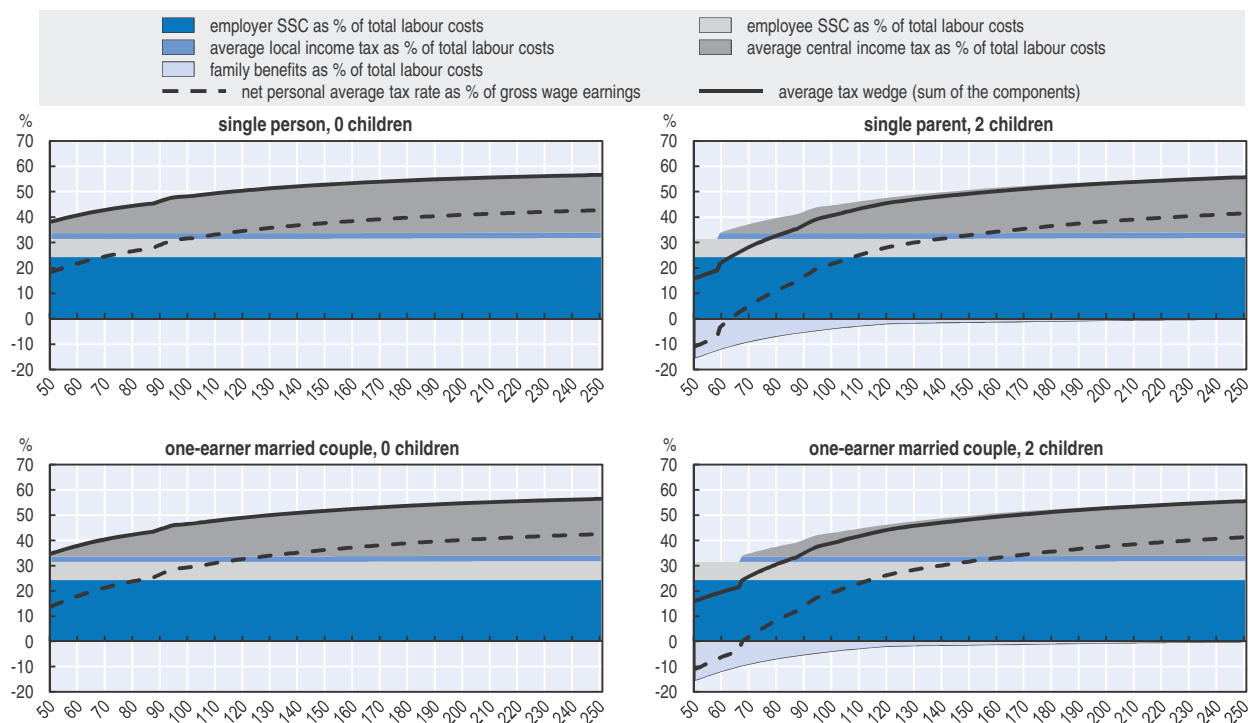
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196807>

Italy 2014: Average tax wedge decomposition

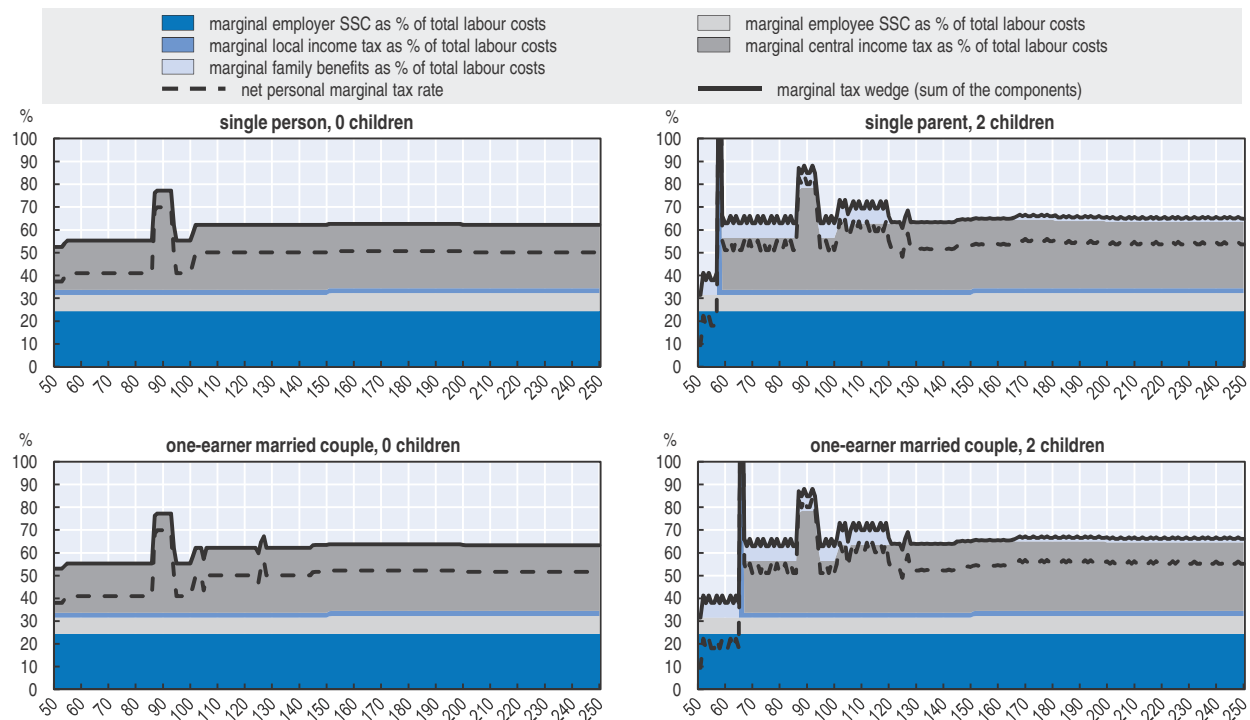
By level of gross earnings expressed as a % of the average wage



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Italy 2014: Marginal tax wedge decomposition

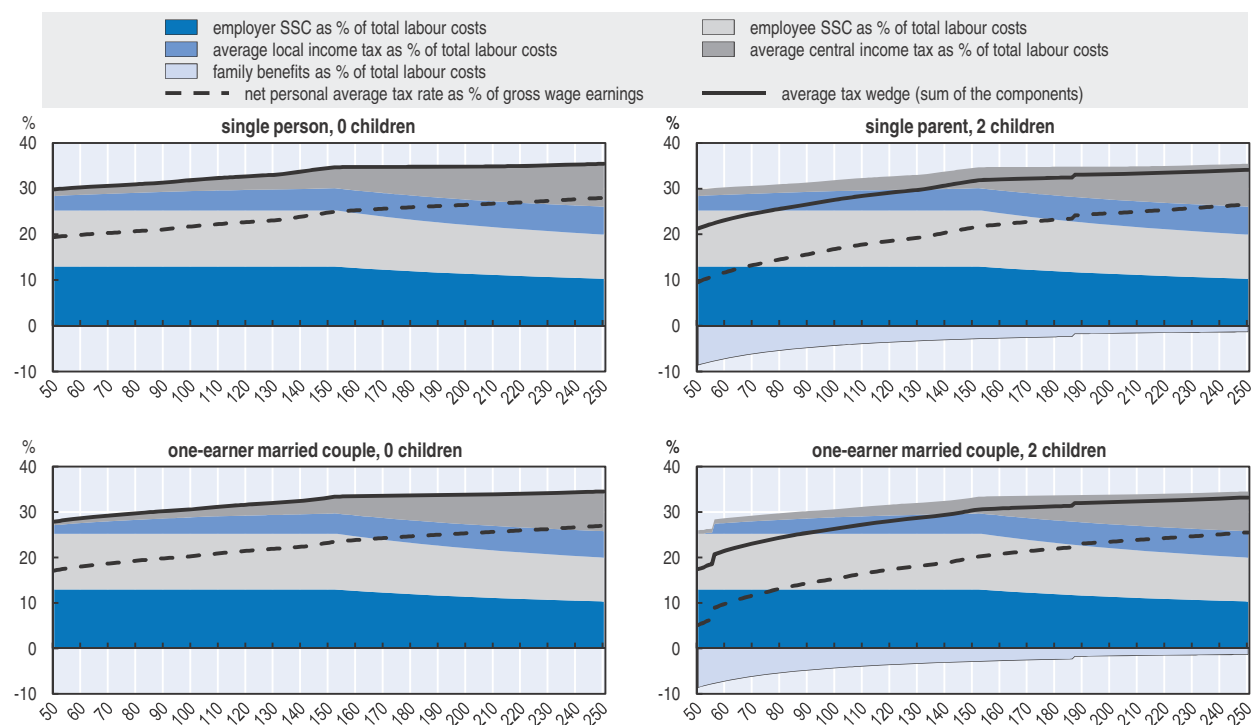
By level of gross earnings expressed as a % of the average wage



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Japan 2014: Average tax wedge decomposition

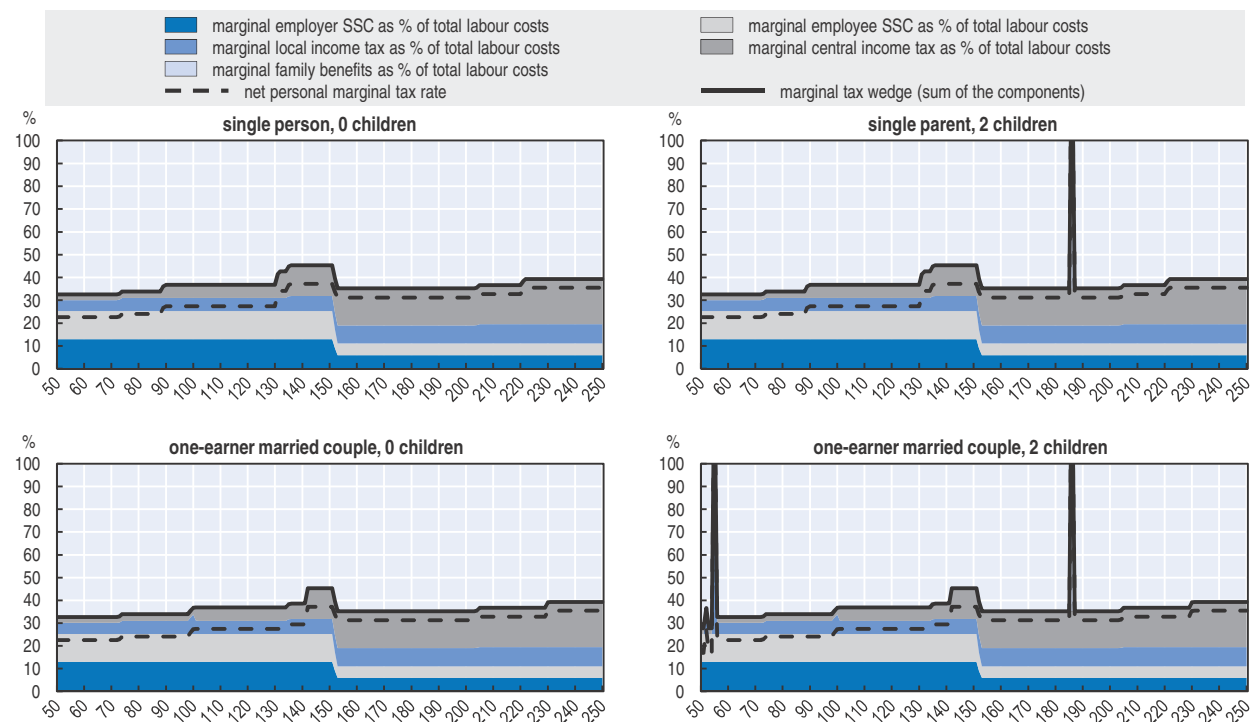
By level of gross earnings expressed as a % of the average wage



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Japan 2014: Marginal tax wedge decomposition

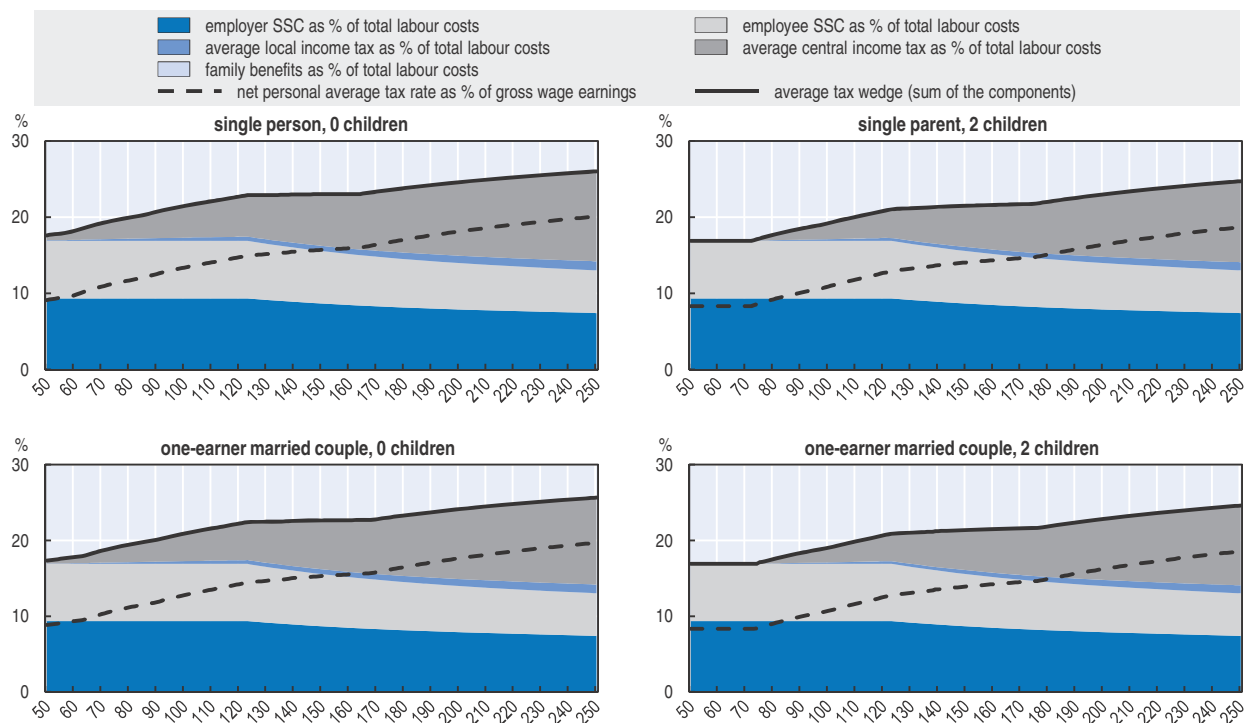
By level of gross earnings expressed as a % of the average wage



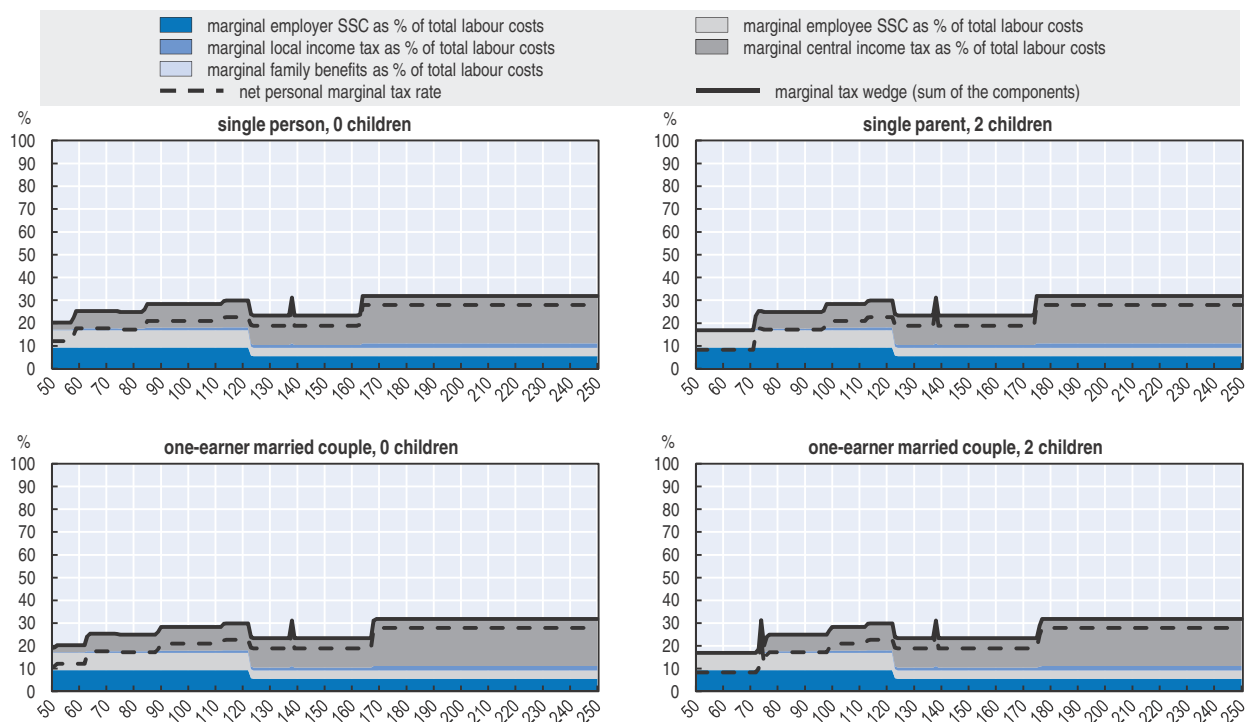
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Korea 2014: Average tax wedge decomposition

By level of gross earnings expressed as a % of the average wage

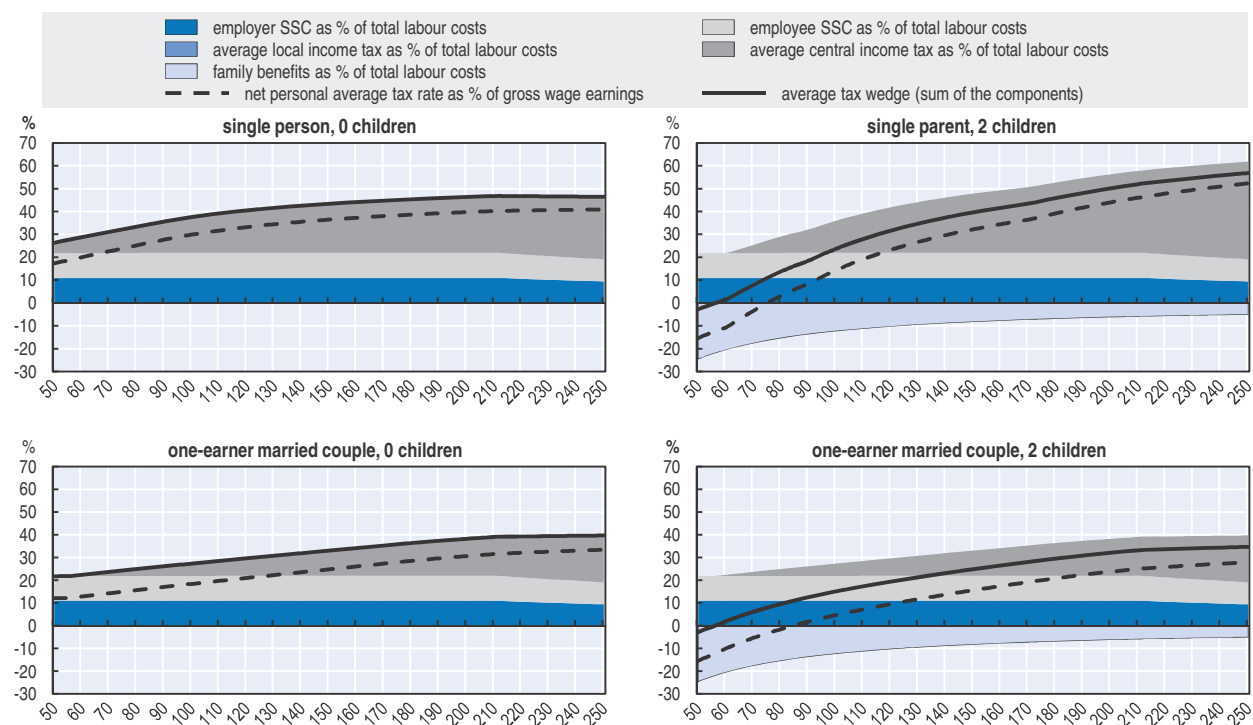
StatLink <http://dx.doi.org/10.1787/888933196492>**Korea 2014: Marginal tax wedge decomposition**

By level of gross earnings expressed as a % of the average wage

StatLink <http://dx.doi.org/10.1787/888933196831>

Luxembourg 2014: Average tax wedge decomposition

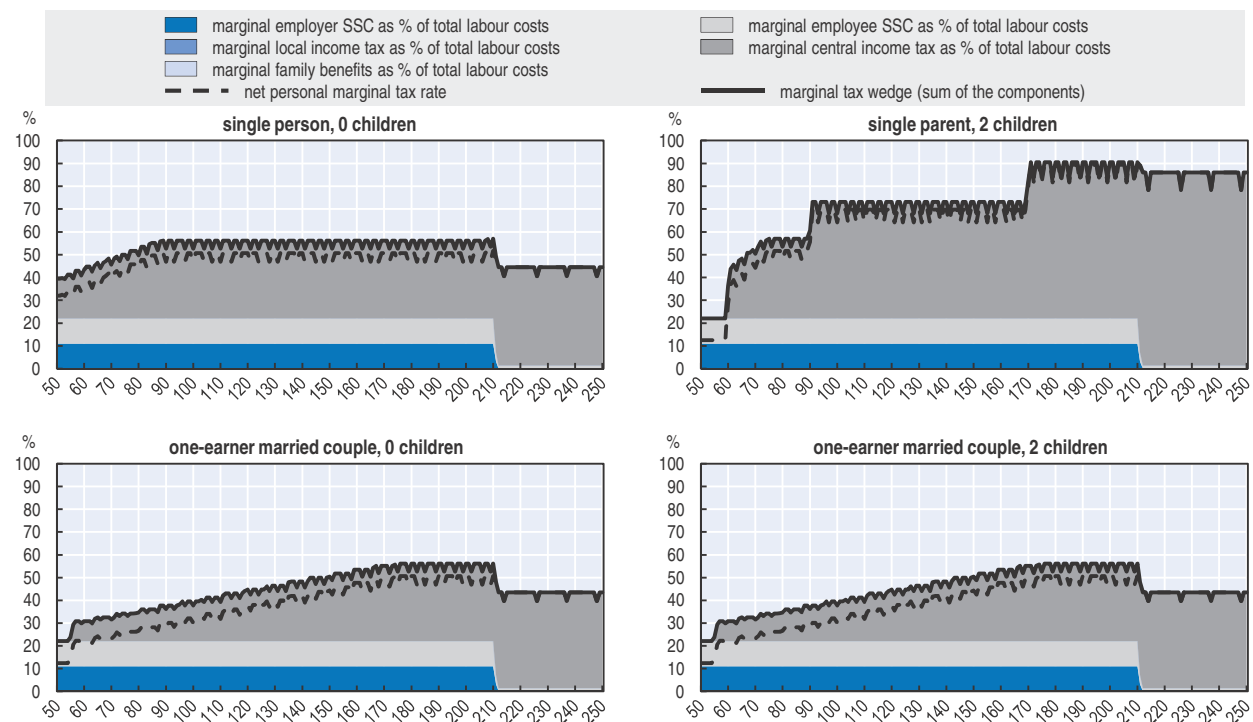
By level of gross earnings expressed as a % of the average wage



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Luxembourg 2014: Marginal tax wedge decomposition

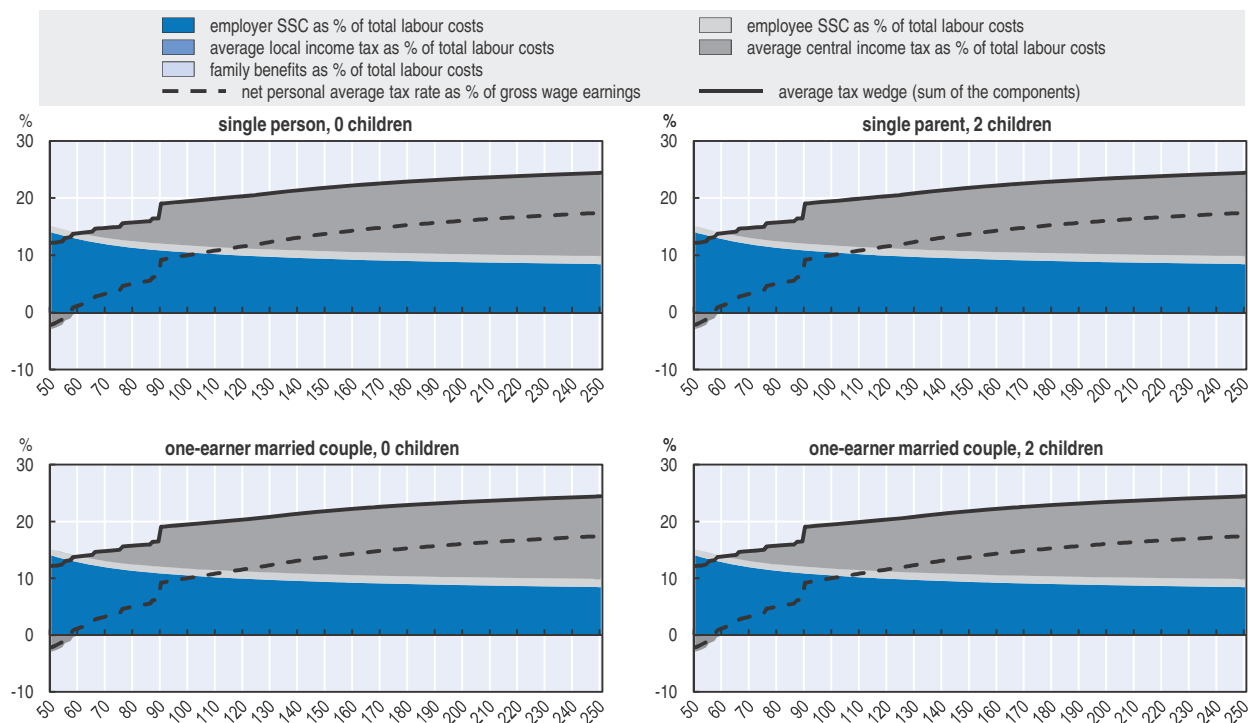
By level of gross earnings expressed as a % of the average wage



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Mexico 2014: Average tax wedge decomposition

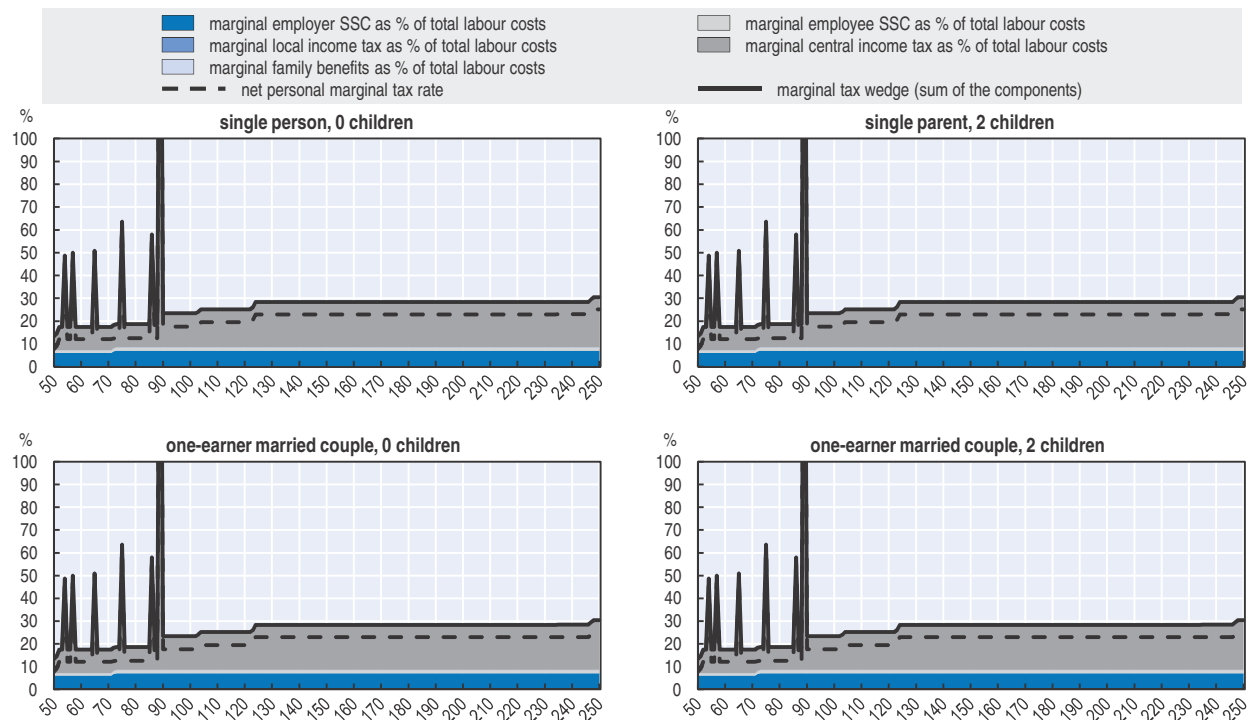
By level of gross earnings expressed as a % of the average wage



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Mexico 2014: Marginal tax wedge decomposition

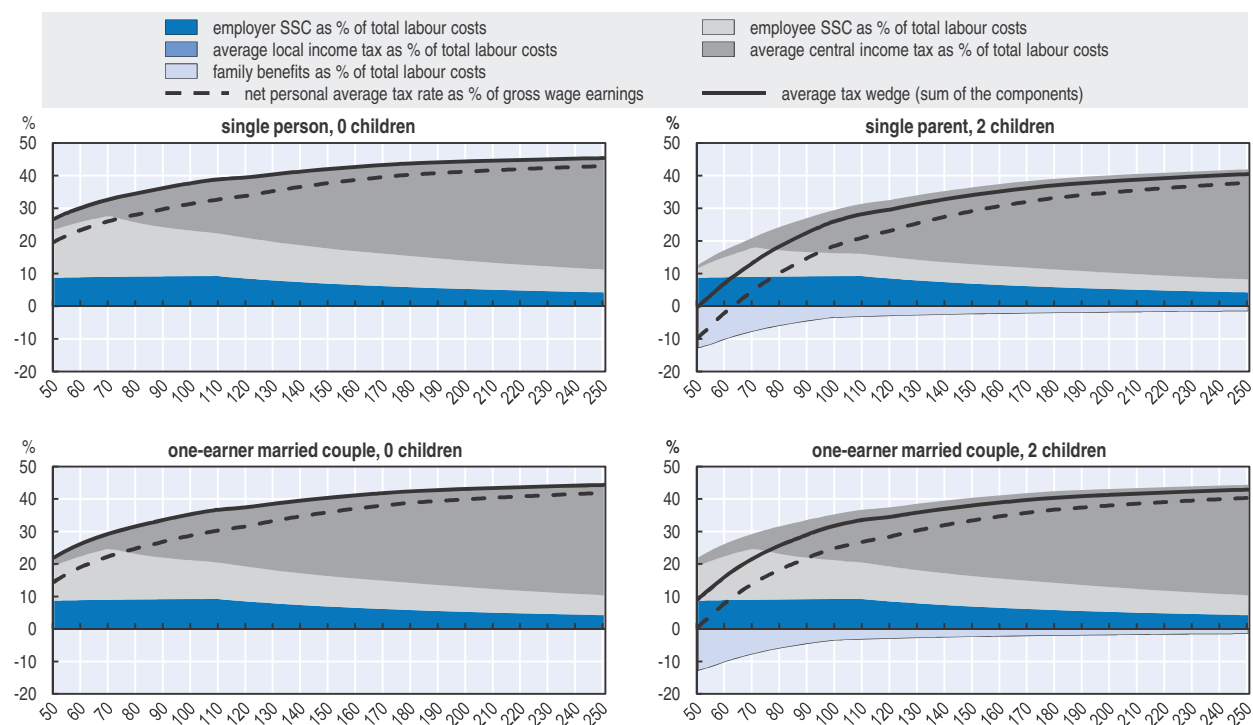
By level of gross earnings expressed as a % of the average wage



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Netherlands 2014: Average tax wedge decomposition

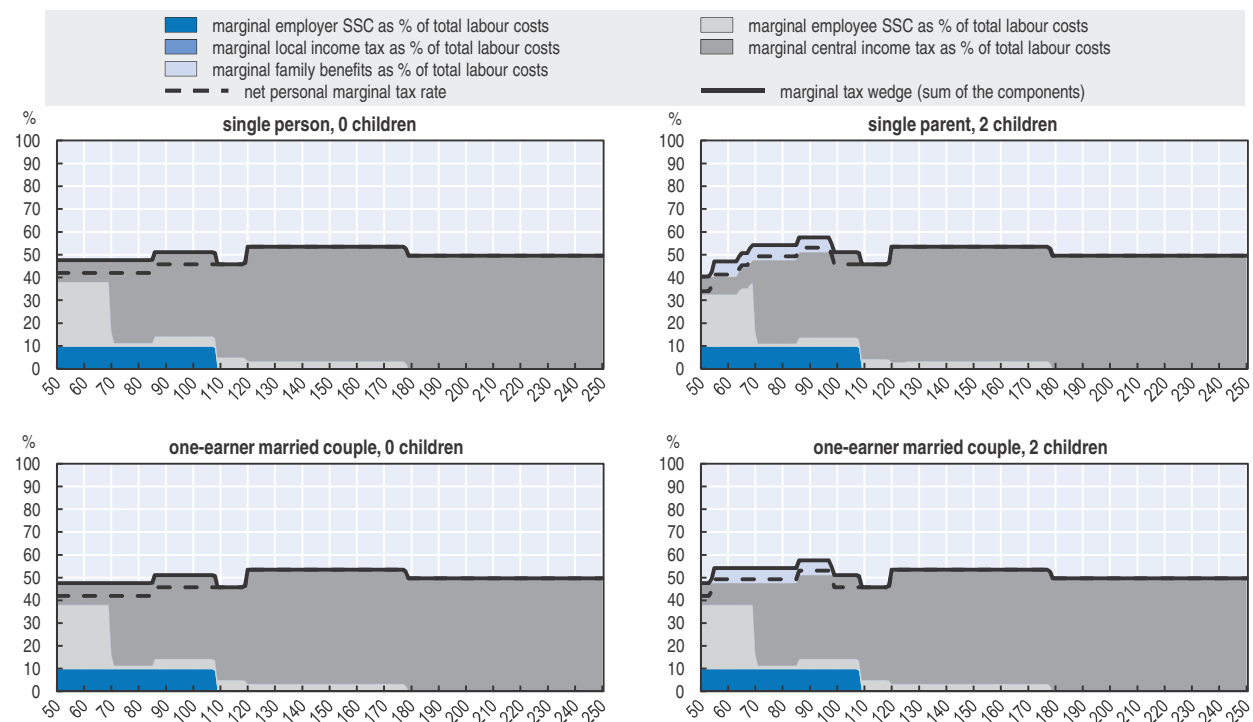
By level of gross earnings expressed as a % of the average wage



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Netherlands 2014: Marginal tax wedge decomposition

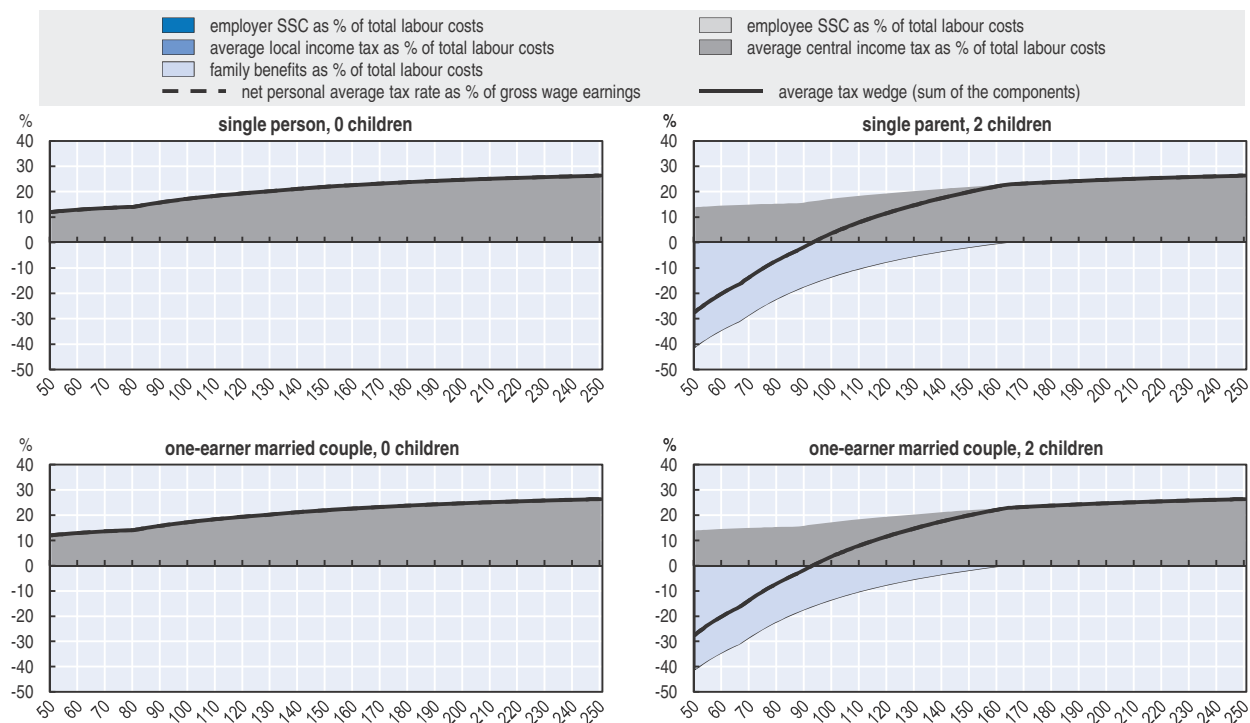
By level of gross earnings expressed as a % of the average wage



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New Zealand 2014: Average tax wedge decomposition

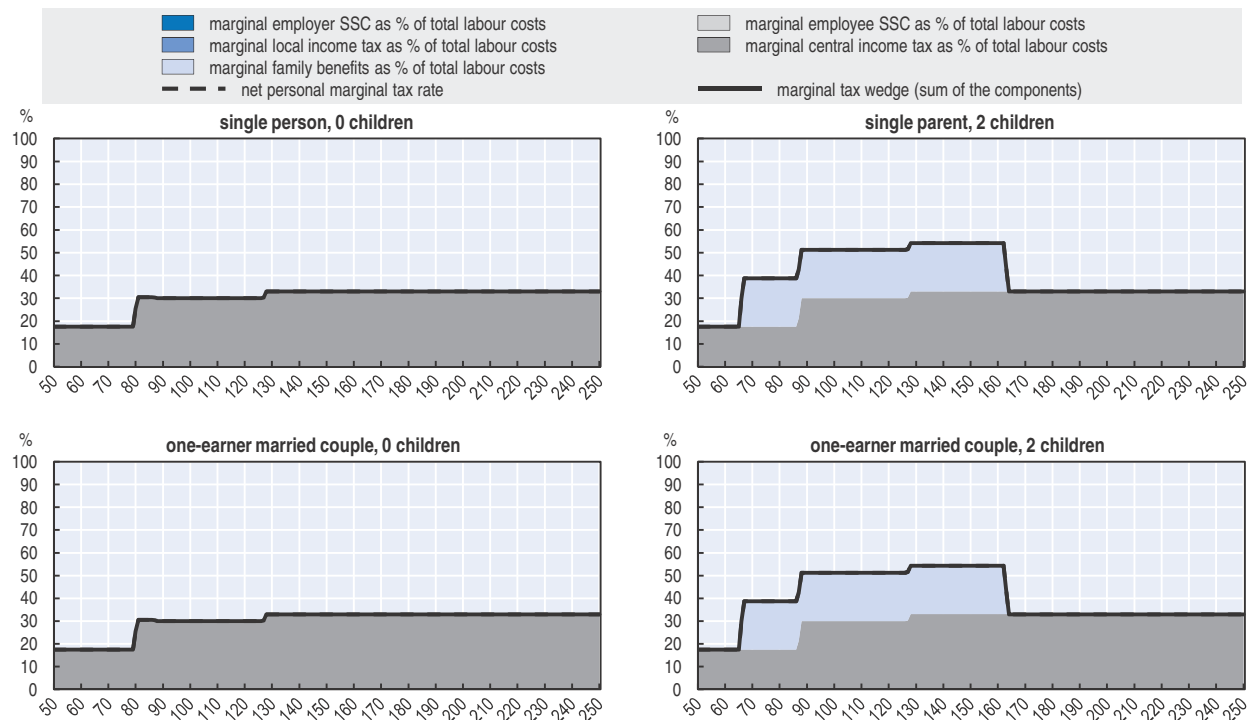
By level of gross earnings expressed as a % of the average wage



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New Zealand 2014: Marginal tax wedge decomposition

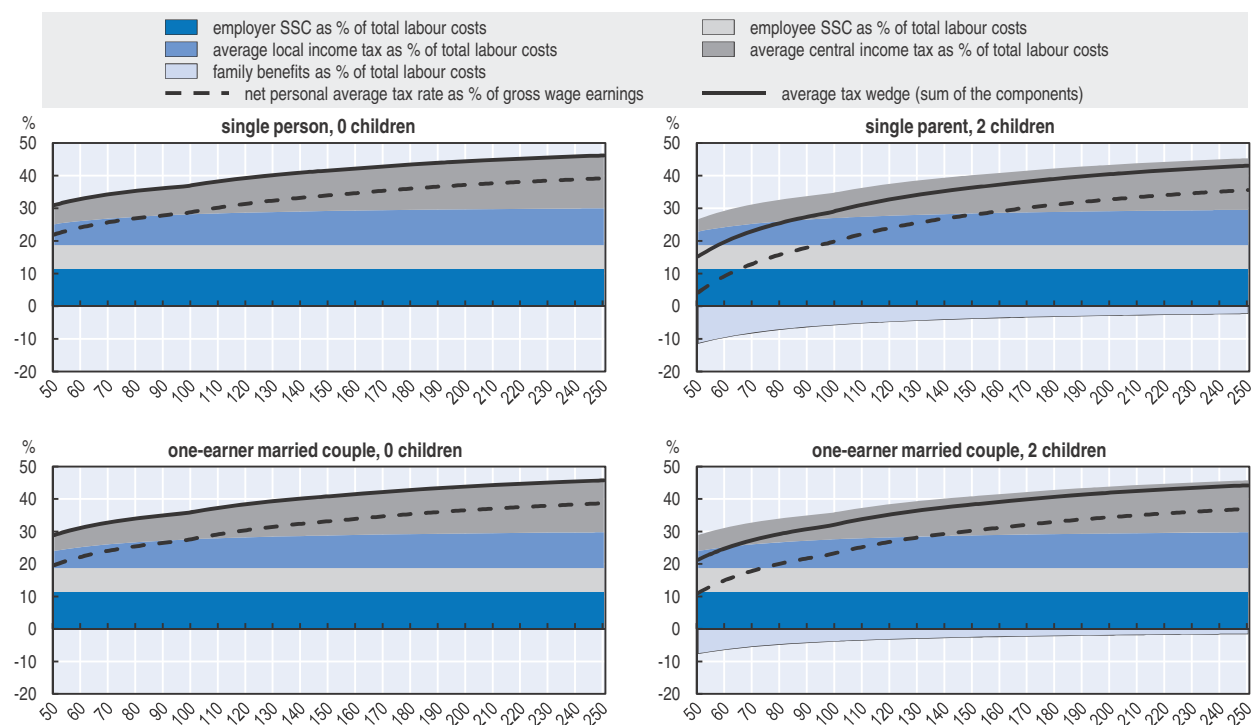
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196881>

Norway 2014: Average tax wedge decomposition

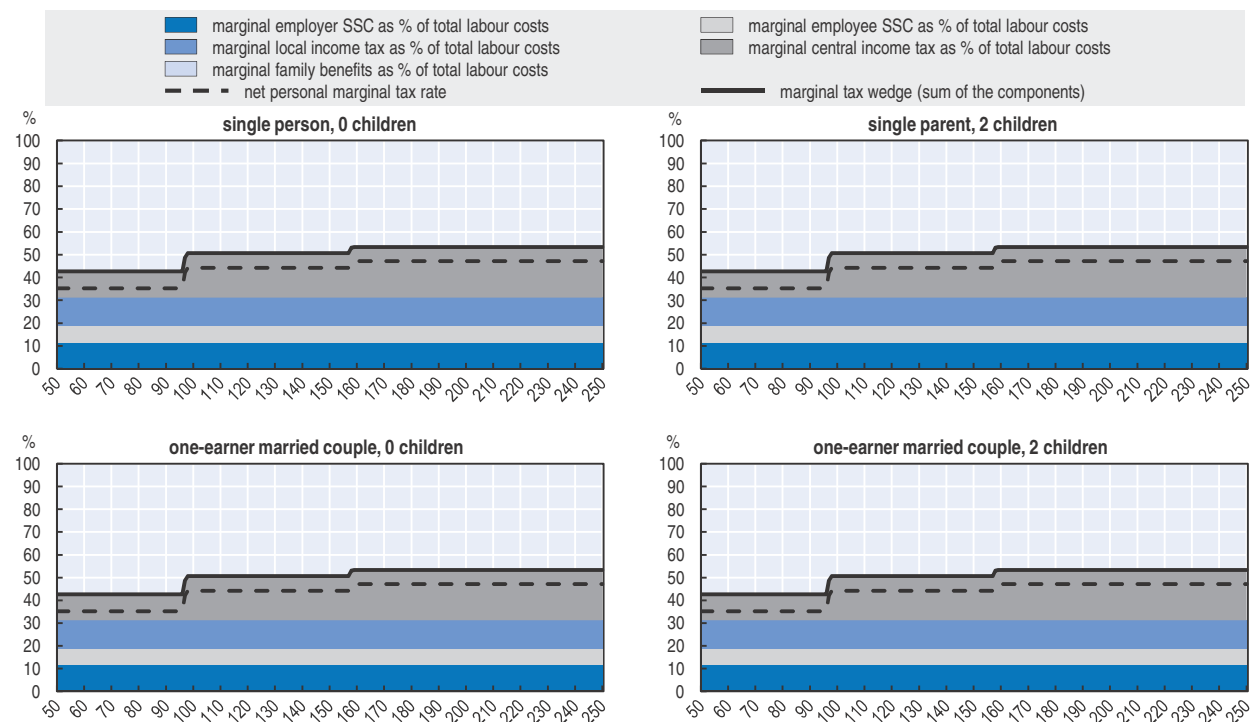
By level of gross earnings expressed as a % of the average wage



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Norway 2014: Marginal tax wedge decomposition

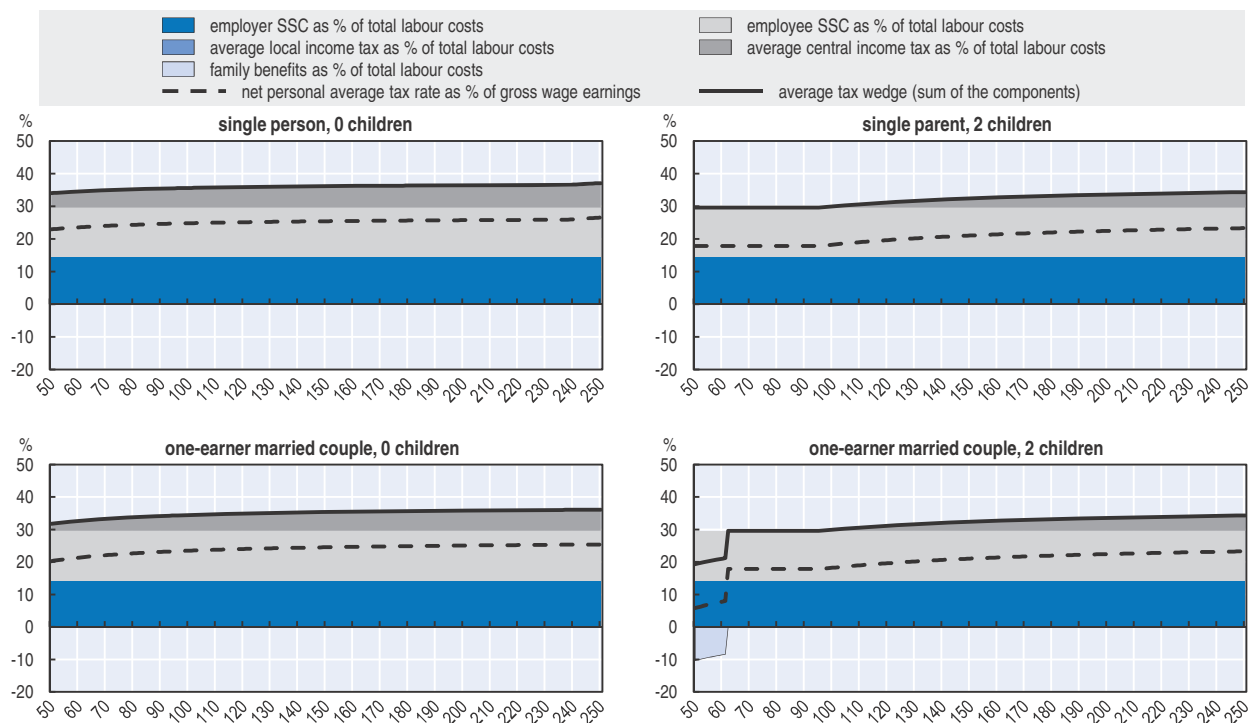
By level of gross earnings expressed as a % of the average wage



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Poland 2014: Average tax wedge decomposition

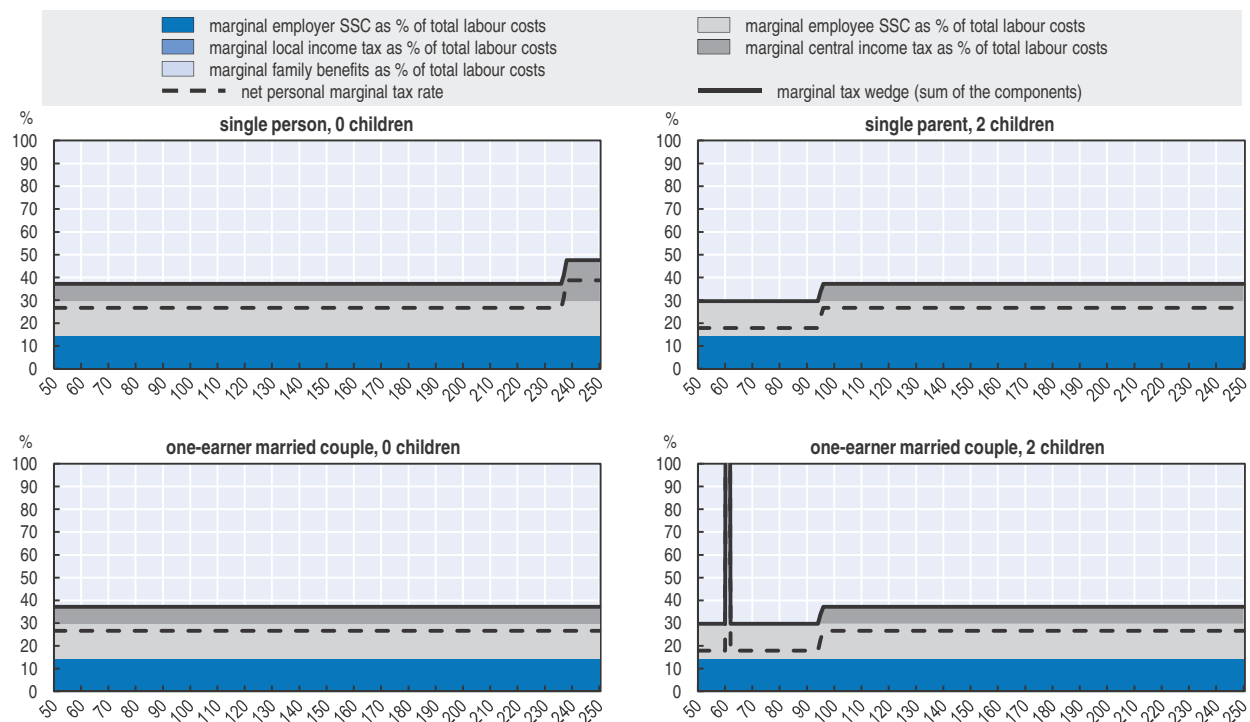
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196555>

Poland 2014: Marginal tax wedge decomposition

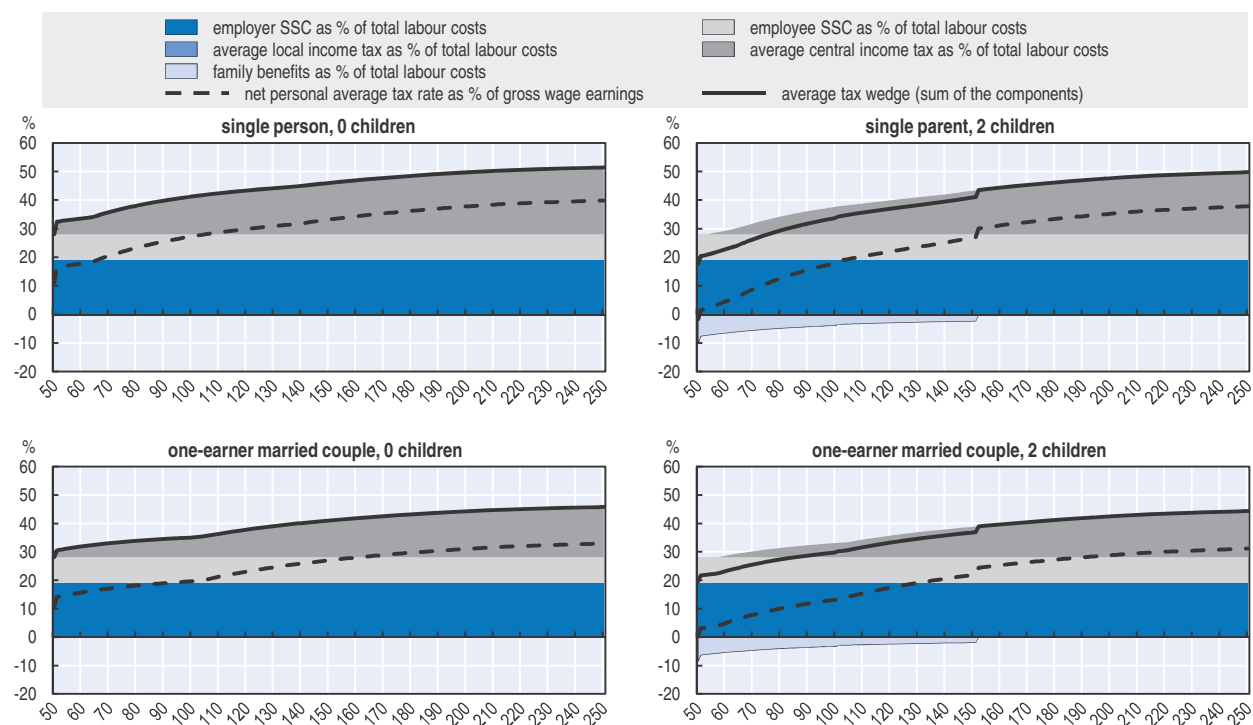
By level of gross earnings expressed as a % of the average wage



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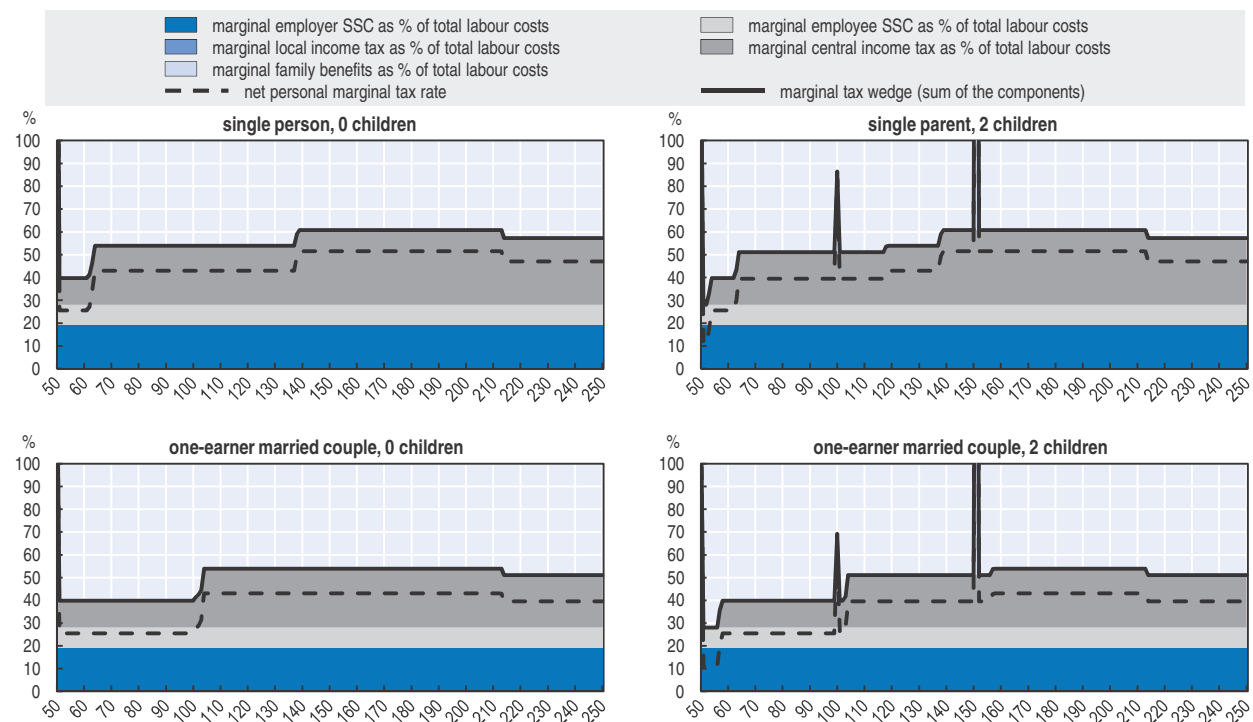
Portugal 2014: Average tax wedge decomposition

By level of gross earnings expressed as a % of the average wage



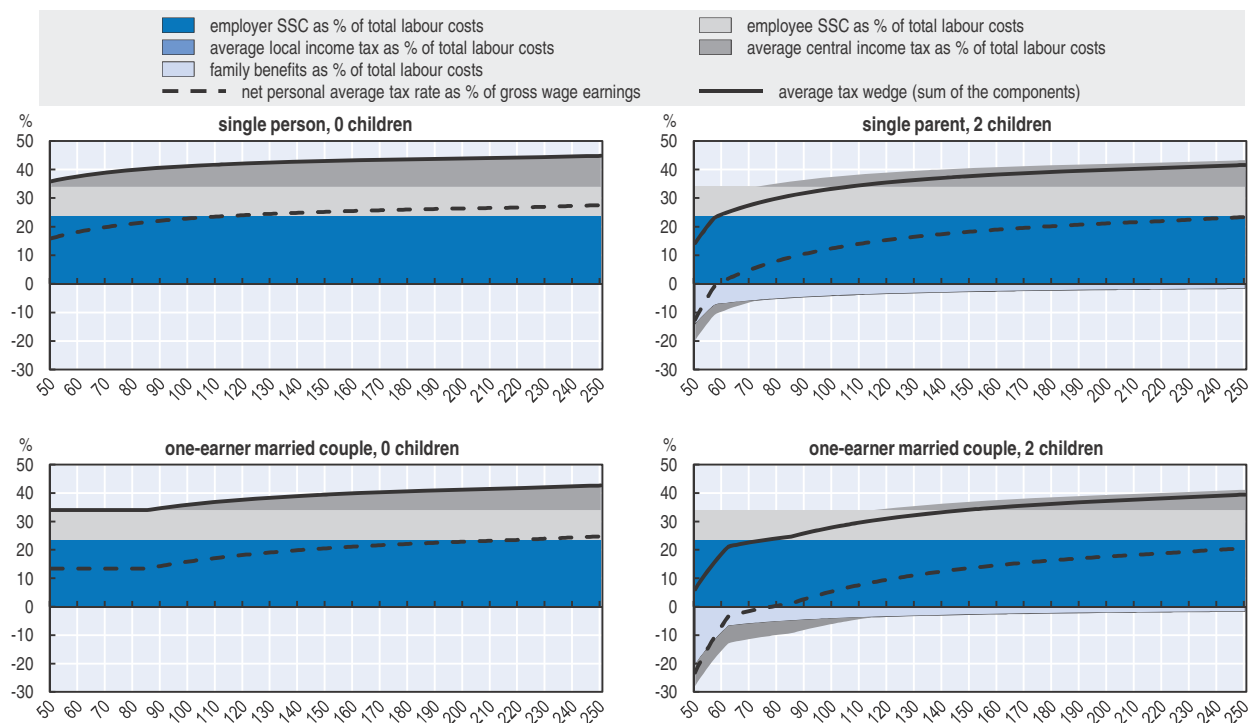
Portugal 2014: Marginal tax wedge decomposition

By level of gross earnings expressed as a % of the average wage



Slovak Republic 2014: Average tax wedge decomposition

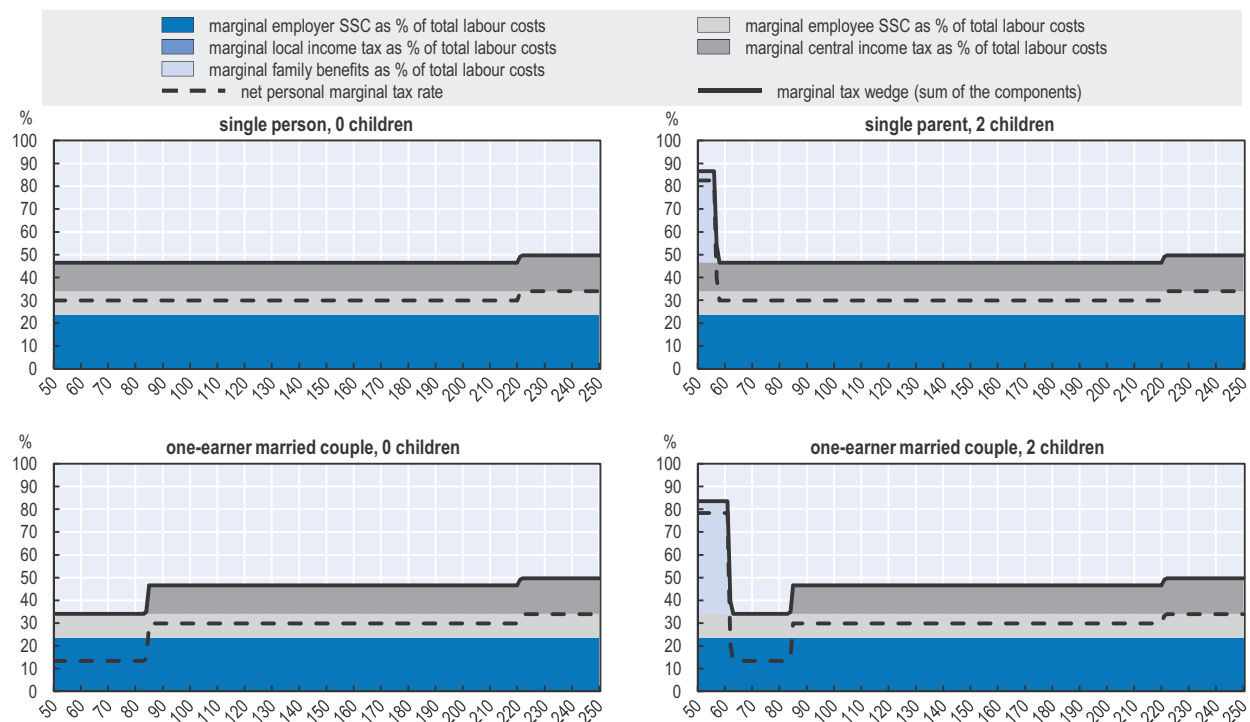
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196571>

Slovak Republic 2014: Marginal tax wedge decomposition

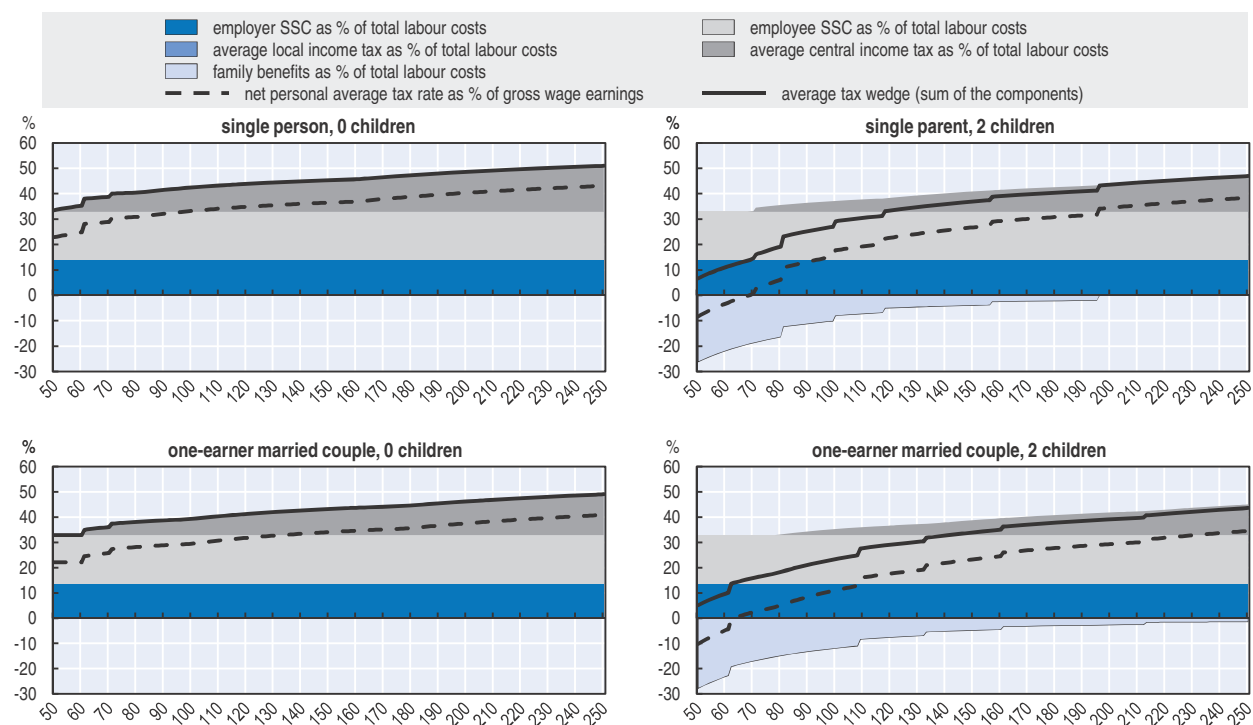
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196912>

Slovenia 2014: Average tax wedge decomposition

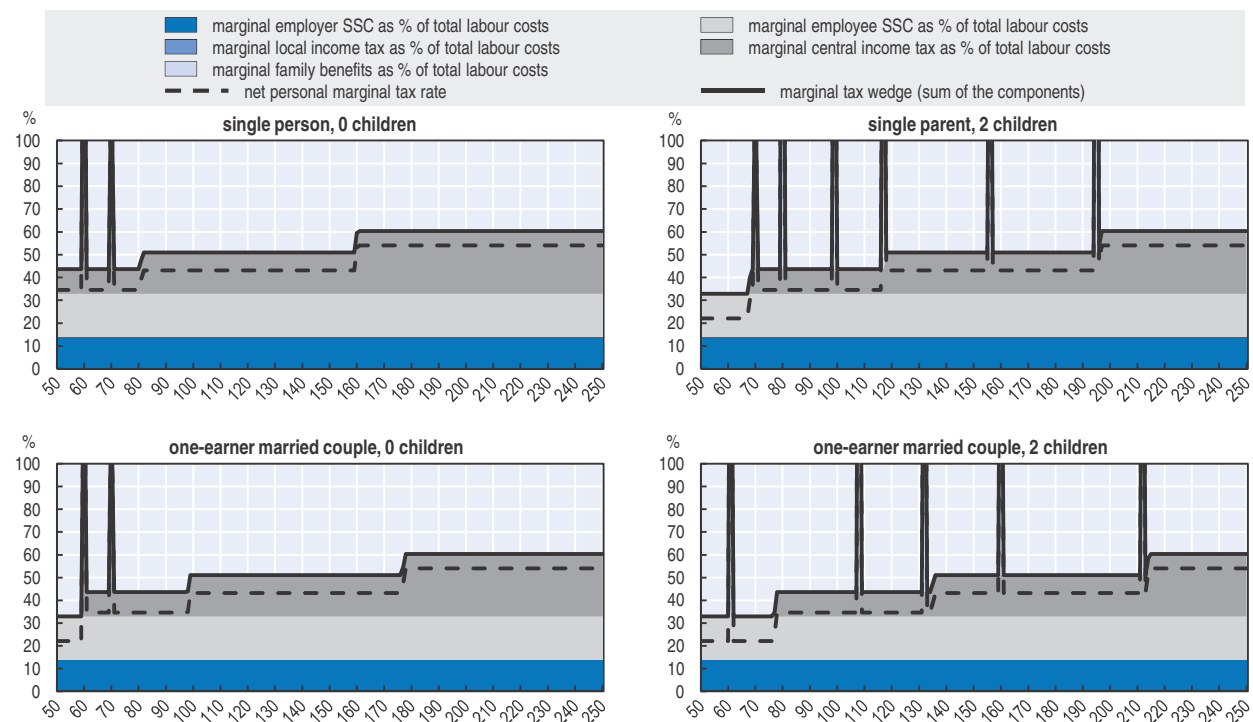
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196585>

Slovenia 2014: Marginal tax wedge decomposition

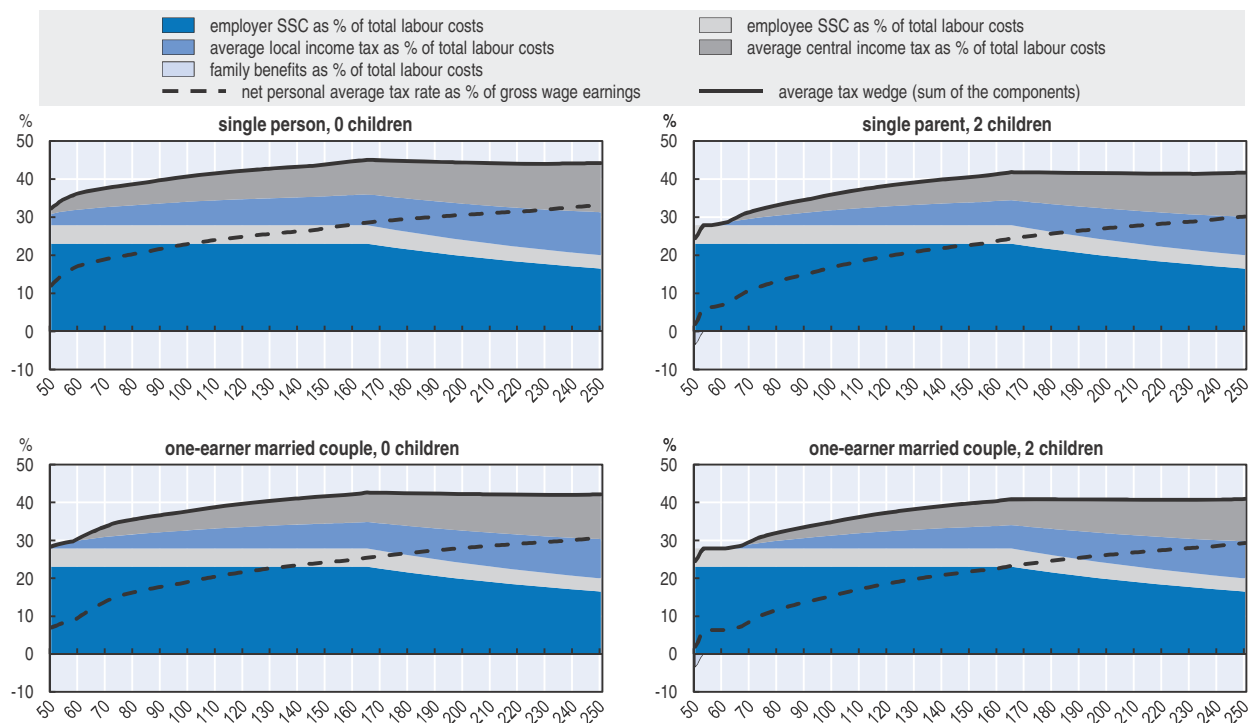
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196929>

Spain 2014: Average tax wedge decomposition

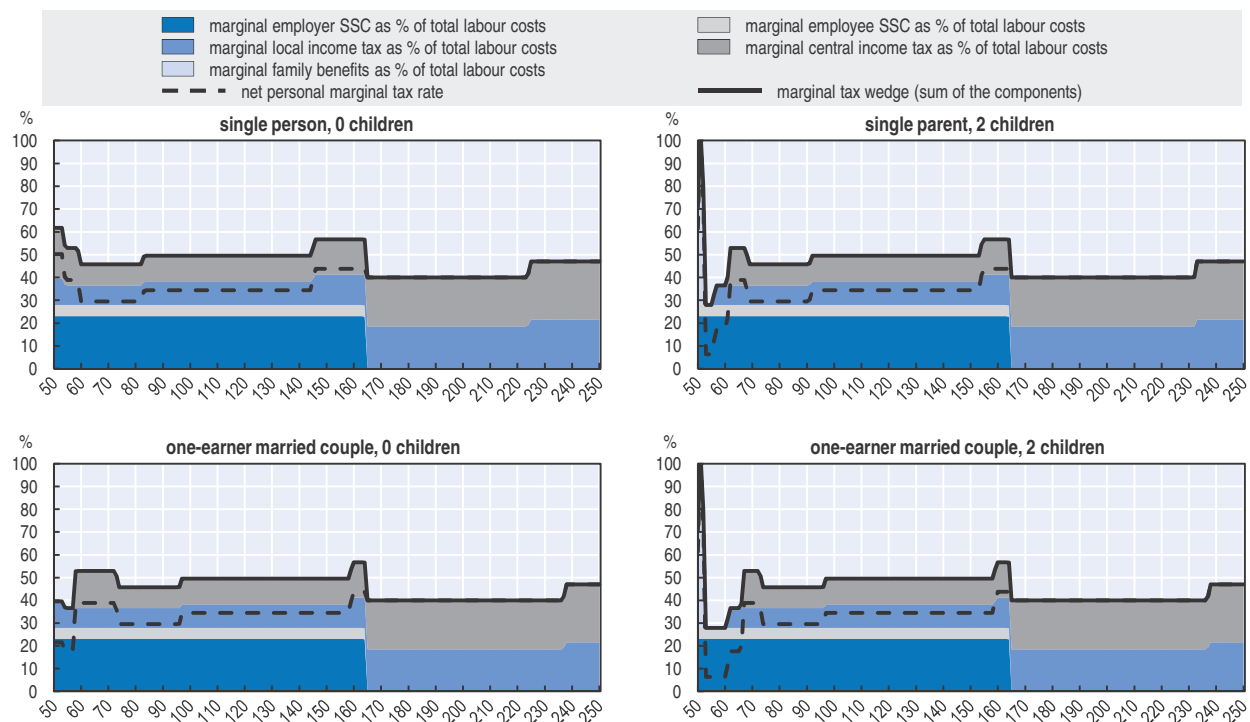
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196379>

Spain 2014: Marginal tax wedge decomposition

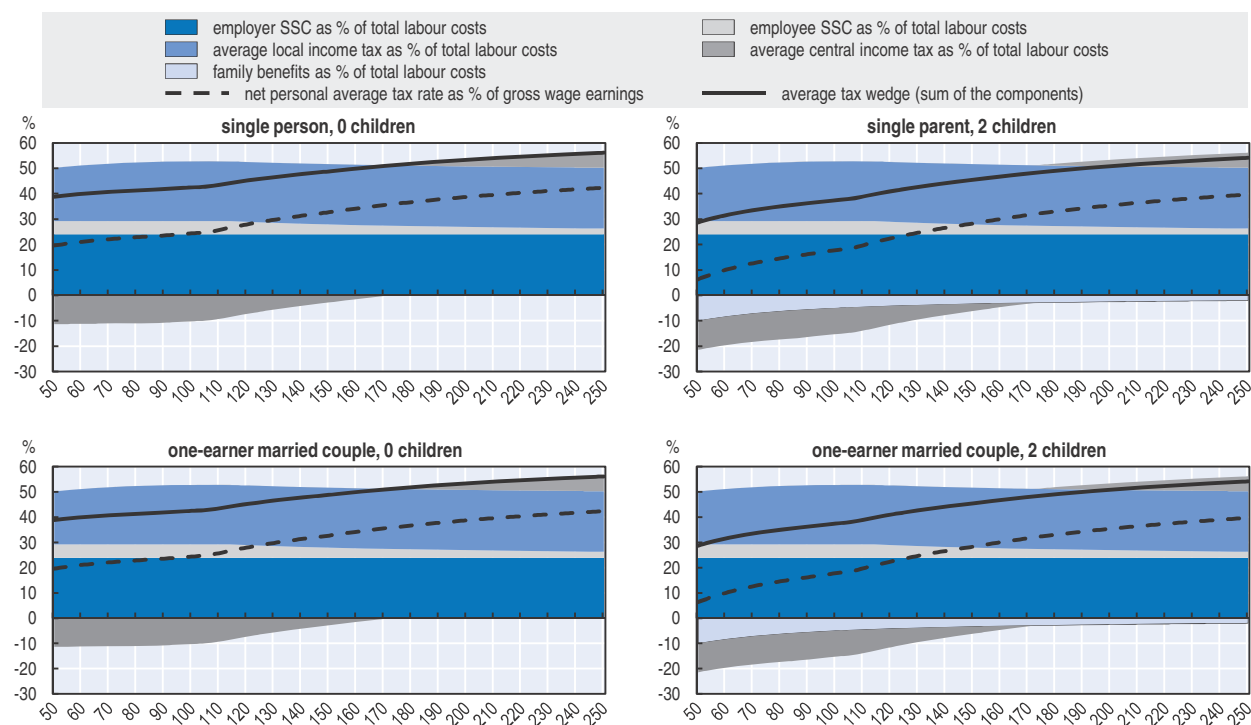
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196715>

Sweden 2014: Average tax wedge decomposition

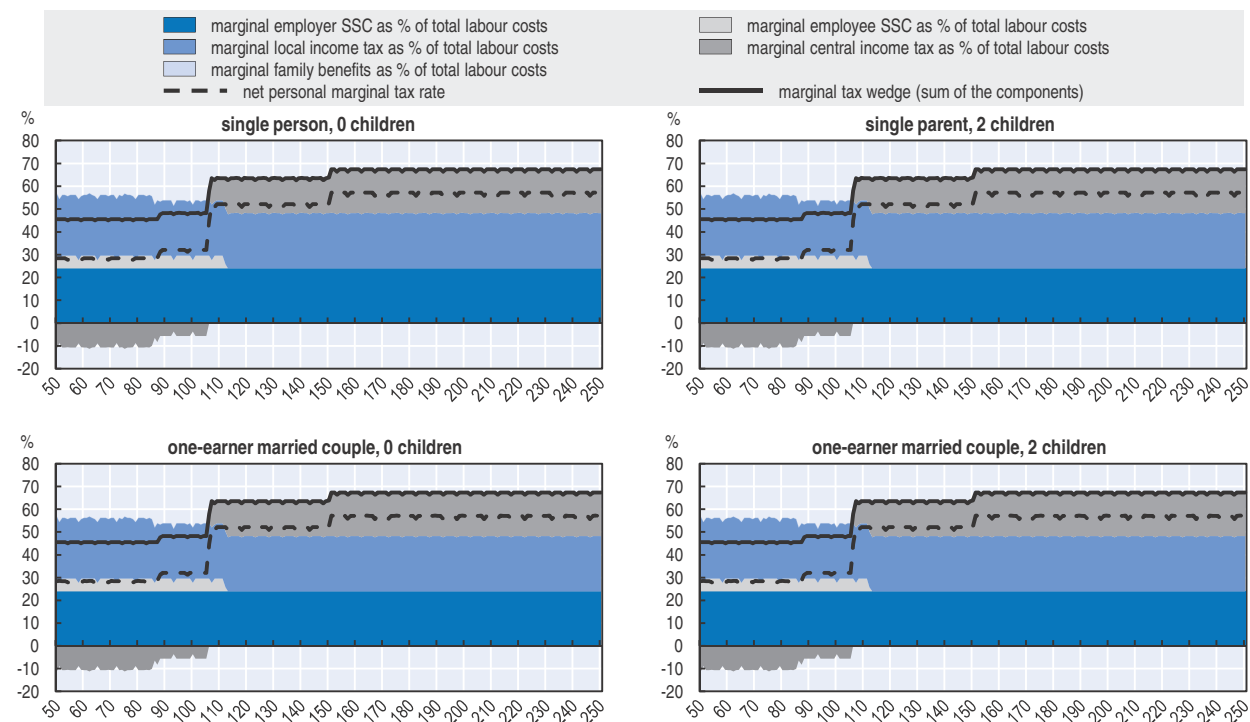
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196593>

Sweden 2014: Marginal tax wedge decomposition

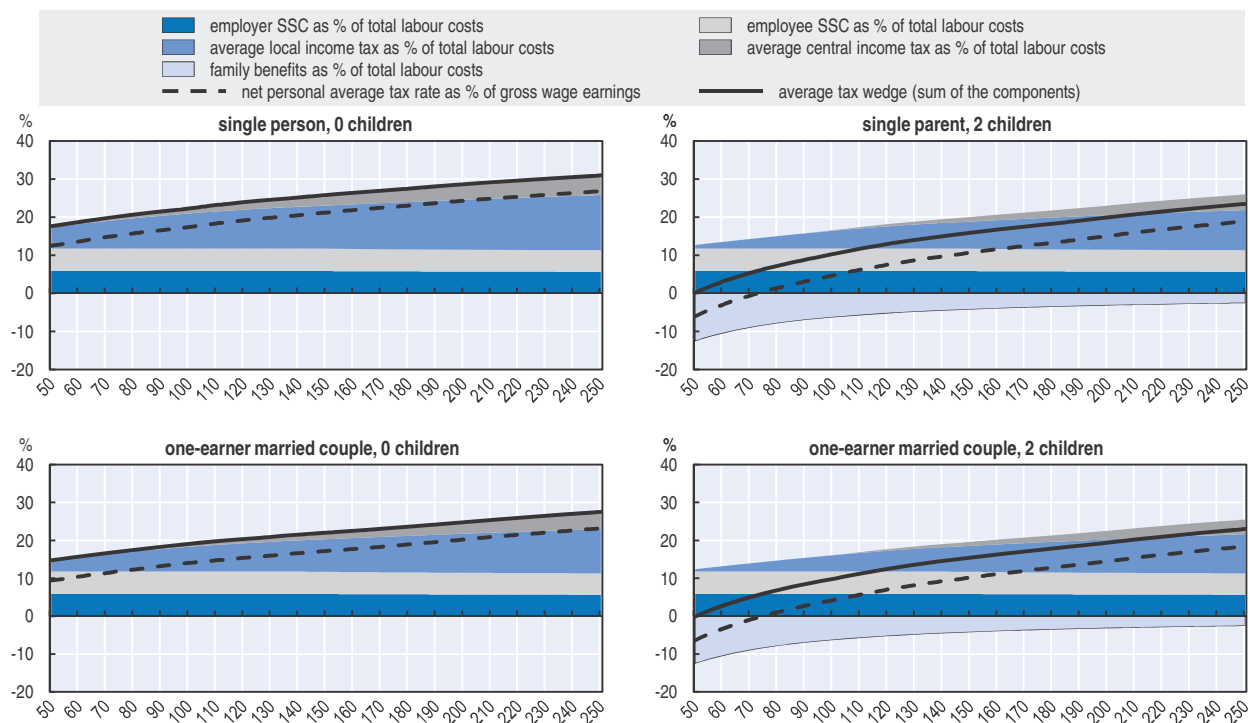
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196937>

Switzerland 2014: Average tax wedge decomposition

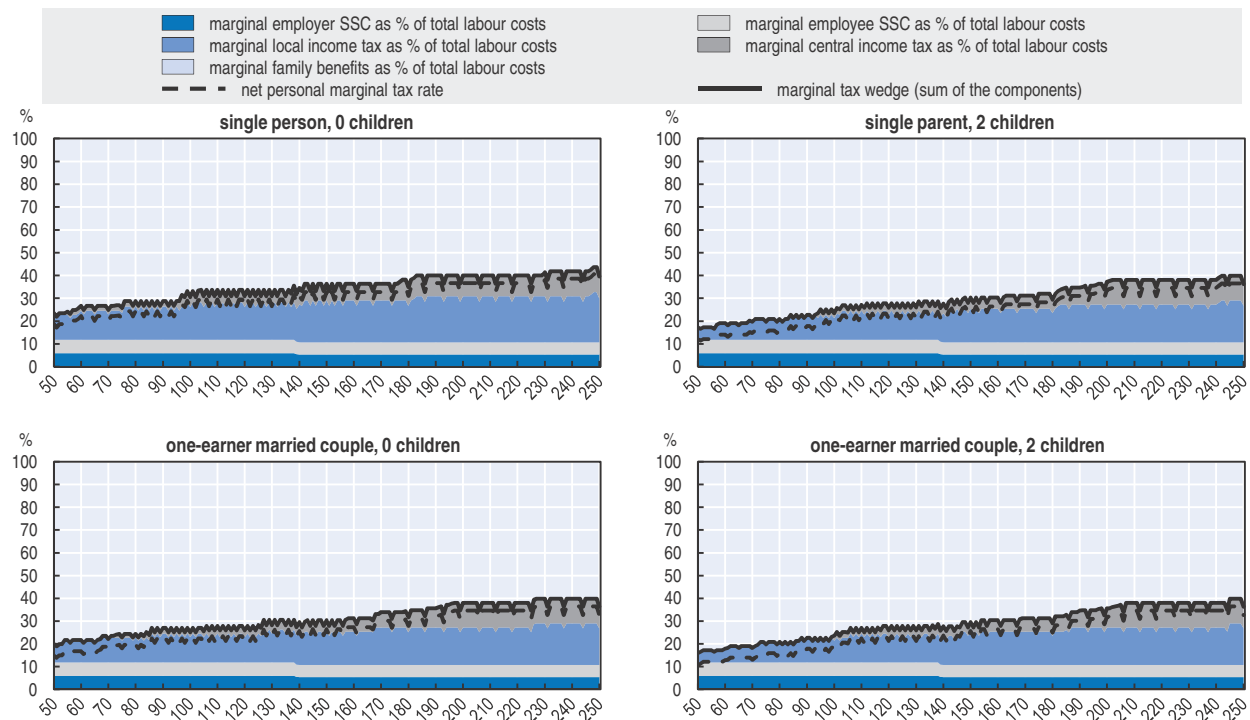
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196328>

Switzerland 2014: Marginal tax wedge decomposition

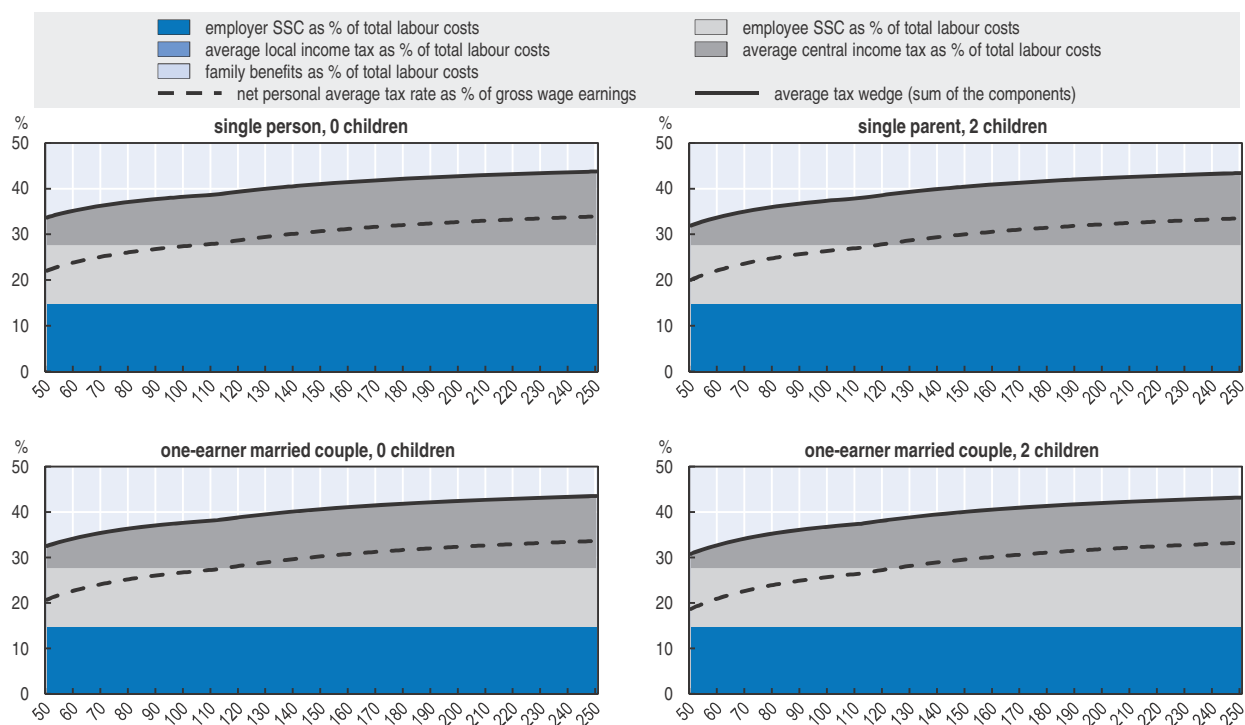
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196667>

Turkey 2014: Average tax wedge decomposition

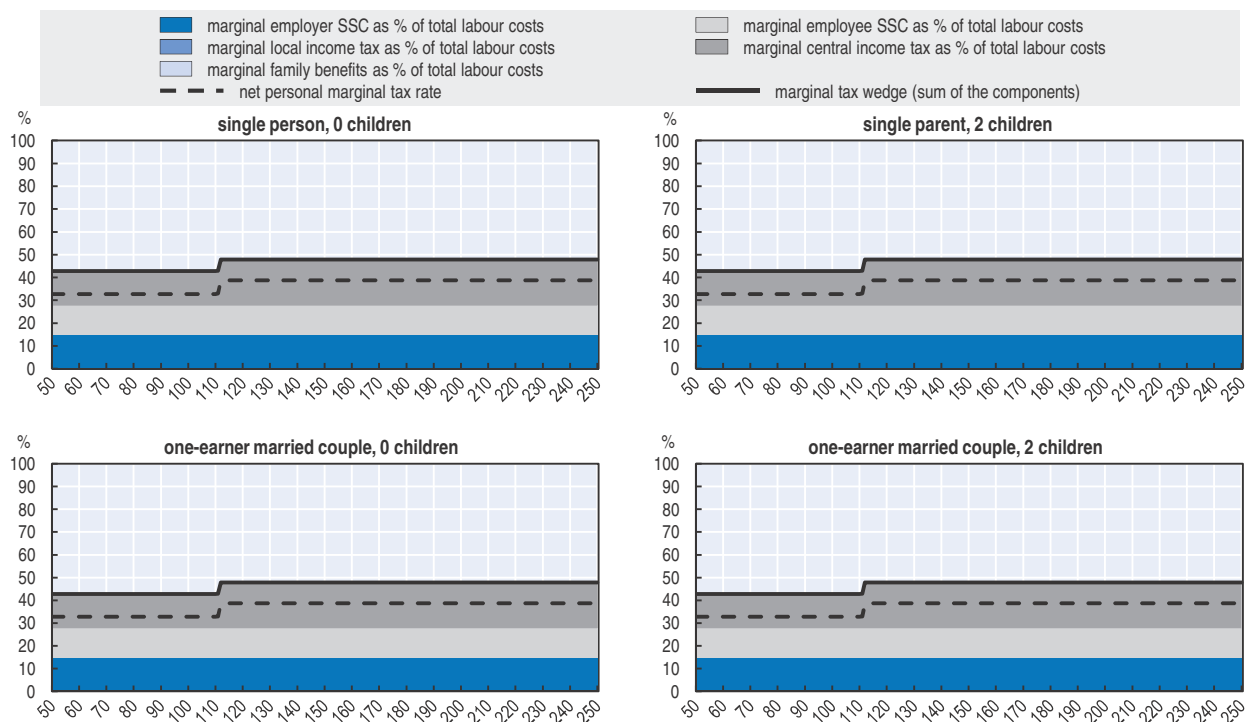
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196602>

Turkey 2014: Marginal tax wedge decomposition

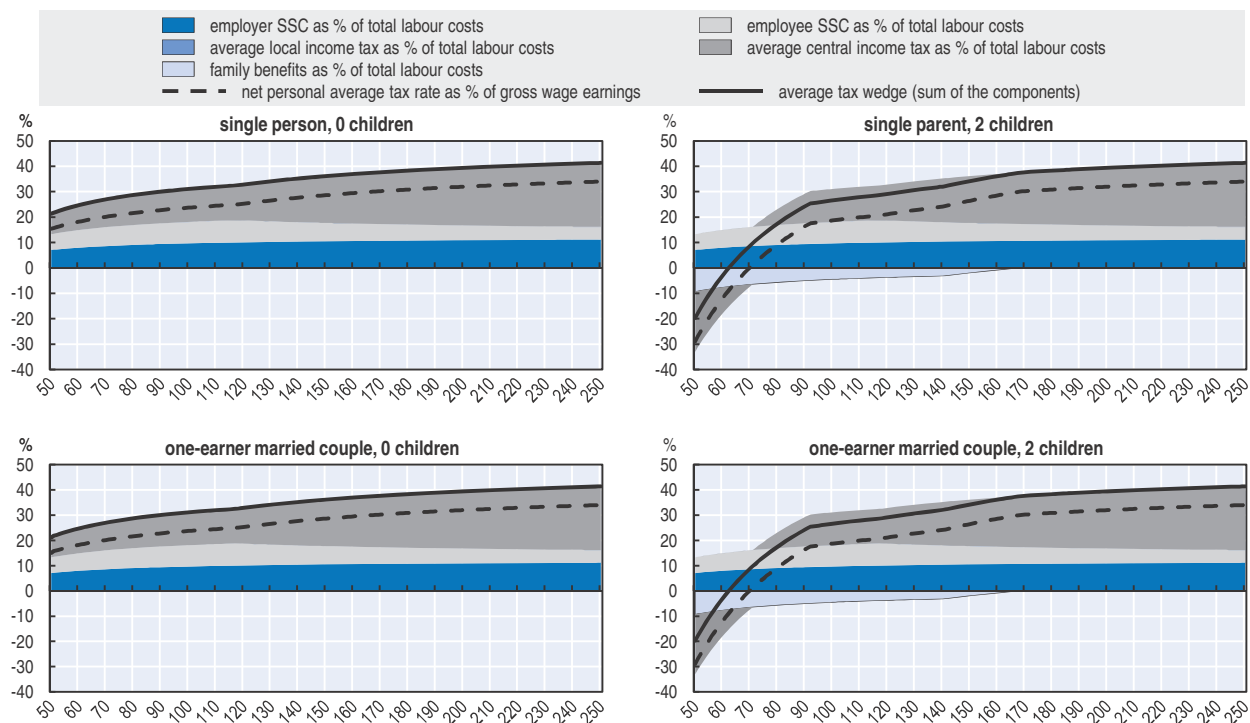
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196941>

United Kingdom 2014: Average tax wedge decomposition

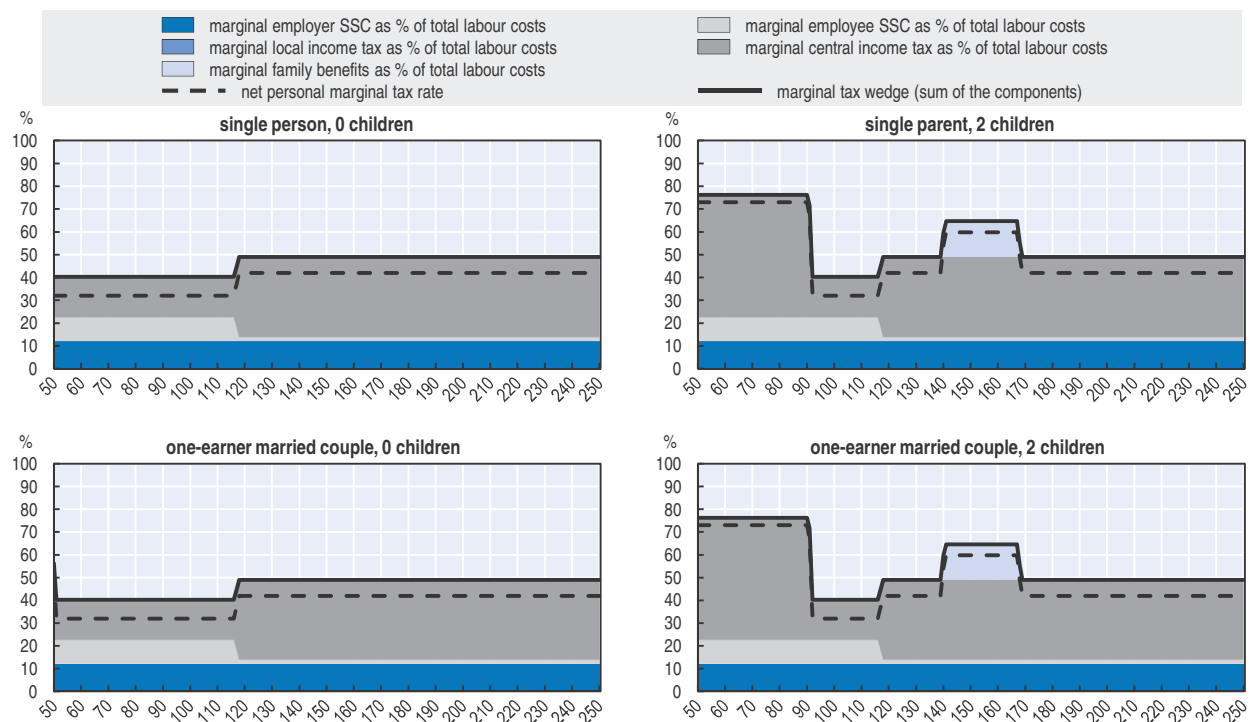
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196417>

United Kingdom 2014: Marginal tax wedge decomposition

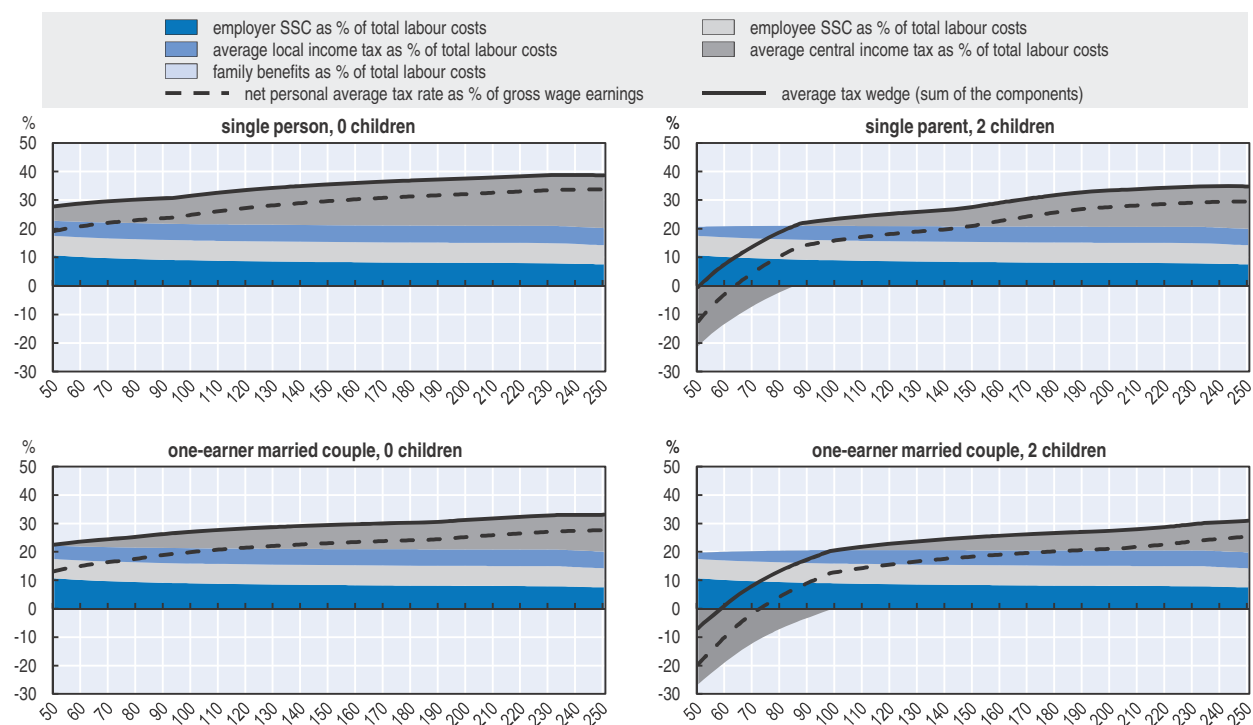
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196758>

United States 2014: Average tax wedge decomposition

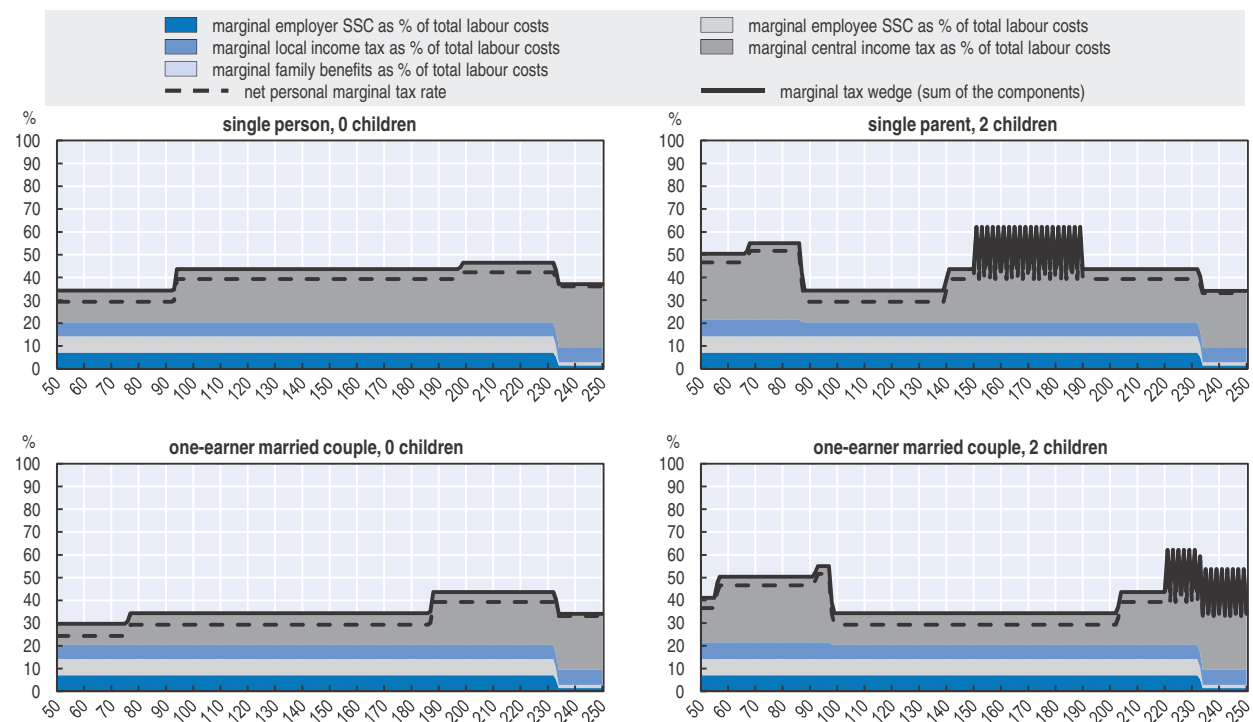
By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196612>

United States 2014: Marginal tax wedge decomposition

By level of gross earnings expressed as a % of the average wage



StatLink <http://dx.doi.org/10.1787/888933196954>

PART I
Chapter 5

Tax burdens, 2013 definitive results (and changes to 2014)

The chapter presents the definitive results of tax burden measures on labour income for the eight model family types for 2013. The chapter includes Tables 5.1 to 5.11 that show a number of measures for the average tax burdens (tax wedge, personal tax rate, net personal tax rate, personal income tax rate and employee social security contribution rate) and marginal rates (tax wedge and net personal tax rate). The results for two measures of tax progressivity are also considered: tax elasticity on gross earnings and labour costs.

The table formats are identical to Tables 3.1 to 3.11 that are discussed in Chapter 3 on tax burden estimates on labour income for 2014. The chapter compares the two sets of tables and analyses the changes in tax burden between 2013 and 2014.

The following commentary on the changes in tax burdens and marginal tax rates between 2013 and 2014 focuses on 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). Comparisons with the columns 1, 3-4 and 6-8 of the tables give 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 5.1 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 2014 as compared to 2013 were within plus or minus one percentage point.

Comparing column 2 in Tables 3.1 and 5.1, the OECD average tax wedge increased by 0.1 percentage point for a single average worker between 2013 and 2014. It increased by more than one percentage point in Ireland (1.1 percentage points) and it fell by more than one percentage point in Greece (-1.2 percentage points).

For one-earner married couples (comparing column 5 of Tables 3.1 and 5.1), the OECD average tax wedge increased this time by 0.3 percentage points. The wedge increased by more than one percentage point in three countries: Ireland (1.5 percentage points), New Zealand (1.4 percentage points) and Israel (1.1 percentage points) and decreased by more than one percentage point in Greece (-1.1 percentage points).

Table 5.2 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 changed by more than one percentage point between 2013 and 2014 only in Ireland (+1.2 percentage points). For one-earner married couples with 2 children, there are no changes of more than 1 percentage point across the OECD member countries.

Table 5.3 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 3.3 and 5.3, for single persons at average earnings, there was a change of more than one percentage point between 2013 and 2014 only in Ireland (+1.3 percentage points). Comparing column 5 of Tables 3.3 and 5.3, increases in the net personal average tax rate of one-earner married couples exceeding one percentage point occurred in Ireland (1.6 percentage points), New Zealand (1.4 percentage points) and Norway (1.2 percentage points).

Table 5.4 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 2013 and 2014 and the OECD average income tax increased by 0.1 percentage point. Comparing column 2 of Tables 3.4 and 5.4, the

income tax rate changed by more than one percentage point only in Ireland (+1.3 percentage points). The OECD average income tax rate for the one-earner married couple with two children also increased by 0.1 percentage point during this period. There were no changes of more than one percentage point across the OECD countries for that family type.

Table 5.5 shows information on employee social security contributions as a percentage of gross wage earnings. Comparing columns 2 and 5 of Tables 3.5 and 5.5, there were no changes of more than one percentage point across the OECD member countries between 2013 and 2014. The OECD average remained unchanged for the two family-types during this period.

Table 5.6 shows the marginal tax wedge (rate of income tax plus employee and employer social security contributions and payroll taxes where applicable minus benefits) in 2013. Comparing columns 2 and 5 respectively in Tables 3.6 and 5.6, changes between 2013 and 2014 in the marginal wedge were generally within the range of plus or minus five percentage points. There were changes of more than five percentage points in two OECD countries for the one-earner married couple with two children at the average wage level. In Ireland, the marginal tax burden decreased by 37.4 percentage points. In 2014, the household received the minimum payment of the income tested cash transfer (“Family Income Supplement”) that was not reduced by the increasing earnings. In Canada, the marginal tax wedge decreased by 6.4 percentage points due to the introduction of the “Family Tax Cut” in 2014. The latter made possible the transfer of partial taxable income from the higher-income spouse to the spouse in a lower tax bracket.

Table 5.7 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 3.7 and 5.7, the pattern of changes between 2013 and 2014 in the marginal rate were similar to that for the tax wedge discussed above. The examples of changes outside the range of plus or minus five percentage points were in Ireland (-41.4 percentage points) and Canada (-7.0 percentage points) for the one-earner couple at the average wage level with two children and for reasons that were given in the previous paragraph. Table 5.8 shows the increase in net income (in per cent) after an increase of one currency unit in gross wage earnings for 2013.¹ Table 5.9 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 5.10 and 5.11 report background information on levels of labour costs plus gross and net wages in 2013.

Notes

1. The reported elasticities in Table 5.8 are calculated as $(100 - \text{METR}) / (100 - \text{AETR})$, where METR is the marginal rate of income tax plus employee social security contributions less cash benefits reported in Table 5.7 and AETR is the average rate plus employee social security contributions less cash benefits reported in Table 5.3.
2. The reported elasticities in Table 5.9 are calculated as $(100 - \text{METR}) / (100 - \text{AETR})$, where METR is the marginal rate of income tax plus employee and employer social security contributions less cash benefits reported in Table 5.6 and AETR is the average rate plus employee and employer social security contributions less cash benefits reported in Table 5.1.

Table 5.1. Income tax plus employee and employer contributions less cash benefits, 2013
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	21.9	27.4	33.2	-2.6	16.9	19.9	25.2	23.2
Austria	44.6	49.2	51.9	28.8	38.6	38.3	41.7	45.3
Belgium	50.0	55.7	60.8	36.2	40.7	41.9	48.5	48.2
Canada	26.3	31.0	33.1	-6.1	18.6	24.0	27.2	27.9
Chile	7.0	7.0	7.8	6.1	7.0	4.8	6.6	7.0
Czech Republic	39.4	42.5	44.9	24.2	26.1	32.6	35.1	40.3
Denmark	36.6	38.2	44.3	11.1	27.5	32.1	33.8	36.8
Estonia	38.8	39.9	40.8	26.6	32.4	34.8	36.3	38.8
Finland	37.6	43.1	48.9	26.6	38.0	35.5	37.8	39.4
France	45.6	48.9	54.1	37.2	41.1	39.4	44.1	44.9
Germany	45.1	49.2	51.3	30.9	33.6	38.3	42.0	45.0
Greece	37.1	41.6	49.3	38.8	44.5	42.1	42.6	40.7
Hungary	49.0	49.0	49.0	25.5	34.2	36.2	40.1	47.7
Iceland	29.8	34.1	38.6	19.1	21.3	28.0	31.8	29.9
Ireland	21.5	27.1	38.9	-22.3	8.4	14.0	19.6	20.4
Israel ¹	13.6	20.4	29.2	1.2	17.0	13.2	14.1	17.0
Italy	44.9	47.9	53.3	29.0	38.5	40.3	43.1	44.8
Japan	30.2	31.6	34.5	23.8	26.0	27.5	28.5	30.7
Korea	18.2	21.3	22.9	17.4	18.9	18.8	18.9	20.3
Luxembourg	30.1	37.2	44.4	5.1	14.6	19.0	24.7	28.4
Mexico	13.9	19.2	22.2	13.9	19.2	17.0	17.1	17.0
Netherlands	32.3	37.0	42.0	11.5	31.0	28.8	30.6	33.5
New Zealand	13.3	16.9	22.8	-16.9	2.4	10.0	15.9	15.7
Norway	34.1	37.3	43.0	22.0	31.2	31.7	33.7	34.7
Poland	34.8	35.6	36.2	29.6	29.9	31.3	32.5	34.7
Portugal	35.2	41.4	47.7	25.5	30.2	31.2	37.0	35.0
Slovak Republic	38.5	41.1	43.3	26.4	27.6	33.0	35.2	39.1
Slovenia	38.5	42.4	46.1	13.1	23.2	30.5	34.4	40.0
Spain	37.2	40.7	44.3	30.4	34.8	36.4	37.6	37.5
Sweden	40.9	43.0	50.8	33.2	37.9	37.4	39.1	41.3
Switzerland	19.4	22.1	26.7	4.6	9.7	12.8	16.0	19.9
Turkey	35.4	37.6	41.0	34.1	36.2	35.1	36.2	35.7
United Kingdom	26.8	31.4	37.6	5.7	26.8	23.2	26.8	26.7
United States	29.3	31.4	36.3	11.6	20.4	24.9	26.8	29.8
<i>Unweighted average</i>								
OECD-Average	32.3	35.9	40.3	17.7	26.6	28.3	31.2	32.9
OECD-EU 21	38.3	42.0	46.7	22.5	31.4	33.2	36.3	38.5

Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933197099>

Table 5.2. Income tax plus employee contributions, 2013
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	17.3	23.1	29.2	17.3	23.1	18.7	20.8	18.7
Austria	28.5	34.4	39.0	25.5	32.3	29.0	31.7	29.4
Belgium	36.0	42.4	49.2	30.6	31.2	32.9	38.4	34.8
Canada	18.8	22.7	26.8	8.4	16.2	18.2	20.3	19.3
Chile	7.0	7.0	7.8	7.0	7.0	7.0	7.0	7.0
Czech Republic	18.8	22.9	26.2	5.6	5.8	13.3	16.0	19.9
Denmark	37.1	38.5	44.3	37.1	34.5	37.4	38.0	37.4
Estonia	18.0	19.5	20.7	13.3	13.3	15.6	17.0	17.9
Finland	23.3	30.1	37.2	23.3	30.1	25.5	27.4	25.5
France	26.4	28.3	34.0	21.4	21.7	22.1	25.3	26.4
Germany	34.5	39.4	43.7	17.6	20.8	26.4	30.8	34.4
Greece	19.8	25.6	35.4	22.0	29.3	26.1	26.8	24.4
Hungary	34.5	34.5	34.5	22.3	26.3	28.3	29.6	34.5
Iceland	24.4	29.1	33.9	24.4	20.4	24.5	27.2	24.5
Ireland	13.1	19.2	32.4	7.9	11.6	12.3	16.6	12.3
Israel ¹	10.0	16.4	25.2	5.7	16.4	11.8	12.1	13.2
Italy	27.2	31.1	38.3	19.3	24.1	23.5	26.5	27.1
Japan	20.0	21.5	25.3	20.0	20.0	20.5	20.9	20.5
Korea	9.9	13.3	15.9	9.0	10.5	10.5	10.6	12.1
Luxembourg	21.5	29.5	37.5	14.4	18.1	19.6	23.8	19.6
Mexico	2.0	9.8	14.4	2.0	9.8	5.3	6.7	5.3
Netherlands	26.2	31.2	38.5	12.8	28.5	25.3	26.7	27.6
New Zealand	13.3	16.9	22.8	14.8	16.9	15.7	16.0	15.7
Norway	25.6	29.2	35.6	21.8	26.7	26.2	27.7	26.2
Poland	23.8	24.8	25.5	17.8	18.1	19.8	21.2	23.8
Portugal	19.8	27.4	35.2	14.9	17.3	17.5	22.0	19.6
Slovak Republic	19.3	22.8	25.6	11.7	10.6	16.3	18.3	20.1
Slovenia	28.6	33.1	37.5	22.1	24.8	25.8	27.6	30.4
Spain	18.5	22.9	28.5	9.6	15.3	17.4	18.9	18.8
Sweden	22.4	25.1	35.4	22.4	25.1	22.8	24.0	22.8
Switzerland	14.4	17.3	22.2	8.6	10.8	12.4	14.7	14.9
Turkey	24.7	27.4	31.3	23.2	25.7	24.4	25.7	25.1
United Kingdom	20.0	24.0	30.1	4.4	24.0	19.9	22.4	19.9
United States	21.6	24.7	30.5	2.0	12.6	16.7	19.3	22.2
<i>Unweighted average</i>								
OECD-Average	21.4	25.4	30.9	15.9	20.0	20.3	22.3	22.1
OECD-EU 21	24.6	28.9	34.7	17.9	22.0	22.7	25.2	25.1

Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933197105>

Table 5.3. Income tax plus employee contributions less cash benefits, 2013
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	17.3	23.1	29.2	-8.7	12.0	15.1	20.8	18.7
Austria	28.5	34.4	39.0	8.1	20.7	20.3	24.7	29.4
Belgium	36.0	42.4	49.2	18.4	23.0	26.8	33.5	34.8
Canada	17.6	22.7	26.8	-18.8	8.8	14.9	18.5	19.3
Chile	7.0	7.0	7.8	6.1	7.0	4.8	6.6	7.0
Czech Republic	18.8	22.9	26.2	-1.6	1.0	9.6	13.1	19.9
Denmark	36.6	38.2	44.3	11.1	27.5	32.1	33.8	36.8
Estonia	18.0	19.5	20.7	1.6	9.4	12.7	14.7	17.9
Finland	23.3	30.1	37.2	9.9	23.8	20.9	23.6	25.5
France	26.4	28.3	34.0	15.1	17.5	19.0	22.8	26.4
Germany	34.5	39.4	43.7	17.6	20.8	26.4	30.8	34.4
Greece	19.8	25.6	35.4	22.0	29.3	26.1	26.8	24.4
Hungary	34.5	34.5	34.5	4.2	15.4	20.2	23.1	34.5
Iceland	24.4	29.1	33.9	12.9	15.3	22.5	26.5	24.5
Ireland	13.1	19.2	32.4	-35.4	-1.4	5.2	11.0	12.3
Israel ¹	10.0	16.4	25.2	-3.0	12.9	9.2	10.0	13.2
Italy	27.2	31.1	38.3	6.3	18.7	21.2	24.8	27.1
Japan	20.0	21.5	25.3	12.6	15.1	16.8	17.9	20.5
Korea	9.9	13.3	15.9	9.0	10.5	10.5	10.6	12.1
Luxembourg	21.5	29.5	37.5	-6.6	4.1	9.0	15.4	19.6
Mexico	2.0	9.8	14.4	2.0	9.8	5.3	6.7	5.3
Netherlands	26.2	31.2	38.5	3.5	24.7	22.4	24.4	27.6
New Zealand	13.3	16.9	22.8	-16.9	2.4	10.0	15.9	15.7
Norway	25.6	29.2	35.6	11.9	22.2	22.8	25.1	26.2
Poland	23.8	24.8	25.5	17.8	18.1	19.8	21.2	23.8
Portugal	19.8	27.4	35.2	7.8	13.7	14.8	22.0	19.6
Slovak Republic	19.3	22.8	25.6	3.4	5.0	12.1	15.0	20.1
Slovenia	28.6	33.1	37.5	-0.8	10.8	19.3	23.8	30.4
Spain	18.5	22.9	28.5	9.6	15.3	17.4	18.9	18.8
Sweden	22.4	25.1	35.4	12.2	18.3	17.7	19.9	22.8
Switzerland	14.4	17.3	22.2	-1.4	4.1	7.3	10.7	14.9
Turkey	24.7	27.4	31.3	23.2	25.7	24.4	25.7	25.1
United Kingdom	20.0	24.0	30.1	-3.1	19.0	16.2	19.4	19.9
United States	21.6	24.7	30.5	2.0	12.6	16.7	19.3	22.2
<i>Unweighted average</i>								
OECD-Average	21.3	25.4	30.9	4.5	14.5	16.7	19.9	22.1
OECD-EU 21	24.6	28.9	34.7	5.8	15.9	18.5	22.0	25.0

Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933197110>

Table 5.4. Income tax, 2013
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	17.3	23.1	29.2	17.3	23.1	18.7	20.8	18.7
Austria	10.4	16.3	23.0	7.5	14.3	11.7	13.6	12.1
Belgium	22.1	28.4	35.2	16.7	17.2	22.1	24.4	24.0
Canada	11.6	15.3	21.8	1.1	8.8	11.2	13.0	12.3
Chile	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0
Czech Republic	7.8	11.9	15.2	-5.4	-5.2	2.3	5.0	8.9
Denmark	33.0	35.8	42.6	33.0	31.8	33.2	34.7	33.2
Estonia	16.0	17.5	18.7	11.3	11.3	13.6	15.0	15.9
Finland	15.8	22.5	29.6	15.8	22.5	18.1	19.8	18.1
France	12.6	14.5	20.8	7.6	7.9	8.3	11.5	12.6
Germany	14.1	19.0	27.5	-2.6	0.6	6.3	10.6	14.0
Greece	3.3	9.1	18.9	5.5	12.8	9.6	10.3	7.9
Hungary	16.0	16.0	16.0	3.8	7.8	9.8	11.1	16.0
Iceland	23.7	28.6	33.6	23.7	19.9	23.9	26.7	23.9
Ireland	9.1	15.2	28.4	3.9	7.6	9.3	12.6	9.3
Israel ¹	4.2	8.6	15.7	0.0	8.6	5.0	5.1	6.4
Italy	17.7	21.6	28.8	9.8	14.6	14.0	17.1	17.6
Japan	6.1	7.6	12.1	6.1	6.1	6.6	7.0	6.6
Korea	1.6	5.0	8.9	0.7	2.3	2.2	2.3	3.8
Luxembourg	9.3	17.2	25.2	2.1	5.8	7.4	11.5	7.4
Mexico	0.8	8.4	12.9	0.8	8.4	3.9	5.4	3.9
Netherlands	5.7	15.8	28.3	3.3	15.4	12.2	11.3	12.5
New Zealand	13.3	16.9	22.8	14.8	16.9	15.7	16.0	15.7
Norway	17.8	21.4	27.8	14.0	18.9	18.4	19.9	18.4
Poland	6.0	6.9	7.7	0.0	0.3	2.0	3.4	6.0
Portugal	8.8	16.4	24.2	3.9	6.3	6.5	11.0	8.6
Slovak Republic	5.9	9.4	12.2	-1.7	-2.8	2.9	4.9	6.7
Slovenia	6.5	11.0	15.4	0.0	2.7	3.7	5.5	8.3
Spain	12.1	16.6	22.5	3.3	9.0	11.1	12.6	12.5
Sweden	15.3	18.1	30.6	15.3	18.1	15.8	17.0	15.8
Switzerland	8.1	11.0	16.0	2.4	4.5	6.1	8.5	8.7
Turkey	9.7	12.4	16.3	8.2	10.7	9.4	10.7	10.1
United Kingdom	12.0	14.6	22.6	-3.7	14.6	11.9	13.6	11.9
United States	14.0	17.0	22.9	-5.7	4.9	9.1	11.6	14.5
<i>Unweighted average</i>								
OECD-Average	11.4	15.6	21.6	6.3	10.2	10.6	12.5	12.4
OECD-EU 21	12.3	16.9	23.5	6.2	10.1	11.0	13.2	13.3

Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933197121>

Table 5.5. Employee contributions, 2013
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	16.0	18.1	18.1	17.3	18.1	17.3
Belgium	13.9	14.0	14.0	13.9	14.0	10.8	14.0	10.8
Canada	7.2	7.4	5.0	7.2	7.4	7.0	7.3	7.0
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	4.1	2.8	1.6	4.1	2.8	4.1	3.3	4.1
Estonia	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finland	7.5	7.6	7.7	7.5	7.6	7.4	7.6	7.4
France	13.8	13.8	13.1	13.8	13.8	13.8	13.8	13.8
Germany	20.4	20.4	16.2	20.2	20.2	20.2	20.2	20.4
Greece	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5
Hungary	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5
Iceland	0.7	0.4	0.3	0.7	0.4	0.7	0.5	0.7
Ireland	4.0	4.0	4.0	4.0	4.0	3.0	4.0	3.0
Israel ¹	5.7	7.8	9.5	5.7	7.8	6.7	7.0	6.7
Italy	9.5	9.5	9.6	9.5	9.5	9.5	9.5	9.5
Japan	13.9	13.9	13.3	13.9	13.9	13.9	13.9	13.9
Korea	8.3	8.3	7.1	8.3	8.3	8.3	8.3	8.3
Luxembourg	12.2	12.3	12.4	12.2	12.3	12.2	12.3	12.2
Mexico	1.3	1.4	1.5	1.3	1.4	1.3	1.3	1.3
Netherlands	20.6	15.4	10.2	9.5	13.1	13.1	15.3	15.0
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	13.4	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	6.0	6.4	6.4	6.4	6.4	6.4
Sweden	7.0	7.0	4.8	7.0	7.0	7.0	7.0	7.0
Switzerland	6.3	6.3	6.2	6.3	6.3	6.3	6.3	6.3
Turkey	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
United Kingdom	8.0	9.3	7.5	8.0	9.3	8.0	8.8	8.0
United States	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
<i>Unweighted average</i>								
OECD-Average	10.0	9.9	9.3	9.6	9.8	9.6	9.8	9.7
OECD-EU 21	12.3	12.0	11.2	11.7	11.9	11.7	12.0	11.8

Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933197136>

Table 5.6. **Marginal rate of income tax plus employee and employer contributions less cash benefits, 2013**

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	39.1	37.7	41.9	58.0	54.2	66.0	37.7	37.7
Austria	56.9	60.6	42.2	56.9	60.6	60.6	60.6	60.6
Belgium	66.3	66.3	68.5	66.3	66.3	66.3	65.5	66.3
Canada	33.8	40.9	38.4	60.7	68.1	44.6	44.6	40.9
Chile	7.0	7.0	10.2	7.0	7.0	7.0	7.0	7.0
Czech Republic	48.6	48.6	48.6	48.6	48.6	48.6	48.6	48.6
Denmark	40.3	42.5	56.2	40.3	42.5	42.5	42.5	42.5
Estonia	42.2	42.2	42.2	42.2	42.2	42.2	42.2	42.2
Finland	53.7	54.6	57.6	53.7	54.6	54.6	54.6	54.6
France	62.9	59.7	59.8	57.3	44.1	48.4	51.4	51.4
Germany	55.4	59.8	44.3	53.7	52.1	55.1	57.4	55.3
Greece	48.9	49.6	56.8	49.6	50.2	50.2	50.2	49.6
Hungary	49.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0
Iceland	43.0	43.0	48.3	50.1	50.1	47.5	47.5	43.0
Ireland	37.7	56.7	56.7	67.9	75.1	37.7	37.7	37.7
Israel ¹	30.5	37.1	46.5	17.4	37.1	69.5	37.1	37.1
Italy	54.1	54.1	62.0	55.3	55.3	55.3	54.7	54.1
Japan	32.3	36.6	35.3	32.3	33.7	36.6	36.6	36.6
Korea	20.2	29.0	23.2	19.0	29.0	29.0	29.0	29.0
Luxembourg	45.8	55.1	55.1	47.5	39.0	42.4	50.9	42.4
Mexico	17.4	23.4	28.4	17.4	23.4	23.4	23.4	23.4
Netherlands	45.1	48.5	49.3	48.2	48.5	48.5	48.5	48.5
New Zealand	17.5	30.0	33.0	17.5	51.3	51.3	51.3	30.0
Norway	43.2	51.2	53.8	43.2	51.2	51.2	51.2	51.2
Poland	37.2	37.2	37.2	29.6	37.2	37.2	37.2	37.2
Portugal	53.9	53.9	60.8	51.1	39.8	51.1	51.1	53.9
Slovak Republic	46.5	46.5	46.5	46.5	46.5	46.5	46.5	46.5
Slovenia	43.6	51.0	60.4	32.9	43.6	43.6	43.6	51.0
Spain	45.7	49.5	40.0	53.0	49.5	49.5	49.5	49.5
Sweden	45.8	48.1	67.1	45.8	48.1	48.1	48.1	48.1
Switzerland	26.3	31.9	35.9	18.9	22.1	26.1	29.4	26.9
Turkey	42.3	42.3	47.4	42.3	42.3	42.3	42.3	42.3
United Kingdom	40.2	40.2	49.0	76.3	40.2	40.2	40.2	40.2
United States	34.3	43.6	43.6	50.4	34.3	34.3	34.3	34.3
<i>Unweighted average</i>								
OECD-Average	41.4	44.9	46.9	44.3	45.2	45.5	44.2	43.2
OECD-EU 21	48.6	51.1	52.8	51.0	49.2	48.5	49.1	49.0

Note: ch = children

It is assumed that gross earnings of the principal earner in the household rise. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.
2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933197144>

Table 5.7. Marginal rate of income tax plus employee contributions less cash benefits, 2013
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	35.5	34.0	38.5	55.5	51.5	64.0	34.0	34.0
Austria	44.4	49.1	37.9	44.4	49.1	49.1	49.1	49.1
Belgium	54.9	54.9	59.8	54.9	54.9	54.9	53.8	54.9
Canada	25.5	35.1	35.4	55.8	65.0	39.1	39.1	35.1
Chile	7.0	7.0	10.2	7.0	7.0	7.0	7.0	7.0
Czech Republic	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1
Denmark	40.3	42.5	56.2	40.3	42.5	42.5	42.5	42.5
Estonia	22.6	22.6	22.6	22.6	22.6	22.6	22.6	22.6
Finland	43.1	44.2	48.0	43.1	44.2	44.2	44.2	44.2
France	31.9	43.6	42.4	21.7	21.7	27.7	31.9	31.9
Germany	46.8	52.1	44.3	44.8	42.9	46.4	49.2	46.7
Greece	34.9	35.7	44.9	35.7	36.5	36.5	36.5	35.7
Hungary	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
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 ¹	26.0	33.0	43.0	12.0	33.0	67.5	33.0	33.0
Italy	39.3	39.4	49.9	40.9	41.0	41.0	40.2	39.4
Japan	22.4	27.3	31.2	22.4	23.9	27.3	27.3	27.3
Korea	12.0	21.8	18.8	10.7	21.8	21.8	21.8	21.8
Luxembourg	39.1	49.6	49.6	41.0	31.5	35.3	44.8	35.3
Mexico	12.1	17.6	22.9	12.1	17.6	17.6	17.6	17.6
Netherlands	39.8	43.6	49.3	43.2	43.6	43.6	43.6	43.6
New Zealand	17.5	30.0	33.0	17.5	51.3	51.3	51.3	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	26.7	26.7	26.7	26.7
Portugal	43.0	43.0	51.5	39.5	25.5	39.5	39.5	43.0
Slovak Republic	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9
Slovenia	34.6	43.1	54.0	22.1	34.6	34.6	34.6	43.1
Spain	29.5	34.4	40.0	38.9	34.4	34.4	34.4	34.4
Sweden	28.7	31.7	56.7	28.7	31.7	31.7	31.7	31.7
Switzerland	21.7	27.6	32.2	13.8	17.2	21.5	25.0	22.3
Turkey	32.8	32.8	38.7	32.8	32.8	32.8	32.8	32.8
United Kingdom	32.0	32.0	42.0	73.0	32.0	32.0	32.0	32.0
United States	29.3	39.3	39.3	46.6	29.3	29.3	29.3	29.3
<i>Unweighted average</i>								
OECD-Average	31.6	36.0	40.0	34.7	36.0	36.4	35.0	34.0
OECD-EU 21	36.1	39.8	44.0	38.7	37.3	36.6	37.3	37.3

Note: ch = children

It is assumed that gross earnings of the principal earner in the household rise. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.
2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933197156>

Table 5.8. Increase in net income after an increase of 1 currency unit in gross wages, 2013
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	0.78	0.86	0.87	0.41	0.55	0.42	0.83	0.81
Austria	0.78	0.78	1.02	0.61	0.64	0.64	0.68	0.72
Belgium	0.70	0.78	0.79	0.55	0.59	0.62	0.69	0.69
Canada	0.90	0.84	0.88	0.37	0.38	0.72	0.75	0.80
Chile	1.00	1.00	0.97	0.99	1.00	0.98	1.00	1.00
Czech Republic	0.85	0.89	0.93	0.68	0.70	0.76	0.79	0.86
Denmark	0.94	0.93	0.79	0.67	0.79	0.85	0.87	0.91
Estonia	0.94	0.96	0.98	0.79	0.85	0.89	0.91	0.94
Finland	0.74	0.80	0.83	0.63	0.73	0.71	0.73	0.75
France	0.93	0.79	0.87	0.92	0.95	0.89	0.88	0.93
Germany	0.81	0.79	0.99	0.67	0.72	0.73	0.74	0.81
Greece	0.81	0.86	0.85	0.82	0.90	0.86	0.87	0.85
Hungary	1.00	1.00	1.00	0.68	0.78	0.82	0.85	1.00
Iceland	0.81	0.87	0.84	0.62	0.63	0.73	0.77	0.81
Ireland	0.79	0.59	0.71	0.26	0.27	0.73	0.78	0.79
Israel ¹	0.82	0.80	0.76	0.85	0.77	0.36	0.75	0.77
Italy	0.83	0.88	0.81	0.63	0.73	0.75	0.80	0.83
Japan	0.97	0.93	0.92	0.89	0.90	0.87	0.89	0.92
Korea	0.98	0.90	0.97	0.98	0.87	0.87	0.88	0.89
Luxembourg	0.78	0.72	0.81	0.55	0.71	0.71	0.65	0.81
Mexico	0.90	0.91	0.90	0.90	0.91	0.87	0.88	0.87
Netherlands	0.82	0.82	0.82	0.59	0.75	0.73	0.75	0.78
New Zealand	0.95	0.84	0.87	0.71	0.50	0.54	0.58	0.83
Norway	0.86	0.78	0.81	0.73	0.71	0.72	0.74	0.75
Poland	0.96	0.98	0.99	1.00	0.90	0.91	0.93	0.96
Portugal	0.71	0.79	0.75	0.66	0.86	0.71	0.78	0.71
Slovak Republic	0.87	0.91	0.94	0.73	0.74	0.80	0.83	0.88
Slovenia	0.92	0.85	0.74	0.77	0.73	0.81	0.86	0.82
Spain	0.86	0.85	0.84	0.68	0.77	0.79	0.81	0.81
Sweden	0.92	0.91	0.67	0.81	0.84	0.83	0.85	0.88
Switzerland	0.91	0.88	0.87	0.85	0.86	0.85	0.84	0.91
Turkey	0.89	0.93	0.89	0.88	0.91	0.89	0.91	0.90
United Kingdom	0.85	0.89	0.83	0.26	0.84	0.81	0.84	0.85
United States	0.90	0.81	0.87	0.54	0.81	0.85	0.88	0.91
<i>Unweighted average</i>								
OECD-Average	0.87	0.86	0.86	0.70	0.75	0.77	0.81	0.85
OECD-EU 21	0.85	0.85	0.86	0.67	0.75	0.78	0.80	0.84

Note: ch = children

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 elasticity would equal 1. The more progressive the system at these income levels, the lower is the elasticity.

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Two-earner family. Assumes a rise in the labour costs associated with the principal earner in the household.

StatLink  <http://dx.doi.org/10.1787/888933197169>

Table 5.9. Increase in net income after an increase of 1 currency unit in gross labour cost, 2013
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	0.78	0.86	0.87	0.41	0.55	0.42	0.83	0.81
Austria	0.78	0.78	1.20	0.61	0.64	0.64	0.68	0.72
Belgium	0.67	0.76	0.80	0.53	0.57	0.58	0.67	0.65
Canada	0.90	0.86	0.92	0.37	0.39	0.73	0.76	0.82
Chile	1.00	1.00	0.97	0.99	1.00	0.98	1.00	1.00
Czech Republic	0.85	0.89	0.93	0.68	0.70	0.76	0.79	0.86
Denmark	0.94	0.93	0.79	0.67	0.79	0.85	0.87	0.91
Estonia	0.94	0.96	0.98	0.79	0.85	0.89	0.91	0.94
Finland	0.74	0.80	0.83	0.63	0.73	0.71	0.73	0.75
France	0.68	0.79	0.88	0.68	0.95	0.85	0.87	0.88
Germany	0.81	0.79	1.14	0.67	0.72	0.73	0.74	0.81
Greece	0.81	0.86	0.85	0.82	0.90	0.86	0.87	0.85
Hungary	1.00	1.00	1.00	0.68	0.78	0.80	0.85	0.97
Iceland	0.81	0.87	0.84	0.62	0.63	0.73	0.77	0.81
Ireland	0.79	0.59	0.71	0.26	0.27	0.72	0.78	0.78
Israel ¹	0.81	0.79	0.76	0.84	0.76	0.35	0.73	0.76
Italy	0.83	0.88	0.81	0.63	0.73	0.75	0.80	0.83
Japan	0.97	0.93	0.99	0.89	0.90	0.87	0.89	0.92
Korea	0.98	0.90	1.00	0.98	0.87	0.87	0.88	0.89
Luxembourg	0.78	0.72	0.81	0.55	0.71	0.71	0.65	0.81
Mexico	0.96	0.95	0.92	0.96	0.95	0.92	0.92	0.92
Netherlands	0.81	0.82	0.87	0.59	0.75	0.72	0.74	0.77
New Zealand	0.95	0.84	0.87	0.71	0.50	0.54	0.58	0.83
Norway	0.86	0.78	0.81	0.73	0.71	0.72	0.74	0.75
Poland	0.96	0.98	0.99	1.00	0.90	0.91	0.93	0.96
Portugal	0.71	0.79	0.75	0.66	0.86	0.71	0.78	0.71
Slovak Republic	0.87	0.91	0.94	0.73	0.74	0.80	0.83	0.88
Slovenia	0.92	0.85	0.74	0.77	0.73	0.81	0.86	0.82
Spain	0.86	0.85	1.08	0.68	0.77	0.79	0.81	0.81
Sweden	0.92	0.91	0.67	0.81	0.84	0.83	0.85	0.88
Switzerland	0.91	0.88	0.88	0.85	0.86	0.85	0.84	0.91
Turkey	0.89	0.93	0.89	0.88	0.91	0.89	0.91	0.90
United Kingdom	0.82	0.87	0.82	0.25	0.82	0.78	0.82	0.82
United States	0.93	0.82	0.89	0.56	0.83	0.88	0.90	0.94
<i>Unweighted average</i>								
OECD-Average	0.86	0.86	0.89	0.69	0.75	0.76	0.81	0.84
OECD-EU 21	0.83	0.84	0.89	0.65	0.75	0.77	0.80	0.83

Note: ch = children

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 elasticity would equal 1.

The more progressive the system at these income levels, the lower is the elasticity.

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Two-earner family. Assumes a rise in the labour costs associated with the principal earner in the household.

StatLink  <http://dx.doi.org/10.1787/888933197178>

Table 5.10a. Annual gross wage and net income, single person, 2013
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	34 127	28 223	50 936	39 171	85 063	60 233	34 127	37 091
Austria	33 298	23 821	49 698	32 611	82 995	50 613	33 298	30 606
Belgium	36 407	23 304	54 339	31 299	90 746	46 066	36 407	29 716
Canada	25 665	21 158	38 305	29 619	63 970	46 816	25 665	30 483
Chile	12 468	11 595	18 609	17 306	31 077	28 640	12 468	11 708
Czech Republic	15 128	12 278	22 579	17 412	37 707	27 835	15 128	15 373
Denmark	34 355	21 784	51 276	31 684	85 631	47 724	34 355	30 525
Estonia	14 277	11 712	21 309	17 156	35 585	28 209	14 277	14 043
Finland	30 394	23 308	45 364	31 721	75 759	47 546	30 394	27 385
France	28 875	21 247	43 097	30 885	71 973	47 520	28 875	24 506
Germany	37 729	24 715	56 312	34 109	94 041	52 925	37 729	31 096
Greece	21 585	17 317	32 217	23 972	53 802	34 770	23 744	18 524
Hungary	15 203	9 958	22 691	14 863	37 895	24 821	15 203	14 562
Iceland	32 345	24 462	48 276	34 242	80 622	53 307	32 345	28 182
Ireland	26 692	23 201	39 839	32 184	66 531	44 996	26 692	36 149
Israel ¹	21 517	19 373	32 115	26 856	53 631	40 103	21 517	22 161
Italy	26 419	19 230	39 432	27 160	65 851	40 603	26 419	24 766
Japan	31 126	24 901	46 456	36 457	77 581	57 922	31 126	27 206
Korea	30 657	27 633	45 757	39 686	76 414	64 255	30 657	27 910
Luxembourg	39 145	30 729	58 426	41 190	97 571	60 943	39 145	41 740
Mexico	8 206	8 039	12 247	11 046	20 453	17 505	8 206	8 039
Netherlands	39 148	28 873	58 429	40 171	97 577	60 047	39 148	37 761
New Zealand	24 289	21 060	36 252	30 130	60 541	46 746	24 289	28 396
Norway	38 169	28 412	56 969	40 338	95 138	61 253	38 169	33 641
Poland	15 320	11 671	22 865	17 204	38 185	28 438	15 320	12 589
Portugal	20 071	16 102	29 957	21 737	50 028	32 404	20 071	18 512
Slovak Republic	13 060	10 545	19 492	15 057	32 552	24 218	13 060	12 618
Slovenia	19 475	13 907	29 068	19 448	48 543	30 355	19 475	19 639
Spain	25 642	20 910	38 271	29 500	63 912	45 699	25 642	23 172
Sweden	30 294	23 523	45 215	33 863	75 508	48 783	30 294	26 589
Switzerland	43 591	37 326	65 062	53 818	108 653	84 548	43 591	44 188
Turkey	15 789	11 889	23 565	17 118	39 354	27 030	15 789	12 127
United Kingdom	33 647	26 915	50 220	38 185	83 868	58 612	33 647	34 692
United States	32 679	25 610	48 774	36 737	81 453	56 573	32 679	32 040
<i>Unweighted average</i>								
OECD-Average	26 670	20 727	39 806	29 233	66 477	44 943	26 734	25 522
OECD-EU 21	26 484	19 764	39 528	27 686	66 012	42 054	26 587	24 979

Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

StatLink  <http://dx.doi.org/10.1787/888933197181>

Table 5.10b. Annual gross wage and net income, married couple, 2013
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	50 936	44 834	67 745	57 515	85 063	67 394	67 745	55 099
Austria	49 698	39 431	66 098	52 700	82 995	62 483	66 098	46 672
Belgium	54 339	41 834	72 270	52 930	90 746	60 341	72 270	47 145
Canada	38 305	34 952	50 946	43 339	63 970	52 142	50 946	41 127
Chile	18 609	17 306	24 750	23 571	31 077	29 014	24 750	23 017
Czech Republic	22 579	22 361	30 030	27 138	37 707	32 784	30 030	24 043
Denmark	51 276	37 188	68 197	46 339	85 631	56 716	68 197	43 091
Estonia	21 309	19 310	28 340	24 754	35 585	30 363	28 340	23 259
Finland	45 364	34 546	60 335	47 754	75 759	57 855	60 335	44 929
France	43 097	35 564	57 319	46 431	71 973	55 563	57 319	42 201
Germany	56 312	44 626	74 895	55 088	94 041	65 082	74 895	49 127
Greece	38 660	27 326	51 418	37 979	64 563	47 238	47 133	35 653
Hungary	22 691	19 188	30 180	24 093	37 895	29 147	30 180	19 768
Iceland	48 276	40 902	64 208	49 774	80 622	59 227	64 208	48 464
Ireland	39 839	40 410	52 986	50 220	66 531	59 223	52 986	46 471
Israel ¹	32 115	27 971	42 712	38 803	53 631	48 254	42 712	37 083
Italy	39 432	32 050	52 444	41 340	65 851	49 492	52 444	38 243
Japan	46 456	39 449	61 786	51 395	77 581	63 664	61 786	49 090
Korea	45 757	40 933	60 857	54 445	76 414	68 305	60 857	53 486
Luxembourg	58 426	56 040	77 706	70 702	97 571	82 567	77 706	62 485
Mexico	12 247	11 046	16 289	15 431	20 453	19 085	16 289	15 431
Netherlands	58 429	44 027	77 711	60 290	97 577	73 812	77 711	56 275
New Zealand	36 252	35 377	48 216	43 372	60 541	50 922	48 216	40 667
Norway	56 969	44 301	75 769	58 476	95 138	71 279	75 769	55 947
Poland	22 865	18 730	30 411	24 395	38 185	30 096	30 411	23 174
Portugal	29 957	25 862	39 843	33 940	50 028	39 020	39 843	32 033
Slovak Republic	19 492	18 513	25 925	22 784	32 552	27 674	25 925	20 711
Slovenia	29 068	25 931	38 660	31 183	48 543	36 984	38 660	26 920
Spain	38 271	32 410	50 900	42 033	63 912	51 820	50 900	41 327
Sweden	45 215	36 929	60 135	49 494	75 508	60 452	60 135	46 428
Switzerland	65 062	62 418	86 532	80 193	108 653	97 029	86 532	73 619
Turkey	23 565	17 514	31 342	23 708	39 354	29 246	31 342	23 470
United Kingdom	50 220	40 700	66 793	56 004	83 868	67 615	66 793	53 489
United States	48 774	42 653	64 869	54 032	81 453	65 757	64 869	50 498
<i>Unweighted average</i>								
OECD-Average	39 996	33 901	53 195	43 872	66 793	52 872	53 069	40 895
OECD-EU 21	39 835	32 999	52 981	42 742	66 525	51 254	52 777	39 212

Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.
2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933197190>

Table 5.11a. Annual labour costs and net income, single person, 2013
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	36 155	28 223	53 962	39 171	90 117	60 233	36 155	37 091
Austria	42 997	23 821	64 174	32 611	105 151	50 613	42 997	30 606
Belgium	46 609	23 304	70 584	31 299	117 525	46 066	46 609	29 716
Canada	28 722	21 158	42 925	29 619	69 964	46 816	28 722	30 483
Chile	12 468	11 595	18 609	17 306	31 077	28 640	12 468	11 708
Czech Republic	20 271	12 278	30 256	17 412	50 527	27 835	20 271	15 373
Denmark	34 355	21 784	51 276	31 684	85 631	47 724	34 355	30 525
Estonia	19 131	11 712	28 553	17 156	47 684	28 209	19 131	14 043
Finland	37 324	23 308	55 708	31 721	93 032	47 546	37 324	27 385
France	39 051	21 247	60 405	30 885	103 527	47 520	39 051	24 506
Germany	45 001	24 715	67 166	34 109	108 598	52 925	45 001	31 096
Greece	27 513	17 317	41 064	23 972	68 576	34 770	30 264	18 524
Hungary	19 536	9 958	29 158	14 863	48 695	24 821	19 536	14 562
Iceland	34 833	24 462	51 989	34 242	86 821	53 307	34 833	28 182
Ireland	29 561	23 201	44 122	32 184	73 683	44 996	29 561	36 149
Israel ¹	22 431	19 373	33 718	26 856	56 634	40 103	22 431	22 161
Italy	34 894	19 230	52 081	27 160	86 975	40 603	34 894	24 766
Japan	35 698	24 901	53 281	36 457	88 464	57 922	35 698	27 206
Korea	33 796	27 633	50 441	39 686	83 297	64 255	33 796	27 910
Luxembourg	43 964	30 729	65 618	41 190	109 582	60 943	43 964	41 740
Mexico	9 337	8 039	13 678	11 046	22 506	17 505	9 337	8 039
Netherlands	42 644	28 873	63 781	40 171	103 447	60 047	42 644	37 761
New Zealand	24 289	21 060	36 252	30 130	60 541	46 746	24 289	28 396
Norway	43 131	28 412	64 375	40 338	107 506	61 253	43 131	33 641
Poland	17 890	11 671	26 702	17 204	44 593	28 438	17 890	12 589
Portugal	24 838	16 102	37 072	21 737	61 910	32 404	24 838	18 512
Slovak Republic	17 135	10 545	25 574	15 057	42 709	24 218	17 135	12 618
Slovenia	22 611	13 907	33 747	19 448	56 358	30 355	22 611	19 639
Spain	33 308	20 910	49 714	29 500	81 986	45 699	33 308	23 172
Sweden	39 812	23 523	59 421	33 863	99 233	48 783	39 812	26 589
Switzerland	46 316	37 326	69 128	53 818	115 340	84 548	46 316	44 188
Turkey	18 394	11 889	27 453	17 118	45 847	27 030	18 394	12 127
United Kingdom	36 770	26 915	55 630	38 185	93 921	58 612	36 770	34 692
United States	36 249	25 610	53 576	36 737	88 754	56 573	36 249	32 040
<i>Unweighted average</i>								
OECD-Average	31 089	20 727	46 506	29 233	77 359	44 943	31 170	25 522
OECD-EU 21	32 153	19 764	48 181	27 686	80 159	42 054	32 284	24 979

Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

StatLink  <http://dx.doi.org/10.1787/888933197208>

Table 5.11b. Annual labour costs and net income, married couple, 2013
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	53 962	44 834	71 770	57 515	90 117	67 394	71 770	55 099
Austria	64 174	39 431	85 351	52 700	107 171	62 483	85 351	46 672
Belgium	70 584	41 834	91 084	52 930	117 192	60 341	91 084	47 145
Canada	42 925	34 952	57 002	43 339	71 647	52 142	57 002	41 127
Chile	18 609	17 306	24 750	23 571	31 077	29 014	24 750	23 017
Czech Republic	30 256	22 361	40 240	27 138	50 527	32 784	40 240	24 043
Denmark	51 276	37 188	68 197	46 339	85 631	56 716	68 197	43 091
Estonia	28 553	19 310	37 976	24 754	47 684	30 363	37 976	23 259
Finland	55 708	34 546	74 091	47 754	93 032	57 855	74 091	44 929
France	60 405	35 564	76 641	46 431	99 456	55 563	76 641	42 201
Germany	67 166	44 626	89 331	55 088	112 168	65 082	89 331	49 127
Greece	49 276	27 326	65 538	37 979	82 292	47 238	60 076	35 653
Hungary	29 158	19 188	37 772	24 093	48 695	29 147	37 772	19 768
Iceland	51 989	40 902	69 145	49 774	86 821	59 227	69 145	48 464
Ireland	44 122	40 410	58 386	50 220	73 683	59 223	58 386	46 471
Israel ¹	33 718	27 971	44 682	38 803	56 150	48 254	44 682	37 083
Italy	52 081	32 050	69 268	41 340	86 975	49 492	69 268	38 243
Japan	53 281	39 449	70 864	51 395	88 980	63 664	70 864	49 090
Korea	50 441	40 933	67 087	54 445	84 237	68 305	67 087	53 486
Luxembourg	65 618	56 040	87 272	70 702	109 582	82 567	87 272	62 485
Mexico	13 678	11 046	18 581	15 431	23 015	19 085	18 581	15 431
Netherlands	63 781	44 027	84 681	60 290	106 425	73 812	84 681	56 275
New Zealand	36 252	35 377	48 216	43 372	60 541	50 922	48 216	40 667
Norway	64 375	44 301	85 618	58 476	107 506	71 279	85 618	55 947
Poland	26 702	18 730	35 514	24 395	44 593	30 096	35 514	23 174
Portugal	37 072	25 862	49 306	33 940	61 910	39 020	49 306	32 033
Slovak Republic	25 574	18 513	34 014	22 784	42 709	27 674	34 014	20 711
Slovenia	33 747	25 931	44 884	31 183	56 358	36 984	44 884	26 920
Spain	49 714	32 410	66 120	42 033	83 022	51 820	66 120	41 327
Sweden	59 421	36 929	79 030	49 494	99 233	60 452	79 030	46 428
Switzerland	69 128	62 418	91 941	80 193	115 444	97 029	91 941	73 619
Turkey	27 453	17 514	36 513	23 708	45 847	29 246	36 513	23 470
United Kingdom	55 630	40 700	72 969	56 004	92 400	67 615	72 969	53 489
United States	53 576	42 653	71 973	54 032	89 825	65 757	71 973	50 498
<i>Unweighted average</i>								
OECD-Average	46 747	33 901	61 935	43 872	77 998	52 872	61 775	40 895
OECD-EU 21	48 572	32 999	64 175	42 742	80 988	51 254	63 914	39 212

Note: ch = children

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.
2. Two-earner family.

StatLink  <http://dx.doi.org/10.1787/888933197214>

PART II

Tax burden trends 2000-14

This section presents detailed results of the evolution of the tax burden between 2000 and 2014. 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.

PART II
Chapter 6

Evolution of the tax burden (2000-14)

The chapter presents the evolution of the tax burdens on labour income between 2000 and 2014. The chapter contains Tables 6.1 to 6.8 each corresponding to a particular model family type and 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).

Historical trends

The evolution of the tax burden for the eight family types over the period 2000 to 2014 is presented in Tables 6.1 to 6.8 in the last section of this chapter titled “Tables showing income taxes, social security contributions and cash benefits”. Each of the Tables 1 to 8 corresponds to a particular family type and each is divided into three parts.

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

Important trends

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 2014 for each of the selected family types.

The reductions over the period in the OECD average tax wedge ranged from 0.8 percentage points (for single average workers and one-earner married couples at the average wage with two children) to 1.3 percentage points (for two-earner married couples with two children where one spouse is earning the average wage and the other 33% of it).

The decrease in the OECD net personal average tax burden ranges from 0.2 percentage points (for single parents at 67% of the average wage) to 0.9 percentage points (for two-earner married couples with two children where one spouse is earning the average wage and the other 33% of it).

The OECD average income tax burden has also declined for all family types in the period considered. The reduction ranges from 0.4 percentage points (for single workers at the average wage level) to 1.3 percentage points (for single parents at 67% of the average wage).

Tax wedge

Focusing on the overall (average) tax wedge (A. tables), there are ten OECD member countries with a reduction of more than five percentage points between 2000 and 2014 for at least one of the family types – Australia, Denmark, Hungary, Ireland, Israel, the Netherlands, New Zealand, Poland, Sweden and the United Kingdom.

The largest decline is observed in Ireland where single parents have benefited from a reduction in the wedge of 18.1 percentage points. Married couples with two children on average earnings and 133% of the average in Ireland also enjoyed reductions of 5.6 and 5.5 percentage points respectively. In the Netherlands single parents at 67% of the average wage level enjoyed a reduction of 14.8 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 – Denmark, Hungary, Israel, New Zealand, Sweden and the United Kingdom. In Denmark, the largest decrease was for the single person earning 167% of the average wage (-7.8 percentage points). In Hungary, there were

reductions of between 2.4 and 10.1 percentage points over the range of family types. The largest decreases were for single workers earning 167% of the average wage (-10.1 percentage points) and the one-earner married couples with 2 children at average earnings (-9.4 percentage points). In Israel, the tax wedge decreased by more than 7 percentage points for all the household types except for the single parents earning 67% of the average wage (-0.8 percentage points) and the married couples at 167% of the average wage (-6.9 percentage points). In New Zealand, single parents earning 67% of the average wage level (-12.7 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 6 to 8 percentage points, the exception being the single workers earning 167% of the average wage level (-5.1 percentage points). It is interesting to note that in Iceland the single worker earning 167% of the average wage level enjoyed a reduction in the tax wedge (-1.6 percentage points), while the tax burden increased by more than 4 percentage points for all the other family types and notably by 11.7 percentage points for the single parents earning 67% of the average wage.

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

Average income tax rate

Between 2000 and 2014, the average income tax burden (B. tables) has decreased for all family types in thirteen of the OECD member countries: Belgium, Canada, Estonia, Finland, Hungary, Israel, New Zealand, Slovenia, Sweden, Switzerland, 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% of the average wage where the decrease was -5.9 percentage points. In Estonia, the average income tax burden has decreased by more than 5 percentage points for all families with children with single parents at 67% of the average wage enjoying an income tax reduction of 8.1 percentage points. In Hungary, there were significant decreases of more than 10 percentage points for the single persons earning 167% of the average wage and the one-earner married couples with children earning the average wage. In Israel, the average income tax rate decreased by 6 to 10 percentage points in all family types except for single parents at 67% of the average wage who had a reduction of 1.1 percentage points. Other decreases of more than 5 percentage points were observed in Canada (from -5.2 to -6.3 percentage points for families with children where the earnings are between 67% and 133% of the average wage), Finland (by -5.1 percentage points for married couples at 133% of the average wage), New Zealand (-5.2 percentage points for the single workers earning 67% of the average wage without children) and the United Kingdom where there was a reduction of 12.2 percentage points for the single parents at 67% of the average wage. Reductions of less than 5 percentage points in average income tax rates are observed for all family types in Belgium, Slovenia, Switzerland, Turkey and the United States.

There are twelve other OECD member countries with reductions in the personal income tax in some family types: Australia, the Czech Republic, France, Germany, Iceland, Ireland, Italy, Korea, Luxembourg, Norway, Poland and the Slovak Republic. In three of those countries the reductions in average income tax rates exceeded six percentage points

including both the Czech Republic (-8.4 percentage points for the one-earner married couples with children at the average wage level and -6.9 percentage points for the single parents earning 67% of the average) and the Slovak Republic (-7.2 percentage points for the one-earner married couples at the average wage level with children).

At the other extreme, the personal income tax burden has increased across all family types in eight OECD member countries: Austria, Denmark, Greece, Japan, Mexico, the Netherlands, Portugal and Spain. In Mexico the increases were in the range 5 to 8 percentage points for each family type. In the Netherlands, there were increases of 10.9 percentage points for the one-earner married couple with two children and 6.5 percentage points for the single person on average earnings. In contrast, in Chile the average income tax burden slightly increased only for the single worker earning 167% of the average wage (+0.4 percentage points). The average income tax rates stayed constant for the other family types since they do not pay income taxes.

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 2014 for all family types in nine OECD countries: Australia, Canada, Denmark, Israel, New Zealand, Poland, Sweden, Switzerland and the United States. Of these, the most significant reductions were observed in Sweden, ranging from -10.2 percentage points (the two-earning married couples without children where the spouse is earning 33% of the average wage) to -6.0 percentage points (single taxpayer earning 167% of the average wage). Significant reductions were also observed in Israel for all but one family type (reductions ranging between 7.1 and 9.6 percentage points), the exception being single parents earning 67% of the average wage where the reduction was only 0.3 percentage points. In New Zealand, the net personal average tax rate significantly decreased for half of the family types, notably by 12.7 percentage points for the single parents and 9.8 percentage points for the one-earner married couple with two children at the average wage level. In Denmark, the tax burden also significantly declined for half of the family types by percentage points ranging from 5.3 to 7.9. The largest decrease was observed for the single workers at 167% of the average wage.

The net personal average tax rate also decreased strongly in Ireland for most families with children and especially for single parents at 67% of the average wage (-22.3 percentage points). There were also substantial changes for the latter in the Netherlands and the United Kingdom (-11.6 percentage points and -10.7 respectively). There are four other OECD member countries with reductions in the net personal average tax rate exceeding five percentage points in some family types: Australia, Canada, Hungary and Poland. In Australia, there were reductions of 5.9 percentage points for the one-earner married couples with two children, 5.5 percentage points for the single parents and 5.4 percentage points for the single workers at 167% of the average wage. For the latter, a significant decrease was observed in Hungary (-8.3 percentage points). The two-earner married couple earning 167% of the average wage also saw their net personal average tax rate declined by 6.0 percentage points in Poland. In Canada, the single parents experienced a decrease of more than 5 percentage points (-5.6 percentage points).

Between 2000 and 2014, an increase of five or more percentage points in the net tax burden for one or more family types was only observed in eight countries. In most of these,

Austria, the Czech Republic, Estonia, Iceland, Mexico, Norway and the Slovak Republic, the single parents earning 67% of the average wage saw increases of between 6 and 17 percentage points. There were increases of similar size for other family types in four countries. In Mexico there were increases of between 4 and 8 percentage points for each of the other family types. The net personal average tax rate increased by 7.2 percentage points for the one-earner married couples with children in the Czech Republic and by 6.4 percentage points for the single workers on 167% of the average wage in Portugal.

Progressivity

The discussion of the results for 2014 in Part I of this publication gave some to consideration to their use in assessing 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% of the average wage with that faced by their counterparts earning 167% of the average wage. Hence Table 6.1a is compared with Table 6.3b. For all OECD countries and for all years the lower paid worker nearly always pays a lower percentage of income in personal income tax than the higher paid worker. In Hungary, the levels are the same in 2013 and 2014.

On average, the progressivity of the personal income taxes has not changed drastically in OECD countries. On average (excluding Mexico), the single worker earning 67% of the average wage level paid 52% in 2000 and 51% in 2014 of the tax burden of the worker earning 167% of the average wage level.

Comparing the situation in each OECD country, personal income taxes have become more progressive in sixteen countries. The most significant reductions were in Israel, where the burden of the lower paid worker was about 46% of the higher paid worker in 2000 and 27% in 2014; in New Zealand where the corresponding reduction was from 77% to 58%; and in Sweden, where it was from about 68% to 49%.

Personal income taxes have become slightly less progressive (using this measure) in twelve OECD countries: Austria, Denmark, Estonia, France, Hungary, Iceland, Japan, Korea, Norway, Poland, the Slovak Republic and Spain. The most significant change occurred in Hungary where the burden of the lower paid worker has risen from about 58% of the higher paid worker in 2000 to be at the same level in 2014.

Families

The results presented in Tables 6.5 and 6.2 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 decreased slightly between 2000 and 2014 (by about 0.1 of a percentage point).

The savings for the one-earner married couple have increased in fifteen countries and declined in eighteen others. There were three countries where the fiscal savings have increased by more than 5 percentage points; in New Zealand increasing by 7.6 percentage points from 5.8% to 13.4% of income and in Ireland and Portugal where the increases were of 5 percentage points.

Tables showing the income taxes, social security contributions and cash benefits

The evolution of the income taxes, social security contributions and cash benefits for the eight family types across the OECD over the period 2000 to 2014 is presented in Tables 6.1 to 6.8. Each of the Tables 1 to 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).

Tables 6.9 and 6.10 show the average gross and net earnings of a single individual between 2000 and 2014 in US dollar using purchasing power parities of national currencies and in national currencies.

Table 6.1a. Income tax plus employee and employer contributions less cash benefits, single persons at 67% of average earnings

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

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	25.9	24.8	23.7	22.0	20.8	21.0	20.7	21.6	21.9	22.4
Austria	43.2	43.8	44.2	44.5	43.3	43.5	43.9	44.2	44.6	44.8
Belgium	51.4	49.5	49.7	50.3	50.0	50.4	50.6	50.5	50.0	49.9
Canada	27.7	27.3	26.6	26.6	26.1	25.8	26.0	26.2	26.3	26.5
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	40.1	40.6	40.1	38.8	39.0	39.7	39.4	39.4	39.7
Denmark	40.8	38.9	38.9	38.6	38.0	36.7	36.9	37.0	36.6	36.4
Estonia	39.8	37.3	37.6	37.1	37.8	38.7	39.0	39.2	38.8	39.0
Finland	42.7	38.9	38.6	38.7	37.2	36.8	36.8	36.8	37.6	38.4
France	43.9	46.3	46.5	46.6	46.6	46.8	47.0	47.0	45.6	45.2
Germany	47.6	47.5	47.0	46.5	45.9	44.9	45.6	45.5	45.1	45.1
Greece	36.0	36.5	36.5	36.3	36.6	35.8	40.0	39.8	37.1	35.7
Hungary	51.4	43.3	46.1	46.8	46.2	43.8	45.2	47.9	49.0	49.0
Iceland	23.8	28.3	27.1	27.6	26.1	28.4	29.4	29.3	29.8	29.1
Ireland	18.2	16.1	15.0	15.1	16.2	16.8	20.0	20.1	21.5	22.1
Israel ¹	23.2	16.4	16.9	15.5	14.5	14.1	13.9	13.8	13.6	13.7
Italy	43.6	42.8	42.9	43.3	43.5	44.0	44.5	44.7	44.9	42.4
Japan	23.4	27.5	27.8	28.0	27.8	28.9	29.5	29.9	30.2	30.5
Korea	15.0	16.0	16.8	17.4	16.9	17.4	17.8	18.0	18.2	18.9
Luxembourg	31.2	29.2	30.0	28.2	27.4	27.7	29.5	29.2	30.1	30.4
Mexico	7.5	10.6	11.1	10.9	11.9	12.3	13.2	13.6	13.9	14.7
Netherlands	42.3	33.2	33.4	34.1	33.3	33.6	33.5	33.6	32.3	32.1
New Zealand	18.6	18.9	19.0	18.1	15.5	14.3	13.0	13.1	13.3	13.4
Norway	35.1	34.4	34.2	34.2	34.1	34.1	34.3	34.2	34.1	33.9
Poland	37.0	37.9	37.1	33.6	33.1	33.3	33.4	34.7	34.8	34.8
Portugal	33.2	32.8	32.5	32.2	31.9	32.2	32.3	32.6	35.2	35.0
Slovak Republic	40.6	35.3	35.5	36.1	34.4	34.7	36.1	36.9	38.5	38.6
Slovenia	42.6	41.4	40.9	40.3	39.7	38.6	38.7	38.6	38.5	38.5
Spain	34.9	36.0	35.7	34.1	34.4	36.5	36.8	37.2	37.2	37.3
Sweden	48.6	46.0	43.3	42.6	41.3	40.7	40.7	40.8	40.9	40.5
Switzerland	20.2	19.4	19.7	19.1	19.1	19.3	19.6	19.4	19.4	19.5
Turkey ²	39.1	41.8	41.9	37.8	35.1	35.0	35.0	35.1	35.4	36.0
United Kingdom	29.1	30.6	30.8	29.7	29.1	29.4	28.5	27.9	26.8	26.4
United States	28.3	27.8	28.0	27.1	27.7	27.9	27.5	27.7	29.3	29.4
<i>Unweighted average</i>										
OECD-Average	33.4	32.5	32.4	31.9	31.4	31.4	31.9	32.1	32.3	32.2
OECD-EU 21	40.0	38.3	38.2	37.8	37.4	37.3	38.0	38.3	38.3	38.2

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

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Table 6.1b. Income tax, single persons at 67% of average earnings
 Tax burden as a % of gross wage earnings, single persons without children

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	21.1	20.3	19.2	17.3	15.8	16.0	16.0	16.9	17.3	17.8
Austria	7.6	9.4	9.9	10.4	8.7	9.0	9.5	9.9	10.4	10.6
Belgium	22.8	21.7	21.8	22.2	21.9	22.5	22.6	22.5	22.1	22.0
Canada	15.0	13.0	12.2	12.4	11.9	11.5	11.6	11.6	11.6	11.8
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	6.6	7.3	6.7	6.9	7.2	8.2	7.8	7.8	8.2
Denmark	27.7	26.7	26.9	26.6	26.0	25.2	33.3	33.4	33.0	32.8
Estonia	19.9	15.8	16.2	15.5	14.9	14.8	15.2	15.5	16.0	16.2
Finland	20.9	17.6	17.3	17.8	16.5	15.7	15.5	14.9	15.8	15.9
France	12.5	12.0	12.1	12.2	12.2	12.2	12.4	12.6	12.6	12.6
Germany	16.3	15.0	15.2	15.4	14.8	13.8	13.9	14.1	14.1	14.1
Greece	2.3	2.6	2.6	2.4	2.8	1.8	6.6	6.1	3.3	2.9
Hungary	17.6	9.0	10.1	11.1	11.8	10.8	12.1	16.0	16.0	16.0
Iceland	20.0	23.9	22.9	23.1	20.8	21.5	22.6	23.1	23.7	23.1
Ireland	11.2	4.4	3.2	3.2	4.5	5.1	8.6	8.7	9.1	9.8
Israel ¹	12.1	6.5	7.2	5.7	5.0	4.4	4.4	4.4	4.2	4.4
Italy	15.2	15.2	15.1	15.6	15.9	16.6	17.2	17.5	17.7	14.4
Japan	5.5	5.7	6.4	6.3	6.3	6.1	6.1	6.1	6.1	6.1
Korea	0.8	1.1	1.6	1.7	1.3	1.4	1.4	1.5	1.6	2.2
Luxembourg	10.3	7.8	8.4	8.2	6.9	7.3	7.8	8.2	9.3	9.6
Mexico	-6.0	-2.8	-2.3	-2.5	-1.4	-1.1	0.0	0.4	0.8	1.6
Netherlands	5.3	4.4	4.8	5.2	5.4	5.3	5.3	5.3	5.7	5.4
New Zealand	18.6	18.9	19.0	18.1	15.5	14.3	13.0	13.1	13.3	13.4
Norway	19.0	17.9	18.0	18.0	17.8	17.8	17.9	17.8	17.8	17.1
Poland	5.3	5.3	5.5	6.0	5.4	5.6	5.8	5.9	6.0	6.0
Portugal	6.4	5.9	5.5	5.1	4.7	5.1	5.2	5.6	8.8	8.5
Slovak Republic	6.0	4.9	5.2	5.9	3.8	4.2	5.9	5.9	5.9	6.0
Slovenia	10.2	8.1	7.9	8.0	7.9	6.6	6.7	6.6	6.5	6.6
Spain	8.6	10.0	10.0	7.9	8.4	11.2	11.5	12.0	12.1	12.2
Sweden	24.7	21.5	17.9	17.0	15.9	15.0	15.1	15.2	15.3	14.8
Switzerland	8.4	8.5	8.7	8.2	8.2	8.3	8.3	8.1	8.1	8.2
Turkey ²	13.2	14.3	14.4	10.3	9.3	9.2	9.3	9.4	9.7	9.8
United Kingdom	15.1	15.5	15.6	14.6	14.2	14.4	13.5	13.1	12.0	11.6
United States	15.0	14.4	14.7	13.8	12.4	12.6	14.0	14.1	14.0	14.1
<i>Unweighted average</i>										
OECD-Average	12.3	11.2	11.2	10.9	10.4	10.3	11.1	11.3	11.4	11.4
OECD-EU 21	13.1	11.4	11.4	11.3	10.9	10.9	12.0	12.2	12.3	12.2

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

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**Table 6.1c. Income tax plus employee contributions less cash benefits,
single persons at 67% of average earnings**

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

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	21.1	20.3	19.2	17.3	15.8	16.0	16.0	16.9	17.3	17.8
Austria	25.6	27.4	28.0	28.5	26.7	27.0	27.6	28.0	28.5	28.7
Belgium	35.8	35.2	35.5	36.1	35.8	36.4	36.5	36.4	36.0	35.9
Canada	19.5	18.9	18.1	18.2	17.7	17.4	17.4	17.5	17.6	17.7
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	19.1	19.8	19.2	17.9	18.2	19.2	18.8	18.8	19.2
Denmark	41.0	38.9	38.9	38.6	38.0	36.7	36.9	37.0	36.6	36.4
Estonia	19.9	16.4	16.8	16.1	16.7	17.6	18.0	18.3	18.0	18.2
Finland	27.8	24.3	23.9	23.9	22.7	22.7	22.6	22.4	23.3	23.8
France	25.9	25.7	25.8	25.9	25.9	25.9	26.1	26.3	26.4	26.7
Germany	36.8	36.7	36.4	36.1	35.4	34.3	34.8	34.9	34.5	34.6
Greece	18.2	18.6	18.6	18.4	18.8	17.8	22.8	22.6	19.8	18.9
Hungary	30.1	23.3	27.1	28.1	28.8	27.8	29.6	34.5	34.5	34.5
Iceland	20.2	24.1	23.2	23.8	21.6	22.2	23.3	23.8	24.4	23.7
Ireland	11.2	7.1	5.9	6.0	7.2	7.9	11.4	11.5	13.1	13.8
Israel ¹	19.4	12.1	13.1	11.8	10.9	10.4	10.3	10.2	10.0	10.0
Italy	24.4	24.4	24.6	25.1	25.4	26.1	26.7	27.0	27.2	23.9
Japan	15.5	17.9	18.4	18.5	18.5	19.1	19.5	19.8	20.0	20.2
Korea	7.5	8.3	8.9	9.3	8.9	9.2	9.5	9.7	9.9	10.6
Luxembourg	21.8	19.5	20.4	20.2	19.1	19.4	20.8	20.4	21.5	21.8
Mexico	-4.8	-1.5	-1.0	-1.3	-0.2	0.2	1.2	1.7	2.0	2.9
Netherlands	32.9	27.2	27.2	27.7	27.1	27.1	27.1	26.9	26.2	25.4
New Zealand	18.6	18.9	19.0	18.1	15.5	14.3	13.0	13.1	13.3	13.4
Norway	26.8	25.7	25.8	25.8	25.6	25.6	25.7	25.6	25.6	25.3
Poland	26.5	27.4	26.5	23.8	23.3	23.4	23.6	23.7	23.8	23.9
Portugal	17.4	16.9	16.5	16.1	15.7	16.1	16.2	16.6	19.8	19.5
Slovak Republic	18.0	18.3	18.6	19.3	17.2	17.6	19.3	19.3	19.3	19.4
Slovenia	32.3	30.2	30.0	30.1	30.0	28.7	28.8	28.7	28.6	28.7
Spain	15.0	16.4	16.4	14.2	14.8	17.5	17.9	18.4	18.5	18.5
Sweden	31.7	28.5	24.9	23.9	22.9	22.0	22.1	22.2	22.4	21.8
Switzerland	14.9	14.6	14.8	14.2	14.3	14.4	14.6	14.3	14.4	14.4
Turkey ²	27.2	29.3	29.4	25.3	24.3	24.2	24.3	24.4	24.7	24.8
United Kingdom	22.8	23.9	24.1	22.9	22.4	22.6	21.7	21.2	20.0	19.6
United States	22.6	22.1	22.3	19.4	20.0	20.3	19.7	19.8	21.6	21.7
<i>Unweighted average</i>										
OECD-Average	22.1	21.3	21.3	20.8	20.3	20.4	20.9	21.1	21.3	21.3
OECD-EU 21	25.5	24.1	24.1	23.8	23.4	23.5	24.3	24.5	24.6	24.4

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

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Table 6.2a. **Income tax plus employee and employer contributions less cash benefits, single persons at 100% of average earnings**

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

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	31.0	28.3	27.7	26.9	26.7	26.8	26.7	27.2	27.4	27.7
Austria	47.3	48.5	48.8	49.0	47.9	48.2	48.5	48.8	49.2	49.4
Belgium	57.1	55.5	55.6	55.9	55.7	55.9	56.1	56.0	55.7	55.6
Canada	32.9	31.8	31.3	31.3	30.5	30.4	30.7	30.8	31.0	31.5
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	42.5	42.9	43.4	42.0	42.1	42.6	42.5	42.5	42.6
Denmark	44.1	41.0	41.1	40.9	39.5	38.3	38.4	38.5	38.2	38.1
Estonia	41.3	39.0	39.0	38.4	39.2	40.1	40.3	40.4	39.9	40.0
Finland	47.5	44.0	43.9	43.8	42.5	42.3	42.3	42.5	43.1	43.9
France	50.4	49.7	49.7	49.8	49.8	49.9	50.0	50.1	48.9	48.4
Germany	52.9	52.3	51.8	51.3	50.8	49.1	49.7	49.6	49.2	49.3
Greece	39.1	42.3	42.1	41.5	41.3	40.1	43.2	42.9	41.6	40.4
Hungary	54.7	51.9	54.5	54.1	53.1	46.6	49.5	49.5	49.0	49.0
Iceland	28.8	31.8	30.5	30.9	30.5	33.4	34.1	33.8	34.1	33.5
Ireland	28.9	23.0	22.2	22.3	24.7	25.8	25.8	25.9	27.1	28.2
Israel ¹	29.6	24.3	24.9	22.9	21.3	20.7	20.8	20.4	20.4	20.5
Italy	47.1	46.1	46.4	46.6	46.8	47.2	47.6	47.7	47.9	48.2
Japan	24.7	28.8	29.3	29.5	29.2	30.2	30.8	31.3	31.6	31.9
Korea	16.4	18.2	19.7	20.0	19.5	20.1	20.5	21.0	21.3	21.5
Luxembourg	37.1	35.3	36.3	34.7	33.9	34.3	36.3	36.0	37.2	37.6
Mexico	12.4	15.0	15.9	15.1	15.3	15.5	18.7	19.0	19.2	19.5
Netherlands	40.0	38.4	38.7	39.2	38.0	38.1	38.0	38.8	37.0	37.7
New Zealand	19.4	20.4	21.1	20.5	18.1	17.0	15.9	16.4	16.9	17.2
Norway	38.6	37.4	37.5	37.6	37.3	37.3	37.6	37.4	37.3	37.0
Poland	38.2	39.0	38.2	34.7	34.1	34.2	34.3	35.5	35.6	35.6
Portugal	37.3	37.5	37.3	36.9	36.5	37.1	38.0	37.6	41.4	41.2
Slovak Republic	41.9	38.3	38.4	38.8	37.7	37.9	38.8	39.6	41.1	41.2
Slovenia	46.3	45.3	43.3	42.9	42.2	42.5	42.6	42.5	42.4	42.5
Spain	38.6	39.1	39.0	38.0	38.3	39.7	40.0	40.6	40.7	40.7
Sweden	50.1	47.8	45.3	44.8	43.2	42.8	42.8	42.9	43.0	42.5
Switzerland	22.9	22.1	22.4	21.9	22.0	22.1	22.3	22.1	22.1	22.2
Turkey ²	40.4	42.7	42.7	39.9	37.4	37.4	37.4	37.4	37.6	38.2
United Kingdom	32.6	34.0	34.1	32.8	32.4	32.6	32.5	32.1	31.4	31.1
United States	30.4	29.9	30.3	29.8	30.1	30.5	29.7	29.8	31.4	31.5
<i>Unweighted average</i>										
OECD-Average	36.7	36.1	36.1	35.7	35.1	35.1	35.6	35.7	35.9	36.0
OECD-EU 21	43.6	42.4	42.3	41.9	41.4	41.2	41.8	41.9	42.0	42.1

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197257>

Table 6.2b. Income tax, single persons at 100% of the average earnings
Tax burden as a % of gross wage earnings, single persons without children

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	26.6	24.0	23.4	22.5	22.1	22.3	22.3	22.9	23.1	23.4
Austria	12.9	15.4	15.8	16.2	14.7	15.0	15.5	15.9	16.3	16.5
Belgium	29.0	27.9	28.1	28.5	28.3	28.7	28.8	28.7	28.4	28.3
Canada	19.2	16.3	16.0	16.1	15.2	15.1	15.3	15.3	15.3	15.6
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	9.9	10.4	11.1	11.3	11.5	12.1	11.9	11.9	12.1
Denmark	32.3	30.2	30.4	30.2	28.8	27.9	36.1	36.2	35.8	35.6
Estonia	21.9	18.1	18.1	17.3	16.8	16.7	16.9	17.1	17.5	17.7
Finland	26.9	23.8	23.7	24.2	23.0	22.3	22.2	21.8	22.5	22.6
France	15.7	14.0	14.1	14.1	14.1	14.2	14.2	14.4	14.5	14.6
Germany	22.7	20.8	21.0	21.2	20.6	18.7	18.9	19.0	19.0	19.1
Greece	6.1	10.1	9.8	9.1	8.8	7.2	10.8	10.1	9.1	8.9
Hungary	23.2	20.9	21.8	21.3	20.8	14.4	17.6	16.6	16.0	16.0
Iceland	25.3	27.7	26.7	26.8	25.7	27.1	27.9	28.2	28.6	28.1
Ireland	15.2	9.6	8.7	8.8	10.2	10.7	14.7	14.7	15.2	16.5
Israel ¹	18.0	12.6	13.3	11.2	9.7	9.0	9.1	8.7	8.6	8.8
Italy	19.9	19.6	19.7	20.0	20.2	20.7	21.3	21.5	21.6	22.1
Japan	7.0	7.2	8.1	8.0	7.9	7.6	7.6	7.6	7.6	7.6
Korea	2.3	3.4	4.7	4.6	4.1	4.5	4.4	4.9	5.0	5.0
Luxembourg	17.0	14.9	15.6	15.3	14.0	14.6	15.3	15.8	17.2	17.6
Mexico	0.7	3.5	4.6	3.8	4.1	4.2	7.9	8.2	8.4	8.7
Netherlands	9.6	13.2	14.6	15.5	16.6	16.2	16.4	17.1	15.8	16.1
New Zealand	19.4	20.4	21.1	20.5	18.1	17.0	15.9	16.4	16.9	17.2
Norway	22.9	21.3	21.7	21.8	21.5	21.5	21.6	21.4	21.4	20.6
Poland	6.6	6.5	6.8	7.2	6.6	6.7	6.8	6.9	6.9	7.0
Portugal	11.4	11.7	11.4	11.0	10.5	11.2	12.3	11.8	16.4	16.3
Slovak Republic	7.8	8.7	8.9	9.4	8.0	8.3	9.4	9.4	9.4	9.5
Slovenia	13.5	12.7	10.7	11.0	10.8	11.2	11.3	11.1	11.0	11.1
Spain	13.5	14.1	14.2	12.9	13.4	15.4	15.7	16.5	16.6	16.6
Sweden	26.7	23.9	20.6	19.9	18.4	17.8	17.9	17.9	18.1	17.4
Switzerland	11.3	11.3	11.7	11.1	11.2	11.3	11.2	11.0	11.0	11.1
Turkey ²	14.7	15.4	15.4	12.7	12.1	12.0	12.1	12.1	12.4	12.4
United Kingdom	17.4	17.7	17.7	16.4	16.1	16.2	15.6	15.4	14.6	14.4
United States	17.3	16.8	17.2	16.8	15.7	16.1	17.2	17.2	17.0	17.2
<i>Unweighted average</i>										
OECD-Average	16.0	15.4	15.5	15.2	14.7	14.5	15.4	15.4	15.6	15.6
OECD-EU 21	17.1	16.4	16.3	16.2	15.8	15.5	16.7	16.7	16.9	17.0

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197263>

**Table 6.2c. Income tax plus employee contributions less cash benefits,
single persons at 100% of average earnings**

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

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	26.6	24.0	23.4	22.5	22.1	22.3	22.3	22.9	23.1	23.4
Austria	31.0	33.4	33.8	34.3	32.8	33.1	33.6	33.9	34.4	34.6
Belgium	43.0	41.9	42.1	42.5	42.3	42.7	42.8	42.7	42.4	42.3
Canada	25.1	23.8	23.3	23.4	22.5	22.4	22.5	22.6	22.7	23.3
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	22.4	22.9	23.6	22.3	22.5	23.1	22.9	22.9	23.1
Denmark	44.2	41.0	41.1	40.9	39.5	38.3	38.4	38.5	38.2	38.1
Estonia	21.9	18.7	18.7	17.9	18.6	19.5	19.7	19.9	19.5	19.7
Finland	33.9	30.6	30.4	30.4	29.3	29.4	29.4	29.4	30.1	30.7
France	29.2	27.7	27.8	27.8	27.8	27.8	27.9	28.2	28.3	28.7
Germany	43.2	42.5	42.2	41.9	41.2	39.2	39.8	39.8	39.4	39.5
Greece	22.0	26.1	25.8	25.1	24.8	23.2	27.0	26.6	25.6	24.9
Hungary	35.7	35.2	38.8	38.3	37.8	31.4	35.1	35.1	34.5	34.5
Iceland	25.4	27.8	26.8	27.2	26.2	27.6	28.4	28.7	29.1	28.5
Ireland	20.3	14.7	13.9	13.9	16.7	17.9	17.8	17.9	19.2	20.5
Israel ¹	26.1	20.3	21.2	19.3	17.7	17.0	17.0	16.6	16.4	16.5
Italy	29.0	28.7	29.2	29.5	29.7	30.2	30.8	31.0	31.1	31.6
Japan	17.0	19.4	20.2	20.2	20.0	20.6	21.0	21.3	21.5	21.7
Korea	9.0	10.6	12.1	12.1	11.7	12.3	12.5	13.0	13.3	13.4
Luxembourg	28.7	26.6	27.7	27.4	26.2	26.8	28.4	28.1	29.5	29.9
Mexico	2.2	5.0	6.0	5.1	5.4	5.6	9.2	9.5	9.8	10.0
Netherlands	33.6	32.5	32.5	32.8	31.8	31.7	31.7	32.2	31.2	31.4
New Zealand	19.4	20.4	21.1	20.5	18.1	17.0	15.9	16.4	16.9	17.2
Norway	30.7	29.1	29.5	29.6	29.3	29.3	29.4	29.2	29.2	28.8
Poland	27.8	28.7	27.8	25.0	24.4	24.5	24.6	24.7	24.8	24.8
Portugal	22.4	22.7	22.4	22.0	21.5	22.2	23.3	22.8	27.4	27.3
Slovak Republic	19.8	22.1	22.3	22.8	21.4	21.7	22.8	22.8	22.8	22.9
Slovenia	35.6	34.8	32.8	33.1	32.9	33.3	33.4	33.2	33.1	33.2
Spain	19.8	20.5	20.6	19.3	19.8	21.7	22.0	22.9	22.9	23.0
Sweden	33.7	30.9	27.6	26.9	25.4	24.8	24.8	24.9	25.1	24.4
Switzerland	17.8	17.4	17.7	17.1	17.3	17.4	17.5	17.2	17.3	17.4
Turkey ²	28.7	30.4	30.4	27.7	27.1	27.0	27.1	27.1	27.4	27.4
United Kingdom	25.8	26.9	27.0	25.6	25.2	25.4	25.1	24.7	24.0	23.7
United States	24.9	24.4	24.8	23.1	23.3	23.8	22.8	22.8	24.7	24.8
<i>Unweighted average</i>										
OECD-Average	26.0	25.5	25.6	25.2	24.7	24.6	25.1	25.2	25.4	25.5
OECD-EU 21	29.7	29.0	28.9	28.6	28.2	28.0	28.6	28.7	28.9	29.0

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197277>

Table 6.3a. Income tax plus employee and employer contributions less cash benefits, single persons at 167% of average earnings

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

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	38.8	34.7	32.8	32.7	32.6	32.4	32.2	33.0	33.2	33.4
Austria	50.4	51.6	51.7	51.8	51.2	51.4	51.5	51.4	51.9	52.0
Belgium	62.6	60.8	60.9	61.1	60.9	61.0	61.1	61.0	60.8	60.8
Canada	35.2	33.2	32.9	32.9	32.6	32.7	32.8	33.0	33.1	33.3
Chile	7.5	7.0	7.0	7.0	7.0	7.6	7.7	7.9	7.8	7.9
Czech Republic	44.8	46.1	46.7	46.1	44.6	44.7	45.0	44.9	44.9	45.0
Denmark	51.5	49.4	49.6	49.6	48.5	44.6	44.9	45.1	44.3	43.6
Estonia	42.5	40.5	40.1	39.5	40.3	41.2	41.3	41.4	40.8	40.9
Finland	53.2	49.9	49.7	49.5	48.3	48.2	48.3	48.5	48.9	49.7
France	52.5	53.3	53.4	53.4	53.6	53.6	53.8	54.0	54.1	54.3
Germany	56.2	55.0	53.8	53.1	53.1	51.5	51.3	51.3	51.3	51.3
Greece	45.1	49.1	47.3	46.4	46.0	45.6	48.6	48.2	49.3	48.0
Hungary	59.2	56.7	58.6	59.1	58.3	53.1	51.6	50.7	49.0	49.0
Iceland	39.6	34.6	33.4	33.6	34.1	37.8	38.4	38.3	38.6	38.0
Ireland	39.4	34.0	33.0	33.1	35.2	36.4	38.0	38.1	38.9	39.6
Israel ¹	38.1	33.8	34.2	32.2	30.0	29.5	29.2	28.6	29.2	29.5
Italy	51.1	50.9	51.4	51.8	52.0	52.5	53.0	53.2	53.3	53.8
Japan	28.5	31.6	32.4	32.5	32.3	33.3	33.8	34.2	34.5	34.7
Korea	20.5	21.8	22.5	22.6	21.8	21.7	22.2	22.6	22.9	23.2
Luxembourg	45.2	42.3	43.0	41.7	41.4	41.6	43.7	43.3	44.4	44.6
Mexico	19.3	21.9	22.0	20.6	20.9	21.3	21.6	21.9	22.2	22.5
Netherlands	44.9	41.4	42.0	42.5	41.8	41.8	41.8	42.5	42.0	43.1
New Zealand	24.2	26.2	26.8	26.3	24.6	23.3	22.0	22.4	22.8	23.1
Norway	45.2	43.0	43.2	43.2	43.0	43.0	43.2	43.1	43.0	42.6
Poland	39.1	40.1	39.0	36.0	34.9	35.0	35.0	36.2	36.2	36.2
Portugal	42.3	43.3	43.0	42.6	42.2	43.1	44.6	43.6	47.7	47.5
Slovak Republic	45.2	40.4	40.5	40.7	40.1	40.3	40.8	41.6	43.3	43.3
Slovenia	51.0	51.7	49.1	48.3	47.1	47.6	47.7	47.5	46.1	46.3
Spain	41.0	42.6	42.3	41.4	41.6	42.4	42.5	43.5	44.3	45.0
Sweden	55.7	54.5	53.1	52.8	51.2	51.0	50.9	50.7	50.8	50.6
Switzerland	27.4	26.4	26.7	26.4	26.5	26.6	26.8	26.7	26.7	26.8
Turkey ²	35.0	44.4	44.5	42.8	40.2	40.3	40.5	40.6	41.0	41.7
United Kingdom	35.8	37.8	38.0	37.5	36.9	37.2	37.9	37.8	37.6	37.5
United States	36.8	35.2	35.5	35.3	35.5	35.7	34.5	34.6	36.3	36.3
<i>Unweighted average</i>										
OECD-Average	41.3	40.7	40.6	40.2	39.7	39.7	40.0	40.0	40.3	40.4
OECD-EU 21	48.0	47.2	47.0	46.6	46.2	45.9	46.3	46.4	46.7	46.8

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197288>

Table 6.3b. Income tax, single persons at 167% of average earnings
 Tax burden as a % of gross wage earnings, single persons without children

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	34.9	30.8	28.8	28.7	28.3	28.2	28.2	29.1	29.2	29.4
Austria	20.4	22.5	22.8	23.1	22.0	22.2	22.5	22.8	23.0	23.1
Belgium	36.0	34.7	34.9	35.3	35.2	35.5	35.5	35.5	35.2	35.2
Canada	25.6	22.3	22.2	22.3	21.6	21.7	21.8	21.8	21.8	22.1
Chile	0.5	0.0	0.0	0.0	0.0	0.6	0.7	0.9	0.8	0.9
Czech Republic	13.0	14.7	15.6	14.8	14.8	14.9	15.3	15.2	15.2	15.3
Denmark	40.8	39.7	40.0	40.0	38.9	34.9	43.3	43.4	42.6	42.0
Estonia	23.6	20.0	19.6	18.7	18.3	18.2	18.3	18.4	18.7	18.8
Finland	34.0	31.0	30.9	31.2	30.0	29.5	29.4	29.0	29.6	29.8
France	21.2	19.9	20.1	20.2	20.3	20.3	20.5	20.8	20.8	20.9
Germany	31.7	28.9	29.1	29.2	28.6	27.1	27.5	27.6	27.5	27.6
Greece	13.8	18.8	16.5	15.4	14.8	14.4	17.7	16.9	18.9	18.5
Hungary	30.3	27.6	27.5	28.2	27.6	22.8	20.3	18.1	16.0	16.0
Iceland	36.6	30.7	29.7	29.8	29.7	32.1	32.7	33.2	33.6	33.0
Ireland	26.7	21.7	20.5	20.6	21.4	22.0	27.8	28.0	28.4	29.1
Israel ¹	26.3	20.7	21.2	19.2	16.9	16.4	16.0	15.4	15.7	16.0
Italy	25.3	25.9	26.3	26.8	27.1	27.7	28.3	28.5	28.8	29.4
Japan	11.1	11.7	12.9	12.8	12.4	12.0	12.0	12.2	12.1	12.2
Korea	6.7	8.6	9.4	9.3	8.6	8.6	8.5	8.8	8.9	9.0
Luxembourg	26.2	22.8	23.3	23.1	22.3	22.6	23.6	23.9	25.2	25.4
Mexico	7.8	12.0	12.4	11.1	11.5	11.9	12.3	12.6	12.9	13.2
Netherlands	25.4	25.7	27.2	27.9	28.8	28.4	28.6	29.3	28.3	28.6
New Zealand	24.2	26.2	26.8	26.3	24.6	23.3	22.0	22.4	22.8	23.1
Norway	30.4	27.6	28.1	28.1	27.9	27.9	28.0	27.8	27.8	27.0
Poland	7.7	7.9	7.8	8.8	7.5	7.5	7.6	7.7	7.7	7.7
Portugal	17.6	18.8	18.5	18.0	17.4	18.5	20.4	19.2	24.2	24.0
Slovak Republic	12.4	11.9	12.0	12.3	11.4	11.6	12.3	12.3	12.2	12.3
Slovenia	19.1	18.7	16.4	16.7	16.5	17.0	17.2	17.0	15.4	15.5
Spain	18.5	19.1	19.1	18.6	19.2	20.6	21.0	22.5	22.5	22.5
Sweden	36.3	35.2	33.3	32.8	31.1	30.9	30.8	30.5	30.6	30.4
Switzerland	16.2	16.3	16.6	16.0	16.1	16.3	16.1	16.0	16.0	16.1
Turkey ²	18.0	17.4	17.6	16.3	15.3	15.5	15.7	15.8	16.3	16.5
United Kingdom	23.1	24.2	24.5	23.2	21.9	22.4	22.4	22.6	22.6	22.6
United States	24.3	22.6	22.8	22.8	22.1	22.4	23.0	23.0	22.9	23.0
<i>Unweighted average</i>										
OECD-Average	22.5	21.7	21.6	21.4	20.9	20.8	21.4	21.4	21.6	21.7
OECD-EU 21	24.0	23.3	23.1	23.1	22.6	22.3	23.4	23.3	23.5	23.6

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197296>

**Table 6.3c. 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	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	34.9	30.8	28.8	28.7	28.3	28.2	28.2	29.1	29.2	29.4
Austria	36.3	38.6	38.8	39.0	38.1	38.3	38.5	38.6	39.0	39.2
Belgium	50.1	48.8	48.9	49.3	49.2	49.5	49.6	49.5	49.2	49.2
Canada	29.3	27.2	26.9	27.0	26.5	26.6	26.7	26.8	26.8	27.1
Chile	7.5	7.0	7.0	7.0	7.0	7.6	7.7	7.9	7.8	7.9
Czech Republic	25.5	27.2	28.1	27.3	25.8	25.9	26.3	26.2	26.2	26.3
Denmark	51.5	49.4	49.6	49.6	48.5	44.6	44.9	45.1	44.3	43.6
Estonia	23.6	20.6	20.2	19.3	20.1	21.0	21.1	21.2	20.7	20.8
Finland	41.1	37.8	37.7	37.4	36.4	36.6	36.6	36.7	37.2	37.8
France	33.1	33.0	33.2	33.2	33.4	33.4	33.6	33.9	34.0	34.2
Germany	48.8	47.1	46.2	45.7	45.5	43.8	43.8	43.8	43.7	43.8
Greece	29.7	34.8	32.5	31.4	30.8	30.4	34.0	33.4	35.4	34.5
Hungary	42.8	41.9	44.5	45.2	44.6	39.8	37.8	36.6	34.5	34.5
Iceland	36.7	30.8	29.8	30.1	30.0	32.4	33.0	33.5	33.9	33.3
Ireland	32.1	26.9	25.8	25.9	28.2	29.6	31.3	31.5	32.4	33.1
Israel ¹	35.0	30.1	30.8	28.8	26.5	26.0	25.6	24.9	25.2	25.4
Italy	34.5	35.2	35.9	36.4	36.6	37.3	37.9	38.1	38.3	39.0
Japan	21.1	23.1	24.2	24.2	24.0	24.5	24.8	25.1	25.3	25.5
Korea	13.4	15.1	15.8	15.8	15.1	15.0	15.3	15.7	15.9	16.2
Luxembourg	37.9	34.6	35.4	35.3	34.6	34.9	36.8	36.3	37.5	37.8
Mexico	9.8	13.7	13.9	12.6	12.9	13.4	13.7	14.1	14.4	14.7
Netherlands	40.6	37.5	38.1	38.5	37.9	37.7	37.8	38.4	38.5	39.3
New Zealand	24.2	26.2	26.8	26.3	24.6	23.3	22.0	22.4	22.8	23.1
Norway	38.2	35.4	35.9	35.9	35.7	35.7	35.8	35.6	35.6	35.2
Poland	28.9	30.1	28.8	26.6	25.3	25.4	25.4	25.5	25.5	25.5
Portugal	28.6	29.8	29.5	29.0	28.4	29.5	31.4	30.2	35.2	35.0
Slovak Republic	24.4	25.0	25.1	25.4	24.6	24.8	25.4	25.5	25.6	25.7
Slovenia	41.2	40.8	38.5	38.8	38.6	39.1	39.3	39.1	37.5	37.6
Spain	24.4	25.3	25.3	24.6	25.2	26.5	26.8	28.3	28.5	28.7
Sweden	41.1	39.8	37.9	37.5	35.8	35.6	35.5	35.3	35.4	35.1
Switzerland	22.7	22.1	22.4	22.0	22.1	22.2	22.3	22.2	22.2	22.3
Turkey ²	26.9	32.4	32.6	31.3	30.3	30.5	30.7	30.8	31.3	31.5
United Kingdom	28.8	30.6	30.8	30.3	29.7	30.0	30.4	30.4	30.1	30.0
United States	31.9	30.2	30.5	29.6	29.8	30.1	28.7	28.7	30.5	30.6
<i>Unweighted average</i>										
OECD-Average	31.7	31.1	31.1	30.7	30.3	30.3	30.6	30.6	30.9	31.0
OECD-EU 21	35.5	35.0	34.8	34.6	34.2	34.0	34.5	34.4	34.7	34.8

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197307>

Table 6.4a. **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	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	4.0	-1.2	-4.3	-4.9	-7.2	-6.5	-5.7	-3.7	-2.6	-1.6
Austria	25.2	26.7	27.7	28.4	25.5	26.1	27.2	28.0	28.8	29.1
Belgium	36.4	35.6	35.6	35.9	35.7	36.8	37.0	36.9	36.2	36.1
Canada	-0.4	-0.2	-2.4	-6.1	-9.7	-7.4	-7.0	-6.5	-6.1	-4.9
Chile	2.8	3.0	3.1	3.2	3.3	6.0	6.0	6.1	6.1	6.1
Czech Republic	12.7	19.2	16.5	15.1	15.6	15.8	25.4	24.2	24.2	24.9
Denmark	14.8	13.1	13.7	13.7	13.0	11.2	11.8	11.8	11.1	9.1
Estonia	18.5	18.2	21.9	18.7	22.7	24.1	25.2	26.3	26.6	27.5
Finland	28.3	26.7	27.1	26.9	25.6	25.5	25.7	25.6	26.6	27.7
France	34.5	38.1	38.3	38.6	38.5	38.8	38.9	38.8	37.2	36.7
Germany	31.8	33.8	33.5	33.2	31.2	29.8	31.0	31.2	30.9	31.3
Greece	35.4	36.7	35.4	35.3	35.7	34.4	38.8	38.6	38.8	37.5
Hungary	34.0	26.0	29.1	29.9	29.8	27.4	20.2	23.0	25.5	26.1
Iceland	5.9	15.5	15.3	14.9	12.2	16.7	19.0	17.0	19.1	17.6
Ireland	-0.7	-30.5	-25.6	-25.1	-29.4	-27.8	-26.2	-25.6	-22.3	-18.9
Israel ¹	3.3	2.2	2.4	2.5	1.8	1.6	0.8	0.5	1.2	2.4
Italy	29.5	28.0	25.1	26.4	26.9	28.1	29.0	29.4	29.0	26.7
Japan	21.0	21.7	21.7	21.9	21.5	18.6	19.8	23.5	23.8	24.1
Korea	14.4	15.7	16.1	16.6	16.3	16.7	17.1	17.3	17.4	16.9
Luxembourg	6.3	5.2	6.1	2.2	0.3	0.8	3.1	3.5	5.1	5.9
Mexico	7.5	10.6	11.1	10.9	11.9	12.3	13.2	13.6	13.9	14.7
Netherlands	26.4	13.0	12.9	13.8	11.4	12.2	12.1	12.4	11.5	11.6
New Zealand	-3.0	-15.1	-16.9	-17.3	-17.1	-17.7	-18.3	-18.2	-16.9	-15.8
Norway	16.4	19.5	20.0	20.6	20.6	20.9	21.6	21.7	22.0	22.2
Poland	29.8	35.5	32.4	28.4	28.4	28.4	28.4	29.6	29.6	29.6
Portugal	26.6	24.9	24.2	22.8	19.5	20.6	22.3	23.1	25.5	25.2
Slovak Republic	25.3	21.6	22.8	24.2	21.6	21.9	23.6	24.5	26.4	26.7
Slovenia	13.4	15.1	15.6	13.7	12.5	12.4	12.8	13.0	13.1	13.3
Spain	28.6	30.3	28.3	28.4	28.4	29.2	29.9	30.3	30.4	30.5
Sweden	39.9	36.8	34.5	34.1	33.0	32.3	32.6	32.9	33.2	33.0
Switzerland	6.5	5.7	6.1	3.1	4.4	4.7	5.0	5.0	4.6	4.7
Turkey ²	39.1	41.8	41.9	36.8	33.8	33.7	33.7	33.8	34.1	34.7
United Kingdom	15.3	14.4	15.9	11.6	8.5	9.3	7.1	6.8	5.7	5.6
United States	9.8	7.2	8.7	7.6	7.4	8.7	8.8	9.9	11.6	12.1
<i>Unweighted average</i>										
OECD-Average	18.8	17.5	17.5	16.7	15.7	16.1	16.8	17.2	17.7	17.9
OECD-EU 21	24.4	22.3	22.4	21.7	20.7	20.8	21.7	22.1	22.5	22.6

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197315>

Table 6.4b. Income tax, single parent at 67% of average earnings
 Tax burden as a % of gross wage earnings, single parent with two children

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	15.5	20.3	18.9	17.3	14.0	14.3	14.3	15.3	17.3	17.8
Austria	5.8	6.5	7.2	7.7	5.4	5.8	6.4	6.9	7.5	7.7
Belgium	16.7	16.2	16.4	16.8	16.4	17.2	17.3	17.2	16.7	16.5
Canada	6.6	4.9	1.1	1.4	0.5	1.0	1.1	1.1	1.1	1.4
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	2.3	-1.1	0.1	-5.0	-4.4	-4.9	-3.6	-5.4	-5.4	-4.6
Denmark	27.7	26.7	26.9	26.6	26.0	25.2	33.3	33.4	33.0	31.1
Estonia	19.9	8.7	10.6	4.7	9.2	9.3	10.0	10.6	11.3	11.9
Finland	20.9	17.6	17.3	17.8	16.5	15.7	15.5	14.9	15.8	15.9
France	7.1	7.2	7.4	7.4	7.4	7.5	7.5	7.6	7.6	7.6
Germany	-2.6	-1.3	-0.7	-0.2	-2.6	-4.0	-3.2	-2.7	-2.6	-2.1
Greece	1.4	3.0	1.3	1.2	1.7	0.0	5.1	4.5	5.5	5.2
Hungary	10.3	9.0	10.1	11.1	11.8	10.8	0.0	3.4	3.8	4.1
Iceland	20.0	23.9	22.9	23.1	20.8	21.5	22.6	23.1	23.7	23.1
Ireland	2.3	0.0	0.0	0.0	1.7	2.0	3.8	3.9	3.9	4.1
Israel ¹	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Italy	10.0	7.4	7.1	8.0	8.5	9.3	10.2	10.6	9.8	6.6
Japan	2.8	2.8	3.1	3.1	2.9	2.7	4.1	6.1	6.1	6.1
Korea	0.1	0.7	0.8	0.9	0.6	0.7	0.7	0.8	0.7	0.0
Luxembourg	0.0	0.0	0.0	3.1	0.0	0.0	0.3	0.9	2.1	2.6
Mexico	-6.0	-2.8	-2.3	-2.5	-1.4	-1.1	0.0	0.4	0.8	1.6
Netherlands	3.0	2.2	2.4	3.5	3.5	3.5	3.5	3.4	3.3	3.1
New Zealand	18.6	18.9	19.0	18.1	17.2	15.9	14.5	14.6	14.8	14.8
Norway	13.3	14.1	14.3	14.4	14.1	14.1	14.2	14.0	14.0	13.5
Poland	2.5	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Portugal	3.4	2.2	1.4	0.8	0.1	0.6	0.6	1.2	3.9	3.6
Slovak Republic	3.3	-3.7	-2.8	-1.7	-4.0	-3.5	-1.6	-1.7	-1.7	-1.4
Slovenia	3.4	0.7	0.9	1.1	1.0	0.0	0.0	0.0	0.0	0.0
Spain	0.4	2.6	0.3	0.4	0.7	1.7	2.6	3.1	3.3	3.4
Sweden	24.7	21.5	17.9	17.0	15.9	15.0	15.1	15.2	15.3	14.8
Switzerland	4.0	3.7	3.9	3.4	3.3	3.4	3.2	2.8	2.4	2.4
Turkey ²	13.2	14.3	14.4	9.0	7.9	7.7	7.8	7.8	8.2	8.3
United Kingdom	8.6	5.0	6.3	2.0	-0.7	0.0	-2.3	-2.5	-3.7	-3.6
United States	-5.0	-7.7	-6.2	-6.8	-10.1	-8.7	-6.7	-5.6	-5.7	-5.1
<i>Unweighted average</i>										
OECD-Average	7.5	6.7	6.5	6.0	5.4	5.4	5.8	6.0	6.3	6.2
OECD-EU 21	8.1	6.3	6.2	5.8	5.4	5.3	5.7	5.9	6.2	6.0

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197322>

**Table 6.4c. 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	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	-2.1	-7.2	-10.6	-11.2	-14.0	-13.2	-12.0	-9.8	-8.7	-7.7
Austria	2.0	5.4	6.6	7.7	3.8	4.6	6.0	7.0	8.1	8.4
Belgium	16.1	17.3	17.4	17.7	17.6	18.9	19.1	19.0	18.4	18.3
Canada	-11.8	-11.8	-14.2	-18.2	-22.2	-19.6	-19.5	-19.1	-18.8	-17.4
Chile	2.8	3.0	3.1	3.2	3.3	6.0	6.0	6.1	6.1	6.1
Czech Republic	-17.9	-9.0	-12.7	-14.6	-13.1	-12.9	0.0	-1.6	-1.6	-0.6
Denmark	15.0	13.1	13.7	13.7	13.0	11.2	11.8	11.8	11.1	9.1
Estonia	-8.5	-9.1	-4.2	-8.4	-3.5	-2.1	-0.5	0.9	1.6	2.8
Finland	9.7	9.1	9.6	9.4	8.5	8.9	9.0	8.7	9.9	10.6
France	13.5	14.4	14.5	14.8	14.6	14.8	14.8	15.0	15.1	15.4
Germany	17.9	20.2	20.2	20.2	17.8	16.2	17.4	17.8	17.6	18.1
Greece	17.3	19.0	17.3	17.2	17.7	16.0	21.3	21.0	22.0	21.2
Hungary	5.0	-0.1	4.2	5.4	7.0	6.7	-2.5	3.2	4.2	5.0
Iceland	1.4	10.6	10.8	10.4	6.8	9.5	12.0	10.5	12.9	11.3
Ireland	-9.3	-44.5	-39.1	-38.5	-43.3	-41.5	-39.8	-39.1	-35.4	-31.6
Israel ¹	-1.5	-2.9	-2.1	-1.8	-2.2	-2.6	-3.4	-3.6	-3.0	-1.8
Italy	5.5	4.9	1.1	2.9	3.5	5.1	6.2	6.8	6.3	3.2
Japan	12.8	11.4	11.6	11.7	11.4	7.5	8.4	12.5	12.6	12.9
Korea	6.8	7.9	8.1	8.5	8.2	8.5	8.7	8.9	9.0	8.3
Luxembourg	-6.4	-7.8	-6.7	-8.8	-11.2	-10.6	-8.8	-8.4	-6.6	-5.7
Mexico	-4.8	-1.5	-1.0	-1.3	-0.2	0.2	1.2	1.7	2.0	2.9
Netherlands	14.5	5.1	4.8	5.4	3.1	3.6	3.8	3.5	3.5	2.9
New Zealand	-3.0	-15.1	-16.9	-17.3	-17.1	-17.7	-18.3	-18.2	-16.9	-15.8
Norway	5.7	8.8	9.7	10.4	10.5	10.8	11.4	11.5	11.9	12.1
Poland	18.0	24.7	21.0	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Portugal	9.1	7.1	6.2	4.5	0.3	1.7	3.8	4.9	7.8	7.4
Slovak Republic	-3.1	1.0	2.5	4.4	1.0	1.5	3.5	3.5	3.4	3.9
Slovenia	-2.1	-1.1	0.0	-1.2	-1.6	-1.7	-1.3	-1.0	-0.8	-0.6
Spain	6.8	8.9	6.7	6.8	7.0	8.1	8.9	9.5	9.6	9.8
Sweden	20.1	16.4	13.2	12.8	12.0	11.1	11.4	11.8	12.2	11.9
Switzerland	0.3	0.0	0.4	-2.7	-1.3	-1.1	-0.9	-0.9	-1.4	-1.2
Turkey ²	27.2	29.3	29.4	24.0	22.9	22.7	22.8	22.8	23.2	23.3
United Kingdom	7.7	6.1	7.6	3.0	-0.2	0.6	-1.8	-2.0	-3.1	-3.0
United States	2.6	-0.1	1.5	-2.3	-2.4	-1.0	-1.0	0.1	2.0	2.5
<i>Unweighted average</i>										
OECD-Average	4.9	3.9	3.9	3.1	2.2	2.6	3.4	3.9	4.5	4.7
OECD-EU 21	6.2	4.8	5.0	4.4	3.4	3.7	4.8	5.2	5.8	5.9

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197331>

Table 6.5a. 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	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	23.4	17.1	14.9	14.9	14.2	14.6	15.2	16.5	16.9	17.5
Austria	35.2	37.0	37.7	38.2	36.0	36.4	37.3	37.9	38.6	38.8
Belgium	42.6	40.3	40.3	40.6	40.4	41.2	41.4	41.3	40.7	40.6
Canada	23.1	21.5	19.7	19.0	16.6	17.7	18.1	18.4	18.6	19.2
Chile	6.1	6.1	6.1	6.2	6.2	6.3	7.0	7.0	7.0	7.0
Czech Republic	22.0	26.0	21.3	20.8	20.9	21.1	26.8	26.1	26.1	26.8
Denmark	30.7	29.1	29.4	29.3	28.7	27.2	27.6	27.8	27.5	27.2
Estonia	32.8	27.3	29.5	26.8	29.8	31.0	31.8	32.4	32.4	32.9
Finland	40.3	37.9	38.2	38.4	37.2	37.1	37.2	37.3	38.0	38.9
France	41.3	42.4	42.5	42.5	42.7	42.9	43.0	43.1	41.1	40.5
Germany	35.3	35.8	35.5	35.1	33.5	32.6	33.8	34.0	33.6	33.8
Greece	40.7	43.7	42.4	41.8	41.6	40.4	44.2	43.9	44.5	43.4
Hungary	43.9	41.1	44.0	43.9	43.2	36.7	33.0	34.2	34.2	34.6
Iceland	13.1	19.8	19.1	18.4	15.0	19.2	21.3	19.6	21.3	20.4
Ireland	15.5	1.9	4.0	3.8	2.8	4.7	5.6	6.1	8.4	9.9
Israel ¹	25.5	21.1	21.9	20.0	18.3	17.5	17.1	16.6	17.0	18.1
Italy	39.3	36.6	35.7	36.6	36.9	37.8	38.5	38.8	38.5	39.0
Japan	21.0	23.6	23.8	24.0	23.6	22.1	23.1	25.7	26.0	26.3
Korea	15.7	16.8	17.5	17.8	17.1	17.8	18.0	18.5	18.9	19.0
Luxembourg	13.5	11.4	12.7	11.2	11.1	11.6	13.7	13.6	14.6	15.1
Mexico	12.4	15.0	15.9	15.1	15.3	15.5	18.7	19.0	19.2	19.5
Netherlands	29.9	29.1	29.6	30.3	29.7	30.8	31.1	32.4	31.0	31.9
New Zealand	13.6	0.5	0.8	0.7	-0.3	-0.9	-1.1	0.6	2.4	3.8
Norway	28.4	30.0	30.5	30.8	30.6	30.7	31.2	31.1	31.2	32.2
Poland	33.3	37.4	32.4	28.4	28.4	28.4	28.4	29.6	29.9	30.0
Portugal	30.2	28.3	27.7	26.3	25.4	26.3	27.3	27.9	30.2	29.8
Slovak Republic	30.8	23.0	23.9	25.3	22.8	22.9	24.9	25.8	27.6	27.9
Slovenia	25.0	24.2	24.5	23.1	22.1	22.9	23.2	23.2	23.2	23.4
Spain	32.3	33.6	32.9	32.0	32.4	34.0	34.3	34.7	34.8	34.9
Sweden	44.3	41.6	39.4	39.2	37.7	37.2	37.4	37.6	37.9	37.4
Switzerland	11.7	11.0	11.4	9.2	10.1	10.3	10.3	10.1	9.7	9.8
Turkey ²	40.4	42.7	42.7	38.7	36.0	35.9	35.9	36.0	36.2	36.8
United Kingdom	27.8	28.0	28.4	26.9	26.2	26.5	26.4	27.5	26.8	26.6
United States	20.6	17.8	18.5	17.0	17.2	18.2	18.3	18.6	20.4	20.6
<i>Unweighted average</i>										
OECD-Average	27.7	26.4	26.3	25.7	25.0	25.1	25.9	26.3	26.6	26.9
OECD-EU 21	32.7	31.2	31.0	30.5	30.0	30.0	30.8	31.2	31.4	31.6

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev.3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197345>

Table 6.5b. 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	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	25.6	24.0	23.4	22.5	20.9	21.1	21.1	21.8	23.1	23.4
Austria	11.7	13.5	13.9	14.4	12.5	12.8	13.3	13.8	14.3	14.5
Belgium	18.9	16.5	16.7	17.3	17.0	17.7	17.8	17.7	17.2	17.0
Canada	15.0	11.6	9.5	9.8	8.2	8.5	8.7	8.8	8.8	8.7
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	-2.6	-1.7	-5.8	-5.1	-5.3	-4.2	-5.2	-5.2	-4.4
Denmark	25.6	25.0	25.2	24.9	24.3	23.7	31.9	32.1	31.8	31.6
Estonia	17.9	8.7	10.5	6.4	9.2	9.2	9.9	10.5	11.3	11.8
Finland	26.9	23.8	23.7	24.2	23.0	22.3	22.2	21.8	22.5	22.6
France	7.3	7.8	8.1	7.9	8.3	8.3	8.4	8.5	7.9	7.9
Germany	1.5	1.1	1.7	2.1	0.2	-0.6	0.1	0.6	0.6	0.9
Greece	8.2	11.9	10.2	9.5	9.2	7.7	12.0	11.4	12.8	12.7
Hungary	18.4	20.9	21.8	21.3	20.8	14.4	8.5	8.2	7.8	8.0
Iceland	16.1	20.1	19.1	19.3	15.8	17.0	18.5	19.1	19.9	19.2
Ireland	5.0	1.6	0.6	0.4	1.7	2.2	7.0	7.2	7.6	8.3
Israel ¹	18.0	12.6	13.3	11.2	9.7	9.0	9.1	8.7	8.6	8.8
Italy	15.6	12.4	12.1	12.8	13.2	13.9	14.7	15.0	14.6	15.2
Japan	2.9	3.8	4.3	4.3	4.1	3.9	4.9	6.2	6.1	6.2
Korea	1.5	1.9	2.3	2.2	1.4	1.9	1.7	2.1	2.3	2.3
Luxembourg	2.3	0.8	1.4	5.3	4.2	4.5	4.9	5.2	5.8	6.1
Mexico	0.7	3.5	4.6	3.8	4.1	4.2	7.9	8.2	8.4	8.7
Netherlands	4.8	12.8	14.2	15.1	16.3	15.9	16.2	16.9	15.4	15.7
New Zealand	19.4	20.4	21.1	20.5	18.4	17.0	15.9	16.4	16.9	17.2
Norway	18.1	18.8	19.3	19.3	19.0	19.0	19.1	18.9	18.9	19.5
Poland	4.8	4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.4
Portugal	6.2	4.3	3.7	3.2	2.8	3.3	3.4	3.9	6.3	6.2
Slovak Republic	4.8	-4.8	-4.0	-2.8	-5.2	-5.1	-2.7	-2.7	-2.8	-2.5
Slovenia	4.8	2.2	2.4	2.6	2.5	2.9	3.0	2.8	2.7	2.8
Spain	5.2	7.0	6.3	5.2	5.8	7.9	8.3	8.9	9.0	9.1
Sweden	26.7	23.9	20.6	19.9	18.4	17.8	17.9	17.9	18.1	17.4
Switzerland	6.2	6.0	6.3	5.8	5.8	5.9	5.4	4.9	4.5	4.6
Turkey ²	14.7	15.4	15.4	11.2	10.5	10.3	10.4	10.4	10.7	10.7
United Kingdom	17.4	15.9	16.1	14.7	14.5	14.6	14.0	15.4	14.6	14.4
United States	6.8	3.7	4.5	4.1	1.6	2.7	4.8	5.0	4.9	5.2
<i>Unweighted average</i>										
OECD-Average	11.3	10.3	10.2	9.8	9.2	9.1	9.8	10.0	10.2	10.3
OECD-EU 21	11.3	9.9	9.7	9.5	9.2	9.0	9.8	10.0	10.1	10.3

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197356>

**Table 6.5c. 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	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	18.4	12.1	9.8	9.8	8.7	9.3	10.1	11.6	12.0	12.6
Austria	15.1	18.7	19.5	20.3	17.4	17.9	19.0	19.8	20.7	20.9
Belgium	23.7	22.1	22.1	22.6	22.4	23.6	23.7	23.6	23.0	22.9
Canada	14.2	12.3	10.4	9.7	7.0	8.2	8.5	8.7	8.8	9.4
Chile	6.1	6.1	6.1	6.2	6.2	6.3	7.0	7.0	7.0	7.0
Czech Republic	-5.3	0.0	-6.2	-6.9	-6.0	-5.7	1.9	1.0	1.0	1.9
Denmark	30.8	29.1	29.4	29.3	28.7	27.2	27.6	27.8	27.5	27.2
Estonia	10.6	3.1	6.0	2.5	6.1	7.3	8.3	9.1	9.4	10.1
Finland	24.8	23.1	23.3	23.6	22.7	23.0	23.1	23.0	23.8	24.5
France	16.1	17.1	17.3	17.4	17.6	17.7	17.8	18.0	17.5	17.8
Germany	22.0	22.6	22.6	22.5	20.6	19.6	20.8	21.0	20.8	21.1
Greece	24.1	27.9	26.2	25.5	25.2	23.7	28.2	27.9	29.3	28.7
Hungary	20.5	20.7	24.7	24.6	24.7	18.7	14.0	15.4	15.4	15.9
Iceland	8.9	15.2	14.8	14.0	9.7	12.2	14.5	13.3	15.3	14.4
Ireland	5.4	-8.7	-6.4	-6.6	-7.6	-5.5	-4.5	-4.0	-1.4	0.2
Israel ¹	21.8	16.9	18.1	16.2	14.5	13.6	13.2	12.6	12.9	13.9
Italy	18.6	16.2	15.1	16.3	16.7	17.8	18.8	19.1	18.7	19.4
Japan	12.9	13.6	13.9	14.0	13.8	11.3	12.2	15.0	15.1	15.4
Korea	8.2	9.1	9.6	9.8	9.0	9.7	9.8	10.3	10.5	10.7
Luxembourg	1.9	-0.6	0.9	1.3	0.8	1.5	3.1	3.0	4.1	4.6
Mexico	2.2	5.0	6.0	5.1	5.4	5.6	9.2	9.5	9.8	10.0
Netherlands	22.4	22.3	22.4	23.0	22.6	23.6	24.0	25.1	24.7	25.0
New Zealand	13.6	0.5	0.8	0.7	-0.3	-0.9	-1.1	0.6	2.4	3.8
Norway	19.3	20.7	21.6	21.9	21.7	21.8	22.2	22.1	22.2	23.4
Poland	22.1	26.9	21.0	17.8	17.8	17.8	17.8	17.8	18.1	18.2
Portugal	13.6	11.2	10.5	8.8	7.7	8.8	10.1	10.8	13.7	13.2
Slovak Republic	4.4	2.8	4.0	5.8	2.5	2.6	5.2	5.1	5.0	5.5
Slovenia	10.1	9.8	10.6	9.9	9.6	10.4	10.8	10.8	10.8	11.0
Spain	11.5	13.3	12.6	11.5	12.2	14.2	14.7	15.2	15.3	15.4
Sweden	26.0	22.8	19.8	19.4	18.1	17.4	17.7	17.9	18.3	17.8
Switzerland	5.9	5.6	6.0	3.7	4.7	4.9	4.7	4.5	4.1	4.2
Turkey ²	28.7	30.4	30.4	26.2	25.5	25.3	25.4	25.4	25.7	25.7
United Kingdom	20.6	20.3	20.6	19.0	18.4	18.7	18.3	19.7	19.0	18.7
United States	14.4	11.4	12.1	9.0	9.3	10.4	10.4	10.6	12.6	12.8
<i>Unweighted average</i>										
OECD-Average	15.1	14.1	14.0	13.4	12.7	12.9	13.7	14.1	14.5	14.8
OECD-EU 21	16.1	15.3	15.1	14.6	14.2	14.3	15.2	15.6	15.9	16.2

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197367>

Table 6.6a. **Income tax plus employee and employer contributions less cash benefits, married couple with two children at 100% and 33% of average earnings**

Tax burden as a % of labour costs

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	24.6	20.5	19.6	19.1	18.0	18.0	17.9	18.6	19.9	21.0
Austria	36.3	37.8	38.3	38.7	36.4	36.7	37.4	37.8	38.3	38.4
Belgium	44.3	41.2	41.2	41.6	41.5	42.2	42.4	42.4	41.9	41.8
Canada	26.9	25.4	24.0	23.9	23.0	23.2	23.4	23.7	24.0	24.1
Chile	4.8	4.9	4.5	4.5	4.5	4.8	4.8	4.8	4.8	4.7
Czech Republic	31.0	33.5	29.4	30.5	30.2	30.3	33.2	32.6	32.6	32.9
Denmark	35.7	33.9	34.1	33.9	33.3	31.9	32.2	32.4	32.1	31.8
Estonia	35.6	31.1	32.5	30.4	33.1	34.1	34.5	35.0	34.8	35.2
Finland	39.3	36.4	36.4	36.4	35.2	35.0	35.0	34.9	35.5	36.5
France	40.5	40.0	40.0	39.4	40.4	40.6	40.7	41.0	39.4	37.6
Germany	41.2	41.0	40.6	40.3	39.0	37.7	38.6	38.7	38.3	38.6
Greece	39.1	41.4	40.4	40.0	39.8	38.9	42.4	42.2	42.1	40.9
Hungary	44.8	40.2	42.8	42.8	42.1	36.4	34.4	35.4	36.2	38.2
Iceland	20.2	26.0	25.1	24.6	22.5	26.2	27.7	26.9	28.0	27.4
Ireland	20.3	8.6	7.2	7.3	8.7	10.6	12.3	12.5	14.0	14.8
Israel ¹	21.7	17.9	18.3	16.8	15.5	14.9	13.5	13.0	13.2	13.7
Italy	41.1	39.1	37.8	38.6	38.9	39.6	40.2	40.5	40.3	39.7
Japan	22.4	24.8	25.0	25.2	24.9	24.0	25.1	27.2	27.5	27.8
Korea	15.3	16.6	17.3	17.6	17.1	17.8	18.0	18.6	18.8	18.9
Luxembourg	17.5	16.0	17.2	15.8	15.4	15.9	18.0	17.9	19.0	19.5
Mexico	9.5	12.7	13.7	13.1	13.5	13.8	16.3	16.6	17.0	17.3
Netherlands	34.3	29.6	29.6	30.2	29.2	29.5	29.5	29.9	28.8	28.9
New Zealand	18.5	9.5	9.7	9.2	8.0	7.4	7.0	8.6	10.0	11.1
Norway	30.8	31.3	31.4	31.6	31.5	31.6	32.0	31.8	31.7	31.4
Poland	34.6	37.8	32.5	29.0	28.9	29.3	29.7	31.1	31.3	31.4
Portugal	30.6	29.5	28.8	28.4	27.7	28.2	28.4	28.9	31.2	30.9
Slovak Republic	35.1	28.8	29.0	30.1	26.7	27.2	29.4	30.3	33.0	33.3
Slovenia	33.7	32.2	32.1	30.7	30.0	30.4	30.6	30.6	30.5	30.6
Spain	35.0	35.5	35.1	34.4	34.6	35.7	35.9	36.4	36.4	36.5
Sweden	44.7	41.6	39.1	38.8	37.3	36.8	36.9	37.1	37.4	36.9
Switzerland	14.6	13.7	14.1	12.4	13.1	13.3	13.3	13.1	12.8	12.9
Turkey ²	39.7	42.3	42.3	37.7	35.0	34.8	34.8	34.8	35.1	35.6
United Kingdom	25.5	26.0	26.4	25.2	24.4	24.7	24.8	24.4	23.2	22.9
United States	24.2	21.9	22.4	21.4	22.9	23.2	22.9	23.2	24.9	25.1
<i>Unweighted average</i>										
OECD-Average	29.8	28.5	28.2	27.6	27.1	27.2	27.7	28.0	28.3	28.5
OECD-EU 21	35.2	33.4	32.9	32.5	32.0	32.0	32.7	32.9	33.2	33.2

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197379>

Table 6.6b. Income tax, married couple with two children at 100% and 33% of average earnings
Tax burden as a % of gross wage earnings

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	22.0	20.6	19.6	18.9	17.3	17.4	17.4	18.0	18.7	19.0
Austria	9.4	11.3	11.6	12.0	10.5	10.7	11.1	11.4	11.7	11.9
Belgium	24.0	21.9	22.1	22.6	22.3	22.9	22.8	22.6	22.1	22.0
Canada	16.3	13.5	11.9	12.1	11.0	11.1	11.2	11.2	11.2	11.0
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	2.7	3.6	2.5	2.8	2.5	3.2	2.3	2.3	2.7
Denmark	27.6	26.7	26.9	26.6	26.0	25.3	33.5	33.6	33.2	33.1
Estonia	19.9	12.2	13.4	10.0	12.0	12.0	12.5	13.0	13.6	14.0
Finland	23.4	20.1	19.8	20.2	19.1	18.4	18.2	17.4	18.1	18.3
France	8.9	7.2	7.3	6.3	7.7	7.8	7.9	8.3	8.3	6.7
Germany	8.6	7.5	7.9	8.2	6.7	5.4	5.9	6.3	6.3	6.6
Greece	6.2	8.9	7.7	7.1	6.9	5.8	9.8	9.2	9.6	9.6
Hungary	15.8	15.7	16.4	16.1	15.9	10.8	7.3	10.1	9.8	10.0
Iceland	19.9	23.9	22.9	23.0	20.7	21.7	22.8	23.2	23.9	23.3
Ireland	11.1	4.3	3.0	3.1	3.9	4.5	8.8	8.9	9.3	9.9
Israel ¹	13.5	9.4	10.0	8.4	7.3	6.8	5.8	5.4	5.0	4.9
Italy	14.2	11.8	11.1	12.0	12.4	13.2	13.9	14.2	14.0	13.1
Japan	4.4	4.5	5.1	5.0	4.9	4.7	5.6	6.7	6.6	6.7
Korea	1.1	1.8	2.0	2.0	1.5	1.9	1.7	2.2	2.2	2.2
Luxembourg	3.8	2.7	3.4	6.4	5.2	5.6	6.0	6.4	7.4	7.7
Mexico	-4.4	-0.9	0.2	-0.4	0.0	0.3	3.2	3.6	3.9	4.2
Netherlands	7.8	10.1	11.1	11.8	12.6	12.3	12.4	12.9	12.2	12.2
New Zealand	18.5	19.5	20.1	19.1	17.2	15.9	14.8	15.2	15.7	16.0
Norway	19.1	18.7	18.9	19.0	18.7	18.7	18.8	18.5	18.4	17.5
Poland	5.3	5.2	0.2	0.7	0.6	1.0	1.4	1.7	2.0	2.1
Portugal	5.7	4.6	3.8	3.4	2.9	3.3	3.3	3.9	6.5	6.3
Slovak Republic	4.6	1.1	1.1	2.0	-1.7	-1.0	1.6	1.7	2.9	3.2
Slovenia	6.8	4.3	4.3	3.6	3.6	3.8	3.8	3.7	3.7	3.7
Spain	8.7	9.4	9.1	8.2	8.7	10.2	10.4	11.0	11.1	11.1
Sweden	25.3	21.8	18.2	17.5	16.1	15.4	15.5	15.6	15.8	15.1
Switzerland	7.6	7.3	7.6	7.2	7.2	7.3	6.8	6.5	6.1	6.2
Turkey ²	14.0	14.9	14.9	10.0	9.3	9.1	9.1	9.1	9.4	9.4
United Kingdom	15.1	14.2	14.4	13.3	12.9	13.1	13.4	13.0	11.9	11.6
United States	10.5	8.1	8.6	8.5	7.0	7.5	9.0	9.1	9.1	9.3
<i>Unweighted average</i>										
OECD-Average	11.8	10.7	10.5	10.2	9.7	9.6	10.3	10.5	10.6	10.6
OECD-EU 21	12.3	10.7	10.3	10.2	9.9	9.7	10.6	10.8	11.0	11.0

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197383>

Table 6.6c. Income tax plus employee contributions less cash benefits, married couple with two children at 100% and 33% of average earnings

Tax burden as a % of gross wage earnings

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	19.8	15.7	14.8	14.2	12.7	12.9	13.0	13.7	15.1	16.3
Austria	16.5	19.7	20.3	20.9	17.9	18.3	19.1	19.7	20.3	20.5
Belgium	29.3	26.5	26.5	26.8	26.6	27.5	27.5	27.4	26.8	26.7
Canada	18.6	16.8	15.3	15.3	14.2	14.4	14.6	14.8	14.9	15.0
Chile	4.8	4.9	4.5	4.5	4.5	4.8	4.8	4.8	4.8	4.7
Czech Republic	6.9	10.2	4.7	6.2	6.5	6.6	10.5	9.6	9.6	10.1
Denmark	35.8	33.9	34.1	33.9	33.3	31.9	32.2	32.4	32.1	31.8
Estonia	14.4	8.1	10.1	7.2	10.1	11.2	12.0	12.6	12.7	13.2
Finland	23.5	21.1	21.1	21.2	20.3	20.4	20.4	20.1	20.9	21.5
France	18.8	17.6	17.7	16.8	18.1	18.2	18.4	18.8	19.0	17.7
Germany	29.1	28.9	28.8	28.6	27.1	25.7	26.5	26.7	26.4	26.7
Greece	22.1	24.9	23.7	23.1	22.9	21.8	26.0	25.7	26.1	25.6
Hungary	20.5	19.1	22.8	22.8	23.0	18.3	15.8	20.2	20.2	20.5
Iceland	16.4	21.7	21.2	20.6	17.8	19.9	21.4	21.2	22.5	21.9
Ireland	11.4	-0.7	-2.2	-2.1	-0.6	1.5	3.4	3.6	5.2	6.1
Israel ¹	17.8	13.6	14.5	13.1	11.8	11.1	9.7	9.2	9.2	9.7
Italy	21.0	19.6	17.9	18.9	19.3	20.2	21.0	21.4	21.2	20.3
Japan	14.4	14.9	15.3	15.4	15.2	13.5	14.5	16.7	16.8	17.1
Korea	7.8	9.0	9.4	9.6	9.1	9.7	9.8	10.3	10.5	10.6
Luxembourg	6.3	4.6	5.9	6.3	5.6	6.3	7.9	7.7	9.0	9.6
Mexico	-3.0	0.5	1.5	0.9	1.3	1.6	4.5	4.9	5.3	5.6
Netherlands	26.6	23.2	22.9	23.3	22.5	22.6	22.7	22.7	22.4	21.9
New Zealand	18.5	9.5	9.7	9.2	8.0	7.4	7.0	8.6	10.0	11.1
Norway	21.9	22.1	22.6	22.8	22.7	22.8	23.0	22.8	22.8	22.5
Poland	23.6	27.4	21.2	18.5	18.4	18.8	19.3	19.5	19.8	19.9
Portugal	14.1	12.8	11.9	11.4	10.5	11.2	11.4	12.1	14.8	14.5
Slovak Republic	10.4	10.2	10.4	11.7	7.5	8.1	10.9	10.9	12.1	12.5
Slovenia	21.2	19.7	20.0	18.9	18.8	19.2	19.4	19.4	19.3	19.5
Spain	15.1	15.7	15.5	14.6	15.0	16.5	16.8	17.4	17.4	17.5
Sweden	26.5	22.7	19.3	18.9	17.6	16.9	17.1	17.3	17.7	17.1
Switzerland	9.0	8.5	8.9	7.1	7.8	8.0	7.9	7.7	7.3	7.5
Turkey ²	28.0	29.9	29.9	25.0	24.3	24.1	24.1	24.1	24.4	24.4
United Kingdom	18.8	18.9	19.2	17.9	17.2	17.5	17.7	17.3	16.2	15.8
United States	18.2	15.7	16.3	13.0	14.7	15.1	14.6	14.8	16.7	16.9
<i>Unweighted average</i>										
OECD-Average	17.8	16.7	16.3	15.8	15.3	15.4	16.0	16.4	16.7	16.8
OECD-EU 21	19.6	18.3	17.7	17.4	17.0	17.1	17.9	18.2	18.5	18.5

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

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Table 6.7a. 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

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	26.7	23.9	23.5	23.0	22.4	23.8	24.3	24.9	25.2	25.6
Austria	39.0	40.6	41.2	41.6	39.7	40.1	40.7	41.2	41.7	41.9
Belgium	50.9	48.3	48.3	48.5	48.3	48.9	49.1	49.0	48.5	48.4
Canada	29.7	28.6	27.4	27.3	26.6	26.5	26.8	27.0	27.2	27.3
Chile	5.3	5.4	5.4	5.5	5.5	6.6	6.6	6.6	6.6	6.6
Czech Republic	36.3	37.8	34.1	34.5	34.2	34.3	35.5	35.1	35.1	35.5
Denmark	38.7	35.8	35.9	35.7	35.1	33.7	34.0	34.2	33.8	33.6
Estonia	37.4	33.4	34.4	32.6	34.7	35.8	36.2	36.6	36.3	36.7
Finland	41.3	38.3	38.4	38.5	37.2	37.0	37.0	37.1	37.8	38.7
France	43.3	44.7	44.9	45.1	45.1	45.3	45.4	45.5	44.1	43.7
Germany	45.4	45.0	44.6	44.2	43.0	41.5	42.3	42.4	42.0	42.2
Greece	39.4	42.0	41.1	40.6	40.5	39.3	43.0	42.8	42.6	41.4
Hungary	47.0	42.0	44.8	45.1	44.4	39.6	37.9	39.6	40.1	40.4
Iceland	25.4	29.7	28.8	28.2	26.9	30.4	31.6	30.9	31.8	31.3
Ireland	21.8	13.8	12.8	12.9	14.6	16.2	17.8	18.0	19.6	20.3
Israel ¹	21.6	16.8	17.2	16.0	14.8	14.4	14.1	13.8	14.1	14.7
Italy	44.2	41.9	41.2	41.7	41.9	42.5	43.0	43.2	43.1	42.4
Japan	22.9	25.7	26.0	26.2	25.9	25.4	26.4	28.2	28.5	28.8
Korea	15.5	16.7	17.4	17.8	17.3	17.9	18.2	18.6	18.9	19.2
Luxembourg	23.0	21.4	22.7	21.2	20.8	21.4	23.4	23.4	24.7	25.2
Mexico	10.4	13.2	14.0	13.4	13.9	14.2	16.5	16.8	17.1	17.5
Netherlands	38.1	32.8	32.9	33.6	31.7	31.9	31.8	32.2	30.6	31.0
New Zealand	19.0	15.9	16.1	15.7	14.7	13.9	13.2	14.7	15.9	16.3
Norway	33.0	33.1	33.3	33.5	33.3	33.4	33.7	33.7	33.7	33.5
Poland	37.7	38.5	34.1	30.6	30.4	30.7	31.0	32.3	32.5	32.6
Portugal	33.0	33.3	32.8	32.2	31.2	32.5	34.3	34.5	37.0	36.8
Slovak Republic	36.9	31.6	32.2	33.0	31.2	31.5	32.7	33.6	35.2	35.4
Slovenia	37.1	35.9	35.7	34.9	34.2	34.0	34.1	34.3	34.4	34.5
Spain	35.4	36.3	35.8	34.6	34.9	36.7	37.0	37.5	37.6	37.6
Sweden	46.0	43.3	41.0	40.5	39.1	38.6	38.7	38.8	39.1	38.7
Switzerland	17.7	16.8	17.2	15.7	16.2	16.4	16.4	16.3	16.0	16.1
Turkey ²	39.9	42.3	42.4	38.6	36.0	35.9	35.9	36.0	36.2	36.8
United Kingdom	28.4	29.4	29.9	28.6	28.0	28.4	28.1	27.7	26.8	26.5
United States	26.3	24.3	24.7	24.0	25.2	25.5	24.8	25.1	26.8	26.9
<i>Unweighted average</i>										
OECD-Average	32.2	31.1	30.9	30.4	30.0	30.1	30.6	30.9	31.2	31.3
OECD-EU 21	38.1	36.5	36.1	35.7	35.3	35.2	35.9	36.1	36.3	36.3

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197405>

Table 6.7b. 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	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	23.8	22.5	21.7	20.4	18.8	19.1	19.7	20.5	20.8	21.1
Austria	10.8	13.0	13.4	13.9	12.0	12.3	12.8	13.2	13.6	13.9
Belgium	26.4	23.9	24.0	24.5	24.2	24.8	24.9	24.7	24.4	24.3
Canada	17.5	15.0	13.6	13.8	13.0	12.8	12.9	13.0	13.0	12.8
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	5.5	6.3	4.6	5.0	4.9	5.6	5.0	5.0	5.4
Denmark	30.4	28.4	28.5	28.3	27.7	26.8	35.0	35.1	34.7	34.5
Estonia	21.1	14.4	15.1	12.2	13.8	13.7	14.1	14.5	15.0	15.3
Finland	24.5	21.3	21.1	21.6	20.4	19.7	19.5	19.0	19.8	19.9
France	10.8	10.7	10.9	11.0	11.1	11.1	11.2	11.5	11.5	11.5
Germany	13.8	12.3	12.6	12.9	11.6	9.9	10.3	10.6	10.6	10.9
Greece	6.5	9.7	8.6	8.0	7.8	6.3	10.5	9.9	10.3	10.2
Hungary	18.0	16.1	17.1	17.2	17.2	13.0	10.0	11.3	11.1	11.2
Iceland	23.2	26.2	25.2	25.3	23.8	24.8	25.8	26.1	26.7	26.1
Ireland	13.3	7.5	6.5	6.5	7.9	8.4	12.2	12.3	12.6	13.2
Israel ¹	12.5	7.5	8.0	6.7	5.8	5.4	5.5	5.2	5.1	5.2
Italy	16.8	14.8	14.8	15.4	15.7	16.3	17.0	17.3	17.1	16.1
Japan	4.9	5.2	5.8	5.7	5.6	5.5	6.2	7.0	7.0	7.0
Korea	1.3	1.8	2.2	2.2	1.6	2.0	1.9	2.2	2.3	2.6
Luxembourg	8.2	6.9	7.7	10.0	8.8	9.3	9.8	10.3	11.5	11.9
Mexico	-2.0	1.0	1.8	1.2	1.9	2.1	4.7	5.1	5.4	5.9
Netherlands	7.9	9.6	10.6	11.2	11.9	11.7	11.8	12.2	11.3	11.4
New Zealand	19.0	19.8	20.3	19.5	17.9	16.5	15.3	15.7	16.0	16.3
Norway	20.6	19.9	20.2	20.3	20.0	20.0	20.1	19.9	19.9	19.2
Poland	6.1	6.0	2.0	2.6	2.3	2.6	2.9	3.2	3.4	3.4
Portugal	8.1	8.5	7.8	7.2	6.5	7.3	7.7	7.9	11.0	10.8
Slovak Republic	5.8	3.7	4.2	4.9	3.2	3.5	5.0	5.0	4.9	5.1
Slovenia	8.1	6.0	6.0	6.1	6.0	5.7	5.7	5.6	5.5	5.6
Spain	9.3	10.5	10.1	8.5	9.1	11.5	11.8	12.5	12.6	12.6
Sweden	25.9	22.9	19.5	18.7	17.4	16.7	16.8	16.8	17.0	16.3
Switzerland	9.8	9.6	9.9	9.4	9.4	9.5	9.1	8.8	8.5	8.5
Turkey ²	14.1	14.9	15.0	11.2	10.4	10.3	10.3	10.4	10.7	10.8
United Kingdom	16.5	16.1	16.6	15.4	15.1	15.4	14.7	14.4	13.6	13.3
United States	12.8	10.8	11.2	11.2	10.0	10.4	11.6	11.7	11.6	11.8
<i>Unweighted average</i>										
OECD-Average	13.3	12.4	12.3	12.0	11.6	11.4	12.1	12.3	12.5	12.5
OECD-EU 21	14.1	12.7	12.5	12.4	12.1	11.9	12.8	13.0	13.2	13.2

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197418>

**Table 6.7c. 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	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	22.0	19.4	18.9	18.3	17.4	19.0	19.7	20.5	20.8	21.1
Austria	20.1	23.3	24.0	24.7	22.2	22.6	23.4	24.0	24.7	25.0
Belgium	35.0	32.9	33.0	33.3	33.1	33.9	34.1	33.9	33.5	33.4
Canada	21.6	20.3	19.0	19.0	18.1	18.1	18.2	18.4	18.5	18.5
Chile	5.3	5.4	5.4	5.5	5.5	6.6	6.6	6.6	6.6	6.6
Czech Republic	14.0	16.0	11.0	11.6	11.8	12.0	13.6	13.1	13.1	13.6
Denmark	38.9	35.8	35.9	35.7	35.1	33.7	34.0	34.2	33.8	33.6
Estonia	16.8	11.3	12.6	10.1	12.6	13.7	14.3	14.8	14.7	15.1
Finland	26.0	23.5	23.6	23.7	22.7	22.9	22.9	22.8	23.6	24.3
France	21.4	21.7	22.0	22.1	22.2	22.2	22.4	22.7	22.8	23.1
Germany	34.3	33.7	33.5	33.3	31.9	30.1	30.9	31.1	30.8	31.1
Greece	22.4	25.7	24.6	24.0	23.8	22.3	26.7	26.4	26.8	26.2
Hungary	24.3	21.8	25.7	26.0	26.3	22.3	20.2	23.1	23.1	23.4
Iceland	21.9	25.6	25.0	24.3	22.4	24.4	25.7	25.6	26.5	26.1
Ireland	13.6	4.6	3.4	3.5	5.4	7.2	9.0	9.2	11.0	11.7
Israel ¹	17.7	12.4	13.3	12.2	11.1	10.5	10.3	9.9	10.0	10.6
Italy	25.2	23.3	22.3	22.9	23.3	24.0	24.7	25.0	24.8	23.9
Japan	14.9	15.9	16.4	16.5	16.3	15.1	16.0	17.8	17.9	18.2
Korea	8.0	9.0	9.5	9.8	9.3	9.8	9.9	10.4	10.6	10.9
Luxembourg	12.6	10.8	12.2	12.4	11.6	12.3	14.0	13.9	15.4	16.0
Mexico	-0.6	2.4	3.2	2.6	3.2	3.4	6.0	6.4	6.7	7.2
Netherlands	30.1	26.5	26.3	26.8	25.0	24.9	25.0	25.0	24.4	24.1
New Zealand	19.0	15.9	16.1	15.7	14.7	13.9	13.2	14.7	15.9	16.3
Norway	24.4	24.2	24.7	24.9	24.8	24.8	25.1	25.0	25.1	24.9
Poland	27.3	28.2	23.0	20.4	20.1	20.4	20.8	21.0	21.2	21.3
Portugal	17.0	17.5	16.8	16.2	14.9	16.5	18.7	18.9	22.0	21.8
Slovak Republic	12.9	13.7	14.4	15.4	13.2	13.6	15.1	15.1	15.0	15.2
Slovenia	25.1	23.7	23.8	23.7	23.6	23.4	23.5	23.7	23.8	23.9
Spain	15.6	16.9	16.4	14.9	15.5	17.8	18.2	18.9	18.9	19.0
Sweden	28.3	25.1	21.8	21.2	20.0	19.3	19.5	19.6	19.9	19.4
Switzerland	12.3	11.7	12.2	10.6	11.2	11.3	11.2	11.0	10.7	10.8
Turkey ²	28.1	29.9	30.0	26.2	25.4	25.3	25.3	25.4	25.7	25.8
United Kingdom	21.5	22.1	22.7	21.3	20.7	21.1	20.6	20.3	19.4	19.1
United States	20.5	18.4	18.9	16.3	17.7	18.0	17.2	17.4	19.3	19.4
<i>Unweighted average</i>										
OECD-Average	20.5	19.7	19.5	19.0	18.6	18.7	19.3	19.6	19.9	20.0
OECD-EU 21	23.0	21.8	21.4	21.1	20.7	20.8	21.5	21.7	22.0	22.1

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197420>

Table 6.8a. **Income tax plus employee and employer contributions less cash benefits, married couple without children at 100% and 33% of average earnings**

Tax burden as a % of labour costs

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	27.4	25.1	24.1	23.5	23.1	23.1	22.9	23.4	23.2	23.5
Austria	44.7	45.3	45.6	45.7	44.4	44.5	44.8	45.1	45.3	45.4
Belgium	51.2	47.8	47.8	48.3	48.1	48.5	48.7	48.7	48.2	48.1
Canada	30.0	28.7	28.0	28.1	27.3	27.2	27.5	27.7	27.9	28.4
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	40.9	41.3	41.4	39.9	40.0	40.4	40.3	40.3	40.4
Denmark	40.8	38.9	39.0	38.7	38.1	36.8	37.0	37.2	36.8	36.7
Estonia	39.8	37.2	37.6	37.0	38.0	38.8	39.0	39.2	38.8	38.9
Finland	44.7	41.0	40.7	40.5	39.2	38.9	38.9	38.8	39.4	40.2
France	45.3	44.4	44.4	46.0	46.1	46.1	46.2	46.4	44.9	44.4
Germany	47.5	47.4	46.9	46.4	45.9	44.8	45.5	45.4	45.0	45.1
Greece	38.9	41.1	40.9	40.5	40.2	39.4	42.7	42.5	40.7	39.5
Hungary	52.7	48.3	50.7	50.4	49.5	43.8	46.8	47.4	47.7	49.0
Iceland	23.7	28.2	27.0	27.6	26.0	28.6	29.6	29.4	29.9	29.3
Ireland	23.5	16.7	15.5	15.6	17.3	18.2	19.4	19.5	20.4	21.0
Israel ¹	24.8	20.3	20.6	19.0	17.7	17.4	17.3	17.0	17.0	17.2
Italy	44.0	42.7	42.7	43.2	43.4	43.9	44.4	44.6	44.8	44.1
Japan	24.0	28.0	28.4	28.6	28.3	29.4	30.0	30.4	30.7	31.0
Korea	15.8	17.4	18.6	19.0	18.6	19.2	19.6	20.0	20.3	20.3
Luxembourg	28.8	27.5	28.2	26.6	25.9	26.2	27.9	27.5	28.4	28.7
Mexico	9.5	12.7	13.7	13.1	13.5	13.8	16.3	16.6	17.0	17.3
Netherlands	38.0	34.1	34.2	34.7	33.9	34.2	34.1	34.7	33.5	33.6
New Zealand	18.5	19.5	20.1	19.1	16.9	15.9	14.8	15.2	15.7	16.0
Norway	36.0	35.1	35.1	35.1	34.9	34.8	35.1	34.8	34.7	34.3
Poland	37.0	37.8	37.1	33.6	33.1	33.3	33.4	34.7	34.7	34.8
Portugal	33.8	33.0	32.4	32.1	31.8	32.2	32.2	32.6	35.0	34.8
Slovak Republic	40.7	35.7	35.4	36.0	33.1	33.6	35.7	36.6	39.1	39.3
Slovenia	44.5	43.0	41.4	40.4	39.9	40.1	40.2	40.1	40.0	40.1
Spain	36.1	36.4	36.3	35.5	35.7	36.8	37.0	37.5	37.5	37.5
Sweden	49.1	46.2	43.5	43.0	41.5	41.0	41.0	41.1	41.3	40.7
Switzerland	20.8	20.1	20.4	19.6	19.7	19.8	20.2	19.9	19.9	20.0
Turkey ²	39.7	42.3	42.3	38.2	35.6	35.5	35.5	35.5	35.7	36.3
United Kingdom	29.1	30.6	30.8	29.6	29.1	29.3	28.4	27.8	26.7	26.3
United States	28.7	27.7	27.9	27.7	28.2	28.4	28.0	28.2	29.8	29.9
<i>Unweighted average</i>										
OECD-Average	34.0	33.2	33.1	32.7	32.1	32.1	32.6	32.7	32.9	32.9
OECD-EU 21	40.5	38.9	38.7	38.4	37.8	37.7	38.3	38.5	38.5	38.5

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197434>

Table 6.8b. **Income tax, married couple without children at 100% and 33% of average earnings**
Tax burden as a % of gross wage earnings

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	22.8	20.6	19.6	18.9	18.2	18.3	18.3	18.8	18.7	19.0
Austria	9.4	11.3	11.6	12.0	10.9	11.1	11.4	11.7	12.1	12.2
Belgium	25.9	23.9	24.0	24.4	24.2	24.7	24.6	24.5	24.0	23.9
Canada	16.3	13.5	12.9	13.1	12.1	12.1	12.3	12.3	12.3	12.6
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	7.7	8.3	8.4	8.5	8.6	9.1	8.9	8.9	9.1
Denmark	27.6	26.7	26.9	26.6	26.0	25.3	33.5	33.6	33.2	33.1
Estonia	19.9	15.7	16.2	15.4	14.9	14.8	15.1	15.5	15.9	16.2
Finland	23.4	20.1	19.8	20.2	19.1	18.4	18.2	17.4	18.1	18.3
France	11.9	9.8	10.0	12.1	12.2	12.2	12.3	12.5	12.6	12.6
Germany	16.2	14.9	15.1	15.3	14.7	13.7	13.9	14.0	14.0	14.1
Greece	5.9	8.6	8.4	7.8	7.5	6.3	10.1	9.6	7.9	7.7
Hungary	19.4	15.7	16.4	16.1	15.9	10.8	14.1	16.5	16.0	16.0
Iceland	19.9	23.9	22.9	23.0	20.7	21.7	22.8	23.2	23.9	23.3
Ireland	11.1	4.3	3.0	3.1	3.9	4.5	8.8	8.9	9.3	9.9
Israel ¹	13.5	9.4	10.0	8.4	7.3	6.8	6.8	6.6	6.4	6.6
Italy	15.7	15.1	14.8	15.5	15.8	16.4	17.1	17.3	17.6	16.6
Japan	6.1	6.3	7.1	7.1	6.9	6.7	6.6	6.7	6.6	6.7
Korea	1.7	2.6	3.6	3.4	3.1	3.4	3.4	3.7	3.8	3.8
Luxembourg	7.7	5.9	6.5	6.4	5.2	5.6	6.0	6.4	7.4	7.7
Mexico	-4.4	-0.9	0.2	-0.4	0.0	0.3	3.2	3.6	3.9	4.2
Netherlands	7.8	10.2	11.3	11.9	12.7	12.4	12.5	13.1	12.5	12.6
New Zealand	18.5	19.5	20.1	19.1	16.9	15.9	14.8	15.2	15.7	16.0
Norway	20.1	18.7	18.9	19.0	18.7	18.7	18.8	18.5	18.4	17.5
Poland	5.3	5.2	5.5	6.0	5.4	5.6	5.8	5.9	6.0	6.0
Portugal	7.1	6.1	5.4	5.0	4.6	5.0	5.1	5.5	8.6	8.3
Slovak Republic	6.2	5.5	5.1	5.9	2.2	2.9	5.5	5.5	6.7	6.9
Slovenia	11.9	10.5	8.9	8.2	8.2	8.4	8.5	8.4	8.3	8.3
Spain	10.1	10.6	10.7	9.7	10.1	11.6	11.8	12.4	12.5	12.5
Sweden	25.3	21.8	18.2	17.5	16.1	15.4	15.5	15.6	15.8	15.1
Switzerland	9.1	9.2	9.5	8.7	8.8	8.9	8.9	8.6	8.7	8.7
Turkey ²	14.0	14.9	14.9	10.7	10.0	9.8	9.8	9.9	10.1	10.1
United Kingdom	15.1	15.5	15.6	14.6	14.2	14.3	13.4	13.0	11.9	11.6
United States	15.5	14.4	14.6	14.4	13.0	13.2	14.6	14.6	14.5	14.6
<i>Unweighted average</i>										
OECD-Average	13.1	12.3	12.2	12.0	11.4	11.3	12.1	12.3	12.4	12.4
OECD-EU 21	13.9	12.6	12.5	12.5	12.0	11.8	13.0	13.2	13.3	13.3

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197444>

**Table 6.8c. Income tax plus employee contributions less cash benefits,
married couple without children at 100% and 33% of average earnings**

Tax burden as a % of gross wage earnings

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australia	22.8	20.6	19.6	18.9	18.2	18.3	18.3	18.8	18.7	19.0
Austria	27.5	29.4	29.7	30.0	28.2	28.4	28.8	29.1	29.4	29.6
Belgium	38.1	34.7	34.8	35.2	34.9	35.5	35.4	35.3	34.8	34.7
Canada	22.0	20.4	19.8	20.0	19.0	19.0	19.1	19.2	19.3	19.8
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	20.2	20.8	20.9	19.5	19.6	20.1	19.9	19.9	20.1
Denmark	40.9	38.9	39.0	38.7	38.1	36.8	37.0	37.2	36.8	36.7
Estonia	19.9	16.3	16.8	16.0	16.6	17.6	17.9	18.3	17.9	18.2
Finland	30.4	26.8	26.4	26.3	25.2	25.3	25.2	24.8	25.5	26.1
France	25.3	23.6	23.7	25.8	25.9	25.9	26.0	26.3	26.4	26.7
Germany	36.7	36.6	36.3	36.0	35.3	34.2	34.7	34.8	34.4	34.5
Greece	21.8	24.6	24.4	23.8	23.5	22.3	26.3	26.1	24.4	23.7
Hungary	31.9	30.1	33.4	33.1	32.9	27.8	31.6	35.0	34.5	34.5
Iceland	20.1	24.1	23.1	23.7	21.5	22.4	23.5	23.9	24.5	24.0
Ireland	15.0	8.2	6.9	7.0	8.8	9.9	11.2	11.3	12.3	12.9
Israel ¹	21.1	16.1	16.8	15.4	14.2	13.7	13.7	13.4	13.2	13.3
Italy	24.9	24.3	24.3	25.0	25.3	25.9	26.6	26.8	27.1	26.1
Japan	16.1	18.6	19.2	19.3	19.1	19.6	20.1	20.4	20.5	20.8
Korea	8.4	9.8	10.9	11.0	10.7	11.2	11.4	11.9	12.1	12.1
Luxembourg	19.2	17.6	18.4	18.4	17.3	17.7	19.1	18.6	19.6	19.9
Mexico	-3.0	0.5	1.5	0.9	1.3	1.6	4.5	4.9	5.3	5.6
Netherlands	30.8	28.1	27.9	28.3	27.7	27.7	27.7	28.0	27.6	27.0
New Zealand	18.5	19.5	20.1	19.1	16.9	15.9	14.8	15.2	15.7	16.0
Norway	27.9	26.5	26.7	26.8	26.5	26.5	26.6	26.3	26.2	25.7
Poland	26.4	27.4	26.5	23.8	23.2	23.4	23.6	23.7	23.8	23.8
Portugal	18.1	17.1	16.4	16.0	15.6	16.0	16.1	16.5	19.6	19.3
Slovak Republic	18.2	18.9	18.5	19.3	15.6	16.3	18.9	18.9	20.1	20.3
Slovenia	34.0	32.6	31.0	30.3	30.3	30.5	30.6	30.5	30.4	30.4
Spain	16.5	17.0	17.1	16.1	16.5	17.9	18.1	18.8	18.8	18.9
Sweden	32.3	28.8	25.2	24.5	23.1	22.4	22.5	22.6	22.8	22.1
Switzerland	15.6	15.3	15.6	14.8	14.9	15.0	15.2	14.9	14.9	15.0
Turkey ²	28.0	29.9	29.9	25.7	25.0	24.8	24.8	24.9	25.1	25.1
United Kingdom	22.7	23.8	24.0	22.9	22.3	22.6	21.6	21.1	19.9	19.5
United States	23.1	22.1	22.3	20.0	20.6	20.8	20.2	20.3	22.2	22.3
<i>Unweighted average</i>										
OECD-Average	22.9	22.2	22.2	21.8	21.2	21.2	21.7	21.9	22.1	22.1
OECD-EU 21	26.3	25.0	24.8	24.6	24.1	24.0	24.7	24.9	25.0	25.0

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197455>

Table 6.9. **Annual average gross and net wage earnings, single individual no children, 2000-14**

In US dollars using PPP

	2000		2006		2007		2008		2009		2010		2011		2012		2013		2014	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Australia	31 541	23 152	39 184	29 789	40 008	30 662	40 783	31 587	44 037	34 324	44 345	34 464	46 261	35 957	48 283	37 234	50 936	39 171	53 170	40 732
Austria	33 043	22 811	41 055	27 327	41 765	27 634	43 705	28 730	44 815	30 122	45 756	30 624	47 511	31 571	48 545	32 070	49 698	32 611	50 373	32 944
Belgium	35 534	20 252	42 691	24 794	43 595	25 256	46 592	26 795	49 112	28 342	50 837	29 121	53 148	30 386	54 457	31 198	54 339	31 299	55 225	31 846
Canada	29 360	21 990	33 298	25 388	34 507	26 470	34 760	26 634	35 319	27 376	36 371	28 228	36 671	28 406	37 666	29 152	38 305	29 619	39 438	30 261
Chile	9 672	8 995	11 159	10 377	11 826	10 998	12 303	11 442	12 685	11 797	15 414	14 335	16 678	15 510	17 753	16 510	18 609	17 306	19 071	17 736
Czech Republic	11 328	8 780	16 650	12 919	17 980	13 864	19 117	14 598	20 281	15 761	20 591	15 967	22 039	16 949	22 524	17 369	22 579	17 412	23 058	17 723
Denmark	33 516	18 708	39 764	23 464	42 067	24 767	44 844	26 502	46 861	28 339	48 494	29 919	50 859	31 314	51 140	31 428	51 276	31 684	52 161	32 303
Estonia	8 640	6 744	14 340	11 654	16 110	13 099	18 302	15 032	18 099	14 739	18 537	14 926	19 780	15 881	20 413	16 348	21 309	17 156	22 537	18 106
Finland	26 511	17 529	35 330	24 523	37 806	26 308	40 727	28 362	42 570	30 110	43 248	30 523	44 335	31 312	45 123	31 867	45 364	31 721	46 165	32 012
France	28 459	20 161	34 769	25 133	36 300	26 223	38 062	27 487	39 648	28 608	40 488	29 213	42 041	30 298	42 457	30 501	43 097	30 885	44 136	31 470
Germany	35 594	20 217	46 775	26 889	48 280	27 926	50 514	29 374	50 177	29 501	52 401	31 858	55 218	33 269	56 389	33 963	56 312	34 109	57 628	34 841
Greece	23 159	18 057	34 059	25 178	33 249	24 673	34 001	25 471	35 297	26 539	34 422	26 421	33 408	24 400	32 346	23 739	32 217	23 972	32 467	24 381
Hungary	10 073	6 475	15 461	10 012	16 419	10 047	18 049	11 144	19 405	12 078	20 022	13 738	21 196	13 756	22 199	14 400	22 691	14 863	23 133	15 152
Iceland	32 182	23 996	42 904	30 973	44 881	32 839	46 397	33 754	40 611	29 955	39 865	28 863	41 766	29 913	44 770	31 938	48 276	34 242	50 001	35 760
Ireland	22 891	18 236	30 429	25 958	32 539	28 027	34 208	29 438	35 652	29 715	38 322	31 480	38 774	31 856	39 015	32 020	39 839	32 184	41 958	33 371
Israel ¹	27 740	20 499	27 884	22 228	30 403	23 952	30 832	24 889	30 283	24 921	30 614	25 407	31 790	26 371	32 430	27 035	32 115	26 856	32 865	27 442
Italy	26 386	18 722	30 304	21 592	31 588	22 368	34 030	23 981	35 184	24 726	36 197	25 254	37 556	26 005	38 554	26 621	39 432	27 160	40 426	27 648
Japan	32 181	26 721	39 942	32 177	41 467	33 111	42 654	34 021	41 802	33 423	42 757	33 936	44 869	35 433	46 769	36 787	46 456	36 457	46 884	36 691
Korea	26 577	24 198	39 492	35 299	42 017	36 948	42 837	37 635	41 722	36 844	43 934	38 534	43 081	37 703	45 117	39 241	45 757	39 686	46 664	40 421
Luxembourg	38 191	27 243	47 642	34 982	48 962	35 401	51 910	37 691	53 125	39 185	53 545	39 212	56 651	40 557	57 842	41 573	58 426	41 190	60 158	42 178
Mexico	7 790	7 621	10 187	9 681	10 499	9 870	10 885	10 325	11 401	10 783	11 386	10 747	11 862	10 769	11 966	10 825	12 247	11 046	12 373	11 131
Netherlands	35 758	23 737	47 025	31 746	48 986	33 079	51 222	34 401	52 785	36 002	53 228	36 377	55 749	38 075	57 101	38 719	58 429	40 171	59 280	40 678
New Zealand	24 246	19 550	27 518	21 894	28 494	22 489	29 866	23 740	31 743	26 006	32 141	26 680	33 242	27 967	34 633	28 957	36 252	30 130	37 226	30 806
Norway	32 703	22 664	45 795	32 472	47 965	33 795	50 687	35 684	50 942	36 027	52 328	37 015	54 648	38 586	56 652	40 109	56 969	40 338	59 355	42 243
Poland	12 532	9 047	15 882	11 322	17 522	12 653	18 158	13 611	18 707	14 145	20 043	15 135	21 193	15 976	21 926	16 512	22 865	17 204	23 403	17 602
Portugal	15 617	12 111	23 460	18 138	23 566	18 278	24 000	18 727	24 656	19 364	26 172	20 362	26 160	20 071	28 728	22 183	29 957	21 737	29 805	21 681
Slovak Republic	9 608	7 708	13 371	10 412	14 655	11 385	16 559	12 781	17 692	13 907	18 277	14 320	18 500	14 281	18 900	14 592	19 492	15 057	20 559	15 858
Slovenia	16 735	10 785	22 528	14 678	23 242	15 607	24 858	16 642	24 951	16 732	26 370	17 592	27 561	18 352	28 507	19 030	29 068	19 448	29 758	19 880
Spain	23 604	18 919	28 791	22 895	30 187	23 971	32 288	26 058	34 063	27 319	34 551	27 043	36 245	28 256	37 614	29 016	38 271	29 500	39 029	30 061
Sweden	28 868	19 132	35 758	24 714	37 910	27 448	40 175	29 361	40 638	30 317	40 934	30 795	42 505	31 944	43 969	33 020	45 215	33 863	46 379	35 071
Switzerland	39 400	32 379	48 700	40 227	52 052	42 837	53 651	44 461	55 295	45 753	56 360	46 562	60 246	49 705	63 976	52 945	65 062	53 818	66 506	54 944
Turkey ²	19 618	13 981	18 474	12 865	19 948	13 879	21 431	15 498	20 513	14 960	20 640	15 065	21 352	15 575	22 246	16 216	23 565	17 118	24 054	17 458
United Kingdom	39 187	29 073	50 163	36 676	51 471	37 568	51 290	38 168	50 909	38 061	49 619	37 020	48 713	36 501	50 175	37 764	50 220	38 185	50 865	38 806
United States	33 129	24 877	39 377	29 765	42 064	31 615	43 196	33 235	44 295	33 966	45 665	34 807	46 895	36 189	47 746	36 838	48 774	36 737	50 075	37 637
OECD Average	25 334	18 384	32 064	23 475	33 539	24 560	35 085	25 802	35 743	26 463	36 585	27 104	37 897	27 915	39 057	28 756	39 806	29 233	40 770	29 908

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

StatLink  <http://dx.doi.org/10.1787/888933197467>

Table 6.10. Annual average gross and net wage earnings, single individual no children, 2000-14 (national currency)

	2000		2006		2007		2008		2009		2010		2011		2012		2013		2014	
	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	55 042	41 844	57 120	43 777	60 321	46 720	63 546	49 529	66 724	51 856	69 903	54 334	73 494	56 676	77 530	59 623	79 689	61 048
Austria	29 732	20 526	35 143	23 391	36 228	23 970	37 258	24 492	37 832	25 428	38 504	25 770	39 693	26 376	40 708	26 893	41 940	27 521	42 573	27 843
Belgium	31 644	18 035	37 674	21 880	38 659	22 397	40 698	23 405	42 149	24 324	43 423	24 873	44 636	25 520	45 886	26 288	46 197	26 609	46 464	26 794
Canada	36 038	26 992	40 191	30 644	41 885	32 129	42 907	32 877	42 516	32 955	44 400	34 459	45 469	35 221	46 940	36 329	47 946	37 074	49 481	37 967
Chile	2 770 353	2 576 428	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	5 804 093	5 397 806	6 218 613	5 783 310	6 604 419	6 142 110	7 018 884	6 527 562
Czech Republic	160 922	124 729	233 580	181 234	250 710	193 316	272 651	208 198	281 887	219 060	287 320	222 803	295 273	227 083	302 500	233 263	302 403	233 196	312 084	239 866
Denmark	281 700	157 242	330 900	195 259	346 400	203 947	359 300	212 344	367 051	221 974	376 073	232 025	386 457	237 944	391 951	240 873	393 463	243 126	397 484	246 161
Estonia	3 931	3 068	7 456	6 059	8 939	7 268	10 045	8 250	9 492	7 729	9 712	7 820	10 368	8 324	11 004	8 813	11 732	9 446	12 436	9 991
Finland	26 362	17 431	33 543	23 283	35 559	24 744	37 372	26 026	38 444	27 191	39 395	27 804	40 243	28 422	41 413	29 247	42 257	29 548	42 910	29 755
France	26 712	18 923	31 369	22 675	32 413	23 415	33 580	24 250	34 132	24 628	34 693	25 032	35 497	25 582	36 232	26 029	36 808	26 377	37 427	26 687
Germany	34 400	19 539	39 149	22 505	40 100	23 195	41 000	23 842	40 600	23 871	41 736	25 374	43 300	26 088	44 300	26 682	44 700	27 075	45 952	27 782
Greece	15 693	12 236	23 800	17 594	23 893	17 730	23 835	17 856	24 619	18 510	24 156	18 541	23 391	17 084	22 240	16 322	20 766	15 451	20 168	15 145
Hungary	1 086 240	698 166	1 985 412	1 285 714	2 156 184	1 319 406	2 336 124	1 442 307	2 436 408	1 516 415	2 512 020	1 723 560	2 645 712	1 717 097	2 840 112	1 842 297	2 933 520	1 921 456	3 009 284	1 971 081
Iceland	2 712 000	2 022 102	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	5 628 000	4 030 857	6 120 000	4 365 845	6 672 000	4 732 414	6 856 100	4 903 399
Ireland	22 008	17 532	29 931	25 533	31 185	26 861	32 550	28 011	31 802	26 507	32 308	26 540	32 264	26 508	32 479	26 656	33 154	26 783	34 466	27 413
Israel ¹	95 664	70 691	105 652	84 223	112 986	89 013	119 233	96 250	120 028	98 777	121 581	100 905	125 405	104 026	128 550	107 163	128 664	107 597	130 605	109 056
Italy	21 550	15 291	25 241	17 985	25 805	18 273	26 845	18 918	27 419	19 270	28 243	19 705	28 872	19 991	29 440	20 328	30 039	20 691	30 463	20 834
Japan	4 987 116	4 140 942	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	4 821 385	3 807 417	4 893 341	3 848 998	4 835 595	3 794 828	4 881 994	3 820 669
Korea	19 849 729	18 073 190	30 495 639	27 257 957	32 361 506	28 457 420	33 658 172	29 570 496	34 410 564	30 387 885	36 929 183	32 390 144	36 816 740	32 220 027	38 811 570	33 756 834	39 360 890	34 138 619	39 781 075	34 458 883
Luxembourg	35 875	25 591	43 539	31 969	45 265	32 728	47 043	34 156	48 183	35 540	49 387	36 167	50 674	36 278	51 964	37 348	53 485	37 707	54 560	38 254
Mexico	47 469	46 441	73 208	69 572	77 145	72 518	81 306	77 124	84 727	80 135	87 324	82 428	91 014	82 627	94 875	85 832	98 491	88 835	101 904	91 671
Netherlands	31 901	21 176	40 800	27 543	42 000	28 362	43 146	28 977	44 412	30 292	45 215	30 901	46 287	31 612	47 408	32 146	48 421	33 290	48 856	33 525
New Zealand	34 923	28 159	40 843	32 495	43 022	33 955	44 521	35 389	46 653	38 221	48 007	39 850	49 395	41 557	51 278	42 875	53 234	44 244	54 733	45 293
Norway	298 385	206 788	397 765	282 046	420 917	296 570	443 613	312 312	456 214	322 642	471 669	333 640	491 011	346 696	504 381	357 098	524 330	371 260	542 386	386 014
Poland	23 061	16 649	29 271	20 867	32 292	23 320	33 711	25 270	34 878	26 372	36 482	27 548	38 731	29 198	40 205	30 278	41 652	31 339	42 360	31 859
Portugal	10 922	8 470	15 517	11 997	15 549	12 060	15 581	12 158	15 613	12 262	16 542	12 870	16 208	12 435	17 040	13 158	17 640	12 800	17 436	12 683
Slovak Republic	5 048	4 050	7 418	5 776	7 997	6 213	8 820	6 808	9 043	7 108	9 325	7 306	9 592	7 405	9 810	7 574	10 001	7 725	10 342	7 977
Slovenia	8 894	5 732	13 684	8 916	14 625	9 821	15 769	10 557	16 079	10 783	16 915	11 284	17 373	11 568	17 538	11 707	17 673	11 824	17 851	11 926
Spain	17 319	13 882	21 168	16 833	21 989	17 461	23 252	18 765	24 164	19 380	24 786	19 400	25 515	19 892	25 894	19 975	26 027	20 062	26 162	20 150
Sweden	263 581	174 686	324 618	224 362	336 818	243 870	352 470	257 589	362 291	270 277	368 208	277 001	376 309	282 810	387 960	291 356	398 220	298 247	407 974	308 501
Switzerland	72 910	59 918	80 727	66 682	83 325	68 573	83 088	68 856	83 974	69 483	85 068	70 280	86 305	71 205	89 364	73 955	89 743	74 233	90 522	74 784
Turkey ²	5 545	3 952	15 645	10 895	17 238	11 993	19 074	13 794	18 709	13 644	19 415	14 170	21 179	15 449	23 376	17 039	26 206	19 037	28 370	20 590
United Kingdom	24 910	18 481	31 419	22 971	33 216	24 244	33 382	24 841	33 391	24 964	34 297	25 589	34 083	25 538	34 877	26 250	35 081	26 674	35 633	27 185
United States	33 129	24 877	39 377	29 765	42 064	31 615	43 196	33 235	44 295	33 966	45 665	34 807	46 895	36 189	47 746	36 838	48 774	36 737	50 075	37 637

Note: The annual average gross wage earnings in euro area countries are expressed in euros for all years.

1. Information on data for Israel: <http://oe.cd/israel-disclaimer>.

2. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2009.

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PART III

Country details, 2014

This part of the publication provides the individual country details for 2014 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).

Australia

(2013-14 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 public 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 2014

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		53 392	79 689	133 081	53 392
Principal Gross wage earnings		53 392	79 689	133 081	53 392
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)		53 392	79 689	133 081	53 392
5. Central government income tax liability (exclusive of tax credits)					
Income tax		8 899	17 446	37 187	8 899
Medicare Levy		801	1 195	1 996	801
	Total	9 700	18 641	39 183	9 700
6. Tax credits					
Basic credit		199	0	0	199
Married or head of family		0	0	0	0
Children					
Other					
	Total	199	0	0	199
7. Central government income tax finally paid (5-6)		9 501	18 641	39 183	9 501
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)		9 501	18 641	39 183	9 501
11. Cash transfers from general government					
For head of family		0	0	0	0
For two children		0	0	0	13 586
	Total	0	0	0	13 586
12. Take-home pay (1-10+11)		43 891	61 048	93 898	57 476
13. Employers' payroll tax		3 179	4 745	7 924	3 179
14. Average rates					
Income tax		17.8%	23.4%	29.4%	17.8%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		17.8%	23.4%	29.4%	-7.7%
Total tax wedge including employer payroll taxes		22.4%	27.7%	33.4%	-1.6%
15. Marginal rates					
Total payments less cash transfers: Principal earner		35.5%	34.0%	38.5%	55.5%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		39.1%	37.7%	42.0%	58.0%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Australia 2014

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		79 689	105 986	133 081	105 986
Principal Gross wage earnings		79 689	79 689	79 689	79 689
Spouse Gross wage earnings		0	26 297	53 392	26 297
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)		79 689	105 986	133 081	105 986
5. Central government income tax liability (exclusive of tax credits)					
Income tax		17 446	18 984	26 345	18 984
Medicare Levy		1 195	1 590	1 996	1 195
	Total	18 641	20 574	28 341	20 180
6. Tax credits					
Basic credit		0	445	199	445
Married or head of family		0	0	0	0
Children					
Other					
	Total	0	445	199	445
7. Central government income tax finally paid (5-6)		18 641	20 129	28 142	20 129
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)		18 641	20 129	28 142	20 129
11. Cash transfers from general government					
For head of family		0	0	0	0
For two children		8 618	2 860	0	0
	Total	8 618	2 860	0	0
12. Take-home pay (1-10+11)		69 666	88 717	104 938	85 857
13. Employers' payroll tax		4 745	6 311	7 924	6 311
14. Average rates					
Income tax		23.4%	19.0%	21.1%	19.0%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		12.6%	16.3%	21.1%	19.0%
Total tax wedge including employer payroll taxes		17.5%	21.0%	25.6%	23.5%
15. Marginal rates					
Total payments less cash transfers: Principal earner		51.5%	64.0%	34.0%	34.0%
Total payments less cash transfers: Spouse		27.6%	50.5%	35.5%	20.5%
Total tax wedge: Principal earner		54.2%	66.0%	37.7%	37.7%
Total tax wedge: Spouse		31.6%	53.3%	39.1%	25.0%

The national currency is the Australian dollar (AUD). For the 2013-14 income tax year AUD 1.11 was equal to USD 1. The average worker earned AUD 79 689 in 2013-14.

1. Personal income tax system

1.1. Federal 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 18 200 by resident taxpayers is subject to tax at a zero rate.
- *Standard marital status reliefs:* A taxpayer may claim a tax offset where he or she contributes to the maintenance of a dependent spouse (legal or *de facto*). For the 2013-14 income year eligibility for the Dependent Spouse Tax offset is limited to taxpayers with a dependent spouse who was born before 1 July 1952. For eligible taxpayers during 2013-14, the maximum offset amount was AUD 2 471. The maximum amount 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:* See Section 4.2 for more detail on the Baby Bonus.
- *Relief for social security contributions and other taxes:* No such contributions are levied.
- *Reliefs for low income earners:* A tax offset worth a maximum of AUD 445 is available for low income earners. Taxpayers whose taxable income was less than AUD 37 000 in 2013-14 are eligible to receive the full amount of the offset. The offset is reduced by AUD 0.015 for every AUD 1 by which a taxpayer's taxable income exceeds AUD 37 000 and is no longer available once a taxpayer's taxable income exceeds AUD 66 667.
- *Relief for mature age workers:* Taxpayers born before 1 July 1957, and 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 is reduced by AUD 0.05 for every AUD 1 of earned income above AUD 53 000.
- *Relief for recipients of certain social security benefits:* The Beneficiary Tax Offset is available for those who receive certain taxable social security benefits called "rebataable benefits". It is calculated to ensure that a person who receives a rebataable benefit does not pay any tax on that income. The amount of the Beneficiary Tax Offset available to an individual is determined by the total amount of the rebataable benefit(s) they receive in an income year.
- *Relief for taxpayers who maintain a dependant who is genuinely unable to work:* A taxpayer who maintains a dependant who is genuinely unable to work due to invalidity or carer

obligations may be eligible for the Dependent (Invalid and Carer) Tax Offset. This tax offset is worth a maximum of AUD 2 471 in 2013-14. To qualify for the offset, the combined adjusted taxable income of the taxpayer and their spouse (where one exists) should not exceed AUD 150 000. The amount of offset that may be received is reduced by AUD 1 for every AUD 4 by which the dependant's adjusted taxable income exceeds AUD 282 and is no longer available once the dependant's adjusted taxable income exceeds AUD 10 166.

- There are also tax rebates to ensure that taxpayers in receipt of a taxable Australian Government pension, as well as Australians who are of Age Pension age and who meet all of the Age Pension eligibility criteria except the income and/or asset tests, pay less tax. The Senior Australian and Pensioner Tax Offset is worth up to AUD 2 230 for a single taxpayer, up to AUD 1 602 for each member of a senior couple not separated by illness and AUD 2 040 for each member of a senior couple separated by illness. The offset is withdrawn at the rate of AUD 0.125 for every dollar that a recipient's income exceeds their effective tax-free threshold. For a single taxpayer, this means that the offset is withdrawn from AUD 32 279 and is no longer available once income reaches AUD 50 119. For members of a couple not separated by illness, the offset is withdrawn from a combined income of AUD 57 948 and is no longer available once combined income reaches AUD 83 580.
- Other: No other standard relief available.

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

- *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. In 2013-14, eligible individuals with incomes not exceeding AUD 37 000 effectively have the tax paid on their concessional contributions refunded, up to a maximum of AUD 500.
- *Relief for private health insurance:* For the 2013-14 income year, there are different rebate amounts depending on age and income. For individuals below 65 years without dependants and with annual income for surcharge purposes below AUD 88 000 the rebate is 30 per cent of the cost of cover for eligible private health care. For families (couples and individuals with at least one dependent child) below 65 years with annual income for surcharge purposes below AUD 176 000, the rebate is 30 per cent of the cost of cover for eligible private health care. The threshold is increased by AUD 1 500 for each dependent child after the first.

The rebate percentages are reduced for individuals and families with annual incomes above these amounts. The rebate percentages are also higher for individuals and families aged 65 years or more.

- *Relief for medical expenses:* In 2013-14, there is an offset for annual net out-of-pocket medical expenses. Eligibility for the offset is based on annual income. This offset is being phased out, so for the 2013-14 income year, it is only available to individuals who claimed the offset in 2012-13 or who have medical expenses relating to disability aids, attendant care or aged care. Single taxpayers with an adjusted taxable income (ATI) of AUD 88 000 or less, and families with ATI below AUD 176 000 (plus AUD 1 500 for each additional dependent child after the first), are able to claim 20 per cent of medical expenses over AUD 2 162. Single taxpayers and families with incomes above these respective amounts are able to claim 10 per cent of medical expenses over AUD 5 100.

- 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	18 200	NIL
18 201	37 000	NIL + 19 c for each AUD in excess of AUD 18 200
37 001	80 000	AUD 3 572 + 32.50 c for each AUD in excess of AUD 37 000
80 001	180 000	AUD 17 547 + 37 c for each AUD in excess of AUD 80 000
180 001 and over		AUD 54 547 + 45 c for each AUD in excess of AUD 180 000

To nominally contribute towards the cost of basic medical and hospital care a Medicare Levy is imposed on the taxable incomes of resident taxpayers. In 2013-14 the levy applied 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 2013-14, an individual taxpayer was not liable for the levy where their taxable income did not exceed AUD 20 542. A taxpayer in a couple or sole parent family who is not receiving Parenting Payment (see Section 4.2), does not pay the levy if the taxable family income does not exceed AUD 34 367. The threshold is increased by AUD 3 156 for each dependent child. Where an individual's taxable income exceeds AUD 20 542, or a family's income exceeds AUD 34 367 (plus AUD 3 156 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 2013-14, individual senior Australians of Age Pension age were not liable to pay the levy where their taxable income did not exceed AUD 32 279. Where taxable income exceeded AUD 32 279 but did not exceed AUD 37 975, the levy liability was equal to 10 per cent of the excess of taxable income over AUD 32 279. Pensioner families (including couples and sole parents on Parenting Payment) and senior Australian families of Age Pension age, did not become liable to pay any Medicare levy until their combined income in 2013-14 exceeded AUD 46 000 (plus AUD 3 156 for each dependent child).

Individual taxpayers who had income for surcharge purposes greater than AUD 88 000 in 2013-14 (or if a couple had a combined income greater than AUD 176 000) but who did not have a complying private health care policy, were liable for the Medicare levy surcharge, which is applied as a flat rate on their taxable income. The surcharge rates are

1 per cent, 1.25 per cent and 1.5 per cent depending on the taxpayer's taxable income above these thresholds. However, affected taxpayers typically purchase a complying policy as the cost of such a policy is generally less than the surcharge. The surcharge is therefore 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). In 2013-14, the Superannuation Guarantee required employers to pay 9.25 per cent on top of employees' gross ordinary time earnings to an approved superannuation fund, provided they earn more than AUD 450 per month (they may also choose to make contributions for workers earning less than this threshold). This threshold is not indexed. There is also a limit to the Superannuation 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 2013-14 tax year this threshold was AUD 48 040 per quarter. The Superannuation Guarantee rate will increase to 9.5 per cent in 2014-15 and will remain at that rate until 2020-21.

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 employers are legislatively required to make contributions to approved superannuation funds legislated, superannuation funds are private, although subject to regulation. Employers' contributions are generally made to individual accounts and form part of employees' personal superannuation assets. Some defined benefit schemes for public sector 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 between States. In New South Wales, the State with the largest population, the pay-roll tax rate in 2013-14 was 5.45 per cent for employers with total Australian wages in excess of AUD 750 000. Employers are 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 750 000. The exempt amount is reduced based on the proportion of the employer's New South Wales pay-roll to its total Australian pay-roll.

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

- Family Tax Benefit (FTB) Part A is paid to a parent, guardian or an approved care organisation to help families meet the costs of raising children. For 2013-14, 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 2 164.45 for a dependent child aged under 15 and for dependent full time students aged 16 to 19 (Note from 1 May 2014 eligibility was limited to children up to 15 years and 16-19 years and in full time secondary school). 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 313.90 for the third and each subsequent child.
- A higher FTB(A) 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 5 215.85 for each child aged under 13 years and AUD 6 566.35 for each child aged 13 to 15 years for 2013-14 and from 1 January 2012 for each child aged 16-19 in full time secondary school. Families can receive up to AUD 2 164.45 for children aged 16-17 who have completed a Year 12 or equivalent qualification. The higher benefit is also boosted by the LFS for families with three or more children. For 2013-14, the higher benefit tapers out at the rate of AUD 0.20 for each dollar of income over AUD 48 837 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 between 5 and 12 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 having a FTB child under the age of 15 or a qualifying dependent full-time student up to of the end of the calendar year they turn 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 2013-14, this threshold is AUD 5 183, 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 2013-14, the maximum payment is AUD 3 018.55 if the youngest dependent child is aged between 5 and 15 (or up to 18 years if the dependent child is a full-time student), and AUD 4 171.95 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.

- A one-off Baby Bonus is paid to families for each baby born before 1 March 2014. The value of the payment in 2013-14 is AUD 5 000 for the first eligible child (and all multiple births) and AUD 3 000 for all eligible second and subsequent children. Baby Bonus is payable to families with a combined income of AUD 75 000 or less in the six months following the birth. For a baby born from 1 March 2014, families may be eligible for the Newborn Supplement and may also be eligible for the Newborn Upfront Payment. Families will need to be eligible for Family Tax Benefit Part A and are not accessing Parental Leave Pay. The Newborn Supplement and Newborn Upfront Payment for eligible families totals up to AUD 2 001.50 for the first child (and all multiple births) and up to AUD 1 000.50 for subsequent children.
- On 1 January 2011 Australia's first Paid Parental Leave (PPL) scheme commenced. PPL provides the primary carer of a child with 18 weeks' pay at the national minimum wage (AUD 622.10 per week before tax in 2013-14), in the year following the child's birth or adoption. The primary carer must have worked for at least 10 of the 13 months prior to the birth or adoption, and for at least 330 hours in that 10 month period. The primary carer's adjusted taxable income must be AUD 150 000 or less in the financial year prior to the date of claim or date of birth or adoption. PPL and Baby Bonus cannot be paid for the same child. A person cannot claim FTB(B) or the dependent spouse, child housekeeper and housekeeper tax offsets while they are receiving PPL.
- Child Care Benefit (CCB) is a means-tested payment which assists families with the cost of approved child care. In 2013-14, CCB is payable to eligible families with incomes up to AUD 145 642 for one child in care, with the income limit rising for each additional child in care. Families with annual incomes under AUD 41 902 receive the maximum rate of CCB, which is AUD 3.99 per hour for a non-school child. CCB is payable for a maximum of 50 hours per week. To receive more than 24 hours of CCB per week both parents must be participating in work, training or study activities for at least 15 hours per week. The attached calculations assume no child care usage.
- Child Care Rebate (CCR) is an additional payment aimed at promoting workforce participation. CCR is not means tested. It pays 50 per cent of out-of-pocket child care expenses (after any CCB), up to an annual cap of AUD 7 500 per child in 2013-14. Families have to participate in work related commitments at some time during a week or have an exemption. No minimum number of hours is required.
- 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. In 2013-14, the maximum annual amount of Parenting Payment (Partnered) (PP(P)) was AUD 11 798. Only one parent in a couple can be entitled to PP(P). The maximum annual amount of Parenting Payment (Single) (PP(S)) was AUD 18 192.20. 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 1878 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 22 312. If the spouse has little or no income (less than AUD 1 878 per annum), he or she would not receive any Parenting Payment when the higher earning partner's income exceeds AUD 41 975. PP(S) reduces by AUD 0.40 for each AUD 1 of income above AUD 4 695.60 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 2013-14 where private income does not exceed AUD 50 815.7. 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 Employment Pathway Plan, which typically involves taking part in activities such as job seeking and training. In 2013-14, the Newstart allowance for singles without dependants was AUD 13 068 and for partnered individuals was AUD 11 798. These payments taper out at a rate of AUD 0.50 per AUD 1 for incomes between AUD 1 878 and AUD 6 500, and reduce at a rate of AUD 0.60 per AUD 1 for incomes over AUD 6 500. The Newstart allowance for partnered individuals reduces by AUD 0.60 for each AUD 1 of their partner's income above AUD 22 312. For single principal carers with dependent child(ren), it reduces at a rate of AUD 0.40 per AUD 1 for incomes over AUD 1 878.
- A non-taxable supplementary payment called Pharmaceutical Allowance (PA) is payable to eligible persons; for example, persons who receive the PP(S). PA is added to the maximum basic rate of PP(S) before a person's PP(S) entitlement is calculated. Anyone with a PP(S) entitlement, after PA has been added, receives the full amount of PA. For 2013-14, the payment is AUD 161.20.
- 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 104.88 for 2013-14, with a higher rate of AUD 156.68 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.

4.2. Other transfers

Single Income Family Supplement

- The Single Income Family Supplement (SIFS) is a non-taxable payment for households with one main income earner.
- The SIFS phases in at a rate of AUD 0.025 for every AUD 1 above AUD 68 000 until it reaches AUD 300. Once the main earner's income exceeds AUD 120 000 the SIFS reduces by AUD 0.01 for every AUD 1. If there is a secondary earner, every AUD of their income above AUD 16 000, reduces the SIFS by AUD 0.15.

Schoolkids Bonus

- Parents or carers eligible for FTB Part A are eligible to receive Schoolkids Bonus. In 2013-14, the Bonus was worth AUD 410 for each child in primary school and AUD 820 for each child in secondary school.

Income Support Bonus

- The Income Support Bonus is a non-taxable payment made to recipients of eligible social security benefits. In 2013-14, single persons received AUD 213.60 and each member of a couple received AUD 178.10.

5. Recent changes in the tax/benefit system

Energy Supplement

- From 1 July 2013, the Clean Energy Supplement was available for recipients of Family Tax Benefit payments. Previously these recipients were paid the Clean Energy Advance. The Clean Energy Supplement has been renamed to the Energy Supplement.

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 now conducted on a biannual basis (it was previously conducted on a quarterly basis up to the June 2012 quarter) and is based on a representative sample of employers in each industry. As a result of this change in frequency, average weekly earnings for the 2013-14 income tax year have been calculated as the average of the two biannual figures (November 2013 and May 2014 [released in August 2014]).

In August 2009, the Australian Bureau of Statistics redesigned the survey and replaced the industry classification based on 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 2006 edition of ANZSIC 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. Accordingly, the average wage figure for 2010 and later years is inconsistent with that provided for previous years.

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 of private households;
- 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;
- persons paid solely by commission without a retainer; and
- employees paid under the Paid Parental Leave Scheme.

The sample for the AWE survey, like most ABS business surveys, is selected from the ABS Business Register which is primarily based on registrations with 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.

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.

2014 parameter values

Average earnings/yr	Ave_earn	79 689	
Dependant Spouse Tax Offset	spouse_cr	0	
income limit	sp_lim	282	
withdrawal rate	sp_redn	0.25	
income limit (primary earner)	sp_lim_p	150 000	
Low Income Tax Offset	low_inc_cr	445	
	low_inc_lim	37 000	
	low_inc_redn	0.015	
Tax schedule	tax_sch	0.000	18 200
		0.190	37 000
		0.325	80 000
		0.370	180 000
		0.450	
Medicare levy	medic_rate	0.015	
exemption limits	sing_lim	20 542	
married	m_lim	34 367	
sing parent receiving PPS	SAPTO_lim	46 000	
+ per child	ch_lim	3 156	
shading-in rate	shade_rate	0.1	
Part A FTB max	FTB_A_max	5 215.85	
Part A FTB basic	FTB_A_base	2 164.45	
part A income limit 1	FTB_A_lim1	48 837	
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	313.9	
Part A FTB Clean Energy Advance (CEA) max	FTB_A_CEA_max	0	
Part A FTB CEA basic	FTB_A_CEA_basic	0	
Part A FTB Clean Energy Supplement (CES) max	FTB_A_CES_max	87.6	
Part A FTB CES basic	FTB_A_CES_basic	36.5	
Part B FTB	FTB_B	3 18.55	
part B partner income limit	FTB_B_lim	5 183	
reduction rate	FTB_B_taper	0.2	
income limit (primary earner)	FTB_B_lim_p	150 000	
Part B FTB CEA no child < 5 years old	FTB_B_CEA_5	0	
Part B FTB CES no child < 5 years old	FTB_B_CES_5	51.1	
Single Income Family Supplement max rate	SIFS_max	300	
Single Income Family Supplement phase-in threshold	SIFS_in_lim_pr	68 000	
Single Income Family Supplement taper in Rate – primary earner	SIFS_in_taper_pr	0.025	
Single Income Family Supplement phase-out threshold (primary earner)	SIFS_out_lim_pr	120 000	
Single Income Family Supplement taper out rate (primary earner)	SIFS_out_taper_pr	0.01	
Single Income Family Supplement phase out threshold (secondary earner)	SIFS_out_lim_sec	16 000	
Single income family supplement phase out taper – secondary earner	SIFS_out_taper_sec	0.15	
Parenting payment single	PPS	18 192.2	
reduction rate	PPS_taper	0.4	
income limit	PPS_lim	4 695.6	
additional limit per child	PPS_ch_lim	639.6	
Parenting payment single CEA	PPS_CEA	0	
Parenting payment single Clean Energy Supplement (CES)	PPS_CES	305.006	
Pharmaceutical allowance	PA	161.2	
State pay-roll tax rate (NSW)	Pay_roll_rate	0.0545	
Additional parameters			
Newstart allowance single rate	NSAS	13 068.38	
Newstart allowance single CEA	NSAS_CEA	0	
Newstart allowance single CES	NSAS_CES	221.806	
Newstart allowance partnered rate	NSAP	11 798.28	
Newstart allowance partnered CEA	NSAP_CEA	0	
Newstart allowance partnered CES	NSAP_CES	200.304	
reduction rate 1	NSA_taper1	0.5	
reduction rate 2	NSA_taper2	0.6	
income limit 1	NSA_lim1	1 878	
income limit 2	NSA_lim2	6 500	
Senior Australian and Pensioner Tax Offset	SAPTO	2 230	
Senior Australian and Pensioner Tax Offset single threshold	SAPTO_thresh	32 279	
Senior Australian and Pensioner Tax Offset taper rate	SAPTO_taper	0.125	
Schoolkids Bonus	SKB	410	
Telephone allowance	Tele_A	104.88	
Flood levy	tax_flo		
Income Support Bonus – Single	ISB_s	213.6	
Income Support Bonus – partnered	ISB_p	178.1	

2014 tax equations

The equations for the Australian system in 2014 are mostly repeated for each individual of a married couple. However, the spouse credit is relevant only to the calculation for the principal earner and the calculation of the 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),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),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,SAPTO_lim,ch_lim,shade_rate,medic_rate,Married,tax_inc_oth,Children)
Tax liability	liab	P	Tax(tax_inc, tax_sch)
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)
Senior Australian and Pensioner Tax Offset	sap_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(SAPTO,tax_inc,SAPTO_thresh,SAPTO_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+sap_cr+ben_cr
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
11. Cash transfers:			
Family Tax Benefit (Part A)	ftbA	P	IF(PA>0,((FTB_A_max+FTB_A_CES_max)*Children+IF(Children>2,(Children-2)*FTB_A_large,0)),MAX(((FTB_A_max+FTB_A_CES_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+FTB_A_CES_basic)*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)))

Line in country table and intermediate steps	Variable name	Range	Equation
Family Tax Benefit (Part B)	ftbB	J	IF(earn_princ<FTB_B_lim_p,IF(Children>0,Taper(FTB_B+FTB_B_CES_5,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+PPS_CES,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)>0,PA,0)
Clean Energy Advance	CEA	J	IF(AND(Children>0,Married=0,Taper(PPS+PPS_CES,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)>0),PPS_CEA,IF(AND(Children=0,Married=0,taper2(NSAS+NSAS_CES,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)>0),NSAS_CEA,IF(AND(Married>0,taper3(NSAP,earn_spouse,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2,NSAP_CES)>0),NSAP_CEA))) + IF(AND(taxbl_cr_princ>0,Married>0,taper2(NSAP+NSAP_CES,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)>0),NSAP_CEA,0) + IF(AND(ftbA>0,ftbA>FTB_A_base*Children+IF(Children>2,(Children-2)*FTB_A_large,0)),FTB_A_CEA_max*Children,0) + IF(AND(ftbA>0,ftbA<=FTB_A_base*Children+IF(Children>2,(Children-2)*FTB_A_large,0)),FTB_A_CEA_basic*Children,0) + IF(ftbB>0,FTB_B_CEA_5,0)
Clean Energy Supplement	CES	J	IF(AND(Children>0,Married=0,Taper(PPS+PPS_CES,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)>0),MAX(0,Taper(PPS+PPS_CES,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)-Taper(PPS,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)),IF(AND(Children>0,Married=0,Taper(PPS+PPS_CES,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)=0),0,IF(AND(Children=0,Married=0,taper2(NSAS+NSAS_CES,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)>0),taper2(NSAS+NSAS_CES,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)-taper2(NSAS,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2),IF(AND(Married>0,taper3(NSAP,earn_spouse,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2,NSAP_CES)>0),taper3(NSAP,earn_spouse,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2,NSAP_CES)-taper3(NSAP,earn_spouse,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2,NSAP_CES-NSAP_CES)))) + IF(AND(Married>0,taper2(NSAP+NSAP_CES,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)>0),max(0,taper2(NSAP+NSAP_CES,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)-taper2(NSAP,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)),0)
SchoolKids Bonus	SKB	J	IF(ftbA>0,SKB*Children,0)
Single Income Family Supplement	SIFS	J	sifs(tax_inc_princ,tax_inc_spouse,ftbA+ftbB,SIFS_max,SIFS_in_lim_pr,SIFS_in_taper_pr,SIFS_out_lim_pr,SIFS_out_taper_pr,SIFS_out_lim_sec,SIFS_out_taper_sec)
Income support bonus	ISB	B	IF(AND(Married=0,(taxbl_cr_princ+earn_princ+PA)>0),ISB_s,IF(AND(Married>0,taper3(NSAP,taxbl_cr_princ,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2,NSAP_CES)>0),ISB_p,0)) + IF(AND(Married>0,taper2(NSAP+NSAP_CES,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)>0),ISB_p,0)
Telephone Allowance	TeleA	P	IF(Married=0,IF(Children>0,IF(Taper(PPS+PA+PPS_CES,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)>0,Tele_A,0),0),0)
	cash_trans	J	ftbA+ftbB+taxbl_cr_princ+PA+taxbl_cr_spouse+Tele_A+CEA=CES+SKB+SIFS+ISB
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 2014

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		28 524	42 573	71 097	28 524
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		5 151	7 688	11 452	5 151
Work-related expenses		132	132	132	132
Other		620	620	620	620
Total		5 963	8 500	12 264	6 403
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		22 561	34 074	58 833	22 121
5. Central government income tax liability (exclusive of tax credits)		3 380	7 388	16 762	3 219
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	1 014
7. Central government income tax finally paid (5 - 6)		3 035	7 043	16 417	2 205
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		5 151	7 688	11 452	5 151
Taxable income					
Total		5 151	7 688	11 452	5 151
10. Total payments to general government (7 + 8 + 9)		8 186	14 730	27 869	7 356
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	4 964
Total		0	0	0	4 964
12. Take-home pay (1-10+11)		20 338	27 843	43 229	26 132
13. Employer's wage dependent contributions and taxes					
Employer's compulsory social security contributions		6 169	9 208	13 717	6 169
payroll taxes		2 139	3 193	5 332	2 139
Total		8 309	12 401	19 049	8 309
14. Average rates					
Income tax		10.6%	16.5%	23.1%	7.7%
Employees' social security contributions		18.1%	18.1%	16.1%	18.1%
Total payments less cash transfers		28.7%	34.6%	39.2%	8.4%
Total tax wedge including employer's social security contributions		44.8%	49.4%	52.0%	29.1%
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 2014

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		42 573	56 622	71 097	56 622
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		7 688	9 803	12 838	9 803
Work-related expenses		132	264	264	264
Other		620	1 240	1 240	1 240
Total		8 940	11 867	14 990	11 427
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		33 634	44 756	56 107	45 196
5. Central government income tax liability (exclusive of tax credits)		7 198	7 198	10 557	7 388
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		1 014	690	690	690
7. Central government income tax finally paid (5 - 6)		6 184	6 743	9 867	6 933
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		7 688	9 803	12 838	9 803
Taxable income					
Total		7 688	9 803	12 838	9 803
10. Total payments to general government (7 + 8 + 9)		13 871	16 546	22 706	16 736
11. Cash transfers from general government					
For head of family					
For two children		4 964	4 964	4 964	0
Total		4 964	4 964	4 964	0
12. Take-home pay (1-10+11)		33 666	45 041	53 356	39 887
13. Employer's wage dependent contributions and taxes					
Employer's compulsory social security contributions		9 208	12 247	15 377	12 247
Payroll taxes		3 193	4 247	5 332	4 247
Total		12 401	16 493	20 710	16 493
14. Average rates					
Income tax		14.5%	11.9%	13.9%	12.2%
Employees' social security contributions		18.1%	17.3%	18.1%	17.3%
Total payments less cash transfers		20.9%	20.5%	25.0%	29.6%
Total tax wedge including employer's social security contributions		38.8%	38.4%	41.9%	45.4%
15. Marginal rates					
Total payments less cash transfers: Principal earner		49.1%	49.1%	49.1%	49.1%
Total payments less cash transfers: Spouse		19.0%	15.1%	44.4%	15.1%
Total tax wedge: Principal earner		60.6%	60.6%	60.6%	60.6%
Total tax wedge: Spouse		37.3%	34.2%	56.9%	34.2%

The Austrian currency is the euro (EUR). In 2014, EUR 0.75 was equal to USD 1. In that year, the average worker in Austria earned EUR 42 573 (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 per cent of taxable income are deductible. Additionally, contributions to the church are deductible up to an amount of EUR 400.

- 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 amount is calculated according to the following formula:

Income from Christmas and leave bonus (EUR) up to	Marginal rate %
620	0
25 000	6
50 000	27
83 333	37.5
Above	50

In case of bonuses up to EUR 25 000 the tax amount is 30% of the bonus (net of SSC) exceeding EUR 2 000 instead of the formula above, if this results to a lower tax amount. So the break-even is at EUR 2 345 a month.

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 1.1.2.2) the maximum is EUR 400 and the percentage increases to 18 per cent.
- Traffic (commuting) tax credit EUR 291.
- Additional traffic tax credit in case of entitlement to traffic relief according to the distance between home/address and working place (see 1.1.2.2). In this case employees are entitled to an additional traffic tax credit of EUR 2 per km distance from home to working place.

- 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 19 930 and if the spouse's income does not exceed EUR 2 200. Otherwise the tax credit is EUR 400. The tax credit is linearly reduced to 0 between EUR 17 000 (EUR 19 930 for sole earners) 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	4 530	9 060	3.95	3.70
Unemployment insurance	4 530	9 060	⁴	3.00
Pension insurance	4 530	9 060	10.25	12.55
Accident insurance	4 530	9 060	–	1.40
Contribution to the labour chamber	4 530	1	0.50	–
Contribution for the promotion of residential building	4 530	1	0.50	0.50
Addition to secure wage payments in the case of bankruptcy	4 530	9 060	–	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 395.31 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 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. Employees' unemployment insurance rate is reduced for low earnings. In 2014, it is zero for monthly earnings up to EUR 1 246, 1% up to EUR 1 359, 2% up to EUR 1 530 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. The monthly payment is EUR 105.40 (as of 1 July: 109.70) for the first child, EUR 118.20 (as of 1 July: 123.10) for the second, EUR 140.40 (as of 1 July: 146.10) for the third and EUR 155.40 (as of 1 July: 161.90) for each subsequent child. It is increased by EUR 7.30 (as of 1 July: 7.60) for children above 3 years, EUR 25.50 (as of 1 July: 26.50) for children above 10 years of age and by EUR 47.30 (as of 1 July: 49.20) for students (above 19). In the calculation the weighted average is applied. 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 choose between following alternatives: EUR 14.53 per day until the 36th month of birth, EUR 20.80 (24 months), EUR 26.60 (18 months) or EUR 33.00 (14 months). Additionally instead of the fix amounts the entitled person can opt for 80% of the last net-earning, limited to EUR 2 000 a month (14 months). The children's tax credit (EUR 50.90 monthly, see Section 1.1.4) 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 1st 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.

Starting with 2013 a progressive rate schedule is applied to Christmas and leave bonus instead of a flat rate regime of 6% (see 1.13).

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.

2014 parameter values

Average earnings/yr	Ave_earn	42 573	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	
Tax schedule for nci exc. 25000	nci_sch	0	25 000
		0.21	50 000
		0.2975	83 333
		0.44	
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	4 530	
lower limit	SSC_low	395.31	
Employees' contr. rates	health_rate	3.95%	
	unemp_rate	0%	1 246
		1%	1 359
		2%	1 530
		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	1 290.60	
2nd child	CB_2	1 447.80	
3rd child	CB_3	1 719.12	
4th+ child	CB_4	1 903.68	
suppl.>3years	CB03sppl	89.40	
suppl.>10years	CB10sppl	312.00	
suppl.>19years	CB19sppl	579.00	
5 years<suppl<17years	CB5to17	100.0	
Child tax credit	child_cr_1	700.8	

2014 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)	percent	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*percent
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)*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	nearn	=earn-cearn
20	SSC on non-curr. inc.	SSCnc	=(health_rate+unemp(earn,unemp_rate)+pension_rate)* MIN(2*SSC_ceil;nearn)*(nearn>2*SSC_low)
21	Non current income-SSC	nearn_adj1	=nearn-SSCnc
22	of which tax free	taxfree	=MIN(bonus;nearn_adj)
23	Non-curr. tax base	nearn_adj2	=nearn_adj-taxfree
24	Tax schedule for nci exc. 25000	nci_sch	=Positive(MINA(nearn_adj1-nonc_ceil)*alt_nonc_rate;nearn_adj2*non_cur_rate))+MAX(0;Tax(nearn_adj1;nci_sch))
25	Taxable income	taxinc	=ctbase+nearn_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;nearn)
30	Pay-roll taxes	payroll	=payroll_rate*earn
31	Cash transfers	cash	=IF(child=0;0;IF(child=2;CB_1+CB_2+child*CB10spl+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.

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 2014

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		31 131	46 464	77 596	31 131
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		4 069	6 073	10 142	4 069
Work-related expenses		2 824	3 224	3 950	2 824
Other					
Total		6 893	9 297	14 092	6 893
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		24 238	37 167	63 504	24 238
5. Central government income tax liability (exclusive of tax credits)		8 207	14 025	27 164	8 207
6. Tax credits					
Basic credit		0	0	0	0
Married or head of family		1 838	1 768	1 768	2 221
Children		0	0	0	1 197
Other					
Total		1 838	1 768	1 768	3 418
7. Central government income tax finally paid (5-6)		6 370	12 258	25 397	4 789
8. State and local taxes		471	907	1 879	354
9. Employees' compulsory social security contributions					
Gross earnings		4 069	6 073	10 142	4 069
Taxable income		264	432	731	264
Total		4 333	6 505	10 873	4 333
10. Total payments to general government (7 + 8 + 9)		11 174	19 670	38 149	9 477
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	3 773
Total		0	0	0	3 773
12. Take-home pay (1-10+11)		19 957	26 794	39 446	25 428
13. Employer's compulsory social security contributions		8 669	13 850	22 930	8 669
14. Average rates					
Income tax		22.0%	28.3%	35.2%	16.5%
Employees' social security contributions		13.9%	14.0%	14.0%	13.9%
Total payments less cash transfers		35.9%	42.3%	49.2%	18.3%
Total tax wedge including employer's social security contributions		49.9%	55.6%	60.8%	36.1%
15. Marginal rates					
Total payments less cash transfers: Principal earner		54.9%	54.9%	59.8%	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%	68.5%	66.3%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Belgium 2014

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		46 464	61 798	77 596	61 798
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		6 073	6 073	10 142	6 073
Work-related expenses		3 224	5 626	6 048	5 626
Other					
Total		9 297	11 698	16 190	11 698
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		37 167	50 099	61 405	50 099
5. Central government income tax liability (exclusive of tax credits)		12 061	17 528	22 232	17 528
6. Tax credits					
Basic credit		0	200	0	200
Married or head of family		3 605	3 605	3 605	3 605
Children		1 081	1 081	1 081	0
Other					
Total		4 686	4 886	4 686	3 805
7. Central government income tax finally paid (5-6)		7 376	12 643	17 547	13 723
8. State and local taxes		546	950	1 298	1 030
9. Employees' compulsory social security contributions					
Gross earnings		6 073	6 073	10 142	6 073
Taxable income		432	600	731	600
Total		6 505	6 673	10 873	6 673
10. Total payments to general government (7 + 8 + 9)		14 427	20 266	29 718	21 427
11. Cash transfers from general government					
For head of family					
For two children		3 773	3 773	3 773	0
Total		3 773	3 773	3 773	0
12. Take-home pay (1-10+11)		35 811	45 304	51 650	40 371
13. Employer's compulsory social security contributions		13 850	16 061	22 519	16 061
14. Average rates					
Income tax		17.0%	22.0%	24.3%	23.9%
Employees' social security contributions		14.0%	10.8%	14.0%	10.8%
Total payments less cash transfers		22.9%	26.7%	33.4%	34.7%
Total tax wedge including employer's social security contributions		40.6%	41.8%	48.4%	48.1%
15. Marginal rates					
Total payments less cash transfers: Principal earner		54.9%	54.9%	53.8%	54.9%
Total payments less cash transfers: Spouse		38.1%	42.0%	53.8%	42.0%
Total tax wedge: Principal earner		66.3%	66.3%	65.5%	66.3%
Total tax wedge: Spouse		45.9%	61.4%	65.5%	61.4%

The national currency is the euro. In 2014, EUR 0.75 was equal to USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 46 464 (Secretariat estimate).

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 3 950 per spouse and is computed as follows:

Gross earnings less social insurance contributions (EUR)	Rate (%)
Below 5 710	28.7
Between 5 710 and 11 340	10
Between 11 340 and 18 880	5
Above 18 880	3

Paid company directors are also entitled to a standard deduction for work-related expenses; this is equal to 3% of gross income (less social insurance contributions) and may not exceed EUR 2 370 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 10 200.

1.1.2.4. Exempt income

The base amount is:

Taxable income (S)	Fixed amount	Variable amount
0-26 280	7 350	0
26 280-26 560	7 070	26 560-S
26 560 and up	7 070	0

These amounts vary with regards to the family situation. Additional exemptions for dependent children (a handicapped child counts as two children):

- 1 child 1 500
- 2 children 3 870
- 3 children 8 670
- 4 children 14 020
- > 4 children 5 350 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 for the spouse with the highest income and capped at EUR 430 per dependent child.

Additional special exemptions are also granted for certain household members (in euro):

- Other dependants 1 500
- Handicapped spouse 1 500
- Other handicapped dependants 1 500
- Widow(er) with dependent child(ren) 1 500
- Single father or mother 1 500

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

Taxable income (EUR)	Marginal rate (%)
0-8 680	25
8 680-12 360	30
12 360-20 600	40
20 600-37 750	45
37 750-and above	50

The basic exemption plus any additional exemptions is applied from the bottom up.

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 other than wage income, for low-income workers, for children, for service vouchers and for energy-saving expenses). 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 per cent.

1.3. Tax credits**a) Refundable tax credit for low-income from professional activities**

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	
	4 960	0
4 960	6 620	$B \times (R - L_1)/(L_2 - L_1)$
6 620	16 560	B
16 560	21 520	$B \times (L_2 - R)/(L_2 - L_1)$
21 520	and above	0

For 2014 income, the amount of the base (B) was EUR 670. For statutory civil servants, the amount of the base (B), instead of being EUR 670, is EUR 740.

b) Refundable tax credit for low-income workers

A refundable tax credit is intended for low-income workers and company managers (subject to the employees’ social security system) entitled to the employment bonus.

The refundable tax credit amounts to 8.95/14.40 per cent as of 1 April 2014 of the “employment bonus” which is actually granted on remunerations earned during the taxable period. It cannot exceed EUR 200 per taxable period.

1.4. Rebate on the wage withholding tax

Employers benefit from a rebate on the wage withholding tax, at the rate of 1 per cent. 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 paid by the employer 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.

For employers who are either considered as small companies, as defined in article 15 of the Belgian Corporation Code, or natural persons meeting *mutatis mutandis* the criteria set out in the same article 15, the rate has been increased to 1.12 per cent as from 1 January 2014.

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):

2014	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		0.54	0.54
Wage restraint		7.61	7.61
Total	13.07	34.79	47.86

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 01.01.2014 is as follows:

Gross annual earnings (S) in EUR	Fixed amount	Variable amount
0-22 241.96	1 850.4	0.162 (22 241.96 - S)
22 241.96-53 604.28	1 850.4	0
53 604.28 and up	1 850.4	0.06 (S - 53 604.28)

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 01.01.2014 is as follows:

Gross annual salary (S) in EUR	Reduction in EUR
$0 < S < 18\,021.84$	2 207.64
$18\,021.84 < S < 28\,624.92$	Min (2 207.64, $[2\,208 - 0.2082] [S - 18\,021.84]$)
$S > 28\,624.92$	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 per cent 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 per cent and 8 per cent.

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	1 105.36	1 133.36	1 322.12	1 342.12	1 440.76	1 465.76	1 532.12
2nd child	2 026.60	2 054.60	2 430.92	2 450.92	2 649.64	2 674.64	2 830.76
3rd child	3 014.92	3 042.92	3 419.24	3 439.24	3 637.96	3 662.96	3 819.08

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.

2014 parameter values

	Ave_earn	46 464	Secretariat estimate		
Work-related expenses	work_rel_max	3 950			
	work_rel_sch	0.287	5 710		
		0.1	11 340		
		0.05	18 880		
		0.03			
Tax credits (exempt income)	single_cr	7 070			
	Married_cr	7 070			
	Supp_cr_base	280			
	supp_cr_thrsh1	26 280			
One child	child_cr1	1 500			
Two children	child_cr2	3 870			
Single parents	s_parent_cr	1 500			
Maximum Child Credit Payment	child_cr_max	430			
Basic Credit	basic_cr_base	0			
	basic_cr_thrsh1	4 960			
	basic_cr_thrsh2	6 620			
	basic_cr_thrsh3	16 560			
	basic_cr_thrsh4	21 520			
Income tax schedule	tax_rate1				
	tax_sch	0.25	8 680		
		0.30	12 360		
		0.40	20 600		
		0.45	37 750		
		0.50			
	quote_max	10 200			
	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 07.64	0
	(annual)	18 021.84	18 021.84	2 207.64	0.2082
		28 624.92	18 021.84	2 207.64	0.2082
		28 624.92	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	0.3479			
	SSC_empr_redn	0	1 850.50		0.1620
					22241.96
		22 241.96	1 850.50		0
					53 604.28
		53 604.28	1 850.50		-0.06
					53 604.28
		9 999 999	0		0
Structural reduction on the withholding tax on wages	PrP_redn	0.01			
Low-income credit	LIC_rate	0.1304			
	LIC_max	200.00			
Child benefit (age 7-10)	CB_1	1 342.12			
second child (age 7-10)	CB_2	2 430.92			
third child (age 7-10)	CB_3	3 419.24			

2014 tax equations

2014 tax equations The equations for the Belgian system in 2014 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)))) +IF(tax_inc=0;0;MIN(LIC_rate*(MIN(VLOOKUP(earn, SSC_redn,3), VLOOKUP(earn, SSC_redn, 3)-VLOOKUP(earn, SSC_redn, 4)*(earn-VLOOKUP(earn, SSC_redn, 2)))));LIC_max))
7.	CG tax			
	Tax prior to non-wastable credits	CG_tax_init	B	Positive(CG_tax_incl-tax_credits)

Line in country table and intermediate steps	Variable name	Range	Equation
Non-wasteable child credit	child_credit_nw	J	$\text{MIN}(\text{Tax}(\text{MIN}((\text{children}=1)*\text{child_cr1}+(\text{children}=2)*\text{Parameters!child_cr2}), (\text{positive}(\text{ex_inc_int}-\text{tax_inc_int}), \text{tax_sch}), \text{children}*\text{child_cr_max})$
Final CG tax	CG_tax_final	J	$\text{CG_tax_init}-\text{basic_cr_total}-\text{child_credit_nw}$
8. State and local taxes	local_tax	J	$\text{local_rate}*\text{CG_tax_init}$
9. Employees' soc security	SSC	B	$\text{Positive}((\text{earn})*\text{SSC_rt}-\text{MIN}(\text{VLOOKUP}(\text{earn}, \text{SSC_redn}, 3), \text{VLOOKUP}(\text{earn}, \text{SSC_redn}, 3)-\text{VLOOKUP}(\text{earn}, \text{SSC_redn}, 4))*(\text{earn}-\text{VLOOKUP}(\text{earn}, \text{SSC_redn}, 2))))$
	SSC_special	J	$\text{positive}(\text{Tax}(\text{tax_inc_total}, \text{SSC_special}))$
	SSC_total		$\text{SSC}+\text{SSC_special}$
11. Cash transfers	cash_trans	J	$(\text{Children}>0)*\text{CB_1}+(\text{Children}>1)*\text{CB_2}$
13. Employer's soc security	empr_sch	B	$\text{Positive}(\text{earn}*(\text{SSC_empr_rt}-\text{PrP_redn})-(\text{VLOOKUP}(\text{earn}, \text{SSC_empr_redn}, 2)-\text{VLOOKUP}(\text{earn}, \text{SSC_empr_redn}, 3))*(\text{earn}-\text{VLOOKUP}(\text{earn}, \text{SSC_empr_redn}, 1))))$

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.

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 2014

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		33 152	49 481	82 633	33 152
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)		33 152	49 481	82 633	33 152
5. Central government income tax liability (exclusive of tax credits)		4 973	7 809	15 103	4 973
6. Tax credits					
Basic credit		1 840	1 840	1 840	1 840
Married or head of family		0	0	0	1 671
Children		0	0	0	677
Other(CPP & EI)		314	478	501	314
	Total	2 153	2 318	2 341	4 501
7. Central government income tax finally paid (5-6)		2 819	5 491	12 762	472
8. State and local taxes		1 080	2 233	5 502	0
9. Employees' compulsory social security contributions					
Gross earnings		2 091	3 190	3 339	2 091
Taxable income (Provincial Health Care Levy)		300	600	750	300
	Total	2 391	3 790	4 089	2 391
10. Total payments to general government (7 + 8 + 9)		6 291	11 514	22 353	2 863
11. Cash transfers from general government					
For head of family		415	0	0	476
For two children		0	0	0	8 160
	Total	415	0	0	8 635
12. Take-home pay (1-10+11)		27 276	37 967	60 280	38 924
13. Employer's compulsory social security contributions		3 952	5 960	7 721	3 952
14. Average rates					
Income tax		11.8%	15.6%	22.1%	1.4%
Employees' social security contributions		7.2%	7.7%	4.9%	7.2%
Total payments less cash transfers		17.7%	23.3%	27.1%	-17.4%
Total tax wedge including employer's social security contributions		26.5%	31.5%	33.3%	-4.9%
15. Marginal rates					
Total payments less cash transfers: Principal earner		26%	35.1%	35.4%	55.8%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		33.8%	40.9%	38.4%	60.7%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Canada 2014

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		49 481	65 809	82 633	65 809
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)		49 481	65 809	82 633	65 809
5. Central government income tax liability (exclusive of tax credits)		7 809	10 258	12 782	10 258
6. Tax credits					
Basic credit		3 510	3 680	3 680	3 680
Married or head of family		2 058	387	387	0
Children		677	677	677	0
Other(CPP & EI)		478	620	792	620
	Total	6 723	5 363	5 535	4 299
7. Central government income tax finally paid (5-6)		2 757	4 896	7 247	5 959
8. State and local taxes		1 539	2 365	3 313	2 365
9. Employees' compulsory social security contributions					
Gross earnings		3 190	4 132	5 281	4 132
Taxable income (Provincial Health Care Levy)		600	600	900	600
	Total	3 790	4 732	6 181	4 732
10. Total payments to general government (7 + 8 + 9)		8 085	11 992	16 741	13 055
11. Cash transfers from general government					
For head of family		0	0	0	0
For two children		3 411	2 101	1 428	0
	Total	3 411	2 101	1 428	0
12. Take-home pay (1-10+11)		44 807	55 918	67 320	52 754
13. Employer's compulsory social security contributions		5 960	7 818	9 912	7 818
14. Average rates					
Income tax		8.7%	11.0%	12.8%	12.6%
Employees' social security contributions		7.7%	7.2%	7.5%	7.2%
Total payments less cash transfers		9.4%	15.0%	18.5%	19.8%
Total tax wedge including employer's social security contributions		19.2%	24.1%	27.3%	28.4%
15. Marginal rates					
Total payments less cash transfers: Principal earner		58.0%	32.1%	32.1%	35.1%
Total payments less cash transfers: Spouse		31.9%	34.2%	29.5%	30.2%
Total tax wedge: Principal earner		61.8%	38.2%	38.2%	40.9%
Total tax wedge: Spouse		38.9%	41.5%	37.3%	37.9%

The national currency is the Canadian dollar (CAD). In 2014, CAD 1.10 was equal to USD 1. In that year, the average worker earned CAD 49 481 (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 1 670.70.
- *Credit for Spouse or Eligible Dependant*: A taxpayer supporting a spouse or other eligible dependant receives a tax credit of CAD 1 670.70 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 338.25 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 Québec Pension Plans (to a maximum of CAD 2 425.50 for the Canada Pension Plan and to a maximum of CAD 2 535.75 for the Québec Pension Plan) and their Employment Insurance premiums (to a maximum of CAD 913.68).
- *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 998 for single individuals without dependents and CAD 1 813 for families (couples and single parents). The credit will be reduced by 15 per cent of net family income in excess of CAD 11 332 for single individuals and CAD 15 649 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 169.05 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 2 171.
- *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 24 930.
- *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 24 270 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 24 270, 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.
- *Family Tax Cut:* Starting in 2014, couples with minor children can transfer up to CAD 50 000 of taxable income from the higher-income spouse to a spouse in a lower tax bracket. The value of the tax relief is capped at CAD 2 000.

1.1.3. Tax schedule

2014 Federal income tax rates

Taxable income (CAD)	Rate (%)
0-43 953	15
43 953-87 907	22
87 907-136 270	26
136 270 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 40 120	5.05
CAD 40 120 to CAD 80 242	9.15
CAD 80 242 to CAD 150 000	11.16
CAD 150 000 to CAD 220 000	12.16
Over CAD 220 000	13.16

Surtax

Provincial tax after accounting for wastable credits	Surtax rate
Amounts exceeding CAD 4 331	20% of the excess amount
Amounts exceeding CAD 5 543	36% of the excess amount

Wastable tax credits

- A basic tax credit of CAD 488.34.
- A maximum credit of CAD 414.66 for a dependant spouse or eligible dependant that is withdrawn as the income of the spouse or eligible dependant exceeds CAD 821 and is completely withdrawn when the income of the spouse is at least CAD 9 032.
- 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 223 plus CAD 413 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 2014, 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 2 425.50 (the contribution rate is 5.175 per cent of income for the Québec Pension Plan up to a maximum contribution of CAD 2 535.75). Income subject to contributions is earnings (wages and salaries) less a CAD 3 500 basic exemption. The maximum contribution of CAD 2 425.50 is reached at an earnings level of CAD 52 500 i.e. $(\text{CAD } 52\,500 - \text{CAD } 3\,500) \times 0.0495 = \text{CAD } 2\,425.50$. 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 4 851. The self-employed can deduct the employer portion of their contribution from income, equal to 50 per cent of the total contribution or CAD 2 425.50. 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 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 2014.

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 2014, employees are required to contribute at the rate of 1.88 per cent of insurable earnings. Insurable earnings are earnings (wages and salaries) up to a maximum of CAD 48 600 per year. The maximum employee contribution is therefore CAD 913.68 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).

The Ontario Health Premium

Taxable income	Fixed component (CAD)	Variable component
0–CAD 20 000	0	
CAD 20 000–CAD 25 000	0	6% of the taxable income in excess of CAD 20 000
CAD 25 000–CAD 36 000	300	
CAD 36 000–CAD 38 500	300	6% of the taxable income in excess of CAD 36 000
CAD 38 500–CAD 48 000	450	
CAD 48 000–CAD 48 600	450	25% of the taxable income in excess of CAD 48 000
CAD 48 600–CAD 72 000	600	
CAD 72 000–CAD 72 600	600	25% of the amount of taxable income in excess of CAD 72 600
CAD 72 600–CAD 200 000	750	
CAD 200 000–CAD 200 600	750	25% of the amount of taxable income in excess of CAD 200 000
Over CAD 200 600	900	

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 2 425.50.

2.2.2. Sickiness

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 450 000.

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, 2.63 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, 2.91 per cent of the wages paid to each employee to a maximum of CAD 84 100.

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 1 472 per child under age 18 plus a CAD 103 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 44 728 for families with two or more children and 2 per cent for families with one child. In addition, a National Child Benefit supplement (NCBs) is provided to low-income families with children. The maximum NCBs is CAD 2 280 for one child, plus CAD 2 017 for a second child, plus CAD 1 919 for the third and each additional child. The NCBs is phased out based on family net income in excess of CAD 26 039. 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 272 for each adult 19 years of age or older and CAD 143 for each dependent child under the age of 19. Single tax filers without children and with an employment income higher than CAD 8 838 receive an additional CAD 143 that is phased in at a rate of 2 per cent. Single tax filers with children receive an additional CAD 143 that is not subject to phase-in. The credit received for the first dependent child of a single parent is also increased from CAD 143 to CAD 272. The total amount is reduced at a rate of five per cent of net family income over CAD 35 487. 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 1 310 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

* The payments that relate to the 2014 tax year are payable between July 2015 and June 2016. The amounts shown in this Report assume indexation of 1.8% for the 2014 tax year (and 2015-16 benefit year); the actual indexation parameter will be announced in December 2014.

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. As of July 2014, the OCB fully replaces the OCCS.

Ontario has a Sales Tax Credit that provides a relief of up to CAD 286 for each adult and each child. It is reduced by four per cent of adjusted family net income over CAD 22 005 for single people and over CAD 27 507 for families. The amount is paid directly to families.

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.

2014 parameter values

Average earnings/yr	Ave_earn	49 481	Secretariat estimate
Tax credits	Basic_cred	1 670.70	
Spouse	Spouse_cred	1 670.70	
withdrawal rate	Sp_crd_wth	0.15	
threshold	Sp_crd_thrsh	0	
Canada Employment Tax Credit	Empl_crd	169.05	
Child tax credit	Dep_ch_crd	338.25	
Income Splitting Credit Maximum	iscrmx	2 000	
Income Splitting Transfer Limit	inctrlm	50 000	
Canada Child Tax Benefit	Ch_credit	1 472	
Child under 7	Ch_crd_und7	0	
additional for 3rd+	Ch_crd_3rd	102	
reduction rate: 1 child	Ch_crd_red1	0.02	
reduction. rate: 2 or more	Ch_crd_red2	0.04	
threshold	Ch_crd_thrsh	44 728	
National Child Benefit Supplement	WIS_crd_1st	2 280	
	WIS_crd_2nd	2 017	
	WIS_crd_3rd	1 919	
threshold to start phase-out	WIS_phout_st	26 039	
threshold to end phase-out	WIS_phout_end	44 728	
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	998	
WITB-Addl. Maximum Credit (Fam.)	WITB_max_fam	815	
WITB-Reduction Rate	WITB_phzout_rt	0.15	
WITB-Threshold	WITB_phzout_thrsh	11 332	
WITB-Addl. Threshold (Fam.)	WITB_phzn_thrsh_fa m	4 317	
Federal tax schedule	Fed_sch	0.15	43 953
		0.22	87 907
		0.26	136 270
		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	2 425.50	
Unemployment ins.rate	Unemp_rate	0.0188	
max contrib.	Unemp_max	913.68	
tax credit rate	Unemp_crd_rate	0.15	
employer contrib. mult.	Unemp_emplr	1.4	
GST adult credit	GST_crd_ad	272	
child credit	GST_crd_ch	143	
threshold	GST_crd_thrsh	35 487	
reduction rate	GST_crd_redn	0.05	
single supplement	GST_crd_sgsp	143	
single supplement eligibility threshold	GST_sgsp_thrsh	8 838	
single supplement phase-in rate	GST_sgsp_rate	0.02	
Province: Ontario			
Tax Credits	P_basic_crd	488.34	
Spouse	P_spouse_crd	414.66	
withdrawal rate	P_sp_crd_wd	0.0505	
threshold	P_sp_crd_thr	821	

III. COUNTRY DETAILS, 2014: CANADA

% of BFT	P_pct_bft	0.375		
Unemployment tax credit rate	P_unem_tc_rt	0.0505		
Surtax rate 1	P_sur_rt1	0.20		
threshold	P_sur_thr1	4 331		
rate 2	P_sur_rt2	0.36		
threshold	P_sur_thr2	5 543		
Tax reduction	P_tax_red	223		
amount per dependent	P_tr_chld	413		
amount per disabled dep	P_tr_dis_ch	413		
Provincial tax schedule	Prov_sch	0.0505	40 120	
		0.0915	80 242	
		0.1116	150 000	
		0.1216	220 000	
		0.1316		
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	P_ch_amt	1 310		
amount per child	P_ch_thresh	20 000		
threshold	P_ch_redn_rate	0.08		
reduction rate				
Sales tax credits				
sales tax credit adult	P_sales_cred	286		
sales tax credit child	P_salcr_chd	286		
threshold	P_ps_thresh	22 014		
threshold seniors/families	P_ps_thr_sen	27 518		
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	0.0291		
Employer Workers Compensation Levy Ceiling	emp_workcomp_ceil	84 100		
Maximum number of children under the age of 7	children_und7_max	1		

2014 tax equations

2014 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			
Liabe 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, IF(Married+Children=0, P_ps_thresh, P_ps_thr_sen), P_ps_red_rt)
Liabe 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)

Line in country table and intermediate steps	Variable name	Range	Equation
Unemployment insurance	Unemp	B	$\text{MIN}(\text{Unemp_rate} * \text{earn}, \text{Unemp_max})$
State health premium	Prov_health	B	$\text{MIN}(\text{Hstep}(\text{tax_inc}, \text{P_hlth_sch}), \text{P_hlth_max})$
Total Employees' soc security	SSC	B	$\text{CPP} + \text{Unemp} + \text{Prov_health}$
11. Cash transfers (nonwastable)			
Child Tax Benefit	CTB	P	$(\text{Children} > 0) * (\text{Taper}(\text{Children} * \text{Ch_credit} + \text{MAXA}((\text{Children} - 2), 0) * \text{Ch_crd_3rd} + \text{MINA}(\text{Children}, \text{children_und7_max}) * \text{Ch_crd_und7}, \text{earn_total}, \text{Ch_crd_thrsh}, \text{IF}(\text{Children} = 1, \text{Ch_crd_red1}, \text{Ch_crd_red2}))) + \text{MAXA}(\text{IF}(\text{Children} > 0, \text{IF}(\text{Children} < 2, \text{WIS_crd_1st}, \text{IF}(\text{Children} < 3, \text{WIS_crd_1st} + \text{WIS_crd_2nd}, \text{WIS_crd_1st} + \text{WIS_crd_2nd} + (\text{Children} - 2) * \text{WIS_crd_3rd})), 0) - \text{MAXA}(\text{earn_total} - \text{WIS_phout_st}, 0) * \text{IF}(\text{Children} = 1, \text{WIS_redn1}, \text{IF}(\text{Children} = 2, \text{WIS_redn2}, \text{WIS_redn3})), 0)$
GST Credit – Total	GST_cr	P	$\text{Taper}((\text{GST_crd_ad} + (\text{Married} = 1) * (\text{GST_crd_ad} + \text{Children} * \text{GST_crd_ch}) + (\text{Married} = 0) * (\text{Children} > 0) * (\text{GST_crd_ad} + \text{GST_crd_sgsp} + \text{Positive}(\text{Children} - 1) * \text{GST_crd_ch}) + (\text{Married} = 0) * (\text{Children} = 0) * \text{Positive}(\text{MIN}(\text{GST_crd_sgsp}, (\text{earn_total} - \text{GST_sgsp_thrsh}) * \text{GST_sgsp_rate}))), \text{earn_total}, \text{GST_crd_thrsh}, \text{GST_crd_redn})$
GST Credit – Adult	GST_cr_adult	P	$\text{Taper}((\text{GST_crd_ad} + (\text{Married} = 1) * (\text{GST_crd_ad}) + (\text{Married} = 0) * \text{Positive}(\text{MIN}(\text{GST_crd_sgsp}, (\text{earn_total} - \text{GST_sgsp_thrsh}) * \text{GST_sgsp_rate}))), \text{earn_total}, \text{GST_crd_thrsh}, \text{GST_crd_redn})$
GST Credit – Child	GST_cr_child	P	$\text{GST_cr} - \text{GST_cr_adult}$
Ontario child benefit	Prov_child_ben	P	$((6/12) * (\text{MAX}(\text{Taper}(\text{MIN}((\text{earn_total} - \text{P_ch_crd_th}) * \text{MIN}(\text{Children}, \text{children_und7_max}, 3) * \text{P_pct_earn}, \text{Positive}((\text{P_und7_max} + \text{IF}(\text{Married} = 0, \text{P_sps_und7_0})) * \text{MIN}(\text{Children}, \text{children_und7_max}))), \text{earn_total}, \text{P_thrsh_red}, \text{P_redn_rate}), \text{Taper}(\text{Children} * \text{P_ch_amt}, (\text{earn_total}), \text{P_ch_thresh}, \text{P_ch_redn_rate})))) + ((6/12) * \text{Taper}(\text{Children} * \text{P_ch_amt}, \text{earn_total}, \text{P_ch_thresh}, \text{P_ch_redn_rate}))$
Ontario sales tax credit	Prov_sales_cr	P	$\text{Taper}(\text{IF}(\text{Married} = 1.2, 1) * \text{P_sales_cred} + \text{Children} * \text{P_salcr_chd}, \text{earn_total}, \text{IF}(\text{Married} + \text{Children} = 0, \text{P_ps_thresh}, \text{P_ps_thr_sen}), \text{P_ps_red_rt})$
Total Cash Transfers	Cash_tran	P	$\text{CTB} + \text{GST_cr} + \text{Prov_child_ben} + \text{Prov_sales_cr}$
13. Employer's soc security			
Canada Pension Plan	CPP_empr	B	CPP
Unemployment insurance	Unemp_empr	B	$\text{Unemp} * \text{Unemp_emplr}$
Ontario Employers Health Tax	Health_empr	B	$\text{earn} * \text{emp_healthtax}$
Ontario Workers Compensation	Comp_empr	B	$\text{MIN}(\text{earn}, \text{emp_workcomp_ceil}) * \text{emp_workcomp}$
Total Employer's soc security	SSC_empr	B	$\text{CPP_empr} + \text{Unemp_empr} + \text{Health_empr} + \text{Comp_empr}$

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.

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 2014

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		4 702 652	7 018 884	11 721 536	4 702 652
2. Standard tax allowances					
Basic allowance		3 811 715	5 689 127	6 998 076	3 811 715
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		329 186	491 322	820 508	329 186
Work-related expenses					
Other		561 751	838 435	1 400 186	561 751
Total		4 702 652	7 018 884	9 218 770	4 702 652
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		0	0	2 502 766	0
5. Central government income tax liability (exclusive of tax credits)		0	0	100 111	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	100 111	0
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		329 186	491 322	820 508	329 186
Taxable income					
Total		329 186	491 322	820 508	329 186
10. Total payments to general government (7 + 8 + 9)		329 186	491 322	920 618	329 186
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	41 592
Total		0	0	0	41 592
12. Take-home pay (1-10+11)		4 373 467	6 527 562	10 800 918	4 415 059
13. Employer's compulsory social security contributions		0	0	0	0
14. Average rates					
Income tax		0.0%	0.0%	0.9%	0.0%
Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
Total payments less cash transfers		7.0%	7.0%	7.9%	6.1%
Total tax wedge including employer's social security contributions		7.0%	7.0%	7.9%	6.1%
15. Marginal rates					
Total payments less cash transfers: Principal earner		7.0%	7.0%	10.2%	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%	10.2%	7.0%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Chile 2014

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		7 018 884	9 335 116	11 721 536	9 335 116
2. Standard tax allowances					
Basic allowance		5 689 127	7 566 539	9 500 842	7 566 539
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		491 322	653 458	820 508	653 458
Work-related expenses					
Other		838 435	1 115 118	1 400 186	1 115 118
Total		7 018 884	9 335 116	11 721 536	9 335 116
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		491 322	653 458	820 508	653 458
Taxable income					
Total		491 322	653 458	820 508	653 458
10. Total payments to general government (7 + 8 + 9)		491 322	653 458	820 508	653 458
11. Cash transfers from general government					
For head of family					
For two children		0	214 416	41 592	0
Total		0	214 416	41 592	0
12. Take-home pay (1-10+11)		6 527 562	8 896 073	10 942 621	8 681 657
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%	4.7%	6.6%	7.0%
Total tax wedge including employer's social security contributions		7.0%	4.7%	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		-2.3%	7.0%	7.0%	7.0%
Total tax wedge: Principal earner		7.0%	7.0%	7.0%	7.0%
Total tax wedge: Spouse		-2.3%	7.0%	7.0%	7.0%

Chile's national currency is the peso (CLP). For 2014, the average exchange rate was CLP 570.64 to USD 1. That same year, the average worker in Chile earned CLP 7 018 884 (country 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. As of 31 December 2014, the following currency values applied to these units:

Major revenue items	Unit	CLP	USD
Social security contributions	Unidad de Fomento ¹ (UF)	24 627.10 ¹	43.16
Monthly tax thresholds	Unidad Tributaria Mensual (UTM)	43 198	75.70
Annual tax thresholds	Unidad Tributaria Anual (UTA)	518 376	908.41

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 6 998 076 is deductible from income in 2014.
- *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 14 776 260 (UF 600.)
- *Mortgage interest*: Taxpayers whose annual income falls below CLP 46 653 840 (UTA 90) may deduct from their taxable income 100 per cent of interest paid within a year for mortgage loans. This percentage is reduced in the case of taxpayers with higher incomes up to CLP 77 756 400 (UTA 150). This relief cannot be granted along-side the *DFL2 Housing Mortgage Loan Payments* benefit, and cannot exceed CLP 4 147 008 (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 on an annual basis, on the annual average income.

Taxable income (UTA)	Taxable income (CLP thousands)	Tax rates
0-13.5	0-6 998	Exempt
13.5-30	6 998-15 551	4%
30-50	15 551-25 919	8%
50-70	25 919-36 286	13.5%
70-90	36 286-46 654	23%
90-120	46 654-62 205	30.4%
120-150	62 205-77 756	35.5%
150 and over	77 756 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 20 831 180 (UF 72.3). 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 modelling 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 modelling 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 capitalisation system. This system is obligatory to all employees who have joined the labour force since 1983 and free-lance workers since 2012, and of a voluntary nature to all contributing to the former system. The contributions to the old government operated pension fund system are not included in the modelling 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.

* Enrollment in the private health system during 2013 amounted to 18.2% of all beneficiaries.

- The modelling 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 per cent of their gross income, with an upper earnings limit of CLP 20 831 180 (UF 72.3). 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 per cent of the employee's gross income, with an upper earnings limit of CLP 31 261 176 (UF 108.5) 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 modelling 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 per cent of his gross income to his pension fund account.

2.2. Employers' contributions

There are four categories of employer social security contribution, none of which are classified as tax revenues in this report.

- Employers make mandatory payments of 0.95 per cent 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 labour 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 per cent of the employees' gross earnings). This additional contribution could be reduced, down to 0 per cent, 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 per cent.
- In addition, employers make payments of 2.4 per cent of each employee's income (3 per cent for fixed-term contracts) to finance unemployment insurance. These funds are managed privately.
- Employers have to pay a disability insurance of 1.15 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 per cent of the employee's gross income to his pension fund account.

3. Universal cash transfers

3.1. Marital status-related transfers

No such transfers are paid.

* Average cost in 2014 was 1.35% of gross income.

** Rate for the second half of 2014.

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 dependent 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.
- 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.

2014 transfer by dependant	
Annual income range (CLP)	Annual payment (CLP)
0-2 738 700	107 208
2 738 700-4 000 158	65 796
4 000 158-6 238 884	20 796
6 238 884 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, covering workers in industry Sectors C-O.*
- 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.

* L(7522) and L(7523) are not included.

2014 parameter values

Average earnings/yr	Ave_earn	7 018 884	Country estimate
Allowances	Basic_al	6 998 076	
Income tax	Tax_sch	0.04	15 551 280
		0.080	25 918 800
		0.135	36 286 320
		0.23	46 653 840
		0.304	62 205 120
		0.355	77 756 400
		0.4	
Employees SSC	SSC_sch	0.07	20 831 180
Upper threshold		0	
Family allowance	CTR_child	0	107 208
Child element		2 738 700	65 796
		4 000 158	20 796
		6 238 884	0

2014 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.

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 2014

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		209 096	312 084	521 180	209 096
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)		280 189	418 192	698 381	280 189
5. Central government income tax liability (exclusive of tax credits)		42 028	62 729	104 757	42 028
6. Tax credits					
Basic credit					
Married or head of family					
Children					
Other		24 840	24 840	24 840	51 648
	Total	24 840	24 840	24 840	51 648
7. Central government income tax finally paid (5-6)		17 188	37 889	79 917	- 9 620
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		23 001	34 329	57 330	23 001
Taxable income					
	Total	23 001	34 329	57 330	23 001
10. Total payments to general government (7 + 8 + 9)		40 189	72 218	137 247	13 381
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	14 640
	Total	0	0	0	14 640
12. Take-home pay (1-10+11)		168 907	239 866	383 933	210 355
13. Employer's compulsory social security contributions		71 093	106 109	177 201	71 093
14. Average rates					
Income tax		8.2%	12.1%	15.3%	-4.6%
Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
Total payments less cash transfers		19.2%	23.1%	26.3%	-0.6%
Total tax wedge including employer's social security contributions		39.7%	42.6%	45.0%	24.9%
15. Marginal rates					
Total payments less cash transfers: Principal earner		31.1%	31.1%	31.1%	31.1%
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%	48.6%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Czech Republic 2014

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		312 084	415 071	521 180	415 071
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)		418 192	556 196	698 381	556 196
5. Central government income tax liability (exclusive of tax credits)		62 729	83 429	104 757	83 429
6. Tax credits					
Basic credit					
Married or head of family					
Children					
Other		76 488	51 648	51 648	24 840
	Total	76 488	51 648	51 648	24 840
7. Central government income tax finally paid (5-6)		- 13 759	11 081	28 269	37 889
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		34 329	45 658	57 330	45 658
Taxable income					
	Total	34 329	45 658	57 330	45 658
10. Total payments to general government (7 + 8 + 9)		20 570	56 739	85 599	83 547
11. Cash transfers from general government					
For head of family					
For two children		14 640	14 640	14 640	0
	Total	14 640	14 640	14 640	0
12. Take-home pay (1-10+11)		306 154	372 973	450 221	331 525
13. Employer's compulsory social security contributions		106 109	141 124	177 201	141 124
14. Average rates					
Income tax		-4.4%	2.7%	5.4%	9.1%
Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
Total payments less cash transfers		1.9%	10.1%	13.6%	20.1%
Total tax wedge including employer's social security contributions		26.8%	32.9%	35.5%	40.4%
15. Marginal rates					
Total payments less cash transfers: Principal earner		31.1%	31.1%	31.1%	31.1%
Total payments less cash transfers: Spouse		35.1%	11.0%	31.1%	11.0%
Total tax wedge: Principal earner		48.6%	48.6%	48.6%	48.6%
Total tax wedge: Spouse		51.6%	33.6%	48.6%	33.6%

The national currency is the Czech koruna (CZK). In 2014, 20.76 CZK is equal to USD 1. In that year, the average worker earned CZK 312 084 (Secretariat 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. 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. A similar procedure shall apply for gratuitous performance to finance the removal of the consequences of a natural disaster occurring in the territory of an EU member state, Norway or Iceland. The total deduction may not exceed 15 per cent of the tax base. As gratuitous performance for healthcare purposes, the value of one blood donation from an unpaid donor is valued at a sum of CZK 2 000 and the value of an organ donation from a living donor is valued at a sum of CZK 20 000.
- *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. The total sum of interest by which the tax base is reduced on all credits of payers in the same jointly managed household must not exceed CZK 300 000.
- *Supplementary pension scheme contributions:* In a period of taxation, the tax base may be reduced by a contribution, in the maximum total amount of CZK 12 000, paid by a taxpayer to their supplementary pension insurance with a State contribution under a contract on supplementary pension insurance with a State contribution entered into between the payer and a pension company; the sum that may be deducted in this manner equals the total amount of contributions paid by the payer for their supplementary pension insurance with a State contribution in the period of taxation, reduced by CZK 12 000.
- *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 %. The tax base, reduced by the non-taxable part of the tax base (see 1.122 – Main non-standard tax reliefs), and by items deductible from the tax base (see 1.124 – Tax credits), rounded down to whole hundreds of CZK is subject to taxation at the rate of 15 %.

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 24 840 per taxpayer, the tax shall not be reduced for a payer that receives a retirement pension from pension insurance or from foreign compulsory insurance of the same kind as of 1 January of the period of taxation (according to the Constitutional Court, judgment No. 162/2014, published on 4 August 2014, the tax shall be reduced for a payer that receives a retirement pension from pension insurance or from foreign compulsory insurance of the same kind retroactively from 1 January 2014).
- 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 13 404 (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.

If the child is a "ZTP-P" card holder (the child with a certain type of disabilities), the tax credit is CZK 26 808. The taxpayer can claim the tax credit in the form of tax reliefs or tax bonuses or their combination.

- 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 if 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.
- 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

Since 2012, there are two ceilings on social security contributions. In 2014, a separate ceiling set at four times the average annual salary, i.e. CZK 1 245 216 applies to social security contributions. For the 2013-15 tax years, the ceiling on health insurance contributions (six times the average annual salary) is abolished. As of 2015 both employees and the self-employed will pay health insurance contributions at 6.5% of the contribution base.

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 child allowances are the basic income-tested benefit provided to a dependent child with the objective to contribute to the coverage of costs incurred in his upbringing and sustenance. Entitlement to the child allowance is bound with certain income criteria. The central government pays this allowance in respect of each dependent child based on the family income level and provided that family's 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. Child allowances are provided at three levels depending on the age of the child and are paid as follows:

Family income	Up to 2.4 LM
Age of child	Total payment CZK per month
Below 6 years	500
6-15 years	610
15-26 years	700

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	3 410
First person in household	3 140
Second and other persons who are not a dependent child	2 830
Child aged below 6	1 740
Child aged between 6 and 15	2 140
Child aged between 15 and 26	2 450
Household expenses	
One person household	3 410
Two person household	5 970
Three person household	7 710
Four person household	9 850
Five person household	12 300

The living minimum is required by law. In case that family income (income of persons assessed together) don't achieve the amount of LM can be put in a request for state social support (housing benefit, family benefits, social assistance and other). The system applies the solidarity principle between the high-income families and low-income families, as well as between the childless families and those with children.

The term "social allowance" was abolished from 1 January 2012. However, this fact has no effect on the tax-benefit system for low-income families. The system of personalized payment was simplified and extended. For examples, in case of loss of income (social allowance) some people may put in a request for increase care allowance up to CZK 2 000. This allowance is addressed for recipients who are dependent children below 18 years of age and parent of dependent children below 18 years of age if the income of the family is under 2.0 family's living minimum. Protection in the housing sector is also addressed in the context of state social support system (housing allowances) and the system of assistance in material need as additional housing. Also foster care benefits create a separate benefit system; since 1 January 2013 they have ceased to be a component of the state social support system. These allowances for housing, care and foster care are not included in the *Taxing Wages* models.

3.3. Additional transfers

Additional allowances (means-tested benefits in material need) are paid by the central government to low income families in adverse social and financial situation. The amount transferred is derived from the LM and varies according to total family income including family allowances and own efforts, opportunities and needs are taken into account. This allowance is not included in the computation.

4. Main changes in tax/benefit systems since 2014

In 2014, there were no changes that would have a significant effect on the current calculation of *Taxing Wages*.

List of main changes that have no impact on the current computation of TW:

- the possibility to apply the value of an organ donation from a living donor is valued at a sum of CZK 20 000 – see Section 1.1.2.2;
- small but important correction in law with respect to interest payments – see Section 1.1.2.2;
- the judgment of the Constitutional Court, published on 4 August 2014: The tax shall be reduced by tax credit of CZK 24 840 also for a payer-pensioner retroactively from 1 January 2014 – see Section 1.1.2.4.

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 calculation of the average earnings AW is made by CZ-NACE division, which is compatible with ISIC classifications Ver. 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.

2014 parameter values

	Ave_earn	312 084	Secretariat estimate
Income tax rate	tax_rate	0.15	
Social security – social insurance	SSs_rate	0.065	
Social security – health insurance	SSh_rate	0.045	
Employers	SSC_empr_rate	0.34	
Child Tax credit	child_cr	13 404	
Tax credit for individuals	tax_cr_base	24 840	
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	3 410	
	basic_household	5 970	
	basic_child	2 140	
	house_exp	1	3 410
		2	5 970
		3	7 710
		4	9 850
		5	12 300
Cash transfers	transf_1	610	
Social security, social insurance – ceiling	soc_sec_si_ceil	1 245 216	

2014 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' social security	SSs	B	MIN(earn,soc_sec_si__ceil)*SSs_rate
	SSh	B	earn*SSh_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)
11. Employer's social security	SSs_empr	B	MIN(earn,soc_sec_sir_ceil)*SSs_empr_rate
	SSh_empr	B	earn*SSh_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.

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 2014

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		266 314	397 484	663 798	266 314
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		21 305	31 799	53 104	21 305
Work-related expenses		11 013	11 013	11 013	11 013
Other					
	Total	32 318	42 812	64 117	32 318
3. Tax credits or cash transfers included in taxable income		0	0	0	0
Earnings tax credit deduction		20 373	25 000	25 000	34 754
	Total	- 20 373	- 25 000	- 25 000	- 34 754
4. Central government taxable income (1 - 2 + 3)		213 623	329 672	574 681	199 242
5. Central government income tax liability (exclusive of tax credits)		27 341	41 386	94 396	26 622
6. Tax credits					
Basic credit		5 063	5 063	5 063	5 063
Married or head of family					
Children					
Other					
	Total	5 063	5 063	5 063	5 063
7. Central government income tax finally paid (5-6)		43 583	68 122	142 437	42 864
8. State and local taxes		43 760	73 488	136 252	40 076
9. Employees' compulsory social security contributions					
Gross earnings		11 013	11 013	11 013	11 013
Taxable income					
	Total	11 013	11 013	11 013	11 013
10. Total payments to general government (7 + 8 + 9)		98 356	152 623	289 702	93 953
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	67 832
Green check		1 300	1 300	0	1 900
	Total	1 300	1 300	0	69 732
12. Take-home pay (1-10+11)		169 258	246 161	374 096	242 093
13. Employer's compulsory social security contributions		0	0	0	0
14. Average rates					
Income tax		32.8%	35.6%	42.0%	31.1%
Employees' social security contributions		4.1%	2.8%	1.7%	4.1%
Total payments less cash transfers		36.4%	38.1%	43.6%	9.1%
Total tax wedge including employer's social security contributions		36.4%	38.1%	43.6%	9.1%
15. Marginal rates					
Total payments less cash transfers: Principal earner		40.1%	42.5%	56.2%	38.5%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		40.1%	42.5%	56.2%	38.5%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Denmark 2014

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		397 484	528 653	663 798	528 653
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		31 799	42 292	53 104	42 292
Work-related expenses		11 013	22 026	22 026	22 026
Other					
	Total	42 812	64 318	75 130	64 318
3. Tax credits or cash transfers included in taxable income		0	0	0	0
Earnings tax credit deduction		25 000	25 000	25 000	25 000
	Total	- 25 000	- 25 000	- 25 000	- 25 000
4. Central government taxable income (1 - 2 + 3)		329 672	429 301	543 295	429 301
5. Central government income tax liability (exclusive of tax credits)		41 386	54 536	68 728	54 536
6. Tax credits					
Basic credit		15 190	10 126	10 126	10 126
Married or head of family					
Children					
Other					
	Total	15 190	10 126	10 126	10 126
7. Central government income tax finally paid (5-6)		63 058	86 702	111 705	86 702
8. State and local taxes		62 524	88 046	117 248	88 046
9. Employees' compulsory social security contributions					
Gross earnings		11 013	22 026	22 026	22 026
Taxable income					
	Total	11 013	22 026	22 026	22 026
10. Total payments to general government (7 + 8 + 9)		136 595	196 774	250 979	196 774
11. Cash transfers from general government					
For head of family					
For two children		24 924	24 924	24 924	0
Green check		3 480	3 480	3 200	2 880
	Total	28 404	28 404	28 124	2 880
12. Take-home pay (1-10+11)		289 292	360 284	440 943	334 760
13. Employer's compulsory social security contributions		0	0	0	0
14. Average rates					
Income tax		31.6%	33.1%	34.5%	33.1%
Employees' social security contributions		2.8%	4.2%	3.3%	4.2%
Total payments less cash transfers		27.2%	31.8%	33.6%	36.7%
Total tax wedge including employer's social security contributions		27.2%	31.8%	33.6%	36.7%
15. Marginal rates					
Total payments less cash transfers: Principal earner		42.5%	42.5%	42.5%	42.5%
Total payments less cash transfers: Spouse		45.9%	40.1%	40.1%	40.1%
Total tax wedge: Principal earner		42.5%	42.5%	42.5%	42.5%
Total tax wedge: Spouse		45.9%	40.1%	40.1%	40.1%

The national currency is the kroner (DKK). In 2014, DKK 5.62 were equal to USD 1. In that year, the average worker earned DKK 397 484 (Secretariat estimate), which is calculated on the background of the extrapolated 2013 average worker income with the expected 2014 growth rate of wages on 1.02 per cent.).

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. and with fully deductibility of Labour Market Contributions.
- *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 7.65 per cent of earned income to a maximum of DKK 25 000 in order to calculate taxable income. Single parents get an extra employment allowance of 5.40 per cent in 2014 with a maximum allowance of DKK 17 700. 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 5.0 per cent health care tax rate that is paid to the state (30.62 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. 24-120 km.: DKK 2.10 per km. Above 120 km.: DKK 1.05 per km. as a standard, but transport from municipalities placed in the outskirts of the country gives a credit of DKK 2.10 also above 120 km;
 - ❖ other costs above DKK 5 600.
- 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. From 2013 onwards, contributions/premiums paid to private pension saving plans with sum payments are no longer deductible.
- 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 14 800);
 - ❖ 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	6.83 per cent of DKK 42 800 = DKK 2 923
For central government health care tax	5.00 per cent of DKK 42 800 = DKK 2 140
For municipal income tax and church tax (average rate)	25.62 per cent of DKK 42 800 = DKK 10 965

Special personal allowance for an individual younger than 18: DKK 32 100.

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

Individuals pay an 8 per cent Labour Market Contribution (*Arbejdsmarkedsbidrag* in Danish), levied on the gross wage or other income from work before the deduction of any allowance.

Before 2008, the revenue was earmarked for certain social security expenditures through the Labour market Fund, but this system was abolished from 2008, and the tax enters the budget in the same way as any other income taxes. From 2011 the last links regarding social security of the tax were removed making all taxpayers working in

Denmark pay the labour market contribution. The labour market contribution is thus treated as a PIT in *Taxing Wages* from 2011.

Low tax bracket to the central government is assessed on the aggregate of personal income and positive net capital income at the rate of 6.83 per cent.

From 2010 and onwards the medium tax bracket was removed.

Top tax bracket to the central government is assessed on the excess of DKK 449 100 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 449 100, the unutilised part is not transferred to the spouse.

If the marginal tax rate including local tax but excluding church tax exceeds 51.7 per cent, the top tax bracket rate is reduced by the difference between the marginal tax rate and 51.7 per cent.

1.2.2. Health care tax

Central government levies an additional health care tax of 5 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: 22.5 per cent (municipalities).

Highest rate: 27.8 per cent (municipalities).

Average rate: 25.617 per cent (municipalities: 24.902 per cent; church: 0.715 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 10 837 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 3 912) while the other part consists of a voluntary contribution to an early retirement scheme (DKK 5 700). In addition an administration fee of DKK 1 401 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 subsidized by the state. In this Report, both contributions as well as the administration fee are included.

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.

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	4 404
3-6	3 486
7-17	2 745

The transfer is independent of the parents' income. There are additional special amounts for single parents: the transfer for each dependent child is DKK 5 276 per year and a yearly transfer of DKK 5 380 regardless of the number of children. In addition, there is a state transfer of DKK 13 488 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 phased out at a rate of 7.5 per cent for income above DKK 369 400. If the yearly income of the individuals is lower than DKK 215 900 the individuals receive an "additional green check" of DKK 280.

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 (31.63 per cent on average in 2013) 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 22.1 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 24.907 per cent in 2013. 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 is decreased to 6 per cent in 2013. 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 was 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 per cent to 25.5 per cent) 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 per cent 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 per cent) from DKK 389 900 to 409 100 (EUR 52 316 to 54 892). The increase was an element of the 2009 tax reform.
- 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. This was abolished by the new government by 2012. Child allowances will be gradually reduced by 5 per cent until 2013.

As part of the Finance Act 2012 it was decided to introduce an “additional green check” to people beyond 18 years with low income (less than DKK 212 000). The “additional green check” is DKK 280.

In June 2012 a tax reform was reached. Included in the reform were changes in the earned income tax credit and the top tax bracket. The earned income tax credit is gradually raised from 4.40 per cent in 2012 to 10.65 per cent in 2022 (6.95 per cent in 2013) where the maximum limit of earned income tax credit is raised from DKK 14 100 in 2012 to DKK 34 100 in 2022 (DKK 22 300 in 2013). Furthermore, a special earned income tax credit for single parents was decided from 2014. This will be gradually introduced to the amount of 6.25 per cent in 2022 with a maximum limit of DKK 20 000. In The Tax Reform 2012 it was also decided to gradually raise the top tax bracket from DKK 389 900 in 2012 to DKK 467 000 in 2022 (DKK 421 000 in 2013).

As part of the Finance Act 2013 an agreement, The Excise Duty and Competition Package, was reached. This agreement includes a decrease in the excise duty on electricity,

an abolition of the fat tax and a planned expansion in the excise duty on sugar, which will reduce expenses of both consumers and companies. This was financed by an increase in the bottom tax rate of 0.19 percentage points and a reduction in the personal allowance by DKK 900 for all persons (under and over 18 years) introduced from the income year 2013. As a consequence the marginal tax ceiling was increased from 51.5 per cent to 51.7 per cent. It is estimated that the abolished excise duties and the increased income taxes will have similar effects on distribution and labour supply.

Certain elements of the tax reform from 2012 were accelerated in the 2014 Budget. The employment allowance is adjusted upwards to 7.65% (2014), 8.05% (2015), 8.3% (2016) and 8.75% (2017), with a simultaneous increase of the maximum allowance from DKK 25 000 in 2014 to DKK 28 600 in 2018. The extra employment allowance for single parents is increased to 5.40% in 2014 (instead of 2.60 %) with a maximum allowance of DKK 17 700.

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.

2014 parameter values

Average earnings	Ave_earn	397 484
Central taxes	Health_tax_rate	0.05
	Low_rate	0.0683
	Medium_thrsh	0
	Medium_rate	0
	Top_thrsh	449 100
	Top_rate	0.15
	Marg_rate_ceil	0.517
	Adj_top_rate	0.14968
	Temp_tax_rate	0.00
	Temp_tax_thrsh	0
	Personal_al	42 000
The green check	green_check	1 300
	1 child	300
	child max	600
	Green_check_thrsh	369 400
	Green_check_taper_rate	0.075
	Extra_green_check	280
	Extra_green_check_thrsh	215 900
Local taxes	gener_rate	0.24902
	church_rate	0.00715
total local tax rate	Local_rates	0.25617
Earned income tax credit scheme	earncredit_rate	0.0765
	earncredit_max	25 000
for single parents	Sing_par_earncredit_rate	0.054
	Sing_par_earncredit_max	17 700
Child transfers	Child_3to6	13 944
	Child_7to17	10 980
for single parents	Sing_par_basic	5 380
	Sing_par_ch	18 764
Individual Labour Market Pension Scheme	Pension_rate	0
Employees soc. security:		
suppl. pension scheme	Pension	1 080
unempl. insurance	Unemp	11 013
Labour Market Contribution	Labour_market_rate	0.08
Employer soc. security:		
suppl. pension scheme	Pension_empr	2 160
refunded by government	Pension_ref	0.00
SSC rate	SSC_empr	0.00

2014 tax equations

The equations for the Danish system in 2014 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	Labour_market_contr+Pension_rate*earn
		earncredit	B	Min(earn*earncredit_rate, earncredit_max)+(Children>0)*(Married=0)*Min(earn*Sing_par_earncredit_rate; Sing_par_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-Labour_market_contr)
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
	Labour Market Contribution	Labour_market_contr	B	Labour_market_rate*earn
7.	CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)+Positive(CG_health_tax_excl-health_tax_cr)+Labour_market_contr
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 contribution	SSC	B	(earn>0)*Unemp
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*_1_child,child_max),pers_inc_spouse,Green_check_thrsh,Green_check_taper_rate)),Taper(green_check+MIN(Children*_1_child,child_max),pers_inc_princ,Green_check_thrsh,Green_check_taper_rate))+IF(Married=1,(IF(pers_inc_princ<Extra_green_check_thrsh,Extra_green_check,0))+IF(pers_inc_spouse<Extra_green_check_thrsh,Extra_green_check,0)),IF(pers_inc_princ<Extra_green_check_thrsh,Extra_green_check,0))
13.	Employer's soc security	SSC_empr	B	SSC_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.

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 2014

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		8 332	12 436	20 768	8 332
2. Standard tax allowances					
Basic allowance		1 728	1 728	1 728	3 456
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		167	249	415	167
Work-related expenses		0	0	0	0
Other					
	Total	1 895	1 977	2 143	3 623
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		6 437	10 459	18 625	4 709
5. Central government income tax liability (exclusive of tax credits)		1 352	2 196	3 911	989
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)		1 352	2 196	3 911	989
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		167	249	415	167
Taxable income					
	Total	167	249	415	167
10. Total payments to general government (7 + 8 + 9)		1 519	2 445	4 327	1 156
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)		6 814	9 991	16 441	8 097
13. Employer's compulsory social security contributions		2 833	4 228	7 061	2 833
14. Average rates					
Income tax		16.2%	17.7%	18.8%	11.9%
Employees' social security contributions		2.0%	2.0%	2.0%	2.0%
Total payments less cash transfers		18.2%	19.7%	20.8%	2.8%
Total tax wedge including employer's social security contributions		39.0%	40.0%	40.9%	27.5%
15. Marginal rates					
Total payments less cash transfers: Principal earner		22.6%	22.6%	22.6%	22.6%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		42.2%	42.2%	42.2%	42.2%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Estonia 2014

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		12 436	16 540	20 768	16 540
2. Standard tax allowances					
Basic allowance		5 184	5 184	5 184	3 456
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		249	331	415	331
Work-related expenses		0	0	0	0
Other					
	Total	5 433	5 515	5 599	3 787
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		7 003	11 025	15 169	12 753
5. Central government income tax liability (exclusive of tax credits)		1 471	2 315	3 185	2 678
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)		1 471	2 315	3 185	2 678
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		249	331	415	331
Taxable income					
	Total	249	331	415	331
10. Total payments to general government (7 + 8 + 9)		1 719	2 646	3 601	3 009
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)		11 177	14 354	17 628	13 531
13. Employer's compulsory social security contributions		4 228	5 624	7 061	5 624
14. Average rates					
Income tax		11.8%	14.0%	15.3%	16.2%
Employees' social security contributions		2.0%	2.0%	2.0%	2.0%
Total payments less cash transfers		10.1%	13.2%	15.1%	18.2%
Total tax wedge including employer's social security contributions		32.9%	35.2%	36.7%	38.9%
15. Marginal rates					
Total payments less cash transfers: Principal earner		22.6%	22.6%	22.6%	22.6%
Total payments less cash transfers: Spouse		0.0%	22.6%	22.6%	22.6%
Total tax wedge: Principal earner		42.2%	42.2%	42.2%	42.2%
Total tax wedge: Spouse		0.0%	42.2%	42.2%	42.2%

The Estonian currency is the euro (EUR). In 2014, EUR 0.75 was equal to USD 1. In 2014, the average worker in Estonia earned EUR 12 435.95 (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 2014.
- 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 2014, these represent voluntary payments to private funds for all employees and are paid at a rate of 2% or 3% 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 1 920 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 2014 such deductions are subject to an annual limit of a sum equal to 15% and maximum of EUR 6 000 of the employee's, public servant's or members of legal person management or control body income in a calendar year.

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 2.0% 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 – 1.0% of employee earnings.
- Pension and health insurance – as follows for monthly earnings above EUR 320.

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 105.6 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 2014 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	920.64
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 %. In 2013 the employee unemployment contribution rate was reduced from 2.8% to 2.0% and the corresponding rate for employers from 1.4% to 1.0 %.
- In addition to existing benefits, from 1 July 2013 the need-based child benefits were introduced. Need-based family benefit income threshold is based on Statistical Office relative poverty threshold published by the 1st of March in a year before current budget year. In 2014, the need-based threshold is EUR 299 in a month for the first household member. For every other at least 14-years old member the threshold is EUR 149.5 and for the younger members EUR 89.7 in a month. Need-based family benefit is in 2014 9.59 in a month for single child family and EUR 19.18 for families with two or more children. From 2015, the benefits will rise to EUR 19.18 and EUR 38.36 respectively.

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.

2014 parameter values

Average earnings/yr	Ave_earn	12 436	Country estimate
Allowances	Basic_al	1 728	
	Child_al	1 728	
Income tax	Tax_rate	0.21	
Employers SSC	SSC_rate1	0.33	
	Threshold	3 840	
	lump_sum	1 267.2	
	SSC_rate2	0.01	
Employees SSC	SSC_rate3	0.02	
Child allowances			
First and second child	CA_firstandsecond	230.16	
Other children	CA_others	920.64	
Additional for children of lone parents	CA_onepar	230.16	
Need-based child benefits			
one child	CB_1	115.08	
two or more children	CB_2	230.16	
Need-based family threshold			
first member	F_thrsh_1	3 588.00	
other members above 14	F_thrsh_2	1 794.00	
other members under 14	F_thrsh_3	1 076.40	
Days in tax year	numdays	365	

2014 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+IF((earn_total-CG_tax-SSC_empee)<(F_thrsh_1+(F_thrsh_2*Married=1)+(F_thrsh_3*Children)),IF(Children>1,CB_2,CB_1),0)
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.

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 2014

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		28 750	42 910	71 659	28 750
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		1 981	2 956	4 937	1 981
Work-related expenses		620	620	620	620
Other					
	Total	2 601	3 576	5 557	2 601
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		26 149	39 333	66 102	26 149
5. Central government income tax liability (exclusive of tax credits)		852	3 159	8 899	852
6. Tax credits					
Basic credit		1 010	903	573	1 010
Married or head of family					
Children					
Other					
	Total	1 010	903	573	1 010
7. Central government income tax finally paid (5-6)		143	2 399	8 470	143
8. State and local taxes		4 434	7 311	12 850	4 434
9. Employees' compulsory social security contributions					
Gross earnings		1 981	2 956	4 937	1 981
Taxable income		296	489	859	296
	Total	2 277	3 445	5 797	2 277
10. Total payments to general government (7 + 8 + 9)		6 854	13 155	27 117	6 854
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	3 797
	Total	0	0	0	3 797
12. Take-home pay (1-10+11)		21 895	29 755	44 542	25 692
13. Employer's compulsory social security contributions		6 785	10 127	16 912	6 785
14. Average rates					
Income tax		15.9%	22.6%	29.8%	15.9%
Employees' social security contributions		7.9%	8.0%	8.1%	7.9%
Total payments less cash transfers		23.8%	30.7%	37.8%	10.6%
Total tax wedge including employer's social security contributions		38.4%	43.9%	49.7%	27.7%
15. Marginal rates					
Total payments less cash transfers: Principal earner		43.7%	44.9%	48.6%	43.7%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		54.5%	55.4%	58.4%	54.5%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Finland 2014

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		42 910	57 070	71 659	57 070
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		2 956	3 932	4 937	3 932
Work-related expenses		620	1 240	1 240	1 240
Other					
	Total	3 576	5 172	6 177	5 172
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		39 333	51 898	65 482	51 898
5. Central government income tax liability (exclusive of tax credits)		3 159	3 159	4 010	3 159
6. Tax credits					
Basic credit		903	1 766	1 913	1 766
Married or head of family					
Children					
Other					
	Total	903	1 766	1 913	1 766
7. Central government income tax finally paid (5-6)		2 399	2 491	2 542	2 491
8. State and local taxes		7 311	7 927	11 745	7 927
9. Employees' compulsory social security contributions					
Gross earnings		2 956	3 932	4 937	3 932
Taxable income		489	530	785	530
	Total	3 445	4 462	5 723	4 462
10. Total payments to general government (7 + 8 + 9)		13 155	14 880	20 009	14 880
11. Cash transfers from general government					
For head of family					
For two children		2 632	2 632	2 632	0
	Total	2 632	2 632	2 632	0
12. Take-home pay (1-10+11)		32 387	44 822	54 282	42 190
13. Employer's compulsory social security contributions		10 127	13 469	16 912	13 469
14. Average rates					
Income tax		22.6%	18.3%	19.9%	18.3%
Employees' social security contributions		8.0%	7.8%	8.0%	7.8%
Total payments less cash transfers		24.5%	21.5%	24.3%	26.1%
Total tax wedge including employer's social security contributions		38.9%	36.5%	38.7%	40.2%
15. Marginal rates					
Total payments less cash transfers: Principal earner		44.9%	44.9%	44.9%	44.9%
Total payments less cash transfers: Spouse		12.2%	23.5%	43.7%	23.5%
Total tax wedge: Principal earner		55.4%	55.4%	55.4%	55.4%
Total tax wedge: Spouse		28.9%	38.1%	54.5%	38.1%

The national currency is the euro (EUR). In 2014, EUR 0.75 was equal to USD 1. In that year, the average worker earned EUR 42 910 (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 7.4 per cent of income exceeding EUR 2 500, until it reaches its maximum of EUR 1010. The amount of the credit is reduced by 1.15 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 120 000.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- *Interest*: Interest on loans associated with the earning of taxable income, 75 per cent of the interest on loans for the purchase of owner-occupied dwellings, and student loans guaranteed by the state can be deducted against capital income. Of the excess of interest over capital income, 30 (32 per cent for first-time homebuyers) 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 place of work 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 (%)
16 300-24 300	8	6.5
24 300-39 700	528	17.5
39 700-71 400	3 223	21.5
71 400-100 000	10 038.5	29.75
100 000 and more	18 547	31.75

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 2014, the tax rate varies between 16.50 and 22.50 per cent, the average rate being approximately 19.74 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 on 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 2 930, is reduced by 19 per cent on income exceeding the aforementioned amount.

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

2.1. Employee contributions

2.1.1. Rate and ceiling

In 2014, the rate of the health insurance contribution for medical care paid by an employee is 1.32 per cent. The tax base for this contribution is net taxable income for municipal income tax purposes.

In addition there is an employees' pension insurance contribution which amounts to 5.55 per cent of gross salary, an employees' unemployment insurance contribution equal to 0.5 per cent of gross salary and a health insurance contribution for daily allowance equal to 0.84 per cent of gross salary. For employees aged 53 and older, the pension insurance

contribution amounts to 7.05 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 2014 is 23.6 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 2014 the following allowances (EUR):

For the first child	1 250.28
For the second child	1 381.56
For the third child	1 762.92
For the fourth child	2 019.24
Fifth and subsequent child	2 275.56

The child subsidy for a single parent is increased by an annual amount of EUR 582.6 for each child.

4. Main changes in the tax/benefit system since 2013

As a part of the central labour market agreement adjustments for inflation and rise of earnings levels was, with exception of the top bracket, made to the central government tax scale in 2014.

In 2014, the public broadcasting tax is 0.68% on taxable earned income, taxes of min. EUR 51 and max. EUR 143 will be collected.

The maximum amount of the earned income tax credit in state taxation was raised from EUR 970 to EUR 1 010.

The maximum amount of the basic allowance in municipal taxation was raised from EUR 2 880 to EUR 2 930.

The rate of the employees' health insurance contribution for medical care was increased from 1.30 per cent to 1.32 per cent. Home-loan interest counts at 75 per cent, down from 80 per cent, as deductible/creditable interest.

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.

2014 parameter values

Average earnings	Ave_earn	42 910	Secretariat estimate
Expenses	Work_exp_max	620	
	Work_exp_rate	1	
Allowances	al_SSC_rate	0.0689	
State tax	Tax_min	8	
Tax schedule	Tax_sch	0	16 300
		0.065	24 300
		0.175	39 700
		0.215	71 400
		0.2975	100 000
		0.3175	
Broadcasting tax	brdcst_tax_rate	0.0068	
	brdcst_tax_min	51	
	brdcst_tax_max	143	
Earned income tax credit	eitc_thrsh	2 500	
	eitc_rate	0.074	
	eitc_redn_thrsh	33 000	
	eitc_redn_rate	0.0115	
	eitc_max	1 010	
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	2 930	
	SL_rate	0.19	
Local intax	Local_rate	0.1974	
	Church_rate	0	
	Local_tot	0.1974	
Soc sec taxpayer	SSC_rate	0.0132	
soc.sec empr	SSC_empr	0.236	
Cash transfer	ch_1	1 250.28	
	ch_2	1 381.56	
	ch_3	1 762.92	
	ch_4	2 019.24	
	ch_5	2 275.56	
	ch_small	0	
	ch_lone	582.6	

2014 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	$\text{MIN}(\text{Work_exp_max}, \text{Work_exp_rate} * \text{earn})$
	SSC deduction	SSC_al	B	$\text{earn} * \text{al_SSC_rate}$
2.	Allowances:	tax_al	B	$\text{work_rel} + \text{SSC_al}$
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	$\text{Positive}(\text{earn} - \text{tax_al})$
5.	CG tax before credits	CG_tax_excl	B	$= \text{Tax}(\text{tax_inc}, \text{Tax_sch}) + \text{Tax_min} * (\text{tax_inc} - \text{Tax_thrsh})$
6.	Tax credits:	tax_cr	B	$\text{MINA}(\text{eitc_max}, \text{eitc_rate} * \text{Positive}(\text{earn} - \text{eitc_thrsh})) - \text{MINA}(\text{eitc_max}, \text{eitc_redn_rate} * \text{Positive}(\text{earn} - \text{work_rel} - \text{eitc_redn_thrsh}))$
		broadcasting_tax	B	$\text{IF}((\text{earn} - \text{work_rel}) * \text{brdcst_tax_rate} < \text{brdcst_tax_min}, 0, \text{IF}((\text{earn} - \text{work_rel}) * \text{brdcst_tax_rate} > \text{brdcst_tax_max}, \text{brdcst_tax_max}, (\text{earn} - \text{work_rel}) * \text{brdcst_tax_rate}))$
7.	CG tax	CG_tax	B	$\text{Positive}(\text{CG_tax_excl} - \text{tax_cr}) + \text{broadcasting_tax}$
	Earned income allowance	earninc_al	B	$\text{MIN}(\text{al_max}, \text{IF}(\text{earn} > \text{al_thrsh2}, \text{al_rate} * (\text{al_thrsh2} - \text{al_thrsh1}) + \text{al_rate2} * (\text{earn} - \text{al_thrsh2}), \text{Positive}(\text{earn} - \text{al_thrsh}))) - \text{MIN}(\text{al_max}, \text{al_redn_rate} * \text{Positive}(\text{earn} - \text{work_rel} - \text{al_redn_thrsh}))$
	Low income	low_inc	B	$\text{Positive}(\text{MIN}(\text{earn} - \text{work_rel} - \text{low_al} - \text{SSC_al}, \text{SL_max}) - \text{SL_rate} * \text{Positive}(\text{earn} - \text{work_rel} - \text{low_al} - \text{SSC_al} - \text{SL_max}))$
	Taxable income (local)	tax_inc_l	B	$\text{tax_inc} - \text{earninc_al} - \text{low_inc}$
8.	State and local taxes	local_tax	B	$\text{Positive}(\text{tax_inc_l} * \text{Local_tot} - (\text{local_tot} / (\text{local_tot} + \text{SSC_rate}))) * \text{Positive}(\text{Tax_cr} - \text{CG_tax_excl}))$
9.	Employees' soc security	SSC	B	$\text{Positive}(\text{SSC_rate} * \text{tax_inc_l} - (\text{SSC_rate} / (\text{local_tot} + \text{SSC_rate}))) * \text{Positive}(\text{Tax_cr} - \text{CG_tax_excl})) + \text{SSC_al}$
11.	Cash transfers	cash_trans	J	$(\text{Children} > 0) * \text{ch_1} + (\text{Children} > 1) * \text{ch_2} + (\text{Children} > 2) * \text{ch_3} + (\text{Children} > 3) * \text{ch_4} + \text{Positive}(\text{Children} - 4) * \text{ch_4} + (\text{Married} = 0) * \text{Children} * \text{ch_lone}$
13.	Employer's soc security	SSC_empr	B	$\text{earn} * \text{SSC_empr}$

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.

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 2014

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		25 076	37 427	62 504	25 076
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		4 780	7 134	11 489	4 780
Work-related expenses		2 030	3 029	5 101	2 030
Other					
	Total	6 809	10 163	16 591	6 809
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		18 267	27 264	45 913	18 267
5. Central government income tax liability (exclusive of tax credits)		3 172	5 482	13 048	1 971
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)		3 172	5 482	13 048	1 899
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		3 523	5 259	8 358	3 523
Taxable income					
	Total	3 523	5 259	8 358	3 523
10. Total payments to general government (7 + 8 + 9)		6 695	10 741	21 405	5 422
11. Cash transfers from general government					
For head of family (Gross)					
For two children (Gross)		0	0	0	1 558
CRDS Deducted		0	0	0	- 8
	Total	0	0	0	1 550
12. Take-home pay (1-10+11)		18 381	26 687	41 098	21 204
13. Employers' compulsory social security contributions		8 445	14 335	27 477	8 445
14. Average rates					
Income tax		12.6%	14.6%	20.9%	7.6%
Employees' social security contributions		14.1%	14.1%	13.4%	14.1%
Total payments less cash transfers		26.7%	28.7%	34.2%	15.4%
Total tax wedge including employer's social security contributions		45.2%	48.4%	54.3%	36.7%
15. Marginal rates					
Total payments less cash transfers: Principal earner		32.1%	43.8%	42.5%	21.9%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		62.6%	59.3%	59.9%	57.0%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

France 2014

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		37 427	49 778	62 504	49 778
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		7 134	9 488	11 914	9 488
Work-related expenses		3 029	4 029	5 059	4 029
Other					
	Total	10 163	13 517	16 973	13 517
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		27 264	36 261	45 531	36 261
5. Central government income tax liability (exclusive of tax credits)		2 942	4 056	7 217	6 276
6. Tax credits					
Basic credit					
Married or head of family					
Children					
Other		0	702	0	0
	Total	0	702	0	0
7. Central government income tax finally paid (5-6)		2 942	3 354	7 217	6 276
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		5 259	6 994	8 782	6 994
Taxable income					
	Total	5 259	6 994	8 782	6 994
10. Total payments to general government (7 + 8 + 9)		8 200	10 348	15 999	13 270
11. Cash transfers from general government					
For head of family (Gross)					
For two children (Gross)		1 558	1 558	1 558	0
CRDS Deducted		- 8	- 8	- 8	0
	Total	1 550	1 550	1 550	0
12. Take-home pay (1-10+11)		30 777	40 980	48 054	36 509
13. Employers' compulsory social security contributions		14 335	15 854	22 780	15 854
14. Average rates					
Income tax		7.9%	6.7%	11.5%	12.6%
Employees' social security contributions		14.1%	14.1%	14.1%	14.1%
Total payments less cash transfers		17.8%	17.7%	23.1%	26.7%
Total tax wedge including employer's social security contributions		40.5%	37.6%	43.7%	44.4%
15. Marginal rates					
Total payments less cash transfers: Principal earner		21.9%	42.3%	32.1%	32.1%
Total payments less cash transfers: Spouse		17.4%	41.7%	32.1%	32.1%
Total tax wedge: Principal earner		43.5%	58.3%	50.9%	50.9%
Total tax wedge: Spouse		26.4%	48.1%	62.6%	39.5%

The national currency is the euro (EUR). In 2014, EUR 0.75 equalled USD 1. In that year, the average worker earned EUR 37 427 (Secretariat estimate).

1. Personal income tax system

1.1. Tax levied by the central government on 2014 income

1.1.1. Tax unit

The tax unit is aggregate family income, but children over 18 are included only if their parents claim them as dependants. Other persons may be fiscally attached on certain conditions: unlike spouses, who are always taxed jointly, children over 18 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 civil de 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 per cent of net pay (with a minimum of EUR 426 and a ceiling of EUR 12 157 per earner).
- 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 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 1 500 as for 2013 income (2 000 for 2012 income) 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 single parent, in which case the maximum benefit is EUR 3 540 as for 2013 income (4 040 for 2012 income).

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 (from 10 per cent to 40 per cent tax credits, subject to a multi-year maximum); compensatory

allowances in case of divorce if paid in a lump sum (25 per cent reduction, capped at EUR 30 500); child care costs for children under seven (50 per cent 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 those in needs; trade union dues, etc. The exemption of the employer's participation to the collective contracts of supplementary health cover is abolished in the budget act for 2014 (i.e. income earned in 2013).

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. 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 individual amount was raised to EUR 960 in 2008. 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 resulting 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 per cent (persons working half-time all year or full-time for six months) amounts to 92.5 per cent of the PPE of persons working full-time all year, versus 82.5 per cent 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	R*7.7%	Childless	Two Children
	EUR 12 475 < R ≤ EUR 17 451	(EUR 17 451 - R) * 19.3%		
Two-earner couple (married/PACSed)	EUR 3 743 < R ≤ EUR 12 475	R*7.7%	-	EUR 72
	EUR 12 475 < R ≤ EUR 17 451	(EUR 17 451 - R) * 19.3%	-	EUR 72
Single-earner couple (married/PACSed)	EUR 3 743 < R ≤ EUR 12 475	R*7.7% + EUR 83	Childless	Two Children
	EUR 12 475 < R ≤ EUR 17 451	(EUR 17 451 - R)*19.3%+ EUR 83		
	EUR 17 451 < R ≤ EUR 24 950	EUR 83		
	EUR 24 950 < R ≤ EUR 26 572	(EUR 26 572 - R) * 5.1%		
Single-parent family with two children	EUR 3 743 < R ≤ EUR 12 475	R*7.7%	EUR 108	
	EUR 12 475 < R ≤ EUR 17 451	(EUR 17 451 - R) * 19.3%	EUR 108	
	EUR 17 451 < R ≤ EUR 26 572	0	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 seventh consecutive year, the government decided to continue the freeze on the PPE scale for 2014.

Since 2010 personal income tax, 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.

1.1.3. Tax schedule

	Fraction of taxable income (1 share, in euros)	Rate (in %)
1st bracket	Up to 9 690	0
2nd bracket	From 9 690 to 26 764	14
3rd bracket	From 26 764 to 71 754	30
4th bracket	From 71 754 to 151 956	41
5th bracket	From 151 956	45

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 1 135 for single households and less than 3 558 for the couples. The rebate is equal to 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.

1.1.4. Exceptional contribution on high revenues

An exceptional contribution on high revenues is based on the reference taxable income (“revenu fiscal de référence”). The tax rates are 3 per cent from EUR 250 000 to EUR 500 000 (single person), 4 per cent over EUR 500 000 (single person), 3 per cent from EUR 500 000 to EUR 1 000 000 (married couple or civil union) and 4 per cent over EUR 1 000 000 (married couple or civil unions).

1.2. Taxes levied by decentralised authorities

Local taxes levied on working households are:

- Residency tax (*taxe d’habitation*), which is set by local authorities.
- 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*, or CSG)

The universal social contribution (CSG) was introduced on 1 February 1991. Since 1 January 1998, the rate of CSG has been 7.5 per cent. This rate has been applied to a base of 98.25 per cent as of 1 January 2012. The CSG is deductible against taxable income, but at a lower rate of 5.1 per cent.

1.4. Contribution to the reimbursement of social debt (*contribution au remboursement de la dette sociale*, or 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 98.25 per cent of gross pay as of 1 January 2012. The rate is set at 0.5 per cent. 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 2014, the ceiling was EUR 3 129 (or EUR 37 548 per year).

2.1. Employee contributions

2.1.1. Pension

- 6.80 per cent on earnings up to the ceiling (6.75 per cent in 2013).
- 0.25 per cent on total earnings.

2.1.2. Illness, pregnancy, disability, death

- 0.75 per cent on total earnings.

2.1.3. Unemployment

- 2.4 per cent on earnings up to 4 times the ceiling.

2.1.4. Others

- Supplemental pension* for non-managers: minimum 3.05 per cent up to the ceiling and 8.05 per cent between one and three times the ceiling; for managers, 3.05 per cent up to the ceiling and 7.75 per cent between one and four times the ceiling.
- The AGFF (Association pour la gestion du fonds de financement) contribution replaces ASF (Association pour la gestion de la structure financière), which had previously been included in “unemployment” levies. The rate of this contribution for non-managerial workers is 0.8 per cent of earnings up to the social security ceiling plus 0.9 per cent of any income in excess of the ceiling but not exceeding triple the amount of the ceiling.

* The social protection scheme is named ARRCO for non-managers and AGIRC for managers.

2.2. Employer contributions

2.2.1. Pensions

8.45 per cent (8.4 per cent in 2013) of gross pay, up to the ceiling, plus a 1.75 per cent levy on total pay.

2.2.2. Illness, pregnancy, disability, death

12.8% of total earnings.

An additional contribution of 0.3 per cent (contribution de solidarité autonomie – (CSA) is levied on total salary.

2.2.3. Unemployment

4 per cent of earnings (4.5 per cent, 5.5 per cent or 7 per cent for some temporary contracts), up to four times the ceiling; in addition, 0.3 per cent 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*). In 2014, the average rate is 2.44 per cent. The rates increased by 0.01 percentage points in 2014.

2.2.5. Family allowances

5.25 per cent of total pay.

2.2.6. Others

- Supplemental pension: for non-managers, 4.58 per cent up to the ceiling and 12.08 per cent between one and three times the ceiling; for managers, 4.58 per cent up to the ceiling and 12.68 per cent between one and four times the ceiling.*
- The AGFF contribution is 1.2 per cent for non-managers or managers up to the ceiling, 1.3 per cent for non-managers between one and three times the ceiling and 1.3 per cent for managers between one and four times the ceiling. In the table, this is combined with the rates for supplemental pensions.
- Others (construction, housing, apprenticeship, further training): 3.23 per cent of pay (for enterprises with more than 20 employees). The transport tax is not included because it varies geographically.

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 per cent (in companies with more than 20 employees) for a worker paid the minimum wage. It then declines gradually to zero at 160 per cent of the annual minimum wage. It applies irrespective of the number of hours worked.

* Between four and eight times the ceiling, the repartition of the pension contributions between employee and employer contribution is not nationally decided.

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 per cent at the minimum wage, declining gradually – here too – to zero at 160 per cent of the minimum wage.

In 1 January 2011 the “Fillon act” was modified and included an annualized calculation of the general tax reliefs of employer contributions. 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 2014 was an estimated EUR 17 345.

2.2.8. Competitive tax credit (CICE – *Crédit d’impôt pour la compétitivité et l’emploi*)

As for 2013, the competitive tax credit (CICE – *Crédit d’impôt pour la compétitivité et l’emploi*) will benefit all businesses, regardless of their legal status or economic sector, that employ salaried workers and be liable for either corporation tax or income tax, based on actual profits.

The CICE is based on all wages paid to salaried employees in a given calendar year up to 2.5 times the minimum wage (without taking into account any overtime or additional hours worked). For part-time employees and seasonal workers, the minimum wage corresponding to the working hours stipulated in the contract shall be taken into account.

The rate of the tax credit shall be 6 per cent for wages paid in 2014 (4 per cent in 2013).

3. Universal cash transfers

Main family benefits (in respect of dependent children)

- Family allowances: monthly base for family allowances (BMAF) = EUR 406.21 as of 1 April 2014 (EUR 403.79 as of 1 April 2013, 405.605 in average over 2014). Rate: two children: 32 per cent; per additional child: 41 per cent. An extra amount of 16% of the BMAF is reversed if the child is over 14 (the extra amount is not incorporated into the model).
- ARS (Allocation de Rentrée Scolaire): The amount payable depends on the age of the child to reflect needs. The allowance is payable to families or persons with children aged 6 to 18 attending school, and whose income is below a certain level (not incorporated into the model).

Age of the child	Percentage of the BMAF in September 2014
6-10 years	89.72
11-14 years	94.67
15-18 years	97.95

- Family supplement (Complément Familial): 41.65 per cent of the BMAF at 1 January 2014. Subject to revenue ceilings, this is paid to families as of the third child and, since April 2014, an extra amount (EUR 16.85/month) is reversed for families whose incomes are below the poverty line (the CF is not incorporated into the model).
- The CRDS is levied on family allowances at a rate of 0.5 per cent (no deduction).

4. Main changes in the tax system and social benefits regime since the taxation of 2013 income

- Tax system (2014 income)
 - ❖ competitive tax credit (6% of reduction instead of 4% on 2013 income).
 - ❖ Tax schedule reform (in order to perpetuate and extend the effects of the exceptional tax deduction on the 2013 income).
- Social benefits regime
 - ❖ Contributions to the basic pension scheme rose by 0.3 on total wage, and by an additional 0.1 for the part of wage under the social security ceiling.

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.

2014 parameter values

Average earnings/yr	Ave_earn	37 427	(Secretariat estimate)
Work expenses	work_rel_fl	426	
	work_rel_ceil	12 157	
	work_rel_rate	0.1	
Tax schedule	tax_sch	0	9 690
		0.14	26 764
		0.3	71 754
		0.41	151 956
		0.45	
	limit_demipart	1 508	
	limit_sp_demipart1	3 558	
Décote value	decote_sing	1 135	
	decote_mar	1 870	
	tax_min	61	
Prime Pour l'Emploi	rev_ref_sing	16 251	
	rev_ref_mar	32 498	
	maj_dem_part	4 490	
	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	
CEHR	cehr_rate1	0.03	
	cehr_rate2	0.04	
	cehr_ceil1	250 000	
	cehr_ceil2	500 000	
CSG+CRDS	CSG_CRDS_abat	0.0175	
	CSG_rat_noded	0.0240	
	CRDS_rat_noded	0.0050	
	CSG_CRDS_rat_noded	0.0290	
	CSG_rat_ded	0.0510	
	CRDS_special	0.0050	
Social security contributions	SSC_ceil	37 548.0	
	pension_rate	0.0680	
	pension_rate2	0.0025	
	sickness_rate	0.0075	
	unemp_rate	0.0240	
Extra pension (non-cadres) (incl. AGFF)	pens_rate_ex	0.0385	
	pens_rate_ex2	0.0895	
Employer contributions	pens_empr1	0.085	
	pens_empr2	0.0175	
Autonomous Solidarity Contribution	sickness_empr	0.1280	
	CSA	0.0030	
Unemployment (incl. "garantie de salaire")	unemp_empr	0.0430	
Accidents	accidents_empr	0.0244	
	SMIC	17344.6	
Family Allowance	fam_empr	0.0525	
Extra pension (incl. AGFF)	pens_empr_ex	0.0578	

	pens_empr_ex2	0.1338
Others	others_empr	0.0323
	others_empr2	0.0323
Transitory Empl. SSC reduction rate	SSC_empr_redrate1	0
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) before CRDS	CB_2	1 557.52
third and subsequent before CRDS	CB_3	1 995.58
Derivation of minimum income	SMIC_horaire	9.53
	SMIC_heures	1 820
	minrevtp	17 345
Taux de réduction CICE	cice_red	0.06
	cice_max	2.5

2014 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*((1-CSG_CRDS_abat)*MIN(earn;4*SSC_ceil)+Positive(earn-4*SSC_ceil))
	Salary net	earn_dec	B	earn-SSC-CSG_ded
	Work related	work_exp	B	MIN(work_rel_ceil, MAX(work_rel_rate* earn_dec, MIN(work_rel_fl, earn_dec)))
	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))))+cehr_rate1*MIN((cehr_ceil2-cehr_ceil1)*(1+Married);MAX(tax_inc-cehr_ceil1*(1+Married);0))+cehr_rate2*MAX(tax_inc-cehr_ceil2*(1+Married);0)
	Adjusted for decote	adj_tax	J	SI(Married;Positive(MINA(tax_sch;2*tax_sch-decote_mar));Positive(MINA(tax_sch;2*tax_sch-decote_sing)))
	Tax liable	inc_tax	J	(adj_tax>=tax_min)*adj_tax
	CSG+CRDS (non-deductible)	CSG_CRDS_noded	B	CSG_CRDS_rat_nod*((1-CSG_CRDS_abat)*MIN(earn;4*SSC_ceil)+Positive(earn-4*SSC_ceil))
	CSG deductible	CSG_ded	B	CSG_rat_ded*((1-CSG_CRDS_abat)*MIN(earn;4*SSC_ceil)+Positive(earn-4*SSC_ceil))
6.	Tax credits:			

Line in country table and intermediate steps	Variable name	Range	Equation
Prime pour l'emploi	PPE_main_princ	P	$\text{seuilMin}(\text{IF}(\text{tax_inc} < ((\text{Married}=0) * \text{rev_ref_sing} + (\text{Married}=1) * \text{rev_ref_mar} + \text{maj_dem_part} * \text{Children}), 1.0) * \text{IF}(\text{earn_dec_princ} > \text{seuil1}, (\text{Married}=1) * (\text{earn_dec_spouse} < \text{seuil1}) * \text{IF}(\text{earn_dec_princ} * \text{MAX}(\text{minrevtp}/\text{earn_princ}, 1) > \text{seuil4}, \text{Positive}(\text{seuil5} - \text{earn_dec_princ} * \text{MAX}(\text{minrevtp}/\text{earn_princ}, 1)) * \text{rate3} * (((\text{earn_princ}/\text{minrevtp}) >= 1) + ((\text{earn_princ}/\text{minrevtp}) <= \text{maj_tp_seuil}) * \text{MIN}(\text{earn_princ}/\text{minrevtp}, 1) * (1 + \text{maj_tp}) + ((\text{earn_princ}/\text{minrevtp}) > \text{maj_tp_seuil}) * ((\text{earn_princ}/\text{minrevtp}) < 1) * ((1 - \text{maj_tp}) * \text{MIN}(\text{earn_princ}/\text{minrevtp}, 1) + \text{maj_tp})) + \text{ppe_mar_1earn}) + (\text{earn_dec_princ} * \text{MAX}(\text{minrevtp}/\text{earn_princ}, 1) < \text{seuil2}) * \text{rate1} * \text{earn_dec_princ} * \text{MAX}(\text{minrevtp}/\text{earn_princ}, 1) * (((\text{earn_princ}/\text{minrevtp}) >= 1) + ((\text{earn_princ}/\text{minrevtp}) <= \text{maj_tp_seuil}) * \text{MIN}(\text{EARN_PRINC}/\text{minrevtp}, 1) * (1 + \text{maj_tp}) + ((\text{EARN_PRINC}/\text{minrevtp}) > \text{maj_tp_seuil}) * ((\text{earn_princ}/\text{minrevtp}) < 1) * ((1 - \text{maj_tp}) * \text{MIN}(\text{earn_princ}/\text{minrevtp}, 1) + \text{maj_tp})) + (\text{earn_dec_princ} * \text{MAX}(\text{minrevtp}/\text{earn_princ}, 1) >= \text{seuil2}) * \text{Positive}(\text{seuil3} - \text{earn_dec_princ} * \text{MAX}(\text{minrevtp}/\text{earn_princ}, 1)) * \text{rate2} * (((\text{earn_princ}/\text{minrevtp}) >= 1) + ((\text{earn_princ}/\text{minrevtp}) <= \text{maj_tp_seuil}) * \text{MIN}(\text{earn_princ}/\text{minrevtp}, 1) * (1 + \text{maj_tp}) + ((\text{earn_princ}/\text{minrevtp}) > \text{maj_tp_seuil}) * ((\text{earn_princ}/\text{minrevtp}) < 1) * ((1 - \text{maj_tp}) * \text{MIN}(\text{earn_princ}/\text{minrevtp}, 1) + \text{maj_tp}))), 0), \text{seuil_min})$
	PPE_main_spouse	S	$\text{seuilMin}(\text{IF}(\text{tax_inc} < ((\text{Married}=0) * \text{rev_ref_sing} + (\text{Married}=1) * \text{rev_ref_mar} + \text{maj_dem_part} * \text{Children}), 1.0) * \text{IF}(\text{earn_dec_spouse} > \text{seuil1}, (\text{Married}=1) * (\text{earn_dec_princ} < \text{seuil1}) * \text{IF}(\text{earn_dec_spouse} * \text{MAX}(\text{minrevtp}/\text{earn_spouse}, 1) > \text{seuil4}, \text{Positive}(\text{seuil5} - \text{earn_dec_spouse} * \text{MAX}(\text{minrevtp}/\text{earn_spouse}, 1)) * \text{rate3} * (((\text{earn_spouse}/\text{minrevtp}) >= 1) + ((\text{earn_spouse}/\text{minrevtp}) <= \text{maj_tp_seuil}) * \text{MIN}(\text{earn_spouse}/\text{minrevtp}, 1) * (1 + \text{maj_tp}) + ((\text{earn_spouse}/\text{minrevtp}) > \text{maj_tp_seuil}) * ((\text{earn_spouse}/\text{minrevtp}) < 1) * ((1 - \text{maj_tp}) * \text{MIN}(\text{earn_spouse}/\text{minrevtp}, 1) + \text{maj_tp})) + \text{ppe_mar_1earn}) + (\text{earn_dec_spouse} * \text{MAX}(\text{minrevtp}/\text{earn_spouse}, 1) < \text{seuil2}) * \text{rate1} * \text{earn_dec_spouse} * \text{MAX}(\text{minrevtp}/\text{earn_spouse}, 1) * (((\text{earn_spouse}/\text{minrevtp}) >= 1) + ((\text{earn_spouse}/\text{minrevtp}) <= \text{maj_tp_seuil}) * \text{MIN}(\text{earn_spouse}/\text{minrevtp}, 1) * (1 + \text{maj_tp}) + ((\text{earn_spouse}/\text{minrevtp}) > \text{maj_tp_seuil}) * ((\text{earn_spouse}/\text{minrevtp}) < 1) * ((1 - \text{maj_tp}) * \text{MIN}(\text{earn_spouse}/\text{minrevtp}, 1) + \text{maj_tp})) + (\text{earn_dec_spouse} * \text{MAX}(\text{minrevtp}/\text{earn_spouse}, 1) >= \text{seuil2}) * \text{Positive}(\text{seuil3} - \text{earn_dec_spouse} * \text{MAX}(\text{minrevtp}/\text{earn_spouse}, 1)) * \text{rate2} * (((\text{earn_spouse}/\text{minrevtp}) >= 1) + ((\text{earn_spouse}/\text{minrevtp}) <= \text{maj_tp_seuil}) * \text{MIN}(\text{earn_spouse}/\text{minrevtp}, 1) * (1 + \text{maj_tp}) + ((\text{earn_spouse}/\text{minrevtp}) > \text{maj_tp_seuil}) * ((\text{earn_spouse}/\text{minrevtp}) < 1) * ((1 - \text{maj_tp}) * \text{MIN}(\text{earn_spouse}/\text{minrevtp}, 1) + \text{maj_tp}))), 0), \text{seuil_min})$
Additional flat rate allowance	add_all	J	$\text{IF}(\text{tax_inc} < ((\text{Married}=0) * \text{rev_ref_sing} + (\text{Married}=1) * \text{rev_ref_mar} + \text{maj_dem_part} * \text{Children}), 1.0) * \text{OR}((\text{earn_dec_princ} > \text{seuil1}), (\text{earn_dec_spouse} > \text{seuil1})) * (\text{IF}(\text{OR}(\text{IF}(\text{earn_dec_princ} > 0, \text{AND}(\text{earn_dec_princ} > \text{seuil1}, \text{earn_dec_princ} * \text{MAX}(\text{minrevtp}/\text{earn_princ}, 1) <= \text{seuil3}), 0), \text{IF}(\text{earn_dec_spouse} > 0, \text{AND}(\text{earn_dec_spouse} > \text{seuil1}, \text{earn_dec_spouse} * \text{MAX}(\text{minrevtp}/\text{earn_spouse}, 1) <= \text{seuil3}), 0)), \text{extra_pers} * \text{Children}, \text{IF}(\text{OR}(\text{IF}(\text{earn_dec_princ} > 0, \text{AND}(\text{seuil3} < \text{earn_dec_princ} * \text{MAX}(\text{minrevtp}/\text{earn_princ}, 1), \text{earn_dec_princ} * \text{MAX}(\text{minrevtp}/\text{earn_princ}, 1) <= \text{seuil5}, \text{earn_dec_spouse} < \text{seuil1}), 0), \text{IF}(\text{earn_dec_spouse} > 0, \text{AND}(\text{seuil3} < \text{earn_dec_spouse} * \text{MAX}(\text{minrevtp}/\text{earn_spouse}, 1), \text{earn_dec_spouse} * \text{MAX}(\text{minrevtp}/\text{earn_spouse}, 1) <= \text{seuil5}, \text{earn_princ} < \text{seuil1}), 0)), \text{extra_pers} * (\text{Children} > 0), 0)) + (\text{Married}=0) * (\text{Children} > 0) * \text{extra_pers})$
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

	Line in country table and intermediate steps	Variable name	Range	Equation
8.	State and local taxes	local_tax	J	0
9.	Employees' soc security	SSC	B	$pension_rate * MINA(earn, SSC_ceil) + (sickness_rate + pension_rate2) * earn + unemp_rate * MINA(earn, 4 * SSC_ceil) + pens_rate_ex * MINA(earn, SSC_ceil) + (earn > SSC_ceil) * pens_rate_ex2 * MINA(earn - SSC_ceil, 3 * SSC_ceil - SSC_ceil)$
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	$(sickness_empr + CSA + pens_empr2 + fam_empr + accidents_empr + others_empr) * earn + pens_empr1 * MINA(earn; SSC_ceil) + pens_empr_ex * MINA(earn; SSC_ceil) + pens_empr_ex2 * MAX(MIN(earn; 3 * SSC_ceil) - SSC_ceil; 0) + unemp_empr * MIN(earn; 4 * SSC_ceil)$
		SSC_empr_reduction	B	$IF(OR(earn > SSC_empr_SMIC_ref * SMIC, earn = 0), 0, -MIN(SSC_empr_red_max * earn, (SSC_empr_red_max / SSC_empr_redrate2) * (SSC_empr_SMIC_ref * minrevtp / (earn - 1) * earn))) - IF(earn < cice_max * minrevtp, earn * cice_red)$
		SSC_empr_final	B	$SSC_empr_gross + SSC_empr_reduction$
Memorandum item: Non-wastable tax credit				
	tax expenditure component	taxexp	P	tax_cr-transfer
	cash transfer component	transfer	P	$IF(CG_tax < 0, -CG_tax, 0)$

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.

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 2014

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2.00
1. Gross wage earnings		30 788	45 952	76 740	30 788
2. Standard tax allowances					
Basic allowance					
Married or head of family		0	0	0	1 308
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes		4 446	6 636	8 224	4 369
Work-related expenses		1 000	1 000	1 000	1 000
Other		36	36	36	36
Total		5 482	7 672	9 260	6 713
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		25 306	38 280	67 480	24 075
5. Central government income tax liability (exclusive of tax credits)		4 355	8 784	21 208	3 770
6. Tax credits					
Basic credit					
Married or head of family					
Children		0	0	0	4 416
Other					
Total		0	0	0	4 416
7. Central government income tax finally paid (5-6)		4 355	8 784	21 208	- 646
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		6 288	9 386	12 423	6 211
Taxable income					
Total		6 288	9 386	12 423	6 211
10. Total payments to general government (7 + 8 + 9)		10 643	18 170	33 631	5 565
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)		20 144	27 782	43 109	25 222
13. Employers' compulsory social security contributions		5 934	8 857	11 864	5 934
14. Average rates					
Income tax		14.1%	19.1%	27.6%	-2.1%
Employees' social security contributions		20.4%	20.4%	16.2%	20.2%
Total payments less cash transfers		34.6%	39.5%	43.8%	18.1%
Total tax wedge including employer's social security contributions		45.1%	49.3%	51.3%	31.3%
15. Marginal rates					
Total payments less cash transfers: Principal earner		47.0%	52.3%	44.3%	44.9%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		55.5%	60.0%	44.3%	53.8%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Germany 2014

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		45 952	61 116	76 740	61 116
2. Standard tax allowances					
Basic allowance					
Married or head of family		0	0	0	0
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes		6 521	8 672	10 889	8 825
Work-related expenses		1 000	2 000	2 000	2 000
Other		72	72	72	72
Total		7 593	10 744	12 961	10 897
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		38 359	50 372	63 779	50 219
5. Central government income tax liability (exclusive of tax credits)		4 828	8 423	12 764	8 590
6. Tax credits					
Basic credit					
Married or head of family					
Children		4 416	4 416	4 416	0
Other					
Total		4 416	4 416	4 416	0
7. Central government income tax finally paid (5-6)		412	4 007	8 348	8 590
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		9 271	12 330	15 482	12 483
Taxable income					
Total		9 271	12 330	15 482	12 483
10. Total payments to general government (7 + 8 + 9)		9 683	16 337	23 831	21 073
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)		36 269	44 780	52 909	40 043
13. Employers' compulsory social security contributions		8 857	11 780	14 792	11 780
14. Average rates					
Income tax		0.9%	6.6%	10.9%	14.1%
Employees' social security contributions		20.2%	20.2%	20.2%	20.4%
Total payments less cash transfers		21.1%	26.7%	31.1%	34.5%
Total tax wedge including employer's social security contributions		33.8%	38.6%	42.2%	45.1%
15. Marginal rates					
Total payments less cash transfers: Principal earner		43.0%	46.6%	49.4%	46.9%
Total payments less cash transfers: Spouse		43.9%	46.6%	49.4%	46.9%
Total tax wedge: Principal earner		52.2%	55.2%	57.5%	55.5%
Total tax wedge: Spouse		53.0%	55.2%	57.5%	55.5%

The national currency is the euro (EUR). In 2014, EUR 0.75 was equal to USD 1. The average worker earned EUR 45 952 (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 (taxfree) 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 1.121).
- *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.
- As of 1 January 2014 the following definitions are used in the income tax liability formulas:

$$Y = \frac{X - 8\,354}{10\,000}$$

$$Z = \frac{X - 13\,469}{10\,000}$$

The income tax liability (amounts in EUR) is calculated as follows:

1. $T = 0$ for $X \leq 8\,354$
2. $T = (974.58 Y + 1\,400) Y$ for $8\,355 \leq X \leq 13\,469$
3. $T = (228.74 Z + 2\,397) Z + 971$ for $13\,470 \leq X \leq 52\,881$
4. $T = 0.42 X - 8\,239$ for $52\,882 \leq X \leq 250\,730$
5. $T = 0.45 X - 15\,761$ 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

In general, earnings up to EUR 4 800 per year were free of employee social security contributions until 31 December 2012. As of 1 January 2013, some essential changes came into effect concerning minimally paid employment. The earnings limit increased from EUR 400 to EUR 450 per month. Persons whose mini-job started before 2013 and do not exceed the previous earnings limit of EUR 400 stay contribution-free in all classes of social insurance. Otherwise, persons who take up a new mini-job are generally subject to mandatory insurance coverage in the statutory pension scheme with the full pension contribution rate of 18.9 per cent (in 2014). If the earnings are below the amount of EUR 175 (minimum contribution limit), a minimum contribution of EUR 33.08 has to be paid (18.9 per cent of EUR 175). The employer's share amounts to 15 per cent of the whole pay whereas the employee's part adds up to 3.9 per cent (or the difference between minimum contribution and employer share). By applying for an exemption from obligatory insurance coverage the mini-job holder may reduce his share to EUR 0.

As of 1 April 2003, there was an additional concession for employees with monthly income between EUR 400.01 and EUR 800 per month (the so-called "sliding pay scale", EUR 4 800.12 and EUR 9 600 per year). Due to the new regulations mentioned above the earnings limits shifted to EUR 450.01 and EUR 850.00 per month (EUR 5 400.12 and EUR 10 200 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 regular contributions on the employee's earnings. The arrangement is purely intended to relieve the financial burden on employees. The employees' contributions to social insurance rise on a straight-line basis over the income band reaching the full rate at EUR 850 per month. Details on social security contributions for workers earning more than EUR 10 200 per year are provided below.

2.1.1. Pensions

Employers and employees pay each half of the contribution rate of 18.9 per cent in 2014, that is 9.45 per cent of the employee's gross wage earnings, up to a contribution ceiling of EUR 71 400.

2.1.2. Sickness

As of 1 January 2011, the rate remains on the level of 7.3 per cent for employers and 8.2 per cent for employees. The contribution ceiling in 2014 is EUR 48 600. 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 2014, 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 71 400.

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. As of 1 January 2013, the contribution rate amounts to 2.05 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 1.025 per cent. The assessable income is scaled according to the gross wage earnings but there is a contribution ceiling of EUR 48 600 in 2014.

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. In 2013, the contribution rate of a childless employee adds up to 1.275 per cent.

2.1.5. Work injury

Employer only.

2.1.6. Family allowances

None.

2.1.7. Others

None.

2.2. Employers' contributions

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	1 968	1 968	2 040	2 340	6 024
2010	2 208	2 208	2 280	2 580	7 008

1. 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. As of 1 January 2013, the basic allowance rose to EUR 8 130. As of 1 January 2014, the basic allowance amounts to EUR 8 354.

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.

2014 parameter values

Average earnings/yr	Ave_earn	45 952	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	1 800				
	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	8 354				
	Tax_thrsh2	13 469				
Top Rate Tax Reduction	Reduction	8 239				
	Reduction2	15 761				
Tax Equation Rates						
tax_eqn_rates	Squared	Single	Constant			
z	228.74	2 397	971			
y	974.58	1 400	0			
Income tax rate stage	tax_first_stage	8 354				
	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	0	0	0		
sum (Month's)	12	12	12	12	12	12
employer_1	0.073	0.0945	0.015	0.01025	0.3	0.7605
employer_2	0	0	0	0		
employee_1	0.082	0.0945	0.015	0.01025	0.039	0.7605
employee_2	0	0	0	0		
childless_1	0.082	0.0945	0.015	0.01275	0.039	0.7605
childless_2	0	0	0	0		
ceil	48 600	71 400	71 400	48 600	2 100	
SSC Floor	SSC_floor	10 200				
Intermediate SSC Ceiling	SSC_floor1	5 400				

2014 tax equations

The equations for the German system in 2014 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_alice	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_alice + 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: <code>acttax</code> (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.

Greece

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.

Greece 2014

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		13 513	20 168	33 680	14 864
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		2 162	3 227	5 389	2 378
Work-related expenses					
Other					
	Total	2 162	3 227	5 389	2 378
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		11 351	16 941	28 292	12 486
5. Central government income tax liability (exclusive of tax credits)		2 497	3 727	6 553	2 747
6. Tax credits					
Basic credit		2 100	2 100	900	2 100
Married or head of family					
Children					
Other					
	Total	2 100	2 100	900	2 100
7. Central government income tax finally paid		397	1 796	6 219	772
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		2 162	3 227	5 389	2 378
Taxable income					
	Total	2 162	3 227	5 389	2 378
10. Total payments to general government (7 + 8 + 9)		2 559	5 023	11 608	3 150
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)		10 953	15 145	22 072	11 714
13. Employer's compulsory social security contributions		3 515	5 246	8 760	3 866
14. Average rates					
Income tax		2.9%	8.9%	18.5%	5.2%
Employees' social security contributions		16.0%	16.0%	16.0%	16.0%
Total payments less cash transfers		18.9%	24.9%	34.5%	21.2%
Total tax wedge including employer's social security contributions		35.7%	40.4%	48.0%	37.5%
15. Marginal rates					
Total payments less cash transfers: Principal earner		34.5%	35.3%	44.6%	35.3%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		48.0%	48.7%	56.0%	48.7%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Greece 2014

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		24 202	32 188	40 417	29 506
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		3 872	5 150	6 467	4 721
Work-related expenses					
Other					
	Total	3 872	5 150	6 467	4 721
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		20 329	27 038	33 950	24 785
5. Central government income tax liability (exclusive of tax credits)		4 472	5 948	7 469	5 453
6. Tax credits					
Basic credit		1 800	3 900	3 900	4 100
Married or head of family					
Children					
Other					
	Total	1 800	3 900	3 900	4 100
7. Central government income tax finally paid (5-6)		3 079	3 079	4 112	2 286
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		3 872	5 150	6 467	4 721
Taxable income					
	Total	3 872	5 150	6 467	4 721
10. Total payments to general government (7 + 8 + 9)		6 951	8 229	10 578	7 007
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)		17 250	23 959	29 838	22 499
13. Employer's compulsory social security contributions		6 295	8 372	10 512	7 674
14. Average rates					
Income tax		12.7%	9.6%	10.2%	7.7%
Employees' social security contributions		16.0%	16.0%	16.0%	16.0%
Total payments less cash transfers		28.7%	25.6%	26.2%	23.7%
Total tax wedge including employer's social security contributions		43.4%	40.9%	41.4%	39.5%
15. Marginal rates					
Total payments less cash transfers: Principal earner		36.2%	36.2%	36.2%	35.3%
Total payments less cash transfers: Spouse		16.0%	16.0%	35.3%	16.0%
Total tax wedge: Principal earner		49.3%	49.3%	49.3%	48.7%
Total tax wedge: Spouse		33.3%	33.3%	48.7%	33.3%

The national currency is the euro (EUR). In 2014, EUR 0.75 was equal to USD 1. In 2014, the estimated gross earnings of the average worker are EUR 20 168 (Secretariat estimate).

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 (more than 183 days) 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. From 2013 onwards, all individuals who have completed 18 years of age are obliged to file a tax return regardless of having taxable income or not. The minimum imputed income, which is required to cover the taxpayer's main living expenses is EUR 3 000 for a single individual and EUR 5 000 for spouses. 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. From 2013 onwards, unmarried children under the age of 18, adult unmarried children who are under the age of 25 and are students, unmarried children who serve their military service, disabled children ($\geq 67\%$), disabled siblings ($\geq 67\%$) of the spouses and spouses' relatives (up to the 3rd degree) who are orphans are deemed to be borne by the taxpayer if they cohabit with the taxpayer and their annual taxed, real or imputed and exempt income does not exceed the amount of EUR 3 000 or the amount of EUR 6 000 in case of disability ($\geq 67\%$).

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 fully deductible from taxable gross income.

1.1.2.2. Deductions from the payable amount of tax, as calculated on the basis of the scale (Non-Standard tax credits):

- As from 2013 onwards, the previously existing tax-free threshold of EUR 5 000 was replaced with a system of tax deductions. Specifically, the tax arising by the tax scale for employees and pensioners is reduced as following:
 - by EUR 2 100 for annual income up to EUR 21 000,

- by the amount of EUR 100 per each EUR 1 000 of income and up to EUR 2 100 for annual income exceeding the amount of EUR 21 000.

The above tax deduction is granted under the condition of the on time submission of receipts/invoices for the purchase of goods and services equal to 25 per cent of the taxable income and up to the amount of EUR 10 500. Should the value of invoices is less than the one required, a 22 per cent penalty is imposed on the remaining amount.

B) The following tax credits are deducted from the payable amount of tax, as calculated on the basis of the scale after applying the above tax allowance:

1. 10 per cent of the expenses of medical and hospital care of the taxpayer and his/her dependents, provided they are not covered by Social Security Funds and they exceed 5 per cent of the taxable income. The total credit cannot exceed EUR 3 000 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.

2. 10 per cent of the amount of alimony that is paid to a spouse and is adjudicated by the Court. The tax reduction cannot exceed EUR 1 500.

3. a. 10 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 subsidized from State budget and the Archaeological Resources Fund.

b. 10 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. 10 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 amounts of the above donations are taken into account only if they have been deposited in a bank account in Greece, created for this purpose.

4. 10 per cent of the value of medical equipment and ambulances donated to the state and municipal nursing homes and private hospitals which are subsidized from the State budget.

Note: The total amount of all the above donations (Case 3 and 4) cannot exceed 5 per cent of the total income that is taxed by the general provisions. In addition, this tax credit is deducted if the amount of donation exceeds the amount of EUR 100.

C) The amount of tax derived on the basis of all scales is reduced by EUR 200 provided that the taxpayer himself or the people living with him and dependent upon him are handicapped (invalidity over 67 %) or are invalid soldiers or military personnel injured in the course of their duties or receive pension by the State as war victims.

Note: 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.

Spouses:

When the wife derives income taxable on the basis of the scale, then the following are deducted from her own payable amount of tax:

a) deductions related to medical and hospital expenses, donations and the lump sum of EUR 200 of the spouse;

b) deductions related to medical and hospital expenses of the spouse's children from a former marriage, her children born out of wedlock, her parents and orphaned relatives of first and second degree of kin.

If from the joint tax return submitted by the spouses no tax obligation arises for one of them, or the payable amount of tax is less than the sum of the deductions (medical and hospital expenses, lump sum of EUR 200) then the whole amount of the deductions or the ensuing difference is attributed to the payable tax of the other spouse.

1.1.2.3. Exemptions

Some forms of income, specified by Law (art. 6 of Law No. 2238/1994, as amended) are exempt from the tax.

Examples:

- on condition of reciprocity, income of all kinds derived abroad by foreign ambassadors and diplomatic representatives;
- on condition of reciprocity, income from salaried services derived by consuls, consulate agents and employees of embassies and consulates that have the nationality of the represented State;
- gross imputed income from residence of self-owned house (for income effected from 1.1.2003);
- imputed income deriving from the gratuitous granting of the use of house up to 200 square meters total by parents to children and vice-versa, provided that the house will be used as residence;
- profits from the operation of ships under the Greek flag, where such profits are subject to the special taxation on ship owners' profits;
- all forms of pensions and relief provided to war victims and their families, as well as to soldiers and military personnel injured in the course of their duties in times of peace;
- salaries, pensions, etc., paid to totally blind individuals or to heavily (over 80 %) mobility impaired individuals. Also non-institutional relief and the additional amount of pension paid to blind individuals and persons totally dependent for their care on others because of invalidity;
- the amount of grants and scholarships lawfully awarded by the Greek State, public entities or private charitable funds as specified by Law, provided that they are proven to be pursuing objectives beneficial to the Nation, or religious, educational, artistic, philanthropic, etc., ones; also grants and scholarships paid by foreign States, organisations and funds to Greek citizens;
- money awards paid by the State, the Academy of Athens or the Organisation of the "Music Hall" ("Megaro Mousikis") to reward scientific, artistic and generally intellectual performance;

- financial aid to recognised political refugees residing temporarily in Greece as well as to persons that have submitted the relevant application to the competent Greek authorities, paid by bodies carrying out refugee aid schemes financed by the UN, the EU or the Greek State;
- subsidies paid to young professionals and entrepreneurs within the framework of employment programmes of the National Employment Organisation (OAED), as specified by Law;
- subsidies paid to young professionals and entrepreneurs;
- benefits for third child or more.

1.1.2.4. Tax calculation

For income tax purposes, there are six categories of taxable income: income from immovable property (category 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 in the private sector receives 14 monthly salaries per year, i.e. 12 monthly wages plus 1 salary as Christmas bonus, 1/2 salary as Easter bonus and 1/2 salary as summer vacation bonus). For the employees of the public sector, the monthly withholding tax is calculated as 1/12 of the annual tax due, because of the fact that bonuses in the public sector have been eliminated. 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.

1.1.3. Rate schedule

Law 4141/2013 introduced three different tax schedules for each category of Personal income earned in 2013:

- a) Income Tax Schedule for Salaried persons (employees and pensioners).*

* According to the Law 4261/2014, if the real income of taxpayers does not exceed the amount of EUR 5 000 or their imputed income does not exceed the amount of EUR 9 000 and if they do not run a personal business, they are not self-employed and they do not have income from immovable property, their income is taxed according to the Income Tax Schedule for Salaried Persons.

- b) Income Tax Schedule for Non-Salaried persons (Self-Employed and personal businesses).
- c) Income Tax Schedule for immovable property and securities.

a) Tax schedule for employees and pensioners

Income bracket (EUR)	Tax rate (%)	Tax bracket (EUR)	Total amount	
			Income (EUR)	Tax (EUR)
25 000	22%	5 500	25 000	5 500
17 000	32%	5 440	42 000	10 940
Excess	42%			

The previously existing tax-free threshold of EUR 5 000 was abolished and replaced with a system of tax deductions. Specifically, the tax derived by the above tax scale is reduced as following:

- by EUR 2 100 for annual income up to EUR 21 000;
- by the amount of EUR 100 per each EUR 1 000 of income and up to EUR 2 100 for annual income exceeding the amount of EUR 21 000.

The above tax deduction is granted under the condition of the on time submission of receipts/invoices for the purchase of goods and services equal to 25% of the taxable income and up to the amount of EUR 10 500. Should the value of invoices is less than the one required, a 22% penalty is imposed on the remaining amount.

Special categories of taxpayers (prisoners, mentally handicapped living in psychiatric Institutions, old people living in nursing homes, etc.) are exempt by the obligation of submitting receipts.

b) Tax schedule for self employed and personal businesses

Income bracket (EUR)	Tax rate (%)	Tax bracket (EUR)	Total amount	
			Income (EUR)	Tax (EUR)
50 000	26%	13 000	50 000	13 000
Excess	33%			

For new personal business or new self-employed who started their entrepreneurship after 1 January 2013, the tax rate of the first income bracket of the above scale is decreased by 50% for income up to EUR 10 000 for the first three years of their business activity.

c) Tax schedule for immovable property and securities

Income bracket (EUR)	Tax rate (%)	Tax bracket (EUR)	Total amount	
			Income (EUR)	Tax (EUR)
12 000	10%	1 200	12 000	1 200
Excess	33%			

The gross income derived by real estate is subject to an additional tax of 1.5 %. The rate is raised to 3% where the surface area of such residence is greater than 300 square meters. The amount of additional tax may not be greater than the amount payable on the taxpayer's total net income.

Note: Married persons must submit a joint return, but taxes, duties and levies are calculated separately on the income declared by each spouse

Moreover, a special solidarity contribution was introduced with the art. 29 of Law 3986/2011 for annual income exceeding EUR 12 000 and varied from 1% to 4% on the actual or imputed, taxable or tax exempt reported income. The special solidarity contribution is imposed on net income earned in the years 2010-14 (financial years 2011-15), according to the following schedule:

Net income (EUR)	Tax rate (%)
12 000-20 000	1
20 000-50 000	2
50 000-100 000	3
Above 100 000	4

Note: The tax rate is imposed on the total net income and not progressively according to scale (steps). The net income is defined as individual gross income minus social security contributions.

e.g.: net income EUR 50 000 * 2% = EUR 1 000 for special solidarity contribution.

1.2. 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 (%):

Up to 30 June 2014:

	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	6.03	4.28	10.31
Total	27.46	16.50	43.96

From 1 July 2014:

Higher contributions are due (18.95 per cent paid by the employee and 26.71 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

	Employer	Employee	Total
1. Social Insurance Organisation (IKA)	17.88	9.22	27.10
2. Subsidiary Social Insurance Fund (ETEAM)	3.00	3.00	6.00
3. Other Funds	3.68	3.28	6.96
Total	24.56	15.50	40.06

Average annual rates are used in the *Taxing Wages* model for 2014.

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. From 2013 onwards, an equalized ceiling of EUR 5 546.80 applies for all categories of employees.

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.

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 no marriage benefit is granted.

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 2012 the monthly state benefit for a family that has a 3rd child is EUR 177. 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 for each of every unmarried child under the age of 23. The Law also provides for a multi-children pension of EUR 102 that is given to the mother who no longer is the beneficiary of the monthly multi-children allowance of EUR 44. Law 3454/2006 provides for a lump sum amount of EUR 2 000 for all mothers for every of their 3rd and any additional child.

4. Main changes in the tax/benefit system since 2013

- The average rates of contributions regarding both white-collar and blue-collar employees decreased.
- Four new compulsory occupational insurance Funds were set up (see non-tax compulsory payments file).

5. Memorandum items

5.1. Identification of an AW and method of calculations used

Methodological note for the estimation of the average annual earnings per employee, for the period 2000-13.

Terminology and coverage

The average annual earnings below refer to full time employees for Sectors C to N of ISIC Rev. 3.1, before 2008, and for Sectors B to N including Division 95 and excluding Divisions 37, 39 and 75 of ISIC Rev. 4, for 2008 onwards.

Data sources

In the estimation procedure of the average annual earnings per employee, for the period 2000-13 the following data are taken into account:

- Annual earnings and number of employees, as derived from the **Structure of Earnings Survey** (SES), of the years 2002, 2006 and 2010.
- Hours worked and annual average number of employees, as derived from the **Labour Force Survey** (LFS), of the years 2000-13.*
- Average annual earnings indices, as derived from the Indices on **Quarterly Labour Cost Survey**, of the years 2000-13.

* Data only for the first two quarters of 2013.

Annual gross earnings per full time employee 2000-13 Greece

Year	NACE Rev 2 classification
2000	15 693
2001	15 688
2002	17 359
2003	19 339
2004	21 669
2005	21 902
2006	23 800
2007	23 893
2008	23 835
2009	24 619
2010	24 156
2011	23 391
2012	22 240
2013	19 558

Notes

- The average gross annual earnings per **full time employee** for the period 2000 to 2012 **includes**:
 - the special payments for shift and night work, as well as work during weekends and holidays;
 - the total annual bonuses as well as those that are regularly paid on a monthly basis, the 13th salary (Christmas salary) and 14th salary (Easter and vacation payments);
 - the annual bonuses based on productivity;
 - the education and working time allowance;
 - the marriage and children allowance;**and excludes**:
 - the annual payments in kind: foods, drinks, footwear, clothes, accommodation, business cars provided, mobile phone, etc.;
 - the annual premiums related to profit-sharing schemes.
- The data for 2011 and onwards will be revised when the final results of the SES 2014 will be available.
- Estimates for 2013 will be revised when the final results of the SES 2014 will be available and with the most recent data from LFS and CLI.

Source: ELSTAT.

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.

2014 parameter values

Average earnings/yr	Ave_earn	20 168	Secretariat estimate
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	0.22	25 000
		0.32	42 000
		0.42	
Tax deduction	Tax_cred	2 100	
	Tax_cred_thrsh	21 000	
	Tax_red	100	
Solidarity contribution	Solidarity_sch	0	12 000
		0.01	20 000
		0.02	50 000
		0.03	100 000
		0.04	
Social security contributions	SSC_rate	0.16	
	SSC_rate_empr	0.2601	
	SSC_ceil	77 655.20	
	SSC_ceil_use	1	

2014 tax equations

The equations for the Greek system in 2014 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	CG_tax_excl	B	$Tax(tax_inc, tax_sch) - Low_rate * Positive(MIN(Effect_low_band - Low_thrsh, tax_inc - Low_thrsh))$
	Solidarity contribution	sol_contr	B	$= Solidarity(earn - SSC, Solidarity_sch)$
6.	Tax credits:	tax_cr	B	$= Positive(tax_cred - (INT(Positive(earn - tax_cred_thrsh) / 1000) * tax_cred_red))$
7.	CG tax	CG_tax	B	$Positive(CG_tax_excl - tax_cr) + sol_contr$
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 2014

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		2 016 220	3 009 284	5 025 504	2 016 220
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children		0	0	0	1 500 000
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
Total		0	0	0	1 500 000
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		2 016 220	3 009 284	5 025 504	516 220
5. Central government income tax liability (exclusive of tax credits)					
Central government income tax liability (exclusive of tax credits)		322 595	481 485	804 081	82 595
Total		322 595	481 485	804 081	82 595
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)		322 595	481 485	804 081	82 595
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		373 001	556 718	929 718	373 001
Taxable income					
Total		373 001	556 718	929 718	373 001
10. Total payments to general government (7 + 8 + 9)		695 596	1 038 203	1 733 799	455 596
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	355 200
Total		0	0	0	355 200
12. Take-home pay (1-10+11)		1 320 624	1 971 081	3 291 705	1 915 824
13. Employer's wage dependent contributions and taxes					
Employer's compulsory social security contributions		544 379	812 507	1 356 886	544 379
Payroll taxes		30 243	45 139	75 383	30 243
Total		574 623	857 646	1 432 269	574 623
14. Average rates					
Income tax		16.0%	16.0%	16.0%	4.1%
Employees' social security contributions		18.5%	18.5%	18.5%	18.5%
Total payments less cash transfers		34.5%	34.5%	34.5%	5.0%
Total tax wedge including employer's social security contributions		49.0%	49.0%	49.0%	26.1%
15. Marginal rates					
Total payments less cash transfers: Principal earner		34.5%	34.5%	34.5%	34.5%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		49.0%	49.0%	49.0%	49.0%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Hungary 2014

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		3 009 284	4 002 348	5 025 504	4 002 348
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children		1 500 000	1 500 000	1 500 000	0
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
Total		1 500 000	1 500 000	1 500 000	0
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		1 509 284	2 502 348	3 525 504	4 002 348
5. Central government income tax liability (exclusive of tax credits)					
Central government income tax liability (exclusive of tax credits)		241 485	400 376	564 081	640 376
Total		241 485	400 376	564 081	640 376
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)		241 485	400 376	564 081	640 376
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		556 718	740 434	929 718	740 434
Taxable income					
Total		556 718	740 434	929 718	740 434
10. Total payments to general government (7 + 8 + 9)		798 203	1 140 810	1 493 799	1 380 810
11. Cash transfers from general government					
For head of family					
For two children		319 200	319 200	319 200	0
Total		319 200	319 200	319 200	0
12. Take-home pay (1-10+11)		2 530 281	3 180 738	3 850 905	2 621 538
13. Employer's wage dependent contributions and taxes					
Employer's compulsory social security contributions		812 507	1 080 634	1 356 886	1 080 634
Payroll taxes		45 139	60 035	75 383	60 035
Total		857 646	1 140 669	1 432 269	1 140 669
14. Average rates					
Income tax		8.0%	10.0%	11.2%	16.0%
Employees' social security contributions		18.5%	18.5%	18.5%	18.5%
Total payments less cash transfers		15.9%	20.5%	23.4%	34.5%
Total tax wedge including employer's social security contributions		34.6%	38.2%	40.4%	49.0%
15. Marginal rates					
Total payments less cash transfers: Principal earner		34.5%	34.5%	34.5%	34.5%
Total payments less cash transfers: Spouse		34.5%	34.5%	34.5%	34.5%
Total tax wedge: Principal earner		49.0%	49.0%	49.0%	49.0%
Total tax wedge: Spouse		49.0%	49.0%	49.0%	49.0%

The national currency is the forint (HUF). In 2014, HUF 232.62 was equal to USD 1. In 2014, the average worker earned HUF 3 009 284 (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:* Since 1 January 2012, there is no employee tax credit.
- *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. As of 1 January 2014, the family tax allowance was extended: families whose combined PIT base is not sufficient to claim the maximum amount of the family tax allowance can deduct the remaining sum from the 7% health insurance contribution and the 10% pension contribution. This measure does not affect the eligibility for social security benefits (pensions, healthcare, transfers, etc.).

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.

1.2. State and local income taxes

In Hungary, there is no local personal income tax system supplementing the central one.

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.

2.1.2. Sickness

The rate of health security contribution amounts to 7 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

None.

2.2.2. Sickness

None.

2.2.3. Unemployment

None.

2.2.4. Others

From 2012, the employers' social security contributions were merged into the new payroll tax, called social contribution tax. This change is of legal nature, the combined rate remains 27% while the revenue is divided among the pension, health care and labour-market funds (26% for pensions, 1% for health care).

The employer contributions also include a payroll tax: the training levy amounts to 1.5 per cent of gross earnings.

From 1 January 2013, the Job Protection Act (JPA) introduced new targeted reliefs in the employers' contributions (social contribution tax and training levy) to incentivise the employment of the most disadvantaged groups on the labour market. This measure reduces the standard rate of the employers' contributions up to a cap of HUF 100 000 per month. The JPA introduced a permanent reduction of the employers' tax rate by 14.5% for:

- employees under 25 years of age,
- employees over 55 years of age,
- employees working in elementary occupations.

It also introduced temporary reductions (28.5% in the first two years of the employment, and 14.5% in the third year) for:

- long term unemployed re-entering the labour market,
- people returning to work after child-care leave,
- career starters.

The new targeted reliefs in the employers' contributions are not considered in the *Taxing Wages* model.

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).

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

- The tax base correction was phased out in two steps.
- The employee tax credit was abolished.
- The employees' health care contribution was increased.
- The employers' social security contributions were merged into the social contribution tax (legal change only, rates and base remained unchanged).
- Health contributions on benefits in kind were increased.
- As a temporary measure, a wage compensation scheme was in effect in the form of an employers' SSC credit.
- Targeted employment incentives to boost the employment levels of groups at the margin of the labour force.
- The child tax allowance was extended in 2014 by allowing the deduction of the allowance from employees' SSC.

5. Memorandum items

5.1. Employer contributions to private social security arrangements

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 (the nominal tax rate of 16 per cent multiplied by 1.19) per cent. 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.

2014 parameter values

Average earnings/yr	Ave_earn	3 009 284	Secretariat estimate		
Child allowance (per child)	child_al	1	750 000		
		2	750 000		
		3	2 475 000		
		4	2 475 000		
Income tax schedule	tax_sch	0.16			
Social security contributions	SSC_unemp	0.015			
	SSC_p	0.1			
	SSC_h	0.07			
Payroll taxes	SSC_empr	0.27			
	payroll_rate	0.015			
		# of children	1	2	3+
Transfers for children (monthly)	CB_rates	0	12 200	13 300	16 000
		1	13 700	14 800	17 000

2014 tax equations

The equations for the Hungarian system in 2014 are mostly on an individual basis. But the child allowance can be split between the spouses 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	0
4. CG taxable income	tax_inc	P	MAX(0,earn -tax_al)
CG taxable income	tax_inc	S	Positive(earn_spouse-Positive(tax_al-earn_spouse-SSC_deduction_princ/tax_sch))
5. CG tax before credits	CG_tax_excl	B	tax_inc*tax_sch
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr
8. State and local taxes	local_tax	B	0
Child tax allowance (Employees' SSC)	SSC_child_cr	P	=MIN(earn_princ*(SSC_h+SSC_p),Positive(tax_al-earn_princ)*tax_sch)
Child tax allowance (Employees' SSC)		S	=MIN(earn_spouse*(SSC_h+SSC_p),Positive(-earn_princ)*tax_sch)
9. Employees' soc security	SSC	B	earn*(SSC_unemp+ SSC_h+SSC_p)-SSC_child_cr
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.

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 2014

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		4 593 587	6 856 100	11 449 686	4 593 587
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		183 743	274 244	457 987	183 743
Work-related expenses					
Other					
	Total	183 743	274 244	457 987	183 743
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		4 409 843	6 581 856	10 991 699	4 409 843
5. Central government income tax liability (exclusive of tax credits)		1 030 778	1 580 297	2 798 445	1 030 778
6. Tax credits					
Basic credit		605 976	605 976	605 976	605 976
Married or head of family					
Children					
Other					
	Total	605 976	605 976	605 976	605 976
7. Central government income tax finally paid (5-6)		424 802	974 321	2 192 469	424 802
8. State and local taxes		636 781	950 420	1 587 201	636 781
9. Employees' compulsory social security contributions					
Gross earnings		27 959	27 959	27 959	27 959
Taxable income					
	Total	27 959	27 959	27 959	27 959
10. Total payments to general government (7 + 8 + 9)		1 089 543	1 952 700	3 807 630	1 089 543
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	569 687
	Total	0	0	0	569 687
12. Take-home pay (1-10+11)		3 504 044	4 903 399	7 642 057	4 073 731
13. Employer's compulsory social security contributions		348 653	520 378	869 031	348 653
14. Average rates					
Income tax		23.1%	28.1%	33.0%	23.1%
Employees' social security contributions		0.6%	0.4%	0.2%	0.6%
Total payments less cash transfers		23.7%	28.5%	33.3%	11.3%
Total tax wedge including employer's social security contributions		29.1%	33.5%	38.0%	17.6%
15. Marginal rates					
Total payments less cash transfers: Principal earner		38.2%	38.2%	44.4%	47.8%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		42.5%	42.5%	48.3%	51.4%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Iceland 2014

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		6 856 100	9 118 613	11 449 686	9 118 613
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		274 244	364 745	457 987	364 745
Work-related expenses					
Other					
	Total	274 244	364 745	457 987	364 745
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		6 581 856	8 753 868	10 991 699	8 753 868
5. Central government income tax liability (exclusive of tax credits)		1 580 297	2 076 820	2 611 076	2 076 820
6. Tax credits					
Basic credit		1 211 952	1 102 498	1 211 952	1 102 498
Married or head of family					
Children					
Other					
	Total	1 211 952	1 102 498	1 211 952	1 102 498
7. Central government income tax finally paid (5-6)		368 345	974 321	1 399 124	974 321
8. State and local taxes		950 420	1 154 605	1 587 201	1 154 605
9. Employees' compulsory social security contributions					
Gross earnings		27 959	55 918	55 918	55 918
Taxable income					
	Total	27 959	55 918	55 918	55 918
10. Total payments to general government (7 + 8 + 9)		1 346 724	2 184 844	3 042 243	2 184 844
11. Cash transfers from general government					
For head of family					
For two children		362 739	187 868	53 598	0
	Total	362 739	187 868	53 598	0
12. Take-home pay (1-10+11)		5 872 115	7 121 636	8 461 041	6 933 769
13. Employer's compulsory social security contributions		520 378	692 103	869 031	692 103
14. Average rates					
Income tax		19.2%	23.3%	26.1%	23.3%
Employees' social security contributions		0.4%	0.6%	0.5%	0.6%
Total payments less cash transfers		14.4%	21.9%	26.1%	24.0%
Total tax wedge including employer's social security contributions		20.4%	27.4%	31.3%	29.3%
15. Marginal rates					
Total payments less cash transfers: Principal earner		47.8%	43.9%	43.9%	38.2%
Total payments less cash transfers: Spouse		44.8%	41.6%	43.9%	35.8%
Total tax wedge: Principal earner		51.4%	47.9%	47.9%	42.5%
Total tax wedge: Spouse		48.7%	45.7%	47.9%	40.3%

The national currency is the króna (plural: krónur) (ISK). In 2014, ISK 116.69 was equal to USD 1. In 2014, the average worker is expected to earn ISK 6 856 100 (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 605 976 in 2014, 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) for compulsory 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 (was increased from 2 per cent in July 2014). 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 2012 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) 8.5 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 2014 but are

* The definition of average worker in Iceland includes workers in five categories. See Section 5.1.

paid out in 2015. These numbers are estimates; final figures will be available once the 2015 budget has been passed).

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 2014 is 22.86 per cent for income up to ISK 290 000 per month. A 25.3 per cent tax rate applies to the next ISK 494 619 or up to ISK 784 619. For income exceeding ISK 784 619 the tax rate is 31.8 per cent. The income tax rate applies to all personal income in excess of ISK 141 025 per month (ISK 1 692 300 per year). Tax relief is provided by the basic credit described in Section 1.121.

The tax on capital income is 20 per cent. It is levied on all capital income of individuals, such as interest, dividends, rents etc. Interest income up to ISK 125 000 per year and 30 per cent of income from rent of residential property 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 14.52 per cent between municipalities. The average rate in 2014 is 14.44 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 10 159 in 2014, provided the individual's taxable income is at least ISK 1 624 601 for the year. This tax will be collected in 2015.

Fee to the broadcast media: 16 to 70 year-old individuals with taxable income over ISK 1 624 601 for the year are subject to a fixed tax of ISK 17 800 in 2014, which will be collected in 2015.

These amounts are estimates and thus subject to change as the fees are payable in 2015.

2.2. Employers' contributions

Employers have to pay a social security tax on total wages of 7.59 per cent. In addition, 0.65 per cent is levied on the wages of fishermen as a premium for their government accident insurance. Furthermore, a new financial activities tax was introduced in 2012, which requires financial and insurance companies to pay an additional 5.5 per cent payroll tax in 2014.

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 2014, they are as follows (in ISK per year):

For each child under the age of seven:	115 825
Children under the age of eighteen at the end of 2014:	
First child	194 081
Each additional child	231 019
Benefits for single parents:	
First child	323 253
Each additional child	331 593
Income threshold for benefit curtailment:	
For couples	4 800 000
For a single parent	2 400 000
Curtailment of benefits (children under the age of seven only):	
For each child	4 per cent
Curtailment of benefits (all children under the age of eighteen):	
For one child	4 per cent
For two children	6 per cent
For three children or more	8 per cent

Note that child benefits in this Report are based on income in the year 2014 but are paid out in 2015 (see also Section 4.4). These numbers are estimates and thus subject to change.

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. However, from 2012 to mid-2014, this additional payment was temporarily set at 2 %.

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. Central and local income tax rates in 1997-2014

In 1997-2007, the Government pursued a policy of reducing the marginal tax rate, as can be 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 2014, the rates are 22.86 %, 25.3% and 31.8 %, and the corresponding income thresholds are ISK 290 000 and 784 619 per month; see Section 1.13 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
2012	22.90	14.44	37.34	2.90/6.00
2013	22.90	14.42	37.32	2.90/6.00
2014	22.86	14.44	37.30	2.44/6.50

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 1.13.

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 old instead of 16 years old. For 2007-14, benefits are as follows (in ISK per year):

	2007	2008	2009	2010	2011	2012	2013	2014
For all children under the age of seven	57 891	61 191	61 191	61 191	61 191	100 000	100 000	115 825
Children under the age of eighteen:								
First child	144 116	152 331	152 331	152 331	152 331	167 564	167 564	194 081
Each additional child	171 545	181 323	181 323	181 323	181 323	199 455	199 455	231 019
Benefits for single parents:								
First child	240 034	253 716	253 716	253 716	253 716	279 087	279 087	323 253
Each additional child	246 227	260 262	260 262	260 262	260 262	286 288	286 288	331 593
Income threshold for benefit curtailment:								
For couples	2 880 000	3 600 000	3 600 000	3 600 000	3 600 000	4 800 000	4 800 000	4 800 000
For a single parent	1 440 000	1 800 000	1 800 000	1 800 000	1 800 000	2 400 000	2 400 000	2 400 000
Curtailment of benefits under the age of seven:								
For each child				3%	3%	3%	3%	4%
Curtailment of benefits under the age of eighteen:								
For one child	2%	2%	2%	3%	3%	3%	3%	4%
For two children	5%	5%	5%	5%	5%	5%	5%	6%
For three children or more	7%	7%	7%	7%	7%	7%	7%	8%

The data for 2014 is subject to change as the benefits are not payable until 2015.

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 and further to 8.5 per cent in 2014. In addition to the ordinary interest payment relief, a temporary interest cost rebate was in effect in 2010-11; see Section 1.122.

4.6. Transferability of basic tax credit between spouses

The basic tax credit was made transferable between spouses in stages; see Section 1.121 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 seven categories according to the NACE Rev. 2 classification which corresponds to the ISIC Rev. 4 system. The categories are C – Manufacturing, D – Electricity, gas, steam and air conditioning supply (from 2008), E – Water supply; sewerage, waste management and remediation activities (from 2008) F – Construction, G – Wholesale and retail trade, repair of motor vehicles, motorcycles, H – Transport, storage, and J – Information and communication K – Financial

and insurance activities. Public sector employees are not included. Together, these categories comprise approximately 80% of Iceland's private sector labour force.

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.

2014 parameter values

Average earnings/yr	Ave_earn	6 856 100	Secretariat estimate
Pension rate for tax allowance	pension_rate	0.04	
Tax credit	Basic_crd	605 976	
	Married_propn	1	
Central income tax	tax_sch	0.2286	3 480 000
		0.253	9 415 428
		0.318	
Special tax	special_rate	0	
threshold	special_thrsh		
Local tax	local_rate	0.1444	
Church tax	church_tax	0	
Social Security Contr.	SSC_fixed	27 959	
	SSC_thrsh	1 624 601	
Employer SSC	SSC_empr	0.0759	
General child allowance:			
child allowance	CA	115 825	
Maximum number of children under 7	max_child_under7	1	
Supplement child allowance:			
Married couple case			
first child	SA_first_m	194 081	
other children	SA_others_m	231 019	
income threshold	SA_tresh_m	4 800 000	
Single parent case			
first child	SA_first_s	323 253	
other children	SA_others_s	331 593	
income threshold	SA_tresh_s	2 400 000	
reduction rate (one child)	SA_redn_1	0.04	
reduction rate (two children)	SA_redn_2	0.06	
reduction rate (tree or more children)	SA_redn_3	0.08	

2014 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.

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 2014

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		23 092	34 466	57 558	23 092
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)		23 092	34 466	57 558	23 092
5. Central government income tax liability (exclusive of tax credits)		4 618	7 243	16 711	4 618
6. Tax credits					
Basic credit		1 650	1 650	1 650	1 650
Single, head of family		0	0	0	1 650
Children					
Other		1 650	1 650	1 650	1 650
Total		3 300	3 300	3 300	4 950
7. Central government income tax finally paid (5-6)		2 254	5 674	16 759	935
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		924	1 379	2 302	924
Taxable income					
Total		924	1 379	2 302	924
10. Total payments to general government (7 + 8 + 9)		3 177	7 053	19 061	1 859
11. Cash transfers from general government					
For head of family		0	0	0	6 042
For two children		0	0	0	3 120
Total		0	0	0	9 162
12. Take-home pay (1-10+11)		19 915	27 413	38 497	30 396
13. Employer's compulsory social security contributions		2 482	3 705	6 187	2 482
14. Average rates					
Income tax		9.8%	16.5%	29.1%	4.1%
Employees' social security contributions		4.0%	4.0%	4.0%	4.0%
Total payments less cash transfers		13.8%	20.5%	33.1%	-31.6%
Total tax wedge including employer's social security contributions		22.1%	28.2%	39.6%	-18.9%
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 2014

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		34 466	45 840	57 558	45 840
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)		34 466	45 840	57 558	45 840
5. Central government income tax liability (exclusive of tax credits)		6 893	9 168	11 512	9 168
6. Tax credits					
Basic credit		3 300	3 300	3 300	3 300
Single, head of family		0	0	0	0
Children					
Other		2 460	3 300	3 300	3 300
Total		5 760	6 600	6 600	6 600
7. Central government income tax finally paid (5-6)		2 865	4 554	7 578	4 554
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		1 379	1 379	2 302	1 379
Taxable income					
Total		1 379	1 379	2 302	1 379
10. Total payments to general government (7 + 8 + 9)		4 243	5 932	9 881	5 932
11. Cash transfers from general government					
For head of family		1 040	0	0	0
For two children		3 120	3 120	3 120	0
Total		4 160	3 120	3 120	0
12. Take-home pay (1-10+11)		34 383	43 027	50 797	39 907
13. Employer's compulsory social security contributions		3 705	4 672	6 187	4 672
14. Average rates					
Income tax		8.3%	9.9%	13.2%	9.9%
Employees' social security contributions		4.0%	3.0%	4.0%	3.0%
Total payments less cash transfers		0.2%	6.1%	11.7%	12.9%
Total tax wedge including employer's social security contributions		9.9%	14.8%	20.3%	21.0%
15. Marginal rates					
Total payments less cash transfers: Principal earner		31.0%	31.0%	31.0%	31.0%
Total payments less cash transfers: Spouse		24.0%	24.0%	31.0%	24.0%
Total tax wedge: Principal earner		37.7%	37.7%	37.7%	37.7%
Total tax wedge: Spouse		29.9%	30.0%	37.7%	30.0%

The national currency is the euro (EUR). In 2014, EUR 0.75 was equal to USD 1. In that year, the average production worker earned EUR 34 466 (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 2014.

	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.

1.1.5. Universal Social Charge (USC)

In 2011, the Universal Social Charge (USC) replaced the Income and Health Levies that were introduced in 2009 in the income tax. The USC 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. The lower exemption threshold has been increased from EUR 4 004 to EUR 10 036.

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 EUR 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.

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 at a rate of 4 per cent of an employee's gross earnings less allowable superannuation contributions. No distinction is made by marital status or sex. Those earning less than EUR 352 per week are exempt. The following is a breakdown of the 2014 rate of contribution together with ceilings where applicable:

Description	Rate	Threshold (EUR)	Ceiling (EUR)
Pension and social insurance	4.00	352 per week	

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 2014 rate of contribution:

Description	Rate %
Occupational injuries	0.50
Redundancy contribution	0.40
Pension and social insurance	9.85
TOTAL	10.75

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. Entitlements to higher rate for the third and subsequent child are being phased out over two years. The amounts payable in 2012 are as follows:

Period	Monthly rate per child	
January 2014 to December 2014	First to second child: EUR 130.00	Subsequent children: EUR 130.00

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 2014 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 2014 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.

Other main changes in tax/benefit system since 2013

4.1. One-parent family tax credit

This was replaced with a new single person child carer tax credit from 1 January 2014. The new credit is of the same value but ONLY available to the principal carer of the child.

5. Memorandum items

5.1. Employer contributions to private social security arrangements

Information not available, although such schemes do exist.

2014 parameter values

Average earnings/yr	Ave_earn	34 466	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	0	
Employers	Empr_rate	0.1075	
	Empr_lower_rate	0.085	
	Empr_thrsh	18 512	
Child benefit	Ch_ben	1 560	
	Ch_ben_3	1 560	
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	

2014 tax equations

The equations for the Irish system in 2013 are 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 Liabie (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	USG	J	IF(earn>USC_threshold, IF(med_crd_fac=1, Tax(earn, USC_sch), Tax(earn, USC_sch_med_crd)), 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))+USG
8. State and local taxes	local_tax	J	0
Employees' soc security			
weekly allowance	weekly_allce	B	IF(earn=0.0, MINA(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.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Israel 2014

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		87 505	130 605	218 110	87 505
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)		87 505	130 605	218 110	87 505
5. Central government income tax liability (exclusive of tax credits)		9 716	17 324	40 711	9 716
6. Tax credits					
Basic credit		5 886	5 886	5 886	7 194
Married or head of family		0	0	0	2 616
Children		0	0	0	5 232
EITC		0	0	0	0
Unused wastable tax credits		0	0	0	5 326
	Total	5 886	5 886	5 886	15 042
7. Central government income tax finally paid (5-6)		3 830	11 438	34 825	0
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		4 939	10 111	20 611	4 939
Taxable income					
	Total	4 939	10 111	20 611	4 939
10. Total payments to general government (7 + 8 + 9)		8 769	21 549	55 436	4 939
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	6 474
	Total	0	0	0	6 474
12. Take-home pay (1-10+11)		78 736	109 056	162 673	89 041
13. Employer's compulsory social security contributions		3 747	6 656	12 563	3 747
14. Average rates					
Income tax		4.4%	8.8%	16.0%	0.0%
Employees' social security contributions		5.6%	7.7%	9.4%	5.6%
Total payments less cash transfers		10.0%	16.5%	25.4%	-1.8%
Total tax wedge including employer's social security contributions		13.7%	20.5%	29.5%	2.4%
15. Marginal rates					
Total payments less cash transfers: Principal earner		26.0%	33.0%	43.0%	12.0%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		30.7%	37.2%	46.6%	17.6%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Israel 2014

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		130 605	173 704	218 110	173 704
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)		130 605	173 704	218 110	173 704
5. Central government income tax liability (exclusive of tax credits)		17 324	21 634	27 041	21 634
6. Tax credits					
Basic credit		5 886	13 080	13 080	13 080
Married or head of family		0	0	0	0
Children		0	5 232	5 232	0
EITC		0	2 882	0	0
Unused wastable tax credits		0	8 116	2 710	2 884
Total		5 886	21 194	18 312	13 080
7. Central government income tax finally paid (5-6)		11 438	8 556	11 438	11 438
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		10 111	11 619	15 049	11 619
Taxable income					
Total		10 111	11 619	15 049	11 619
10. Total payments to general government (7 + 8 + 9)		21 549	20 175	26 487	23 057
11. Cash transfers from general government					
For head of family					
For two children		3 360	3 360	3 360	0
Total		3 360	3 360	3 360	0
12. Take-home pay (1-10+11)		112 416	156 889	194 983	150 647
13. Employer's compulsory social security contributions		6 656	8 143	10 404	8 143
14. Average rates					
Income tax		8.8%	4.9%	5.2%	6.6%
Employees' social security contributions		7.7%	6.7%	6.9%	6.7%
Total payments less cash transfers		13.9%	9.7%	10.6%	13.3%
Total tax wedge including employer's social security contributions		18.1%	13.7%	14.7%	17.2%
15. Marginal rates					
Total payments less cash transfers: Principal earner		33.0%	67.5%	33.0%	33.0%
Total payments less cash transfers: Spouse		-3.2%	13.8%	12.0%	3.5%
Total tax wedge: Principal earner		37.2%	69.6%	37.2%	37.2%
Total tax wedge: Spouse		0.3%	16.7%	17.6%	6.7%

The Israeli currency is the Israeli shekel (ILS). In 2014, ILS 3.58 was equal to USD 1. In that year, the average worker in Israel earned ILS 130 605 (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 2 616 in 2014.

- *Basic credit*: Every resident taxpayer is entitled to 2.25 credit points (ILS 5 886 in 2014).
- *Additional credit for women*: Women are entitled to a further half credit point (ILS 1 308 in 2014).
- *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 2 616 in 2014). In 2012, this credit was increased to 2 credit points per child aged under 5 (ILS 5 232 in 2014). Since 2012, married working fathers with children aged under 2 are also entitled to 2 credit points per child.
- *Single parent credit*: Single parents (male or female) are entitled to one additional credit point (ILS 2 616 in 2014).

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 2014, the credits range from 10% in the lowest category to 22% in the highest category with ceilings of ILS 160 800 and 241 320 respectively. About 9% 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 2014 is as follows:

Taxable income (ILS)	Tax rate (%)
0-63 360	10
63 360-108 120	14
108 120-168 000	21
168 000-240 000	31
240 000-501 960	34
501 960-811 560	48
Above 811 560	50

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 5 453 per month in 2014).
- A full rate for income exceeding 60% of the average wage per employee post and up to a level of around 5 times the average wage per employee post (ILS 43 240 per month in 2014).

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 2014 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.

The employers' contribution rates in 2014 are as follows:

Insurance branch	Full rate contribution (%)	Reduced rate contribution (%)
Total for National Insurance branches	6.75	3.45
Health	–	–
Total contributions	6.75	3.45

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 18 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) were increased gradually over a period of four years (i.e. from 2009 to 2012). In August 2013, the allowance for all children born after June 2003 were decreased to ILS 140 per month per child.

In 2014, the monthly payments per child are shown in the following table.

	Children born before 1 June 2003	Children born on or after 1 June 2003
First child	140	140
Second child	140	140
Third child	172	140
Fourth child	336	140
Fifth child and above	354	140

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 2014, the rates of grant per child were ILS 1 557 and ILS 865 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. This policy was expected to continue till 2016 but came to an end in 2012 with the top tax bracket increasing from 45% to 48% although the rate of one middle income tax bracket was further decreased from 23% to 21 %. The rates were further

increased in 2013. In 2013 a surtax of 2% was imposed on total income above ILS 811 560, effectively increasing the top marginal rate to 50 %. In 2013 the value of some tax brackets weren't fully indexed to the CPI and even suffered a nominal decrease. In 2014 the value of all tax brackets and of the "credit point" were not indexed to the CPI.

- 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 %. In April 2011 the regular rate was increased to 5.9 %. It was increased again to 6.5% in January 2013, 6.75% in January 2014 and will continue to increase to 7.5% in 2016.
- 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 four years from July 2009 to Apr 2012. In August 2013 the allowance for all children born after June 2003 was decreased to ILS 140 per month per child.

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. Until 2011 the AW data came from a combination of 2 sources – the income and expenditure survey and the labor force survey. Since 2012 the data come exclusively from the income and expenditure survey as the labour force survey has no more data on income. The Central Bureau of Statistics has now computed a new AW series based exclusively on the income and expenditure survey back from 2000.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Old series	91 884	96 288	98 508	96 324	96 912	100 224	101 388	108 516	111 936	112 908	113 280	116 484	
New series													128 550
Adjusted series	95 664	105 974	105 396	100 218	103 307	103 087	105 652	112 986	119 233	120 028	121 581	125 405	128 550

As to the economic classification, Israel uses a modified version of ISIC 3 where the B-I industries are a very close equivalent of C-K industries in ISIC 3.1. Israel's Central Bureau

of Statistics adopted ISIC 4 in 2012. The average wages used in the modelling for 2000 to 2012 are still based on ISIC 3.1. However, the average wage for 2013 is based on ISIC 4 (Sectors B to N) and amounts to ILS 128 664.

The 2014 average wage used in the modelling is the OECD estimate.

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 2014 is 17.5 per cent of the employee's salary (up to the level of the average wage of ILS 9 089 per month), one third to be paid by the employee and two thirds by the employer.

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 already included 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 ILS 2 120 per month (about 45 per cent of the minimum wage) but not more than ILS 6 380 per month are eligible for a monthly increment of up to ILS 340. The corresponding figure for a family with 3 or more children is ILS 490. These sums were increased by 50% in 2013 (based on earnings in 2012), for working mothers and fathers in one-parent family. These sums are expected to increase again in 2015 (based on earnings in 2014) for lone parents. Families in which both parents work, and their joint income does not exceed ILS 12 280, will be entitled to these benefits for each wage-earner. The grant is paid four times a year directly into the account of the eligible persons.

2014 parameter values

Average earnings/yr	Ave_earn	130 605	(Secretariat estimate)
Income tax	Tax_sch	0.10	63 360
		0.14	108 120
		0.21	168 000
		0.31	240 000
		0.34	501 960
		0.48	811 560
		0.50	
Employees SSC	SSC_sch	0.035	65 436
		0.12	518 880
		0	
Employers SSC	SSC_rate2	0.0345	65 436
		0.0675	518 880
		0.0000	
Child benefit	CB_firstchild	1 680	
	CB_secondchild	1 680	
	Studygrant_rate	1 557	
Wastable tax credits			
Basic element	WTC_Basic	5 886	
Lone parent	WTC_lone	2 616	
Parents/per child	WTC_Child	2 616	
Women	WTC_woman	1 308	
Negative Income tax			
Family with 1 or	NIT_sch1	0	25 440
2 children		0.161	44 074
		0	44 160
		0	58 920
		-0.23	76 560
Family with 3 or	NIT_sch2	0	25 440
more children		0.235	44 148
		3.635	44 160
		0	58 920
		-0.235	84 000
	NIT_basic1	1080	
	NIT_basic2	1440	
	NIT_min	240	
	NIT_MinIncome	25 440	
	NIT_MaxIncome	147 360	
	Nit_AddIncome	17 640	
	NIT_Bonus	1.50	
Days in tax year	numdays	366	

2014 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	$(\text{earn} > 0) * (\text{wtc_basic} + (\text{IF}(\text{married}=0) * (\text{children} > 0), \text{wtc_woman} + \text{wtc_lone} + (\text{wtc_child} * \text{children})))$
Spouse	tax_cr_spouse	B	$(\text{earn} > 0) * (\text{wtc_basic} + \text{wtc_woman} + (\text{wtc_child} * \text{children}))$
Tax credits (nonwastable)	NIT_princ	B	$\text{NIT} = \text{MAX}(0, \text{MAX}(0, \text{IF}(\text{princ_earnings} < \text{NIT_MinIncome}, 0, \text{IF}(\text{Children}=0.0, \text{IF}(\text{Children} < 3, \text{NIT_basic1} + \text{Tax}(\text{princ_earnings}, \text{NIT_sch1}), \text{NIT_basic2} + \text{Tax}(\text{princ_earnings}, \text{NIT_sch2})))) + \text{NIT_sch1_rate5} * \text{MAX}(0, (\text{princ_earnings} + \text{spouse_earnings}) - \text{NIT_MaxIncome} - \text{MIN}(\text{MAX}(\text{princ_earnings} - \text{NIT_sch1_inc4.0}), (\text{NIT_AddIncome})) - \text{MIN}(\text{MAX}(\text{spouse_earnings} - \text{NIT_sch1_inc4.0}), (\text{NIT_AddIncome})))) \text{IF}(\text{NIT} < \text{NIT_min}, \text{NIT}=0, \text{NIT}) * \text{NIT_Bonus}$
	NIT_spouse	B	$\text{NIT} = \text{MAX}(0, \text{MAX}(0, \text{IF}(\text{spouse_earnings} < \text{NIT_MinIncome}, 0, \text{IF}(\text{Children}=0.0, \text{IF}(\text{Children} < 3, \text{NIT_basic1} + \text{Tax}(\text{spouse_earnings}, \text{NIT_sch1}), \text{NIT_basic2} + \text{Tax}(\text{spouse_earnings}, \text{NIT_sch2})))) + \text{NIT_sch1_rate5} * \text{MAX}(0, (\text{princ_earnings} + \text{spouse_earnings}) - \text{NIT_MaxIncome} - \text{MIN}(\text{MAX}(\text{princ_earnings} - \text{NIT_sch1_inc4.0}), (\text{NIT_AddIncome})) - \text{MIN}(\text{MAX}(\text{spouse_earnings} - \text{NIT_sch1_inc4.0}), (\text{NIT_AddIncome})))) \text{IF}(\text{NIT} < \text{NIT_min}, \text{NIT}=0, \text{NIT}) * \text{NIT_Bonus}$
7. CG tax	CG_tax	B	$\text{Positive}(\text{CG_tax_excl} - \text{tax_cr}) - \text{NIT}$
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	$\text{Tax}(\text{earn}, \text{SSC_sch})$
11. Cash transfers	cash_trans	J	$\text{IF}(\text{children}=1, \text{CB_firstchild}, \text{IF}(\text{Children}=2, \text{CB_firstchild} + \text{CB_secondchild}) + (\text{IF}(\text{married}=0) * (\text{children} > 0), \text{Studygrant_rate} * \text{children}))$
13. Employer's soc security	SSC_empr	B	$\text{Tax}(\text{earn}, \text{SSC_rate2})$

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.

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 2014

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		20 410	30 463	50 873	20 410
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		1 937	2 891	4 876	1 937
Work-related expenses					
Other					
	Total	1 937	2 891	4 876	1 937
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		18 473	27 572	45 996	18 473
5. Central government income tax liability (exclusive of tax credits)		4 388	6 844	13 799	4 388
6. Tax credits					
Basic credit		2 048	997	326	2 048
Married or head of family		0	0	0	0
Children		0	0	0	1 581
Other					
	Total	2 048	997	326	3 629
7. Central government income tax finally paid (5-6)		2 340	5 847	13 473	759
8. State and local taxes		597	891	1 486	597
9. Employees' compulsory social security contributions					
Gross earnings		1 937	2 891	4 876	1 937
Taxable income					
	Total	1 937	2 891	4 876	1 937
10. Total payments to general government (7 + 8 + 9)		4 874	9 629	19 834	3 293
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	2 632
	Total	0	0	0	2 632
12. Take-home pay (1-10+11)		15 536	20 834	31 038	19 749
13. Employer's compulsory social security contributions		6 548	9 772	16 320	6 548
14. Average rates					
Income tax		14.4%	22.1%	29.4%	6.6%
Employees' social security contributions		9.5%	9.5%	9.6%	9.5%
Total payments less cash transfers		23.9%	31.6%	39.0%	3.2%
Total tax wedge including employer's social security contributions		42.4%	48.2%	53.8%	26.7%
15. Marginal rates					
Total payments less cash transfers: Principal earner		40.9%	40.9%	50.6%	42.5%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		55.3%	55.3%	62.6%	56.5%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Italy 2014

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		30 463	40 515	50 873	40 515
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		2 891	3 845	4 828	3 845
Work-related expenses					
Other					
	Total	2 891	3 845	4 828	3 845
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		27 572	36 670	46 045	36 670
5. Central government income tax liability (exclusive of tax credits)		6 844	8 937	11 232	8 937
6. Tax credits					
Basic credit		997	3 468	3 045	3 468
Married or head of family		690	0	0	0
Children		1 424	1 424	1 502	0
Other					
	Total	3 111	4 514	4 547	3 090
7. Central government income tax finally paid (5-6)		3 733	4 423	6 685	5 847
8. State and local taxes		891	891	1 487	891
9. Employees' compulsory social security contributions					
Gross earnings		2 891	3 845	4 828	3 845
Taxable income					
	Total	2 891	3 845	4 828	3 845
10. Total payments to general government (7 + 8 + 9)		7 515	9 159	13 000	10 583
11. Cash transfers from general government					
For head of family					
For two children		1 592	928	853	0
	Total	1 592	928	853	0
12. Take-home pay (1-10+11)		24 540	32 285	38 726	29 933
13. Employer's compulsory social security contributions		9 772	12 997	16 320	12 997
14. Average rates					
Income tax		15.2%	13.1%	16.1%	16.6%
Employees' social security contributions		9.5%	9.5%	9.5%	9.5%
Total payments less cash transfers		19.4%	20.3%	23.9%	26.1%
Total tax wedge including employer's social security contributions		39.0%	39.7%	42.4%	44.1%
15. Marginal rates					
Total payments less cash transfers: Principal earner		42.5%	42.5%	41.7%	40.9%
Total payments less cash transfers: Spouse		23.0%	9.5%	41.7%	9.5%
Total tax wedge: Principal earner		56.5%	56.5%	55.9%	55.3%
Total tax wedge: Spouse		41.7%	31.5%	55.9%	31.5%

The national currency is the euro (EUR). In 2014, EUR 0.75 was equal to USD 1. In that year the average worker earned EUR 30 463 (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

Italy increased the basic employee tax credit from EUR 1 840 to EUR 1 880 and for 2014 introduced an additional refundable tax credit of EUR 640 for employees with income between EUR 8 146 and EUR 24 000, with a phase-out for income between EUR 24 000 and EUR 26 000. The Government announced that a similar tax credit of EUR 960 would be introduced on a permanent basis as of 2015.

Taxable income (EUR)	Fiscal bonus (EUR)
Up to 8 145	0
From 8 146 to 24 000	640
From 24 001 to 26 000	$640 * (26\ 000 - \text{taxable income}) / 2\ 000$
More than 26 000	0

- Standard tax credits (not refundable)

The PAYE tax credit is defined as a function of net income:

Taxable income (EUR)	PAYE tax credit (EUR)
Up to 8 000	1 880
From 8 001 to 28 000	$\text{Maximum tax credit} + 902 * (28\ 000 - \text{taxable income}) / 20\ 000$
From 28 001 to 55 000	$\text{Maximum tax credit} * (55\ 000 - \text{taxable income}) / 27\ 000$
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	978
From 15 001 to 23 000	978
From 23 001 to 24 000	978
From 24 001 to 25 000	978
From 24 001 to 26 000	978
From 26 001 to 27 700	978
From 27 701 to 28 000	978
From 28 001 to 55 000	978

- Tax credits for family dependents (not refundable)

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	1 220 decreasing to 0 for net income over 95 000
Over three years of age	950 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	$800 - 110 * \text{taxable income} / 15\,000$
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	$690 * (80\,000 - \text{taxable income}) / 40\,000$
More than 80 000	0

The child tax credit is calculated as a function of net income:

- for families with only one child: $950 * (95\,000 - \text{taxable income}) / 95\,000$;
- 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 50 per cent for 2014 (40 per cent as from 2015) of full expenses up to EUR 96 000, apportioned into 10 annual allowances of the same amount.
- Expenses for energy requalification of buildings at 65 per cent for 2014 (50 per cent as from 2015) of full expenses apportioned into 10 annual allowances of the same amount.
- Expenses for the replacement of covers, windows and shutters and for the installation of solar panels (only for hot water production) at 65 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

Decree-Law No. 138 of 13 August 2011 introduced the “Contributo di Solidarietà” for the 2011-13, (extended up to 2016), tax periods, that is a 3% “solidarity contribution” on the portion of income higher than EUR 300 000 (the amount paid is deductible from PIT base)”

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).

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 per cent-1.4 per cent.

In December 2011, with the DL 201/2011, the minimum state rate has been increased from 0.9% to 1.23%.

The figure given in the 2014 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 2.33 per cent in 2014.

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. As from 2012, municipalities can increase the rate up to 0.8. A 0.9 special rate can be introduced by Roma Capitale Local Government.

The figure given in the 2014 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 2014.

Starting from 2011, exemption is provided to taxpayers whose total income consists of retirement income not exceeding EUR 8 000, income from land not exceeding EUR 185.92, and income from primary residence. The ordinary rate is applied if any one of these limits is passed.

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 46 031.
 - ❖ The average rate is 10.49 per cent on earnings over EUR 46 031 and up to EUR 100 123.
 - ❖ For earnings exceeding EUR 100 123, the employee pays a fixed amount given by $(0.0949 \times 46\,031) + 0.1049 \times (100\,123 - 46\,031)$.
- Distinction by marital status or sex
 - ❖ None.

2.2. Employer contributions

- Contributions equal 32.08 per cent on earnings up to EUR 100 123. For earnings exceeding EUR 100 123, the employer pays a fixed amount given by $0.3208 \times 100\,123$.
- A General Government employer work-related accident insurance exists in Italy. It is compulsory for employers with employees and contract workers in activities involving the use of machinery and in risky activities as defined by the law. The standard premium to be paid is calculated by applying to remuneration the rates linked to the activity in which the employee works. The rates that vary between 0 to about 13 per cent, are provided by a special classification that takes into account the different categories of risk between the various activities. It is not possible to provide a representative or average rate since the contribution rates vary depending on the industrial activities and also other factors of risk. Those contributions are not included in the Report.

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 t 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

A Fiscal Bonus has been introduced for employees with a taxable income between 8 146 and 26 000 euros. The measure is in force for 2014 and has to be confirmed for next years.

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.

2014 parameter values

Average earnings/yr	Ave_earn	30 463	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
Solidarity contribution	sol_tax	0.03	
	sol_inc_limit	300 000	
Tax credits			
Fiscal bonus	thre_min	8 146	
	thre_max	24 000	
	f_bonus	640	
Employment	emp_add	0	1 880.00
		8 000	978.00
		15 000	978.00
		23 000	978.00
		24 000	978.00
		25 000	978.00
		26 000	978.00
		27 700	978.00
		28 000	978.00
		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	950	
Additional child credit	add_child	200	
Regional and local tax	reg_rt	0.0323	
Social security contributions	SSC_sch	0.0949	46 031
		0.1049	100 123
		0.00	999 999 999.99
Employer contributions	Empr_sch	0.3208	100 123
		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	

2014 tax equations

The equations for the Italian system in 2014 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
	Sol_tax	B	$\text{sol_tax} * \text{Positive}(\text{Gross-sol_inc_limit})$
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	$\text{earn-tax_al1-sol_tax}$
5. CG tax before credits	CG_tax_excl	B	$\text{Tax}(\text{tax_inc}, \text{tax_sch})$
6. Tax credits:			
Employment credit	emp_cr_max	P	$\text{VLOOKUP}(\text{tax_inc}, \text{emp_add}, 2))$
	emp_cr_max_spouse	S	$\text{IF}(\text{tax_inc_spouse}=0.0, (\text{VLOOKUP}(\text{tax_inc_spouse}, \text{emp_add}, 2)))$
	emp_cr	P	$\text{MIN}(\text{CG_tax_excl}, \text{IF}(\text{tax_inc} \leq 8000, \text{emp_cr_max}, \text{IF}(\text{tax_inc} \leq 28000, \text{emp_cr_max} + 902 * (28000 - \text{tax_inc}) / 20000, \text{IF}(\text{tax_inc} \leq 55000, \text{emp_cr_max}, \text{emp_cr_max} * (55000 - \text{tax_inc}) / 27000)))) + \text{IF}(\text{tax_inc} \leq \text{thre_min}, 0, \text{IF}(\text{tax_inc} \leq \text{thre_max}, \text{f_bonus}, \text{IF}(\text{tax_inc} \leq 26000, \text{f_bonus} * (1 - (\text{tax_inc} - 24000) / 2000))))$
		S	$\text{MIN}(\text{CG_tax_excl_spouse}, \text{IF}(\text{tax_inc_spouse} \leq 8000, \text{emp_cr_max_spouse}, \text{IF}(\text{tax_inc_spouse} \leq 28000, \text{emp_cr_max_spouse} + 902 * (28000 - \text{tax_inc_spouse}) / 20000, \text{IF}(\text{tax_inc_spouse} \leq 55000, \text{emp_cr_max_spouse}, \text{emp_cr_max_spouse} * (55000 - \text{tax_inc_spouse}) / 27000)))) + \text{IF}(\text{tax_inc_spouse} \leq \text{thre_min}, 0, \text{IF}(\text{tax_inc_spouse} \leq \text{thre_max}, \text{f_bonus}, \text{IF}(\text{tax_inc_spouse} \leq 26000, \text{f_bonus} * (1 - (\text{tax_inc_spouse} - 24000) / 2000))))$
Spouse credit	spouse_cr	P	$\text{IF}(\text{Married}=1, \text{IF}(\text{tax_inc_spouse} > \text{Sp_crd_lim}, 0, \text{IF}(\text{tax_inc} > 80000.0, \text{IF}(\text{tax_inc} < 15000.800 - 110 * \text{tax_inc} / 15000, \text{IF}(\text{tax_inc} > 40000.690 * (80000 - \text{tax_inc}) / 40000, \text{VLOOKUP}(\text{tax_inc}, \text{Spouse_cred}, 2))))), 0)$
Child credit	child_cr_princ	P	$\text{IF}(\text{Children}=0.0, \text{IF}(\text{Married}=1, (800 * (95000 - \text{tax_inc}) / 95000 + (\text{Children} - 1) * 800 * (110000 - \text{tax_inc}) / 110000) * (1 - \text{child_crpct_spouse}), \text{MAX}(800 * (95000 - \text{tax_inc}) / 95000, \text{IF}(\text{tax_inc} > 80000.0, \text{IF}(\text{tax_inc} < 15000.800 - 110 * \text{tax_inc} / 15000, \text{IF}(\text{tax_inc} > 40000.690 * (80000 - \text{tax_inc}) / 40000, \text{VLOOKUP}(\text{tax_inc}, \text{Spouse_cred}, 2)))) + (\text{Children} - 1) * 800 * (110000 - \text{tax_inc}) / 110000))$
	child_crfull_spouse	S	$\text{IF}(\text{Children}=0.0, (\text{spouse_cr}=0) * \text{Married} * (800 * (95000 - \text{tax_inc_spouse}) / 95000 + (\text{Children} - 1) * 800 * (110000 - \text{tax_inc_spouse}) / 110000))$
	child_crpct_spouse	S	$\text{IF}(\text{child_crfull_spouse} > 0, \text{IF}((\text{CG_tax_excl_spouse} - \text{emp_cr_spouse}) / \text{child_crfull_spouse} < 0.5, 0.5), 0)$
	child_cr_spouse	S	$\text{child_crfull_spouse} * \text{child_crpct_spouse}$
Total	tax_cr	B	$\text{MIN}(\text{emp_cr} + \text{spouse_cr} + \text{child_cr}, \text{CG_tax_excl})$
7. CG tax	CG_tax	B	$\text{Positive}(\text{CG_tax_excl} - \text{tax_cr}) + \text{sol_tax}$
8. State and local taxes	reg_rt	B	$\text{IF}(\text{CG_tax}=0, 0, \text{tax_inc} * \text{reg_rt})$
9. Employees' soc security	SSC	B	$\text{Tax}(\text{earn}, \text{SSC_sch})$
11. Cash transfers		J	$\text{IF}(\text{Children}=0.0, 12 * \text{VLOOKUP}(\text{earn_total}, \text{IF}(\text{Married}, \text{trans_sch}, \text{trans_sch_sp}), 1 + \text{Children}))$
13. Employer's soc security	SSC_empr	B	$\text{Tax}(\text{earn}, \text{Empr_sch})$

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.

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 2014

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		3 270 936	4 881 994	8 152 930	3 270 936
2. Standard tax allowances:					
Basic allowance		380 000	380 000	380 000	380 000
Married or head of family		0	0	0	0
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes		461 823	689 289	1 089 665	461 823
Work-related expenses		1 161 281	1 516 399	2 015 293	1 161 281
Other					
	Total	2 003 104	2 585 688	3 484 958	2 003 104
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		1 267 832	2 296 307	4 667 973	1 267 832
5. Central government income tax liability (exclusive of tax credits)		64 723	134 905	516 722	64 723
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)		64 723	134 905	516 722	64 723
8. State and local taxes		134 283	237 131	474 297	134 283
9. Employees' compulsory social security contributions					
Gross earnings		461 823	689 289	1 089 665	461 823
Taxable income					
	Total	461 823	689 289	1 089 665	461 823
10. Total payments to general government (7 + 8 + 9)		660 829	1 061 325	2 080 685	660 829
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	240 000
	Total	0	0	0	240 000
12. Take-home pay (1-10+11)		2 610 107	3 820 669	6 072 246	2 850 107
13. Employer's compulsory social security contributions		486 355	725 904	1 150 812	486 355
14. Average rates					
Income tax		6.1%	7.6%	12.2%	6.1%
Employees' social security contributions		14.1%	14.1%	13.4%	14.1%
Total payments less cash transfers		20.2%	21.7%	25.5%	12.9%
Total tax wedge including employer's social security contributions		30.5%	31.9%	34.7%	24.1%
15. Marginal rates					
Total payments less cash transfers: Principal earner		22.6%	27.4%	31.2%	22.6%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		32.6%	36.8%	35.3%	32.6%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Japan 2014

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		4 881 994	6 493 052	8 152 930	6 493 052
2. Standard tax allowances					
Basic allowance		380 000	760 000	760 000	760 000
Married or head of family		380 000	0	0	0
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes		689 289	916 754	1 151 112	916 754
Work-related expenses		1 516 399	2 166 399	2 677 680	2 166 399
Other					
	Total	2 965 688	3 843 153	4 588 792	3 843 153
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		1 916 307	2 649 899	3 564 138	2 649 899
5. Central government income tax liability (exclusive of tax credits)		97 827	152 956	199 628	152 956
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)		97 827	152 956	199 628	152 956
8. State and local taxes		202 446	279 990	371 414	279 990
9. Employees' compulsory social security contributions					
Gross earnings		689 289	916 754	1 151 112	916 754
Taxable income					
	Total	689 289	916 754	1 151 112	916 754
10. Total payments to general government (7 + 8 + 9)		989 562	1 349 700	1 722 154	1 349 700
11. Cash transfers from general government					
For head of family					
For two children		240 000	240 000	240 000	0
	Total	240 000	240 000	240 000	0
12. Take-home pay (1-10+11)		4 132 432	5 383 352	6 670 776	5 143 352
13. Employer's compulsory social security contributions		725 904	965 452	1 212 259	965 452
14. Average rates					
Income tax		6.2%	6.7%	7.0%	6.7%
Employees' social security contributions		14.1%	14.1%	14.1%	14.1%
Total payments less cash transfers		15.4%	17.1%	18.2%	20.8%
Total tax wedge including employer's social security contributions		26.3%	27.8%	28.8%	31.0%
15. Marginal rates					
Total payments less cash transfers: Principal earner		27.4%	27.4%	27.4%	27.4%
Total payments less cash transfers: Spouse		22.4%	27.1%	22.6%	27.1%
Total tax wedge: Principal earner		36.8%	36.8%	36.8%	36.8%
Total tax wedge: Spouse		32.4%	36.5%	32.6%	36.5%

The national currency is the yen (JPY). In 2014, JPY 105.85 was equal to USD 1. In that year, the average worker is assumed to earn JPY 4 881 994 (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 1 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, but not JPY 15 000 000, the deduction is JPY 1 700 000 plus 5 per cent of salaries.
 - ❖ If gross employment income exceeds JPY 15 000 000, the deduction will be fixed at JPY 2 450 000.

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 50 m² 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 more 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 2005 to 31 December 2005	From 1 January 2006 to 31 December 2006	From 1 January 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. × 1.0% (for first 8 years) The R.H.L.B. × 0.5% (for last 2 years)	If the R.H.L.B. is JPY 30 million or less: The R.H.L.B. × 1.0% (for first 7 years) The R.H.L.B. × 0.5% (for last 3 years)	If the R.H.L.B. is JPY 25 million or less: The R.H.L.B. × 1.0% [or 0.6%] (for first 6 years [or 10 years]) The R.H.L.B. × 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

Residence starts:	From 1 January 2008 to 31 December 2008	From 1 January 2009 to 31 December 2010	From 1 January 2011 to 31 December 2011
Tax credit rate	If the R.H.L.B. is JPY 20 million or less: The R.H.L.B. $\times$ 1.0% [or 0.6%] (for first 6 years [or 10 years]) The R.H.L.B. $\times$ 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. $\times$ 1.0%	If the R.H.L.B. is JPY 40 million or less: The R.H.L.B. $\times$ 1.0%
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

Residence starts:	From 1 January 2012 to 31 December 2012	From 1 January 2013 to 31 March 2014	From 1 April 2014 to 31 December 2017
Tax credit rate	If the R.H.L.B. is JPY 30 million or less: The R.H.L.B. $\times$ 1.0%	If the R.H.L.B. is JPY 20 million or less: The R.H.L.B. $\times$ 1.0%	If the R.H.L.B. is JPY 40 million or less: The R.H.L.B. $\times$ 1.0%
Maximum tax credit amount (for each year)	JPY 300 000	JPY 200 000	JPY 400 000
Maximum tax credit amount (for the deductible period in total)	JPY 3 million	JPY 2 million	JPY 4 million

- *Deduction for life insurance 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.
- Furthermore, if a resident taxpayer pays insurance premiums on long-term care insurance contracts and the taxpayer receipts the long-term care proceeds caused by payments for medical expenses, 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	
	20 000	Total amount of premiums paid (1)
20 000	40 000	(1) $\times$ 1/2 + JPY 10 000
40 000	80 000	(1) $\times$ 1/4 + JPY 20 000
80 000	-	JPY 40 000

- For the insurance contracts made on or after 1 January 2012 the maximum deduction is JPY 120 000. 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.

- For the insurance contracts made on or before 31 December 2011, a resident taxpayer can claim the deduction up to JPY 50 000 for life insurance premiums, personal pension plan premiums respectively. Thus, a resident tax payer can claim the deduction up to JPY 100 000 in total. *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:

$$7\,000\,000 \times 0.23 \text{ (A)} - 636\,000 \text{ (B)} = \text{JPY } 974\,000.$$

In addition, a taxpayer is required to file tax returns and make tax payments for additional 2.1% of the base income taxes from 2013 through 2037 annually together with the regular income tax of respective years.

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 Dependents is JPY 330 000, the amount of Special Allowance for dependents is JPY 450 000, etc. Allowance for Dependents is available for dependents 16 years or older excluding the specified dependents described below. Special Allowance for dependents is available for the specified dependents (between 19 and 22 years old).

1.2.3. Tax rate

- The standard fixed (annual) per-capita amount of Prefectural inhabitants tax is JPY 1 500.
- The standard fixed (annual) per-capita amount of Municipal inhabitants tax is JPY 3 500.
- 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).*

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.

* The local tax rate and the central government income tax rate were changed in the FY2006 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.

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

2.1. Employees' contributions

2.1.1. Pension

8.560 per cent (8.737 per cent as from September 2014) of total remuneration (standard remuneration and bonuses). The insurable ceiling of the monthly amount of pensionable remuneration is JPY 620 000 and the insurable ceiling of the standard amount of bonus is JPY 1 500 000.

2.1.2. Sickness

As from April 2012 about 5.00 per cent (about 4.75 per cent before March 2012), of total remuneration (standard remuneration and bonuses), up to the insurable ceiling of JPY 1 210 000, (monthly).

2.1.3. Unemployment

0.5 per cent of total remuneration.

2.1.4-1.5. Work injury and family allowance

None.

2.2. Employers' contributions

2.2.1. Pensions

8.560 per cent (8.737 per cent as from September 2014) of total remuneration. The insurable ceiling of the monthly amount of pensionable remuneration is JPY 620 000 and the insurable ceiling of the standard amount of bonus is JPY 1 500 000.

2.2.2. Sickness

As from April 2012, about 5.00 per cent (about 4.75 per cent before March 2012) of total remuneration up to the insurable ceiling of JPY 1 210 000 (monthly).

2.2.3. Unemployment

0.85 per cent of total remuneration.

2.2.4. Work injury

0.25 per cent to 8.9 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 rates for fifty-five industrial categories at present.

2.2.5. Family allowance

0.15 per cent of total remuneration.

3. Universal cash transfers

3.1. Transfers related to marital status

Not available.

3.2. Transfers for dependent children

From April 2012 (Income caps are applied beginning from June 2012 payments):

a) For persons earning incomes below the income cap

JPY 15 000 (per month) is paid to parents/guardians for each child who is under 3 years old or for the third or subsequent child from 3 years old until he/she graduates from elementary school.

JPY 10 000 (per month) is paid to parents/guardians for each child who is for the first or second child from 3 years old until he/she graduates from elementary school or who is a junior high school student.

b) For persons earning incomes no less than the income cap

JPY 50 000 (per month) is paid to parents/guardians for each child until he/she graduates from junior high school as the Special Interim Allowances.

The income cap is set at JPY 6 220 000 (the principal's gross earnings net of certain deductions, plus JPY 380 000 per dependent).

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, 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.

As from April 2012 (Income caps are applied beginning from June 2012 payments):

a) For persons earning incomes below the income cap

JPY 15 000 (per month) is paid to parents/guardians for each child who is under 3 years old or for the third or subsequent child from 3 years old until he/she graduates from elementary school.

JPY 10 000 (per month) is paid to parents/guardians for each child who is for the first or second child from 3 years old until he/she graduates from elementary school or who is a junior high school student.

b) For persons earning incomes no less than the income cap

JPY 5 000 (per month) is paid to parents/guardians for each child until he/she graduates from junior high school as the Special Interim Allowances.

As part of the FY 2012 tax reform, the upper limit on employment income deduction (JPY 2 450 000) was set for those who earn employment income more than JPY 15 000 000 as from 2013 (local inhabitants tax: FY2014).

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 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.

2014 parameter values

Average earnings/yr	Ave_earn	4 881 994	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	
	emp_inc_max	2 450 000	
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	
	surtax	1.021	
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	0	
Prefectural tax	pref_per_cap	1 500	
Municipal tax	mun_per_cap	3 500	
	local_sch	0.1	
Social security contributions	SSC_pens	0.08619	
	pens_ceil	7 440 000	
	SSC_sick	0.05	
	sick_ceil	14 520 000	
	SSC_unemp	0.0050	
Employer contribution proportion	SSC_empr_unemp	0.0085	
	SSC_empr_oth	0.0040	
Child transfer	Child_transfer	120 000	
	Child_transfer2	90 000	
	Child_transfer_lim	6 220 000	
	Child_transfer_lim_incr	380 000	

2014 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	$\text{basic_al} + \text{Married} * (\text{earn_princ} - (\text{earn_princ} > 0) * \text{MIN}(\text{emp_inc_max}, \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_princ}, \text{emp_inc_sch}))) \leq \text{spouse_al_ceil}) * \text{spouse_al} + \text{Married} * \text{VLOOKUP}(\text{Positive}(\text{earn_princ} - (\text{earn_princ} > 0) * \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_princ}, \text{emp_inc_sch}))), \text{spouse_al_sp}, 2, \text{TRUE}) + \text{Children} * \text{child_al} + \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_princ}, \text{emp_inc_sch})) + \text{SSC_princ}$
			S	$\text{MIN}(\text{earn_spouse}, \text{basic_al} + \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn}, \text{emp_inc_sch}))) + \text{SSC_spouse}$
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*surtax
8.	State and local taxes			
	Local taxable income	local_tax_inc	P	$\text{Positive}(\text{earn_princ} - (\text{s_basic_al} + \text{Married} * ((\text{earn_spouse} - (\text{earn_spouse} > 0) * \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_spouse}, \text{emp_inc_sch}))) \leq \text{s_spouse_al_ceil}) * \text{s_spouse_al} + \text{VLOOKUP}(\text{Positive}(\text{earn_spouse} - (\text{earn_spouse} > 0) * \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_spouse}, \text{emp_inc_sch}))), \text{s_spouse_al_sp}, 2, \text{TRUE})) + \text{Children} * \text{s_child_al} + \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_princ}, \text{emp_inc_sch}))) + \text{SSC_princ}))$
			S	$\text{Positive}(\text{earn_spouse} - (\text{s_basic_al} + (\text{earn_spouse} > 0) * \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_spouse}, \text{emp_inc_sch}))) + \text{SSC_spouse}))$
	Local tax	local_tax	P	$(\text{earn_princ} - \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_princ}, \text{emp_inc_sch}))) > 350000 + (\text{Married} * (\text{earn_princ} - (\text{earn_princ} > 0) * \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_princ}, \text{emp_inc_sch}))) \leq \text{s_spouse_al_ceil}) + \text{Children} > 0) * ((\text{Married} * (\text{earn_princ} - (\text{earn_princ} > 0) * \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_princ}, \text{emp_inc_sch}))) \leq \text{s_spouse_al_ceil}) + \text{Children}) * 350000 + 210000) * (\text{pref_per_cap} + \text{mun_per_cap}) + (\text{earn_princ} - \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_princ}, \text{emp_inc_sch}))) > 350000 + (\text{Married} * (\text{earn_princ} - (\text{earn_princ} > 0) * \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_princ}, \text{emp_inc_sch}))) \leq \text{s_spouse_al_ceil}) + \text{Children} > 0) * ((\text{Married} * (\text{earn_princ} - (\text{earn_princ} > 0) * \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_princ}, \text{emp_inc_sch}))) \leq \text{s_spouse_al_ceil}) + \text{Children}) * 350000 + 320000) * \text{Positive}(\text{Tax}(\text{Positive}(\text{earn_spouse} - \text{tax_al_spouse}), \text{local_sch}) - \text{IF}(\text{Positive}(\text{earn_spouse} - \text{tax_al_spouse}) > 2000000, \text{MAX}(2500, ((\text{Positive}(\text{earn_spouse} - \text{tax_al_spouse}) - \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_princ}, \text{emp_inc_sch}))) - (\text{Positive}(\text{earn_spouse} - \text{tax_al_spouse}) - 2000000)) * 5\%), \text{MINA}((\text{Positive}(\text{earn_spouse} - \text{tax_al_spouse}) - \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_princ}, \text{emp_inc_sch}))), \text{Positive}(\text{earn_spouse} - \text{tax_al_spouse})) * 5\%))$

Line in country table and intermediate steps	Variable name	Range	Equation
		S	$(\text{earn_spouse} - (\text{earn_spouse} > 0) * \text{MAX}(\text{emp_inc_min}, \text{Tax}(\text{earn_spouse}, \text{emp_inc_sch}))) > 350000) * (\text{pref_per_cap} + \text{mun_per_cap} + \text{Positive}(\text{Tax}(\text{local_tax_inc_spouse}, \text{local_sch}) - \text{IF}(\text{local_tax_inc_spouse} > 2000000, \text{MAXA}(2500, ((\text{local_tax_inc_spouse} - \text{tax_inc_spouse}) - (\text{local_tax_inc_spouse} - 2000000)) * 5\%), \text{MINA}((\text{local_tax_inc_spouse} - \text{tax_inc_spouse}), \text{local_tax_inc_spouse}) * 5\%)))$
9. Employees' soc security	SSC	B	$\text{SSC_pens} * \text{MIN}(\text{earn}, \text{pens_ceil}) + \text{SSC_sick} * \text{MIN}(\text{earn}, \text{sick_ceil}) + \text{SSC_unemp} * \text{earn}$
11. Cash transfers	cash_trans	B	$\text{IF}(\text{Children} > 0, \text{IF}(\text{Positive}(\text{princ_inc} - \text{princ_empl_inc}) < \text{Child_transfer_lim} + (\text{Child_transfer_lim_incr} * \text{Children}), \text{Child_transfer}, \text{Child_transfer2}) * \text{Children}, 0)$
13. Employer's social security	SSC_empr	B	$\text{SSC_pens} * \text{MIN}(\text{earn}, \text{pens_ceil}) + \text{SSC_sick} * \text{MIN}(\text{earn}, \text{sick_ceil}) + (\text{SSC_empr_unemp} + \text{SSC_empr_oth}) * \text{earn}$

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 2014

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		26 653 320	39 781 075	66 434 395	26 653 320
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	11 947 397	16 035 301	19 326 665	15 947 397
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		14 705 923	23 745 774	47 107 731	10 705 923
5. Central government income tax liability (exclusive of tax credits)		1 125 888	2 481 866	6 085 855	642 355
5. Tax credits					
Basic credit		582 767	660 000	630 000	737 707
Married or head of family					
Children					
Other					
	Total	582 767	660 000	630 000	737 707
7. Central government income tax finally paid (5-6)		543 122	1 821 866	5 455 855	0
8. State and local taxes		54 312	182 187	545 586	0
9. Employees' compulsory social security contributions					
Gross earnings		2 223 153	3 318 139	4 754 945	2 223 153
Taxable income					
	Total	2 223 153	3 318 139	4 754 945	2 223 153
10. Total payments to general government (7 + 8 + 9)		2 820 588	5 322 192	10 756 386	2 223 153
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)		23 832 733	34 458 883	55 678 009	24 430 167
13. Employer's compulsory social security contributions		2 742 893	4 093 870	6 050 416	2 742 893
14. Average rates					
Income tax		2.2%	5.0%	9.0%	0.0%
Employees' social security contributions		8.3%	8.3%	7.2%	8.3%
Total payments less cash transfers		10.6%	13.4%	16.2%	8.3%
Total tax wedge including employer's social security contributions		18.9%	21.5%	23.2%	16.9%
15. Marginal rates					
Total payments less cash transfers: Principal earner		17.6%	21.0%	27.9%	8.3%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		25.3%	28.4%	31.9%	16.9%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Korea 2014

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		39 781 075	52 908 830	66 434 395	52 908 830
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	20 535 301	28 377 152	31 482 698	25 377 152
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		19 245 774	24 531 678	34 951 697	27 531 678
5. Central government income tax liability (exclusive of tax credits)		1 806 866	2 259 020	3 082 755	2 709 020
6. Tax credits					
Basic credit		960 000	1 204 935	1 520 267	904 935
Married or head of family					
Children					
Other					
	Total	960 000	1 204 935	1 520 267	904 935
7. Central government income tax finally paid (5-6)		846 866	1 071 866	1 562 488	1 821 866
8. State and local taxes		84 687	107 187	156 249	182 187
9. Employees' compulsory social security contributions					
Gross earnings		3 318 139	4 413 126	5 541 293	4 413 126
Taxable income					
	Total	3 318 139	4 413 126	5 541 293	4 413 126
10. Total payments to general government (7 + 8 + 9)		4 249 692	5 592 178	7 260 030	6 417 178
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)		35 531 383	47 316 652	59 174 366	46 491 652
13. Employers' compulsory social security contributions		4 093 870	5 444 848	6 836 764	5 444 848
14. Average rates					
Income tax		2.3%	2.2%	2.6%	3.8%
Employees' social security contributions		8.3%	8.3%	8.3%	8.3%
Total payments less cash transfers		10.7%	10.6%	10.9%	12.1%
Total tax wedge including employer's social security contributions		19.0%	18.9%	19.2%	20.3%
15. Marginal rates					
Total payments less cash transfers: Principal earner		21.0%	21.0%	21.0%	21.0%
Total payments less cash transfers: Spouse		10.2%	8.3%	17.6%	8.3%
Total tax wedge: Principal earner		28.4%	28.4%	28.4%	28.4%
Total tax wedge: Spouse		18.6%	16.9%	25.3%	16.9%

The national currency is the won (KRW). In 2014, KRW 1 053.06 was equal to USD 1. In this year, the average worker is expected to earn KRW 39 781 075 (Secretariat estimate).

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 1 500 000 and whose yearly wage is less than KRW 25 000 000.

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	70%
KRW 5 000 000 to KRW 15 000 000	KRW 3 500 000 plus 40% of the salary over KRW 5 000 000
KRW 15 000 000 to KRW 45 000 000	KRW 7 500 000 plus 15% of the salary over KRW 15 000 000
KRW 45 000 000 to KRW 100 000 000	KRW 12 000 000 plus 5% of the salary over KRW 45 000 000
Over KRW 100 000 000	KRW 14 750 000 plus 2% of the salary over KRW 100 000 000

- *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], KRW 2 000 000 in the case of [b]) 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] 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 (a person whose taxable income is not more than 30 million won and, in this Report,* any female wage earner is entitled to this allowance) (c);
 - ❖ a single parent with lineal descendants or adopted children who are eligible for basic exemption** (f).
- **National pension deduction:** Employees can deduct 100 per cent of their National Pension contributions.
- **Earned income special tax credit:** 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
Total wage and salary income	Ceiling on credit amount
Not more than KRW 55 million	KRW 660 000
Not more than KRW 70 million	The greater of KRW 630 000 and KRW 660 000 - [(total wage and salary income - 55 million won) × 50%]
Exceeding KRW 70 million	The greater of KRW 500 000 and KRW 630 000 - [(total wage and salary income - KRW 70 million) × 50%]

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:** The Medical insurance premium and the Unemployment insurance premium can be entirely (100 per cent) deducted from taxable income.
- **Saving/Payment for housing:** The full amount of the interest paid on a long-term mortgage loan for buying a house which is not more than KRW 400 million in value; 40 per cent of the amount contributed to a savings account for housing by a non-homeowner; 60 per cent of the monthly rent or the principal and interest of a loan for leasing a house paid or repaid by a non-homeowner. The sum of the deductible amounts above shall not exceed KRW 15 million.
- **Credit card purchases:** Employees may deduct 15 per cent of their credit card (30 per cent of their debit card, prepaid card or cash receipt) purchases that exceed 25 per cent of

* The calculations for Korea assume that the husband is the principal and that the wife is the spouse.

** Overlapping deductions for (c) and (f) are not allowed. If a resident belongs to both of the classes, he/she shall be deemed to belong to class (f) only.

their total income to a maximum of the lesser of KRW 3 000 000 or 20 per cent of their total income. However, for expenditures spent for traditional markets and public transportation, the allowed deduction is equivalent to 30 per cent of the expenditure and the ceiling is raised by an additional KRW 1 000 000 for each.

- Loans for house, saving deposits for housing subscription, investment in employee stock ownership associations or in associations for investment in start-ups, and credit cards are allowed income deduction with a ceiling at KRW 25 000 000 in total.

1.1.2.3. Child tax credit

- Where a resident with taxable income has children (including adoptees and children under foster care) who are eligible for the basic deduction, he/she receives annual tax credit of KRW 150 000 for having a child, KRW 300 000 for having two children, and KRW 300 000 plus KRW 200 000 per an excess child over two in case of having more than three children.

1.1.2.4. Credit for Pension insurance premiums

- A resident who paid pension contributions to a pension account may deduct the amount equal to 12% of the premiums paid from his/her global income tax amount, only up to KRW 4 million.

1.1.2.5. Special tax credit

Wage and salary income earners may obtain following tax credit during the tax year:

- *Insurance premiums* (a): 12% of the general insurance premium up to KRW 1 000 000 can be deducted from his/her income tax amount.
- *Medical expenses* (b): 15% of the medical expenses exceeding 3 per cent of taxable income can be deducted from his/her income tax amount. The medical expenses for taxpayer's dependents who are eligible for the basic deduction is limited KRW 7 000 000, and the medical expenses for the taxpayer himself, taxpayer's dependents who are aged 65 years or older and handicapped persons is not limited.
- *Educational expenses* (c): 15% of 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 his/her income tax amount. The tuition fee for the taxpayer himself is not limited. For the taxpayer's dependents, the limits of tuition fees 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.
- *Charities* (d): 15% of the amount of donation (in case of the donation exceeding KRW 30 million, 25% of the excess over KRW 30 million) is deducted from income tax amount. The limits of donations are as follows:
 - ❖ donations to a government body, donations for national defence, natural disaster, and certain charitable associations: up to gross income;
 - ❖ donations to public welfare or religious associations: up to 30 per cent of gross income.

- **Lump-sum tax credit:** Any taxpayer whose total tax credit for (a), (b), (c) and (d) is not over KRW 120 000 or whose deduction from gross income is not over KRW 1 142 857 May deduct KRW 120 000 from income tax amount 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	150 000 000	35
150 000 000		38

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

The National pension contribution rate is 4.5 per cent of the standardised average monthly wage income as of 2013.

The scope of the standardised average monthly wage income is from KRW 260 000 to KRW 4 080 000 as of 1 July 2014.

2.1.2. Medical insurance

The Medical insurance premium, which has a rate of 3.1911725 per cent (Health insurance: 2.995 %, Long term care insurance: 6.55% of Health insurance premium rate), is levied on average monthly wage income as of 1 January 2014.

The scope of the average monthly wage income is from KRW 280 000 to KRW 78 100 000.

2.1.3. Unemployment insurance

0.65 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

The national pension contribution rate is 4.5 per cent of the standardised average monthly wage income as of 2013.

The scope of the standardised average monthly wage income is from KRW 260 000 to KRW 4 080 000 as of 1 July 2014.

If the average monthly wage income of a person is less than KRW 260 000, the average monthly wage income of the person is regarded as KRW 260 000 and the rate (0.045) is applied. If the average monthly wage income of a person is more than KRW 4 080 000, the average monthly wage income of the person is regarded as KRW 4 080 000 and the rate (0.045) is applied; so the maximum of the national pension contribution per year is KRW 2 203 200 (= KRW 4 080 000 × 0.045 × 12 months).

2.2.2. Medical insurance

The Medical insurance premium, which has a rate of 3.1911725 per cent (Health insurance: 2.995%, Long term care insurance: 6.55% of Health insurance premium rate), is levied on average monthly wage income as of 1 January 2014.

The scope of the average monthly wage income is from KRW 280 000 to KRW 78 100 000.

2.2.3. Unemployment insurance

- the insurance premium is between 0.9 per cent and 1.5 per cent of total wage;
- the insurance premium selected for this study is 0.9 per cent.

2.2.4. Work injury insurance

- the insurance premium consists of an industry-specific rate which is set by the Ministry of Employment and Labour multiplied by total wage;
- the average rate of all industries (selected for this study) is 1.70 per cent.

3. Universal cash transfers

- Child benefit

Child benefit is paid every month to those who have children aged 5 years or younger: KRW 200 000 for a child aged 12 months or younger, KRW 150 000 for a child aged 1 to 2 years and KRW 100 000 for a child aged 2 to 5 years.

If a child attends a nursery or pre-school, childcare benefit is paid instead every month: KRW 394 000 for a child aged 0, KRW 374 000 for a child aged 1 year, KRW 286 000 for a child aged 2 years and KRW 220 000 for a child aged 3 to 5 years.

The above child benefits are not included in the *Taxing Wages* calculations that consider children aged between 6 and 11 inclusive.

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%.
2012	Personal income tax rates have been changed: from 6%, 15%, 24%, and 35% to 6%, 15%, 24%, 35% and 38%.
2013	<ul style="list-style-type: none"> • A new additional allowance is added: a single parent with lineal descendants or adopted children who are eligible for basic exemption can deduct KRW 1 000 000. • Insurance premiums, medical expenses, education expenses, loans for house, designated donations, saving deposits for housing subscription, investment in employee stock ownership associations or in associations for investment in start-ups, and credit cards are allowed income deduction with a ceiling at KRW 25 000 000 in total. However, for the amount of designated donations exceeding the ceiling, deduction can be carried forward for 5 years.
2014	<ul style="list-style-type: none"> • Tax schedule has been changed: KRW 300 000 000 to KRW 150 000 000. • Personal and special income deductions(e.g. medical expenses, educational expenses) have been shifted toward tax credit. • Employment income deduction has been changed: 80% to 70%, 50% to 40%. • The ceiling amount of earned income tax credit has been changed: KRW 500 000 to KRW 660 000(the salary < 55 000 000), KRW 630 000 (the salary < 70 000 000).

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 2014 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.

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).

2014 parameter values

Average earnings/yr	Ave_earn	39 781 075	Secretariat estimate
Tax allowances	basic_al	1 500 000	
spouse	spouse_al	1 500 000	
dependents including children	dep_al	1 500 000	
additional allowance	add_all	500 000	
additional allowance 2	add2_all	1 000 000	
Employment income deduction	empdedsch	0	0.7
		5 000 000	0.4
		15 000 000	0.15
		45 000 000	0.105
		100 000 000	0.02
Earned income special credit threshold	earntaxcred	0.55	
		0.3	500000
credit limit	credlimit	660000	Ave_earn < 55 000 000
		630000	Ave_earn < 70 000 000
		500000	Ave_earn > 70 000 000
Child tax credit	child_cred	150000	
Lump sum tax credit	lump_cred	120000	
	lump_thresh	1142857	
Tax schedule	tax_sch	0.06	12 000 000
		0.15	46 000 000
		0.24	88 000 000
		0.35	150 000 000
		0.38	
Local tax rate	local_rate	0.1	
Social security contributions	SSC_pens	0.045	
	SSC_pens_max	2 203 200	
	SSC_sick	0.03191	
	SSC_sick_max	29 906 052	
	SSC_unemp	0.0065	
Employer contributions	emp_pens	0.045	
	emp_sick	0.03191	
	emp_unemp	0.009	
	emp_inj	0.0170	

2014 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
additional allowances	add_al_princ	P	IF(AND(Married=0,Children>0), add2_all,0)
additional allowances	add_al_spouse	S	(earn_spouse>0)*add_all
national pension deduction	np_de	B	Min(earn*SSC_pens, SSC_pens_max)
Main non-standard tax relief	non-std_al	B	IF(earn*(SSC_sick+SSC_unemp)>lump_thresh,earn*(SSC_sick+SSC_unemp), 0)
Total	tax_al	B	emp_al+bas_al+sp_al+dp_al+add_al+np_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)
6. Tax credits:			
earned income	earn_cr	B	MIN(earntaxcred(CG_tax_excl), credlimit(earn))
special tax credit			
child tax credit	child_cr	P	Children*child_cred
lump-sum tax credit	lump_cr	B	IF(non-std_al=0, lump_cred, 0)
Total	tax_cr	B	earn_cr+child_cr+lump_cr
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)+MIN(earn*(SSC_sick),SSC_sick_max)+earn*(SSC_unemp)
11. Cash transfers	cash_trans	J	
13. Employer's soc security	SSC_empr	B	MIN(earn*(SSC_pens),SSC_pens_max)+MIN(earn*(emp_sick),SSC_sick_max)+earn*(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.

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 2014

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		36 555	54 560	91 116	36 555
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		4 039	6 029	10 068	4 039
Work-related expenses		540	540	540	540
Other		0	0	0	0
	Total	5 059	7 049	11 088	5 059
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government rounded taxable income (1 - 2 + 3)		31 450	47 500	80 000	31 450
5. Central government income tax liability (exclusive of tax credits)		3 802	9 894	23 457	2 006
6. Tax credits					
Basic credit		300	300	300	300
Married or head of family					
Children					
Other		0	0	0	750
	Total	300	300	300	1 050
7. Central government income tax finally paid (5-6)		3 502	9 594	23 157	956
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		4 470	6 712	11 263	4 470
Taxable income					
	Total	4 470	6 712	11 263	4 470
10. Total payments to general government (7 + 8 + 9)		7 972	16 307	34 420	5 427
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	7 522
	Total	0	0	0	7 522
12. Take-home pay (1-10+11)		28 583	38 254	56 696	38 650
13. Employer's compulsory social security contributions		4 496	6 711	11 207	4 496
14. Average rates					
Income tax		9.6%	17.6%	25.4%	2.6%
Employees' social security contributions		12.2%	12.3%	12.4%	12.2%
Total payments less cash transfers		21.8%	29.9%	37.8%	-5.7%
Total tax wedge including employer's social security contributions		30.4%	37.6%	44.6%	5.8%
15. Marginal rates					
Total payments less cash transfers: Principal earner		39.1%	49.6%	49.6%	43.9%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		45.8%	55.1%	55.1%	50.0%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Luxembourg 2014

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		54 560	72 565	91 116	72 565
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		6 029	8 018	10 068	8 018
Work-related expenses		540	1 080	1 080	1 080
Other		0	4 500	4 500	4 500
	Total	7 049	14 558	16 608	14 558
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government rounded taxable income (1 - 2 + 3)		47 500	58 000	74 500	58 000
5. Central government income tax liability (exclusive of tax credits)		3 629	6 193	11 475	6 193
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)		3 329	5 593	10 875	5 593
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		6 712	8 873	11 183	8 873
Taxable income					
	Total	6 712	8 873	11 183	8 873
10. Total payments to general government (7 + 8 + 9)		10 041	14 466	22 058	14 466
11. Cash transfers from general government					
For head of family					
For two children		7 522	7 522	7 522	0
	Total	7 522	7 522	7 522	0
12. Take-home pay (1-10+11)		52 041	65 621	76 580	58 099
13. Employer's compulsory social security contributions		6 711	8 926	11 207	8 926
14. Average rates					
Income tax		6.1%	7.7%	11.9%	7.7%
Employees' social security contributions		12.3%	12.2%	12.3%	12.2%
Total payments less cash transfers		4.6%	9.6%	16.0%	19.9%
Total tax wedge including employer's social security contributions		15.1%	19.5%	25.2%	28.7%
15. Marginal rates					
Total payments less cash transfers: Principal earner		31.5%	37.2%	44.8%	37.2%
Total payments less cash transfers: Spouse		26.2%	37.2%	44.8%	37.2%
Total tax wedge: Principal earner		39.0%	44.1%	50.9%	44.1%
Total tax wedge: Spouse		34.3%	44.1%	50.9%	44.1%

The national currency is the euro (EUR). In 2014, EUR 0.75 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 54 560 (Secretariat estimate).

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.
- The first 4 distance units (i.e. $4 * 99 = \text{EUR } 396$ per year) of the lump sum deduction for travel expenses between a taxpayer's home and his working places are abolished. The maximum deduction will be limited to EUR 2 574 per year.
- 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 336 per year. This ceiling is increased by EUR 336 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 capped at EUR 672 per year.
- 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 limit of EUR 672.
- 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 between 41 793 and 100 000
40% for the portion exceeding 100 000

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 40 %.

Income tax as determined by the applicable schedules is subject to a 7% “solidarity” surtax to finance the employment fund. The rate is 9% for the taxable income exceeding EUR 150 000 (tax classes 1 and 1a), respectively EUR 300 000 (tax class 2).

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	115 261.8
b) Health insurance	3.05	3.05	115 261.8
c) Dependency insurance		1.4	Monthly allowance 480.26 ¹
d) Health in the workplace	0.10		
e) Accident insurance	1.15		

1. (Monthly allowance: EUR 480.26 = 0.25 * social minimum salary/12). The social minimum salary in 2014 is equal to EUR 23 052.36.

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 2014, 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.

2014 parameter values

Average earnings/yr	Ave_earn	54 560	Secretariat estimate
Tax allowances: general	gen_dedn	480	
professional expenses	prof_exp	540	
travel expenses	travel_exp	0	
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	100 000
		0.40	
Child credit maximum	ch_cred	0	
Social Minimum Salary	min_salary	23 052.36	
Multiplier for unemployment	unemp_rate_1	1.07	
	Unemp_rate_2	1.09	
	Unemp_lim	150 000	
Social security contributions	SSC_rate	0.1105	
	SSC_ceil	115 261.8	
	infirm	0.014	
	infirm_abatement	0.25	
Employer contributions	workhealth	0.0010	
	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	0.50	
Maximum Marginal Rate	max_rate	0.40	

2014 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)
	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)
	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.

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 2014

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		68 276	101 904	170 180	68 276
2. Standard tax allowances					
Basic allowance		2 248	2 386	2 667	2 248
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	2 248	2 386	2 667	2 248
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		66 028	99 518	167 513	66 028
5. Central government income tax liability (exclusive of tax credits)		4 654	8 846	22 471	4 654
6. Tax credits					
Basic credit		3 536	0	0	3 536
Married or head of family					
Children					
Other		0	0	0	0
	Total	3 536	0	0	3 536
7. Central government income tax finally paid (5-6)		1 118	8 846	22 471	1 118
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		853	1 387	2 513	853
Taxable income					
	Total	853	1 387	2 513	853
10. Total payments to general government (7 + 8 + 9)		1 972	10 233	24 985	1 972
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)		66 304	91 671	145 195	66 304
13. Employers' compulsory social security contributions		9 435	11 924	17 100	9 435
14. Average rates					
Income tax		1.6%	8.7%	13.2%	1.6%
Employees' social security contributions		1.3%	1.4%	1.5%	1.3%
Total payments less cash transfers		2.9%	10.0%	14.7%	2.9%
Total tax wedge including employer's social security contributions		14.7%	19.5%	22.5%	14.7%
15. Marginal rates					
Total payments less cash transfers: Principal earner		12.1%	17.6%	22.9%	12.1%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		17.4%	23.4%	28.4%	17.4%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Mexico 2014

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		101 904	135 532	170 180	135 532
2. Standard tax allowances					
Basic allowance		2 386	3 906	4 634	3 906
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	2 386	3 906	4 634	3 906
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		99 518	131 626	165 546	131 626
5. Central government income tax liability (exclusive of tax credits)		8 846	10 635	13 500	10 635
6. Tax credits					
Basic credit		0	4 879	3 536	4 879
Married or head of family					
Children					
Other		0	0	0	0
	Total	0	4 879	3 536	4 879
7. Central government income tax finally paid (5-6)		8 846	5 755	9 965	5 755
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		1 387	1 807	2 240	1 807
Taxable income					
	Total	1 387	1 807	2 240	1 807
10. Total payments to general government (7 + 8 + 9)		10 233	7 562	12 205	7 562
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)		91 671	127 970	157 975	127 970
13. Employers' compulsory social security contributions		11 924	19 114	21 359	19 114
14. Average rates					
Income tax		8.7%	4.2%	5.9%	4.2%
Employees' social security contributions		1.4%	1.3%	1.3%	1.3%
Total payments less cash transfers		10.0%	5.6%	7.2%	5.6%
Total tax wedge including employer's social security contributions		19.5%	17.2%	17.5%	17.2%
15. Marginal rates					
Total payments less cash transfers: Principal earner		17.6%	17.6%	17.6%	17.6%
Total payments less cash transfers: Spouse		-7.9%	7.4%	12.1%	7.4%
Total tax wedge: Principal earner		23.4%	23.4%	23.4%	23.4%
Total tax wedge: Spouse		11.1%	13.0%	17.4%	13.0%

The national currency is the peso (MXN). In 2014, MXN 13.31 is equal to USD 1. In 2014, the estimated earnings of the average worker are MXN 101 904 (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 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 119 683 (five annual minimum wages).
- Funeral charges: for the spouse and straight-line relatives up to a minimum annual wage of the taxpayer's geographical area.

^{*} There are two minimum wage rates established in Mexico depending upon geographical location (in Zone A the minimum wage is equal to MXN 67.29 on a daily basis and in Zone B it is MXN 63.77. 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 65.58). The latter is used in the evaluation of the holiday bonus and the end-of-year bonus.

- 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 3 840 181. 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

Since 2014, there is a limitation of the total amount of personal deductions. They cannot be higher than the minimum between 10% of the taxpayer's gross income or an amount equivalent to 4 annual minimum wages of the of the taxpayer's geographical area (MXN 95 746.8 in 2014). The limit is not applicable to donations or private educational services.

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.

1.1.3. Tax schedule and other tables

1.1.3.1. Tax schedule**

In 2014, three additional brackets were included with a maximum marginal rate for income over MXN 3 million of 35 %.

* 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.

** The income tax schedule and the employment subsidy credit table are updated every time the accumulated inflation reaches 10 per cent.

Taxable income (MXN)		Fixed quota (MXN)	Tax on the amount in excess of the lower limit (%)
Lower limit	Upper limit		
0	5 952.84	0	1.92
5 952.85	50 524.92	114.29	6.40
50 524.93	88 793.04	2 966.91	10.88
88 793.05	103 218.00	7 130.48	16.00
103 218.01	123 580.20	9 438.47	17.92
123 580.21	249 243.48	13 087.37	21.36
249 243.49	392 841.96	39 929.05	23.52
392 841.97	750 000	73 703.41	30.00
750 000.01	1 000 000.00	180 850.82	32.00
1 000 000.01	3 000 000.00	260 850.81	34.00
3 000 000.01	And over	940 850.81	35.00

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 2.23 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.

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 2014 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, 1.98 per cent of worker's monthly wage.*

In 2014 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.

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

* 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.

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

2014 parameter values

Average earnings/yr	Ave_earn	101 904	Secretariat estimate
(general min wage per day)	min_wage	65.58	
(general min wage per day for the Federal District of Mexico City)	min_wage_FD	67.29	
Income tax	tax_table	0.00	0
		5 952.85	114.29
		50 524.93	2 966.91
		88 793.05	7 130.48
		103 218.01	9 438.47
		123 580.21	13 087.37
		249 243.49	39 929.05
		392 841.97	73 703.41
		750 000.01	180 850.82
		1 000 000.01	260 850.81
		3 000 000.01	940 850.81
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	0.0648	
	SSC_empr_min	0.2040	
	SSC_empr_sur	0.0110	

2014 tax equations

The equations for the Mexican system in 2014 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	$\text{MIN}(\text{earn}, \text{MIN}(\text{earn} * (6/365) * 0.25, \text{min_wage} * 15) + \text{MIN}(\text{earn} * (15/365), \text{min_wage} * 30))$
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	$\text{Positive}(\text{earn} - \text{tax_al})$
5. CG tax before credits	CG_tax_excl	B	$\text{Tax}(\text{tax_inc}, \text{Tax_sch})$
6. Tax credits	tax_cr	B	$\text{VLOOKUP}(\text{tax_inc}, \text{Basic_crd}, 2)$
7. CG tax	CG_tax	B	$\text{CG_tax_excl} - \text{tax_cr}$
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	$\text{MIN}(\text{earn} * \text{ssc_rate}, \text{min_wage_FD} * 25 * 365 * \text{ssc_rate}) + \text{MIN}(\text{Positive}(\text{earn} - (3 * 365 * \text{min_wage_FD})) * \text{ssc_rate_sur}, \text{min_wage_FD} * (25 - 3) * 365 * \text{ssc_rate_sur})$
11. Cash transfers	cash_trans	B	0
13. Employer's soc security	SSC_empr	B	$\text{MIN}(\text{earn} * \text{ssc_empr}, \text{min_wage_FD} * 25 * 365 * \text{ssc_empr}) + 365 * \text{min_wage_FD} * \text{ssc_empr_min} + \text{MIN}(\text{Positive}(\text{earn} - (3 * 365 * \text{min_wage_FD})) * \text{ssc_empr_sur}, \text{min_wage_FD} * (25 - 3) * 365 * \text{ssc_empr_sur})$
Memorandum item: Non-wastable tax credit			
tax expenditure component	taxexp	B	$\text{tax_cr} - \text{transfer}$
cash transfer component	transfer	B	$\text{IF}(\text{CG_tax} < 0, -\text{CG_tax}, 0)$

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 2014

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		32 733	48 856	81 589	32 733
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		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		31 877	47 255	78 476	31 877
5. Central government income tax liability (exclusive of tax credits)		2 329	8 325	23 632	2 329
6. Tax credits :					
Basic credit					
Married or head of family					
Children					
Other					
	Total	556	476	275	1 314
7. Central government income tax finally paid (5-6)		1 773	7 848	23 357	1 016
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)		6 531	7 483	8 715	2 915
	Total	6 531	7 483	8 715	2 915
10. Total payments to general government (7 + 8 + 9)		8 304	15 331	32 072	3 931
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	2 979
	Total	0	0	0	2 979
12. Take-home pay (1-10+11)		24 430	33 525	49 517	31 782
13. Employers' compulsory social security contributions		3 225	4 964	5 435	3 225
14. Average rates					
Income tax		5.4%	16.1%	28.6%	3.1%
Employees' social security contributions		20.0%	15.3%	10.7%	8.9%
Total payments less cash transfers		25.4%	31.4%	39.3%	2.9%
Total tax wedge including employer's social security contributions		32.1%	37.7%	43.1%	11.6%
15. Marginal rates					
Total payments less cash transfers: Principal earner		42.0%	45.8%	53.4%	45.4%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		47.6%	51.1%	53.4%	50.7%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Netherlands 2014

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		48 856	64 978	81 589	64 978
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		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		47 255	63 289	79 132	63 289
5. Central government income tax liability (exclusive of tax credits)		8 325	9 143	10 654	9 143
6. Tax credits :					
Basic credit					
Married or head of family					
Children					
Other					
	Total	654	1 190	1 329	983
7. Central government income tax finally paid (5-6)		7 671	7 953	9 325	8 160
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)		6 398	8 120	12 203	9 386
	Total	6 398	8 120	12 203	9 386
10. Total payments to general government (7 + 8 + 9)		14 069	16 073	21 528	17 546
11. Cash transfers from general government					
For head of family					
For two children		1 862	1 862	1 862	0
	Total	1 862	1 862	1 862	0
12. Take-home pay (1-10+11)		36 649	50 767	61 923	47 432
13. Employers' compulsory social security contributions		4 964	6 433	8 189	6 433
14. Average rates					
Income tax		15.7%	12.2%	11.4%	12.6%
Employees' social security contributions		13.1%	12.5%	15.0%	14.4%
Total payments less cash transfers		25.0%	21.9%	24.1%	27.0%
Total tax wedge including employer's social security contributions		31.9%	28.9%	31.0%	33.6%
15. Marginal rates					
Total payments less cash transfers: Principal earner		45.8%	45.8%	45.8%	45.8%
Total payments less cash transfers: Spouse		12.4%	12.9%	38.2%	16.7%
Total tax wedge: Principal earner		51.1%	51.1%	51.1%	51.1%
Total tax wedge: Spouse		19.7%	19.9%	44.2%	23.4%

The national currency is the euro (EUR). In 2014, EUR 0.75 was equal to USD 1. In that year, the average worker earned EUR 48 856 (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). In the *Taxing Wages* model the employers’ income dependant health insurance contribution was subject to income tax for the employee. In 2013, the income base for SSC and Income-Tax is harmonised. Standardising or harmonisation of the income tax base for levying SSC and Taxes was introduced in 2013 and was called the Law “WUL” i.e. Harmonising the income base for SSC and Taxes (see publication CPB the Netherlands). So the income tax base is since 2013 exclusive the income dependant health care contribution and employees will no longer have to pay taxes over income dependant health care contributions, instead they pay a higher tax rate in the first tax bracket and mainly Work credit is adjusted. The tax rate in the first tax bracket has been increased from 1.95% till 5.85% and the Work

* The Dutch labour market is characterized 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.

credit is reduced for employees with a higher income such that the effect of this harmonisation is budgetary neutral.

- In 2014, this system of harmonisation remains and is operational. Only the income tax rate in the first tax bracket becomes 5.10 %.

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 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 7 457 and is below EUR 39 618. If income is lower than or equal to EUR 7 457, the non-deductible limit is EUR 125. For a person with a partner: the joint income is used to determine the non-deductible amounts and the non-deductible limit is EUR 250.
 - ❖ If income exceeds EUR 39 618 the specific expenses in excess of 1.65 per cent of EUR 39 618 increased with 5.75 per cent of income above EUR 39 618 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.
- Donations to 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
0-19 645	5.10	31.15	13.25
19 645-33 363	10.85	31.15	13.25
33 363-56 531	42	-	-
56 531 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

1.1.4.1. 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 1.13). 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 2014, this ratio was 14.07 per cent ($= 5.10\% / (5.10\% + 31.15\%)$), implying that 14.07 per cent of the (tax) credit is attributed to the personal income tax and the remaining 85.93 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 25.83% for the residual amount in 2014 (i.e. $10.85\% / [31.15\% + 10.85\%]$).

For example in 2014, the total tax credit of a single parent with 2 children earning 67 per cent of the average wage amounts EUR 8 315 PM. The total tax and social security contributions levied on the first tax bracket equals EUR 7 121.31 ($= 19\,645 * (31.15\% + 5.10\%)$). The residual tax credit equals EUR 1 193.69.

The first tax ratio of 14.07 per cent is applied on EUR 7 121.31 and the second tax ratio of 25.83 per cent is applied on EUR 1 193.69. Then the part of the total tax credit that is attributed to personal income tax is EUR 1 310.30. The remaining EUR 7 004.7 (i.e. EUR 8315 – EUR 1 310.30) is attributed to the social security contributions.

Division of credits for tax and social security contributions is essential in the OECD publications. In the Netherlands no division is made in the general tax scheme between tax and SSC.

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:** The general tax credit is made income dependent in 2014. This credit amounts at it maximum EUR 2 103 when no reduction is applicable and taxable income is below or equal to EUR 19 645. For higher income above EUR 19 545 but until maximal EUR 56 495 the reduction of this credit is 2 per cent (per euro). So the maximum of the general credit reduction is EUR 737 in 2014.

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 capitalised 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 capitalised against the tax and premiums paid on own earned income. In 2012, a reduction of the general tax credit for non-working spouses born after 31 December 1962 and before 1 January 1972 is introduced. The reduction will be equal to the reduction of non-working spouses born before 1 January 1963 in year 2015. For Household types in the *Taxing Wages* model no difference is made between year of birth before 1963 or after 1963, idem before or after 1972. For that reason the additional reduction of the general tax credit is not added to the *Taxing Wages* model.

- **Work credit:** The Work credit is the sum of 1.807 per cent of taxable income from work with a maximum of EUR 161 and 18.724 per cent of taxable income from work with a franchise of EUR 8 913. The work credit is income dependent and will be reduced by 4 per cent of taxable income above EUR 40 721; the reduction will be maximised till EUR 1 730; so the reduction stops at a taxable income of EUR 83 971. The maximum work credit before it is reduced is EUR 2 097; the maximum reduced work credit is EUR 367.
- **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 4 814, is entitled to an income dependent combination credit of EUR 1 024 plus an extra combination credit of 4 per cent of taxable income above EUR 4 814. The maximum total combination credit is EUR 2 133.
- **Single parent credit:** A single parent under certain conditions is entitled to the single parent credit of EUR 947.
- **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 1 319.

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 17 693 and EUR 51 414 (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 1 101 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 1 101. Also 7.50 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 51 414. Since 2013 employers contribute the Health care Fund directly for the health care of their employees, these costs remain labour costs in the *Taxing Wages* model. These Health care costs for employers are no longer included in the taxpayer's taxable income. The income dependent health care contribution itself, however, is not modelled (as an employer SSC) in *Taxing Wages* because it is seen as a Non Tax Compulsory Payment.
- Employees might obtain compensation for the nominal contribution of on average EUR 1 101 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: $1\,329 - 2.410 \text{ per cent} * 19\,253 - 9.118 \text{ per cent} * (\text{taxable income} - 19\,253)$

Married couples: $\text{Number of adults} * 1\,329 - 5.210 \text{ per cent} * 19\,253 - 9.118 \text{ per cent} * (\text{taxable income principal and spouse} - 19\,253)$.

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: The age is adjusted such that elderly will receive Old Age (state) pension at the age of 66 years old in 2018 and at 67 years old in 2021. The Old age premium percentage is 17.9 per cent of taxable income in the first and second tax bracket. This scheme does not apply to individuals aged 65 and two month (and in future aged 66 or 67) or older.
- Widows and orphans pension: 0.60 per cent of taxable income in the first and second tax bracket.
- Exceptional medical expenses and disability: 12.65 per cent of taxable income in the first and second tax bracket.

2.2. Employers' contributions

Schemes for employees:

- Unemployment: 2.15 per cent of gross earnings between EUR 17 693 and EUR 51 414 for the general unemployment fund and a contribution of 3.18 per cent of gross earnings below EUR 51 414 for the industrial insurance associations redundancy payments fund.
- Invalidity: 5.98 per cent of gross earnings below EUR 51 414.

- For medical care employers contribute 7.50 per cent of gross earnings net of employees' pension premiums and unemployment social security contributions until a maximum of gross earnings of EUR 51 414. 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 1 862 a year. Indexation of the child benefits was 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 was frozen until 2011 and has still a maximum value of EUR 1 017 per year for families with one child. The child credit increases to EUR 1 553 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 26 147 and is completely withdrawn for families with two children when the taxable income is at least EUR 46 581.

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 capitalise 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).

In 2013, the income base for SSC and Income-Tax is harmonised. Standardising or harmonisation of the income tax base for levying SSC and Taxes is introduced in 2013 and is called the Law “WUL” i.e. Harmonising the income base for SSC and Taxes (see publication CPB the Netherlands). So the income tax base is since 2013 exclusive the income dependant health care contribution and employees will no longer have to pay taxes over income dependant health care contributions, instead they pay a higher tax rate in the first tax bracket and mainly Work credit is adjusted. The tax rate in the first tax bracket has been increased from 1.95 per cent till 5.85 per cent and the Work credit is reduced for employees with a higher income such that the effect of this harmonisation is budgetary neutral.

The main adjustment in 2014 is the General tax credit which is made income dependent. Higher income will receive less general credit and the reduction is 2% per euro of income between EUR 56 495 and EUR 19 645 per year. See also par. 1.14.1.

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, for 2009 EUR 44 412, and EUR 45 215 in 2010. The latest information according to Eurostat is an AW in 2011 of EUR 46 287 (NACE Rev. 2).

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.

2014 parameter values

	Ave_earn	48 856	Secretariat estimate
Social security contributions	SSC_ceil	51414	
Employees' schemes	Unemp_rate1	0.0	
	Unemp_franchise1	17 693	
Medical care	Med_rate	0.0750	
	Med_limit	999 999	
	Med_ceil	51 414	
	Med_adult	1101	
	Med_child	0	
	Med_compensation1	0.02410	
	Med_compensation2	0.09118	
	Med_compensation3	0.05210	
	Med_compensation4	0.09118	
	Med_key	19 253	
	Med_adult for care benefit	1 329	
General schemes	Old_rate	0.179	
	Wid_rate	0.006	
	Ex_med_rate	0.1265	
	Gen_Schemes_thrsh	33 363	
	Unemp_empr1	0.0215	
	Unemp_empr2	0.0318	
	Unemp_unempr_franchise1	17 693	
	Unemp_unempr_franchise2	0	
	Inv_empr_rate	0.0598	
	Inv_empr_franchise	0	
	Med_empr	0.0750	
	Med_franchise		
Tax schedule	Tax_sch	0.0510	19 645
	"tax_sch_lowest"	0.1085	33 363
	"tax_thrsh_1"	0.42	56 531
		0.52	
Tax credits	Gen_credit_1	2 103	
	Gen_credit_2	1366	
	Gen_credit1_thr	19645	
	Gen_credit2_thr	56495	
	Gen_credit_per	0.02	
	Red_gen_credit	1 262	
	Emp_credit1	161	
	Emp_credit2	1 936	
	Emp_credit3	206	
	Emp_credit1_thr	8 913	
	Emp_credit2_thr	19 253	
	Emp_credit3_thr	40 721	
	Emp_credit4_thr	83 971	
	Comb_credit	Nvt	
	Comb_credit_franchise	4 814	
	add_comb_credit	Nvt	
	Income_dependant_comb_comb_credit1	1 024	
	Income_dependant_comb_credit_max	2 133	
	Income_dependant_comb_par_credit_per	0.04	
	Sing_par_credit	947	
	Ex_sing_par_credit_per	0.043	
	Ex_sing_par_credit_max	1 319	
Family cash transfers	Ch1_trans	931	
	Ch2_trans	1 862	
	Child_ben_1child	1 017	

	Child_ben_2children	1 553
	Child_ben_redn	0.076
	Child_ben_ceil	26 147
Payroll tax	Extra_wage_tax	0.16
	EWT_threshold	150000

2014 tax equations

The equations for the tax system in the Netherlands in 2014 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 till 2012. 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
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,IF((tax_inc<Gen_credit1_thr),Gen_credit1,(Gen_credit1-MIN(Gen_credit_per*(Gen_credit2_thr-Gen_credit1_thr),Gen_credit_per*(tax_inc-Gen_credit1_thr))))+Emp_credit(tax_inc)+IF(AND(Children>0,tax_inc>Comb_credit_franchise),IF(Married=0,income_dependant_comb_credit1+MIN(income_dependant_comb_credit_max-income_dependant_comb_credit1,income_dependant_comb_par_credit_per*(tax_inc-Comb_credit_franchise)),0)+IF(AND(Children>0,Married=0),Sing_par_credit+MIN(Ex_sing_par_credit_max,Ex_sing_par_credit_per*tax_inc),0),0))
		tax_cr_spouse	S	IF(Married>0,MIN(CG_tax_excl_spouse+SSC_taxinc_spouse+CG_tax_excl+SSC_taxinc-tax_cr,IF(tax_inc_spouse>0,IF((tax_inc_spouse<Gen_credit1_thr),Gen_credit1,(Gen_credit1-MIN(Gen_credit_per*(Gen_credit2_thr-Gen_credit1_thr),Gen_credit_per*(tax_inc_spouse-Gen_credit1_thr))))+Red_gen_credit)+Emp_credit(tax_inc_spouse)+IF(AND(Children>0,tax_inc_spouse>Comb_credit_franchise),income_dependant_comb_credit1+MIN(income_dependant_comb_credit_max-income_dependant_comb_credit1,income_dependant_comb_par_credit_per*(tax_inc_spouse-Comb_credit_franchise)),0),0))

Line in country table and intermediate steps		Variable name	Range	Equation
		tax_cr_inc	B	$\frac{IF(tax_cr > Tax_thrsh_1 * SUM(Old_rate + Wid_rate + Ex_med_rate + tax_sch_lowest), (tax_sch_2 / SUM(Old_rate + Wid_rate + Ex_med_rate + tax_sch_2)) * (tax_cr - (SUM(Old_rate + Wid_rate + Ex_med_rate + tax_sch_lowest) * Tax_thrsh_1)) + (tax_sch_lowest / SUM(Old_rate + Wid_rate + Ex_med_rate + tax_sch_lowest)) * (Tax_thrsh_1 * SUM(Old_rate + Wid_rate + Ex_med_rate + tax_sch_lowest)), tax_sch_lowest / SUM(Old_rate + Wid_rate + Ex_med_rate + tax_sch_lowest) * tax_cr)}{}$
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	$\frac{IF(tax_cr > Tax_thrsh_1 * SUM(Old_rate + Wid_rate + Ex_med_rate + tax_sch_lowest), ((Old_rate + Wid_rate + Ex_med_rate) / SUM(Old_rate + Wid_rate + Ex_med_rate + tax_sch_2)) * (tax_cr - (SUM(Old_rate + Wid_rate + Ex_med_rate + tax_sch_lowest) * Tax_thrsh_1)) + ((Old_rate + Wid_rate + Ex_med_rate) / SUM(Old_rate + Wid_rate + Ex_med_rate + tax_sch_lowest)) * (Tax_thrsh_1 * SUM(Old_rate + Wid_rate + Ex_med_rate + tax_sch_lowest)), SUM(Old_rate + Wid_rate + Ex_med_rate) / SUM(Old_rate + Wid_rate + Ex_med_rate + tax_sch_lowest) * tax_cr)}{}$
	Total	SSC	J	SSC_liable - tax_cr_SSC
10.	Total payments	total_payments	J	CG_tax + local_tax + SSC
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	<p>If Value <= 0 Then Emp_credit = 0</p> <p>Elseif Value <= Range("Emp_credit1_thr").Value Then Emp_credit = (Value / Range("Emp_credit1_thr").Value) * Range("Emp_credit1").Value</p> <p>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</p> <p>Elseif Value <= Range("Emp_credit3_thr").Value Then Emp_credit = Range("Emp_credit1").Value + Range("Emp_credit2").Value</p> <p>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)</p> <p>Else Emp_credit = Range("Emp_credit1").Value + Range("Emp_credit3").Value</p> <p>End If</p>

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.

New Zealand (2014-15 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 2014

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		36 671	54 733	91 404	36 671
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)		36 671	54 733	91 404	36 671
5. Central government income tax liability (exclusive of tax credits)		5 437	9 440	21 083	5 437
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)		4 917	9 440	21 083	5 437
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)		4 917	9 440	21 083	5 437
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	11 225
	Total	0	0	0	11 225
12. Take-home pay (1-10+11)		31 754	45 293	70 321	42 458
13. Employer's compulsory social security contributions		0	0	0	0
14. Average rates					
Income tax		13.4%	17.2%	23.1%	14.8%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		13.4%	17.2%	23.1%	-15.8%
Total tax wedge including employer's social security contributions		13.4%	17.2%	23.1%	-15.8%
15. Marginal rates					
Total payments less cash transfers: Principal earner		17.5%	30.0%	33.0%	38.7%
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%	38.7%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

New Zealand 2014

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		54 733	72 795	91 404	72 795
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)		54 733	72 795	91 404	72 795
5. Central government income tax liability (exclusive of tax credits)		9 440	11 621	14 877	11 621
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)		9 440	11 621	14 877	11 621
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)		9 440	11 621	14 877	11 621
11. Cash transfers from general government					
For head of family					
For two children		7 387	3 548	0	0
	Total	7 387	3 548	0	0
12. Take-home pay (1-10+11)		52 680	64 723	76 527	61 174
13. Employer's compulsory social security contributions		0	0	0	0
14. Average rates					
Income tax		17.2%	16.0%	16.3%	16.0%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		3.8%	11.1%	16.3%	16.0%
Total tax wedge including employer's social security contributions		3.8%	11.1%	16.3%	16.0%
15. Marginal rates					
Total payments less cash transfers: Principal earner		51.2%	51.2%	30.0%	30.0%
Total payments less cash transfers: Spouse		33.3%	38.8%	17.5%	17.5%
Total tax wedge: Principal earner		51.2%	51.2%	30.0%	30.0%
Total tax wedge: Spouse		33.3%	38.8%	17.5%	17.5%

The national currency is the New Zealand dollar (NZD). In 2014, NZD 1.21 was equal to USD 1. In that year the average worker earned NZD 54 733 (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

None.

1.1.2.1. Standard reliefs

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 1.45 per cent 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

1.09%). 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. From 1 April 2015, the Parental Tax Credit will provide NZD 220 per week for the first ten 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 4 822 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 3 822 per year for 13-15 year-olds and NZD 3 351 per year for children under 13 years of age. The total credit is abated by 21.25 cents on each dollar earned over NZD 36 350. 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 22 776 per year 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 2013/14

The rate and entitlement duration of the Parental Tax Credit changed on 1 April 2014. These changes will apply from 1 April 2015.

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.

2014 parameter values

	Ave_earn	54 733	Country estimate
Income tax schedule	Tax_sch	0.105	14 000
		0.175	48 000
		0.3	70 000
		0.33	
Family tax credit	Fam_sup_eld	4 822	
	Fam_sup_oth	3 351	
	Fam_sup_thrsh	36 350	
	Fam_sup_rate	0.2125	
In-work tax credit	In_work_children123	3 120	
	In_work_children4plus	780	
Minimum Family Tax Credit	Min_inc	22 776	
Independent Earner Tax Credit	IETC	520	
	IETC_thrsh1	24 000	
	IETC_thrsh2	44 000	
	IETC_rate	0.13	

2014 tax equations

The equations for the New Zealand system in 2014 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 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:			
Guaranteed minimum income	GMI	J	(Children>0)*Min_inc
Independent Earner Tax Credit	IETC_rebate	B	=AND(Children=0,earn>IETC_thrsh1)*Taper(IETC,earn,IETC_thrsh2,IETC_rate)
6. Tax credits:	tax_cr	B	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:			
Family tax credit (unabated)	fam_tax_cr	J	Fam_sup_eld*(Children>0)+Fam_sup_oth*Positive(Children-1)
In-work tax credit (unabated)	in_work_tax_cr	J	(Children>0)*(In_work_children123+Positive(Children-3)*In_work_children4plus)
Tax credits abated	tax_cr_ab	J	Taper(fam_tax_cr+in_work_tax_cr, earn_total, Fam_sup_thrsh1, Fam_sup_rate1)
Minimum Family tax credit	min_fam_tax_cr	J	Positive(GMI-(earn_total-CG_tax_excl_totall))
Cash transfers	cash_trans	J	tax_cr_ab + min_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 2014

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		363 399	542 386	905 785	363 399
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	132 950	132 950	132 950	181 754
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable (ordinary) income (1 - 2 + 3)		230 449	409 436	772 835	181 645
5. Central government income tax liability (ordinary + personal)		29 843	54 371	135 591	23 523
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)		29 843	54 371	135 591	23 523
8. State and local taxes (net of tax credits)		32 378	57 526	108 583	25 521
9. Employees' compulsory social security contributions					
Gross earnings		29 799	44 476	74 274	29 799
Taxable income					
	Total	29 799	44 476	74 274	29 799
10. Total payments to general government (7 + 8 + 9)		92 020	156 372	318 449	78 843
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	34 920
	Total	0	0	0	34 920
12. Take-home pay (1-10+11)		271 379	386 014	587 336	319 476
13. Employer's compulsory social security contributions		47 242	70 510	117 752	47 242
14. Average rates					
Income tax		17.1%	20.6%	27.0%	13.5%
Employees' social security contributions		8.2%	8.2%	8.2%	8.2%
Total payments less cash transfers		25.3%	28.8%	35.2%	12.1%
Total tax wedge including employer's social security contributions		33.9%	37.0%	42.6%	22.2%
15. Marginal rates					
Total payments less cash transfers: Principal earner		35.2%	44.2%	47.2%	35.2%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		42.7%	50.6%	53.3%	42.7%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Norway 2014

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		542 386	721 373	905 785	721 373
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	156 150	258 715	265 900	258 715
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable (ordinary) income (1 - 2 + 3)		386 236	462 659	639 885	462 659
5. Central government income tax liability (ordinary + personal)		51 366	61 263	84 214	61 263
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)		51 366	61 263	84 214	61 263
8. State and local taxes (net of tax credits)		54 266	65 004	89 904	65 004
9. Employees' compulsory social security contributions					
Gross earnings		44 476	59 153	74 274	59 153
Taxable income					
	Total	44 476	59 153	74 274	59 153
10. Total payments to general government (7 + 8 + 9)		150 108	185 419	248 392	185 419
11. Cash transfers from general government					
For head of family					
For two children		23 280	23 280	23 280	0
	Total	23 280	23 280	23 280	0
12. Take-home pay (1-10+11)		415 558	559 234	680 673	535 954
13. Employer's compulsory social security contributions		70 510	93 779	117 752	93 779
14. Average rates					
Income tax		19.5%	17.5%	19.2%	17.5%
Employees' social security contributions		8.2%	8.2%	8.2%	8.2%
Total payments less cash transfers		23.4%	22.5%	24.9%	25.7%
Total tax wedge including employer's social security contributions		32.2%	31.4%	33.5%	34.3%
15. Marginal rates					
Total payments less cash transfers: Principal earner		44.2%	44.2%	44.2%	44.2%
Total payments less cash transfers: Spouse		19.7%	23.6%	35.2%	23.6%
Total tax wedge: Principal earner		50.6%	50.6%	50.6%	50.6%
Total tax wedge: Spouse		29.0%	32.4%	42.7%	32.4%

The national currency is the kroner (NOK). In 2014, NOK 6.30 was equal to 1 USD. In that year the average worker earned NOK 542 386 (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. 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 27 per cent on ordinary income, 12.95 per cent is considered to be the central government income tax.

1.1.3. Rate schedule (surtax)

Rate (%)	NOK
0	0-527 400
9.0	527 400-857 300
12.0	857 300 and over

1.2. Local government income tax

The overall tax rate on ordinary income is 27 per cent. The local government (municipal and county) income tax is 14.05 per cent points of the overall rate. Tax on ordinary income is levied after taking into account a standard allowance of NOK 48 800 (class 1) and NOK 72 000 (class 2) in 2014. Single parents are eligible to an additional special tax allowance of NOK 48 804. The deductions in the computation of ordinary income are:

1.2.1. Standard reliefs

- Basic allowance: each individual receives a minimum allowance equal to 43 per cent of personal income, with a minimum of NOK 4 000 and a maximum of NOK 84 150. 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 15 000.
- Labour union fees up to NOK 3 850.
- Donations to voluntary organisations up to NOK 16 800.
- 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 25 000 in special accounts is granted. Total savings may not exceed NOK 200 000.

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 8.2 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 8.2 per cent of the total wage income.

Contributions from the self-employed are 11.0 per cent of personal income attributable to labour.

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 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

- Most important changes related to wage taxation in 2014:
 - ❖ The general tax rate on ordinary income was reduced from 28 to 27 per cent.
 - ❖ The employee's social security contributions were increased by 0.4 percentage points.
 - ❖ The rate in the basic allowance against wage income was increased to 43 per cent.
 - ❖ Tax class 2 for married couples was reduced.
- Most important changes in 2013:
 - ❖ The personal allowance for labour income was increased for low income earners (below NOK 213 950) by 2 percentage points from 38 to 40 per cent of their labour income.
 - ❖ The taxable value of second homes and commercial property for the purposes of net wealth tax was increased from 40 per cent to 50 per cent of estimated market value.
 - ❖ The basic allowance in the net wealth tax was increased from NOK 750 000 to NOK 870 000. Married couples will thus have a total basic allowance of NOK 1 740 000.
 - ❖ The current class 2 for sole providers was replaced by a special allowance for ordinary income which provides an equivalent tax benefit.
 - ❖ The maximum deduction for labour union fees was increased from NOK 3 750 to NOK 3 850.
- Most important changes in 2012:
 - ❖ The personal allowance for labour income was increased for low income earners (below NOK 217 000) by 2 percentage points from 36 to 38 per cent of their labour income.
 - ❖ For self-employed the wage allowance was abolished to eliminate residual discrimination between sole proprietorships with employees and limited companies.
 - ❖ In the deduction for travel expenses for travels between home and work the deduction rate per kilometre was increased for tax payers travelling between 35 000 km and 50 000 km per year.
 - ❖ The maximum deduction for labour union fees was increased by NOK 90 to NOK 3 750.
- 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 will be 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 co-ordinated 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.

5.2. Employers' contributions to private health and pension schemes

No information available.

2014 parameter values

Average earnings/yr	Ave_earn	542 386	Secretariat estimate
Central rate (pers)	Tax1_sch	0	527 400
class 1		0.09	857 300
		0.12	
class 2	Tax2_sch	0	527 400
		0.09	857 300
		0.12	
Central rate (ord)	Cent_rate_ord	0.1295	
Local rate (ord)	Local_rate	0.1405	
Allowances	Class_al_1	48 800	
	Class_al_2	72 000	
	Special_al	48 804	
Basic relief	Basic_min	4 000	
	Basic_max	84 150	
	Basic_rel_rate	0.43	
	Basic_min_wage	31 800	
Soc security contribs	SSC_rate	0.082	
Employer	SSC_empr	0.13	
Trygd. low.lim	SSC_low_lim	39 600	
pct.rate	SSC_low_rate	0.25	
Ref. Income "G"	SSC_G	87 328	
Child cash transfer	Child_sup	11 640	

2014 tax equations

The equations for the system for Norway in 2014 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+IF(AND(Married=0,Children>0),Special_al,o), 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_p, Tax2_sch)+ Tax(earn_s, 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_t otal))
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.

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 2014

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		28 381	42 360	70 741	28 381
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		2 855	4 261	7 116	2 855
Work-related expenses		1 335	1 335	1 335	1 335
Other					
	Total	4 190	5 596	8 451	4 190
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		23 155	35 217	59 708	23 155
5. Central government income tax liability (exclusive of tax credits)		4 168	6 339	10 747	4 168
6. Tax credits					
Basic credit		556	556	556	1 112
Married or head of family					
Children		0	0	0	2 224
Other (health insurance)		1 898	2 833	4 731	1 898
	Total	2 454	3 389	5 287	5 234
7. Central government income tax finally paid (5-6)		1 714	2 950	5 461	0
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		2 855	4 261	7 116	2 855
Taxable income		2 204	3 290	5 494	2 204
	Total	5 059	7 551	12 610	5 059
10. Total payments to general government (7 + 8 + 9)		6 773	10 501	18 071	5 059
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)		21 608	31 859	52 670	23 322
13. Employers' compulsory social security contributions		4 762	7 108	11 870	4 762
14. Average rates					
Income tax		6.0%	7.0%	7.7%	0.0%
Employees' social security contributions		17.8%	17.8%	17.8%	17.8%
Total payments less cash transfers		23.9%	24.8%	25.5%	17.8%
Total tax wedge including employer's social security contributions		34.8%	35.6%	36.2%	29.6%
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		37.2%	37.2%	37.2%	29.6%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Poland 2014

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		42 360	56 339	70 741	56 339
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		4 261	5 668	7 116	5 668
Work-related expenses		1 335	2 670	2 670	2 670
Other					
	Total	5 596	8 338	9 786	8 338
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		35 217	45 945	58 373	45 945
5. Central government income tax liability (exclusive of tax credits)		6 339	8 270	10 507	8 270
6. Tax credits					
Basic credit		1 112	1 112	1 112	1 112
Married or head of family					
Children		2 224	2 224	2 224	0
Other (health insurance)		2 833	3 768	4 731	3 768
	Total	6 169	7 104	8 067	4 880
7. Central government income tax finally paid (5-6)		170	1 166	2 440	3 390
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		4 261	5 668	7 116	5 668
Taxable income		3 290	4 375	5 494	4 375
	Total	7 551	10 043	12 610	10 043
10. Total payments to general government (7 + 8 + 9)		7 721	11 209	15 050	13 433
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)		34 639	45 130	55 691	42 906
13. Employers' compulsory social security contributions		7 108	9 454	11 870	9 454
14. Average rates					
Income tax		0.4%	2.1%	3.4%	6.0%
Employees' social security contributions		17.8%	17.8%	17.8%	17.8%
Total payments less cash transfers		18.2%	19.9%	21.3%	23.8%
Total tax wedge including employer's social security contributions		30.0%	31.4%	32.6%	34.8%
15. Marginal rates					
Total payments less cash transfers: Principal earner		26.7%	26.7%	26.7%	26.7%
Total payments less cash transfers: Spouse		25.0%	26.7%	26.7%	26.7%
Total tax wedge: Principal earner		37.2%	37.2%	37.2%	37.2%
Total tax wedge: Spouse		35.7%	37.2%	37.2%	37.2%

The national currency is the zloty (PLN). In 2014, PLN 3.15 was equal to USD 1. In that year, the average worker earned PLN 42 360 (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

1.1.1.1.1. 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: Yes.**

* However, a widowed spouse is entitled to apply the joint 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 irrespective of their age. The actual description in Section 4.

A taxpayer can deduct from the due tax decreased by the amount of health contributions specified in the PIT Act, the amount, which is equal for *each month* of raising a child:

- PLN -92.67 (annually PLN 1 112.04) for the first child, if the income received by parents (married or single parent, who meets special requirements) doesn't exceed in the tax year the amount of PLN 112 000. For other parent the threshold of income is PLN 56 000.
- PLN -92.67 (annually PLN 1 112.04) for the second child.
- PLN -139.01 (annually PLN 1 668.12) for the third child.
- PLN -185.34 (annually PLN 2 224.08) for the fourth and every next 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.
- 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 the Internet – a taxpayer is entitled to deduct the Internet tax allowance within the next two years, providing that during the phase preceded this period he did not deduct Internet for the use of the Internet (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 for investments finished in 2013. The limit in 2014 will be known at the end of the year but will not be less than the limit for the year 2013.

Tax credits:

- Donation 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.

1.1.3. 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.

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. 3.65 percentage points of the pension contribution are treated as non-tax compulsory payments because these payments are either made to the private sector or to personal sub-account within the government which are required and not considered to be tax;
- disability insurance contribution – 1.5 per cent of the gross wage;
- sickness/maternity insurance contribution – 2.45 per cent of the gross wage;
- in case of pension and disability insurance, contributions are not paid on the part of the wage that exceeds PLN 112 380.**

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 20.43 per cent of gross wage. This value consists of:

- 9.76 percentage points are aimed for pension insurance. 3.65 percentage points of the pension contribution are treated as non-tax compulsory payments because these payments are either made to the private sector or to personal sub-account within the government which are required and not considered to be tax.

* This relief is distinct from an allowance for donations deducted from income.

** 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.

- 6.5 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 Fund and 0.1 percentage points for the Guaranteed Employee Benefit Fund.
- In case of pension and disability insurance, contributions are not paid on the part of the wage that exceeds PLN 112 380.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

From 1st of November 2012 families where the average monthly income per household member for the previous period is no greater than PLN 539 or PLN 623 when there are one or more disabled children in the household) are entitled to family allowances. From 1 November 2014 the income criteria will be as high as PLN 574 and PLN 664. Families receive PLN 77 monthly for a child no older than 5 years, PLN 106 monthly for a child of 5 up to 18 years old, and PLN 115 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 2012

There were no changes in taxation of wages. Tax schedule, work-related expenses, tax allowances, relieves are the same as in previous years.

There were only changes in Social Security Contribution. Since February 2014, 14.96% of the old-age insurance contribution (2.92 percentage points) are transferred by ZUS to a privately-managed fund (OPF) but since July 2014 this part of contribution will be transferred only if insured persons decides to – otherwise all 7.3 percentage points of the contributions will be passed to subaccount in ZUS.

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.

2014 parameter values

Average earnings/yr	Ave_earn	42 360	(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_credi		
	t	0.0775	
Children	Child_cr	1 112.04	
	Child_cr_lim	112 000	
Social security contributions			
Employers	SSC_empr	0.2043	
old-age pension and disability pension insurance	SSC_old	0.097676	
	SSC_old_ZUS	0.061097676	
	SSC_old_ZUSII	0.029125	
	SSC_old_OPF	0.007375	
	SSC_dis	0.065	
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_ZUS		
	II	0.029125	
	SSC_old_e_OPF	0.007375	
	SSC_dis_e	0.015	
sickness insurance	SSC_s	0.0245	
Contribution ceiling	SSC_c	112 380	
Family benefit	fam_ben	1 272	
single parent additional family benefit	fam_ben_Spsup	170	
	fam_ben_Spsup		
single parent additional family benefit ceiling	_lim	340	
income limit	fam_ben_lim	6 468	
income limit for single parent	fam_ben_lim_sp	6 468	

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 1668.72 PLN annually.

2014 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	$1 + \text{MAX}(\text{Married}, (\text{Children} > 0))$
2. Allowances:	tax_al	J	$\text{work_exp} + \text{MIN}(\text{earn_spouse}, \text{work_exp}) + \text{SSC} + \text{SSC_old_e_OPF} * \text{MIN}(\text{earn}, \text{SSC_c})$
3. Credits in taxable income	taxbl_cr	J	0
4. CG taxable income	tax_inc	J	$\text{Positive}(\text{earn} - \text{tax_al})$
5. CG tax before credits	CG_tax_excl	J	$\text{quotient} * \text{Tax}(\text{tax_inc} / \text{quotient}, \text{tax_sch})$
6. Tax credits:			
Basic credit	basic_cr	J	$\text{basic_cr} * \text{quotient}$
Health insurance	health_ins_cr	B	$\text{health_ins_credit} * (\text{earn} - \text{SSC} - \text{SSC_old_e_OPF} * \text{MIN}(\text{earn}, \text{SSC_c}))$
Child credit	child_cr	J	$\text{If}(\text{earn_total} < \text{Child_cr_lim}, \text{children} * \text{child_cr}, 0)$
Total tax credits	tax_cr	J	$\text{basic_cr} + \text{health_ins_cr} + \text{child_cr}$
7. CG tax	CG_tax	J	$\text{Positive}(\text{CG_tax_excl} - \text{tax_cr})$
8. State and local taxes	local_tax	J	0
9. Employees' soc security	health_ins	B	$(\text{earn} - (\text{MIN}(\text{earn}, \text{SSC_c}) * (\text{SSC_old_e} + \text{SSC_dis_e}) + \text{earn} * \text{SSC_s}))) * \text{health_ins}$
.	SSC	B	$(\text{SSC_old_e_ZUS} + \text{SSC_dis_e}) * \text{MIN}(\text{earn}, \text{SSC_c}) + \text{SSC_s} * \text{earn}$
11. Cash transfers	cash_tran	J	$((\text{earn_total} / (1 + \text{Married} + \text{Children})) < (\text{Married} * \text{fam_ben_lim} + (1 - \text{Married}) * \text{fam_ben_lim_sp})) * (\text{Children} * \text{fam_ben} + (1 - \text{Married}) * (\text{Children} > 0) * \text{MIN}(\text{fam_ben_Spsup} * \text{Children}, \text{fam_ben_Spsup_lim})))$
13. Employer's soc security	SSC_empr	B	$(\text{SSC_old_ZUS} + \text{SSC_dis}) * \text{MIN}(\text{earn}, \text{SSC_c}) + \text{SSC_a} * \text{earn}$

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.

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 2014

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		11 682	17 436	29 118	11 682
2. Standard tax allowances					
Basic allowance		4 104	4 104	4 104	4 104
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses		0	0	0	0
Other					
	Total	4 104	4 104	4 104	4 104
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		7 578	13 332	25 014	7 578
5. Central government income tax liability (exclusive of tax credits)		1 180	2 820	6 575	1 180
6. Tax credits					
Basic credit		214	214	214	333
Married or head of family					
Children		0	0	0	428
Other					
	Total	214	214	214	760
7. Central government income tax finally paid (5-6)		994	2 835	6 999	420
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		1 285	1 918	3 203	1 285
Taxable income					
	Total	1 285	1 918	3 203	1 285
10. Total payments to general government (7 + 8 + 9)		2 279	4 753	10 202	1 705
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)		9 403	12 683	18 916	10 818
13. Employer's compulsory social security contributions		2 774	4 141	6 915	2 774
14. Average rates					
Income tax		8.5%	16.3%	24.0%	3.6%
Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
Total payments less cash transfers		19.5%	27.3%	35.0%	7.4%
Total tax wedge including employer's social security contributions		35.0%	41.2%	47.5%	25.2%
15. Marginal rates					
Total payments less cash transfers: Principal earner		43.0%	43.0%	51.5%	39.5%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		53.9%	53.9%	60.8%	51.1%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Portugal 2014

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		17 436	23 189	29 118	23 189
2. Standard tax allowances					
Basic allowance		4 104	8 208	8 208	8 208
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses		0	0	0	0
Other					
	Total	4 104	8 208	8 208	8 208
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		13 332	14 981	20 910	14 981
5. Central government income tax liability (exclusive of tax credits)		1 933	2 310	3 999	2 310
6. Tax credits					
Basic credit		428	428	428	428
Married or head of family					
Children		428	428	428	0
Other					
	Total	855	855	855	428
7. Central government income tax finally paid (5-6)		1 078	1 455	3 144	1 931
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		1 918	2 551	3 203	2 551
Taxable income					
	Total	1 918	2 551	3 203	2 551
10. Total payments to general government (7 + 8 + 9)		2 996	4 006	6 347	4 482
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)		15 140	19 821	22 770	18 707
13. Employer's compulsory social security contributions		4 141	5 508	6 915	5 508
14. Average rates					
Income tax		6.2%	6.3%	10.8%	8.3%
Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
Total payments less cash transfers		13.2%	14.5%	21.8%	19.3%
Total tax wedge including employer's social security contributions		29.8%	30.9%	36.8%	34.8%
15. Marginal rates					
Total payments less cash transfers: Principal earner		25.5%	39.5%	39.5%	43.0%
Total payments less cash transfers: Spouse		18.7%	39.5%	39.5%	43.0%
Total tax wedge: Principal earner		39.8%	51.1%	51.1%	53.9%
Total tax wedge: Spouse		34.3%	51.1%	51.1%	53.9%

The national currency is the euro (EUR). In 2014, EUR 0.75 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 17 436 (Secretariat estimate).

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 per taxpayer (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 1.14).

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.

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 1.121).

1.1.4. Tax credits

Basic credits

- EUR 213.75 for each unmarried taxpayer or for each spouse;
- EUR 332.5 for a taxpayer in a single-parent family;

^{*} The corresponding amount equals EUR 4 104.00 (72 per cent × 12 × EUR 475.00).

- EUR 213.75 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: 10 per cent of health care costs plus interest on loans contracted to meet them, with a limit of EUR 838.44 (2 times the Social Benefit Index); for households with three or more dependents with health expenses the limit is raised by EUR 125.77 (30% of SBI), per dependent.
- 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: 15 per cent of interest up to EUR 296.00. Rent paid by a tenant, for his permanent residence under an agreement typified by the law, up to EUR 502.00. This credit is applicable to contracts up to 31.12.2011. These limits are also increased by 50 per cent for taxpayers in the first tax rate bracket, by 20 per cent for taxpayers in the second tax rate bracket. This credit is to be phased out until 2016 (interests) and 2018 (rents).
- 20 per cent of alimony payments compulsory under court order or court-approved agreement, up to a monthly limit of EUR 419.22 (SBI).

Tax credits from tax benefits

- 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.
- 15 per cent of VAT paid for certain services (restaurants, lodging, hairdressers, and auto-repair) up to a limit of EUR 250. This benefit is not included on the limits referred to on the next page.

However, the total of tax credits related to health care costs, education and formation, alimony, retirement homes and house expenses cannot exceed the values of the following amounts:

Taxable income (EUR) (R)	Limit
Up to 7 000	Without limit
Over 7 000 up to 20 000	EUR 1 250
Over 20 000 up to 40 000	EUR 1 000
Over 40 000 up to 80 000	EUR 500
Over 80 000	EUR 0 (no tax credit)

Limits are increased in 10 per cent for each dependent.

And the total 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 7 000	Without limit
Over 7 000 up to 20 000	EUR 100
Over 20 000 up to 40 000	EUR 80
Over 40 000 up to 80 000	EUR 60
Over 80 000	EUR 0 (no tax credit)

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 2014 income)

Taxable income (EUR) (R)	Marginal tax rate (%) (T)	Amount to deduct (EUR) (K)
Up to 7 000	14.50	-
Over 7 000 up to 20 000	28.50	980
Over 20 000 up to 40 000	37.00	2 680
Over 40 000 up to 80 000	45.00	5 880
Over 80 000	48.00	8 280

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 2014), 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, reduced tax rates are applicable. Tax calculation formula (I = Income tax due):

- Unmarried taxpayers: $I = R \times T - K - C$

Married taxpayers (with one or two earned incomes/see Section 1.151):

$$\bullet I = \{[(R : 2) \times T - K] \times 2\} - C$$

Where:

R = Taxable income, after deduction of standard and non-standard reliefs (see Sections 1.12 and 1.151)

T = Tax rate corresponding to the taxable income bracket

K = Amount to be deducted from each bracket

C = Tax credits (see Section 1.14)

Surtax:

A surtax was introduced by the 2012 State Budget and is *applicable on highest income* bracket. The surtax is now 2.5 per cent applicable to taxable income between EUR 80 000 and EUR 250 000 and 5 per cent for taxable income above EUR 250 000. Furthermore, a 3.5 per cent surtax was reintroduced, for taxable income above the annual national minimum wage (EUR 6 790), with a tax credit of 2.5 per cent of the annual minimum wage per dependent (EUR 169.75).

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 2010 minimum wage (EUR 1 900) 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 2010 minimum wage (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 20 per cent or 60 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 old	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 per cent.

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.
- Tax credits for higher income households were limited or abolished.
- 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 $\times 12$.

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.

2014 parameter values

Average earnings/yr	Ave_earn	17 436	Secretariat estimate	
Tax allowances	perc	1		
	max_al	4 104		
Tax credits				
Married (basic)	married_cred	213.75		
Single (basic)	single_cred	213.75		
Single parent	singlepar_cred	332.5		
Each child credit	child_cred	213.75		
Tax schedule	tax_sch	0.145	7 000	
		0.285	20 000	
		0.37	40 000	
		0.45	80 000	
		0.48		
	tax_floor	1 911		
Surtax	surtax_rate	0.025		
	surtax_rate2	0.05		
	surtax_thrs	250 000		
	add_surtax_rate	0.035		
	add_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		

2014 tax equations

The equations for the Portuguese system in 2014 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	IF(taxable income/Divisor>surtax_thrs,(surtax_rate*(surtax_thrs-TopIncBracket)+surtax_rate2*(taxable income/Divisor -surtax_thrs))*Divisor, surtax_rate*Positive(taxable income/Divisor -TopIncBracket)*Divisor)+Positive((add_surtax_rate*Positive(taxable income/Divisor -Annual Minimum Wage)*Divisor)-(add_surtax_cred*Annual Mimimum Wage*Children))
7. CG tax	CG_tax	J	IF(earn-CG-tax-excl> MinDispY,Positive(CG_tax_excl-tax_cr),0)+surtax
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. 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.

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 2014

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		6 929	10 342	17 271	6 929
2. Standard tax allowances					
Basic allowance		3 803	3 803	3 803	3 803
Married or head of family		0	0	0	0
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes		929	1 386	2 314	929
Work-related expenses					
Other					
	Total	4 732	5 189	6 118	4 732
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		2 197	5 153	11 154	2 197
5. Central government income tax liability (exclusive of tax credits)		417	979	2 119	417
6. Tax credits					
Basic credit		0	0	0	0
Married or head of family		0	0	0	0
Children		0	0	0	514
Other (ETC)		0	0	0	0
	Total	0	0	0	514
7. Central government income tax finally paid (5-6)		417	979	2 119	- 96
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		929	1 386	2 314	929
Taxable income					
	Total	929	1 386	2 314	929
10. Total payments to general government (7 + 8 + 9)		1 346	2 365	4 434	832
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	564
	Total	0	0	0	564
12. Take-home pay (1-10+11)		5 583	7 977	12 838	6 662
13. Employers' compulsory social security contributions		2 162	3 227	5 389	2 162
14. Average rates					
Income tax		6.0%	9.5%	12.3%	-1.4%
Employees' social security contributions		13.4%	13.4%	13.4%	13.4%
Total payments less cash transfers		19.4%	22.9%	25.7%	3.9%
Total tax wedge including employer's social security contributions		38.6%	41.2%	43.3%	26.7%
15. Marginal rates					
Total payments less cash transfers: Principal earner		29.9%	29.9%	29.9%	29.9%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		46.5%	46.5%	46.5%	46.5%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Slovak Republic 2014

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		10 342	13 755	17 271	13 755
2. Standard tax allowances					
Basic allowance		3 803	6 759	7 607	6 759
Married or head of family		3 803	0	0	0
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes		1 386	1 843	2 314	1 843
Work-related expenses					
Other					
	Total	8 992	8 602	9 921	8 602
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		1 350	5 153	7 350	5 153
5. Central government income tax liability (exclusive of tax credits)		256	979	1 397	979
6. Tax credits					
Basic credit		0	0	0	0
Married or head of family		0	0	0	0
Children		514	514	514	0
Other (ETC)		0	28	0	28
	Total	514	541	514	28
7. Central government income tax finally paid (5-6)		- 257	438	883	951
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		1 386	1 843	2 314	1 843
Taxable income					
	Total	1 386	1 843	2 314	1 843
10. Total payments to general government (7 + 8 + 9)		1 128	2 281	3 197	2 795
11. Cash transfers from general government					
For head of family					
For two children		564	564	564	0
	Total	564	564	564	0
12. Take-home pay (1-10+11)		9 778	12 039	14 639	10 960
13. Employers' compulsory social security contributions		3 227	4 292	5 389	4 292
14. Average rates					
Income tax		-2.5%	3.2%	5.1%	6.9%
Employees' social security contributions		13.4%	13.4%	13.4%	13.4%
Total payments less cash transfers		5.5%	12.5%	15.2%	20.3%
Total tax wedge including employer's social security contributions		27.9%	33.3%	35.4%	39.3%
15. Marginal rates					
Total payments less cash transfers: Principal earner		29.9%	29.9%	29.9%	29.9%
Total payments less cash transfers: Spouse		33.8%	13.4%	29.9%	13.4%
Total tax wedge: Principal earner		46.5%	46.5%	46.5%	46.5%
Total tax wedge: Spouse		49.5%	34.0%	46.5%	34.0%

As from 1.1.2009, Slovakia has joined the euro zone; the national currency became the euro (EUR). In 2014, EUR 0.75 is equal to USD 1. In that year, the average worker earned EUR 10 342 (Secretariat 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 2014 (EUR 3 803.33). In 2014, the basic personal allowance for taxpayers with gross earnings net of employee social security contributions in excess of the threshold of EUR 19 809 per year ($19\,809 = 100 \times \text{MLS}$, which is approximately equal to an employee's monthly gross wage of EUR 1 906) is gradually withdrawn. If gross earnings net of employee social security contributions exceed EUR 19 809, 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 35 022.31 per year (employee's monthly gross wage of approximately EUR 3 370). 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 3 803.33. 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. As of 2013, to be entitled to spouse allowance one of the following conditions should be met:
 - spouse is taking care of (not necessarily personally) children up to 3 years (or up to 6 years if child is disabled); or
 - spouse is unemployed; or
 - spouse is receiving nursing allowance; or
 - spouse is disabled.

If the principal's gross earnings net of employee social security contributions in 2014 are lower or equal to EUR 35 022.31 ($= 176.8$ times MLS) and the spouse's gross earnings net

of employee social security contributions are lower than EUR 3 803.33, 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 EUR 3 803.33, the spouse allowance is 0. If the principal's gross earnings net of employee social security contributions exceed EUR 35 022.31 (= 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 digressive 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.

For the purposes of this Report, only families with unemployed spouse are entitled to spouse allowance (spouse income does not influence any equations of spouse allowance as of 2013). Child care up to 3 years does not affect the calculation of tax wedges as according to the *Taxing wages* methodology any children in the household are assumed to be aged between six and eleven inclusive.

- **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 automatically indexed by MLS growth as of 1 July when also the new amount of MLS comes into force. Monthly tax credit in 2014 is EUR 21.41 per child for the whole year as MLS did not change during the year. The annual amount will be EUR 256.92. 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 2014 is set at EUR 352.0 (the total annual earnings must therefore be at least EUR 2 112.0). 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. As of 2014 allowance for supplementary pension insurance has been reintroduced. Supplementary pension contributions are tax-deductible up to the maximum limit of EUR 180 per year.

As of 2013 voluntary contributions to the privately managed fully funded pillar up to 2% of gross earnings net of employee social security contributions are tax-deductible. Maximum yearly limit for this tax relief is calculated as: $2\% \times 60 \times AW(t - 2)$, where $AW(t - 2)$ average wage two years ago. It is legislated that this relief will be automatically abolished as of 2017.

1.1.2.3. Non-wastable tax credit: employee tax credit (ETC/zamestnanecká prémia)

The employee tax credit is effective as from 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 2014 is set at EUR 352.0 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 3 803.33) and the tax base (gross earnings net of employee SSC), evaluated at the level of the minimum wage (EUR 3 658.08). 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 27.60 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

As from 2013 the previous flat tax rate of 19 per cent was replaced by new tax schedule with two tax brackets. The ceiling for the first bracket is set out as 176.8 times MLS (equal to EUR 35 022.31) what secure its automatic indexation. The tax schedule is as follows:

Annual taxable income (EUR) ¹	Rate (%)
0-35 022.31	19
35 022.31 and over	25

1. Employee's social security contributions (see 1.12.) are deductible for income tax purposes.

1.2. State and local income tax

No separate state and local income tax exist. As from 2014 the share of distribution of PIT revenue has changed. Out of the total revenue from the personal income tax (PIT) collected by the central government, 67.0 per cent of PIT is transferred into the budget of the municipalities and 21.9 per cent of PIT is transferred into the budget of the self-governing regions. The remaining revenue of the state budget is 11.1 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
<i>of which:</i>	
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). As of 2013 formulae for calculation of all maximum assessment bases has been unified. Monthly MSSAB for social security contributions are calculated as: $5 \times AW(t - 2)$, 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 2012 it was EUR 805 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 (0.8 per cent), 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 flew directly to the private pension funds and not to the Social insurance agency as in previous years. As from September 2012 pension sharing scheme has been changed. Employer's retirement contribution rate to the fully funded pillar has been reduced from 9 per cent to 4 per cent (for more see pension contribution sharing scheme table below). 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 in 2014 is 31.2 per cent.

The MSSAB also applies to the employer's SSC. The next table presents the annual values of MSSAB.

Annual values of MSSAB

	Formula for MSSAB	Value of MSSAB
Health insurance	$5.0 \times AW (t - 2)$	48 300.00
Social insurance		
<i>of which</i>		
Sickness, retirement, unemployment, disability, Guarantee fund, Reserve fund	$5.0 \times AW (t - 2)$	48 300.00
Accident		No limit

SSC: Pension – contribution sharing in case of II. Pillar participation

Period	Percentage of gross earnings		
	I Pillar	II Pillar	Total
Previous system (up to September 2012)	9% (5% employer + 4% employee contribution)	9% (employer contribution)	18%
Current system (from September 2012) ^{Note:}	14% (10% employer + 4% employee contribution)	4% (employer contribution)	18%

Note: As from 2017 contribution rate to the II. pillar will automatically increase by 0.25 p.p. per year (i.e. contribution rate to the I. pillar will decrease in the same volume), stopping at 6 per cent in 2024.

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 23.52 per month in 2014. 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 11.02. 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 1.121 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 2014, these amounts are:

	MLS monthly (1.1.2014 - 31.12.2014)
First adult	198.09
Second adult	138.19
Child	90.42

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 1 January 2014) are:

- EUR 61.60 per month for an individual.
- EUR 117.20 per month for an individual with between one and four children.
- EUR 107.10 per month for a couple without children.
- EUR 160.40 per month for a couple with between one and four children.
- EUR 171.20 per month for an individual with more than four children.
- EUR 216.10 per month for a couple with more than four children.
- 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, EUR 34.69 per month for individual on sick leave for at least 30 consecutive days and EUR 13.50 for a pregnant woman from 4th month of the pregnancy and lasts until the child's age of 1 year (for the purpose of this Report, protection allowance is assumed to be EUR 63.07 for each individual).
- specific allowance: EUR 63.07 per month - entitlement arise for long-term unemployed individuals who move into work for 6 months (does not affect the calculations in this Report).
- dependent child allowance: EUR 17.20 per month for a child who properly fulfils compulsory school attendance. As of 1.1.2014, health care allowance is abolished.

4. Main changes in tax/benefit systems since 2013

The main changes relate to material need benefits, reintroduction of supplementary pension insurance allowance and change in PIT revenue distribution between municipalities, self-governing regions and state budget.

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.

2014 parameter values

Average earnings/yr	Ave_earn	10 342	Secretariat estimate
Minimum living standard (MLS) 2013	basic_adult	198.09	
	basic_adult1	138.19	
	basic_child	90.42	
Basic allowance	basic_al_mult	19.2	
	basic_al	3 803.33	
	basic_al_mult1	100	
	basic_al_mult2	44.2	
	basic_al_redn	0.25	
Spouse allowance	spouse_al_limit	3 803.33	
	spouse_al_mult1	176.8	
	spouse_al_mult2	63.4	
	spouse_al_redn	0.25	
Income tax rate	Tax_sch/tax_rate	0.19	35 022.312
		0.25	
Tax credits – nonwastable	tax_cr	256.92	
	min_wage	352.0	
	minwage_mult	6	
	etc_thresh	3 658.08	
Employee social security contributions	SSC_rate	0.134	
	SSC_sick	0.014	
	SSC_ret	0.04	
	SSC_dis	0.03	
	SSC_unemp	0.01	
	SSC_health	0.04	
Employer social security contributions	SSC_empr	0.304	
	SSC_empsick	0.014	
	SSC_empret	0.1	
	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	48 300	
Cash transfers	transf_1	282.24	
	transf_indiv	739.2	
	transf_indiv_child	1406.4	
	transf_couple	1285.2	
	transf_couple_child	1924.8	
	transf_hous_indiv	669.60	
	transf_hous_couple	1070.40	
	transf_activ	756.84	
	transf_dep	206.40	

2014 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	IF(earn_spouse=0.1,0)*Married*Positive(IF(earn_princ-SSC_princ<=spouse_al_mult1*basic_adult, basic_al_mult*basic_adult,spouse_al_mult2*basic_adult-spouse_al_redn*(earn_princ-SSC_princ)))
	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(tax_inc,tax_sch)
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
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)+(Children*transf_dep)+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
				earn*SSC_acc+

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.

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 2014

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		11 960	17 851	29 812	11 960
2. Standard tax allowances					
Basic allowance		4 419	3 303	3 303	4 419
Married or head of family					
Dependent children					5 086
Deduction for social security contributions and income taxes		2 643	3 945	6 588	2 643
Work-related expenses		0	0	0	0
Other					
	Total	7 062	7 248	9 891	12 148
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		4 898	10 603	19 921	0
5. Central government income tax liability (exclusive of tax credits)		784	1 981	4 631	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)		784	1 981	4 631	0
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		2 643	3 945	6 588	2 643
Taxable income					
	Total	2 643	3 945	6 588	2 643
10. Total payments to general government (7 + 8 + 9)		3 427	5 926	11 219	2 643
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	2 716
	Total	0	0	0	2 716
12. Take-home pay (1-10+11)		8 533	11 926	18 593	12 033
13. Employer's wage dependent contributions and taxes		1 926	2 874	4 800	1 926
Employer's compulsory social security contributions		1 926	2 874	4 800	1 926
Payroll taxes		0	0	0	0
14. Average rates					
Income tax		6.6%	11.1%	15.5%	0.0%
Employees' social security contributions		22.1%	22.1%	22.1%	22.1%
Total payments less cash transfers		28.7%	33.2%	37.6%	-0.6%
Total tax wedge including employer's social security contributions		38.5%	42.5%	46.3%	13.3%
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 2014

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		17 851	23 742	29 812	23 742
2. Standard tax allowances					
Basic allowance		3 303	7 892	7 721	7 892
Married or head of family					
Dependent children		5 086	5 086	5 086	
Other dependent family member		2 437			
Deduction for social security contributions and income taxes		3 945	5 247	6 588	5 247
Work-related expenses		0	0	0	0
Total		14 771	18 225	19 396	13 139
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		3 080	5 517	10 416	10 603
5. Central government income tax liability (exclusive of tax credits)		493	883	1 667	1 981
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)		493	883	1 667	1 981
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		3 945	5 247	6 588	5 247
Taxable income					
Total		3 945	5 247	6 588	5 247
10. Total payments to general government (7 + 8 + 9)		4 438	6 130	8 255	7 228
11. Cash transfers from general government					
For head of family					
For two children		2 469	1 509	1 124	0
Total		2 469	1 509	1 124	0
12. Take-home pay (1-10+11)		15 883	19 122	22 681	16 515
13. Employer's wage dependent contributions and taxes		2 874	3 822	4 800	3 822
Employer's compulsory social security contributions		2 874	3 822	4 800	3 822
Payroll taxes		0	0	0	0
14. Average rates					
Income tax		2.8%	3.7%	5.6%	8.3%
Employees' social security contributions		22.1%	22.1%	22.1%	22.1%
Total payments less cash transfers		11.0%	19.5%	23.9%	30.4%
Total tax wedge including employer's social security contributions		23.4%	30.6%	34.5%	40.1%
15. Marginal rates					
Total payments less cash transfers: Principal earner		34.6%	34.6%	34.6%	43.1%
Total payments less cash transfers: Spouse		45.0%	22.1%	34.6%	22.1%
Total tax wedge: Principal earner		43.6%	43.6%	43.6%	51.0%
Total tax wedge: Spouse		52.6%	32.9%	43.6%	32.9%

The Slovenian currency is the euro (EUR). In 2014, EUR 0.75 was equal to USD 1. In that year, the average worker in Slovenia earned EUR 17 851 (Secretariat estimate).

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 3 302.70 is deductible from income in 2014. For lower income groups an additional general allowance of EUR 3 217.12 is deductible when taxable income is lower than EUR 10 866.37 and of EUR 1 115.94 when taxable income is between EUR 10 866.37 and EUR 12 570.89.
- *Family allowances* are also deductible from the tax base in the same way as for the general allowance. The allowances for 2014 are as follows:
 - ❖ EUR 2 436.92 for the first dependent child;
 - ❖ EUR 2 649.24 for the second child;
 - ❖ EUR 4 418.54 for the third child;
 - ❖ EUR 6 187.85 for the fourth child;
 - ❖ EUR 7 957.14 for the fifth child;
 - ❖ EUR 1 769.30 for the sixth and all additional maintained children relative to the level of relief for the preceding maintained child;
 - ❖ EUR 8 830.00 for a dependent child who requires special care;
 - ❖ EUR 2 436.92 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 2014, such deductions are subject to an annual limit of EUR 2 819.09 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 work place, 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 2014 is as follows:

Taxable income (EUR)	Tax rate (%)
Up to 8 021.34	16
8 021.34-18 960.28	27
18 960.28-70 907.20	41
Above 70 907.20	50

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

On 1.1.2012, the Exercise of Rights to Public Funds Act (ZUPJS-A) entered into force. Regarding to a new act child allowance is a supplementary benefit for maintenance, care and education of children when the family income per family member does not exceed statutorily defined per cent of the average net wage in the previous year.

The new legislation changes family income which is the basis for the income classes from gross family income to net family income. Income includes taxable income and non-taxable income defined by the Personal income tax Act as for instance social benefits. Income is defined as gross income plus social benefits received but excluding the normalized cost and actual cost recognized under the law governing income tax, taxes and mandatory social security contributions levied on such income.

The new legislation also reduces the age of a child's entitlement. The right to a child benefit is held only until the child reaches 18 years. Besides, the child benefit is higher for eligible students included in higher secondary education (aged less than 18 years and with an income per family member below the average net wage).

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 net family income per family member as a percentage of the average net wage and the ranking of the child in the family. Each family is assigned to one of 8 income classes on this basis as follows:

Income class	Net family income per family member as a percentage of the average net wage
1	Up to 18%
2	18%-30%
3	30%-36%
4	36%-42%
5	42%-53%
6	53%-64%
7	64%-82%
8	82%-99%

- 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).
- 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). 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 details for the calculation of the net income per family member was prescribed by the Minister, as follows:

All income and receipts, namely net disposable income (after deduction of the normalized cost and actual cost recognized under the law governing income tax, taxes and mandatory social security contributions levied on such income) are taken into account, except those that are designed to cover the specific needs (such as allowance and attendance allowance, a large family, etc.). Property is also taken into account like immovable property, cars and other vehicles, watercraft, etc. Property is assigned a value and then it is calculated the amount of interest that would be received within one year from the value of assets deposited in a bank account in the form of time deposits.

- On 1.6.2012, the Public Finance Balance Act entered into force. Regarding to the Act the amounts of transfers for a children in fifth and sixth income classes are reduced for 10%. Moreover, transfers for children in the seventh and eighth income classes are abolished. This is a temporary measure, which applies up to the year following the year in which economic growth exceeds 2 per cent of gross domestic product.
- The monthly amounts of transfers for a child **from birth to the end of primary school** in a two-parent family according to the Exercise of Rights to Public Funds Act and Public

Finance Balance Act were the following for the year 2014:

Net family income per family member as a percentage of the average net wage	1st child	2nd child	3rd child
	Monthly (EUR)	Monthly (EUR)	Monthly (EUR)
00	114.31	125.73	137.18
2 153.52	97.73	108.04	118.28
3 589.20	74.48	83.25	91.98
4 307.04	58.75	67.03	75.47
5 024.88	43.24	50.45	57.63
6 340.92	27.40	34.29	41.14
7 657.08	0	0	0

In 2014, the maximum annual benefit levels for children in a two-parent family were the following:

- EUR 1 371.72 for the first child;
- EUR 1 508.76 for the second child;
- EUR 1 646.16 for the third or subsequent child.

The amounts decline as the level of income per family member increases. The benefit ceases according to the Public Finance Balance Act to be available for families where the average income per member is higher than 64% of the average net wage for the year 2014.

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.
- The Exercise of Rights to Public Funds Act entered into force on 1.1.2012. changes family income which is the basis for the income classes from gross family income to net family income, which also includes social benefits received.
- Regarding to the Public Finance Balance Act which entered into force on 1.6.2012, the amounts of transfers for children in fifth and sixth income classes are reduced for 10 %. Transfers for children in the seventh and eighth income classes are abolished.
- In 2013, the second bracket in the PIT schedule was broadened according to the Public Finance Balance Act. For the years 2013 and 2014 also the threshold for the third bracket (with the rate 41%) was increased and a new, top bracket with a rate 50% was introduced.
- For the year 2013, the special relief for students was reduced by 25% compared to the tax relief in 2012 (the tax relief for 2014 amounts to EUR 2 477.03).

- Concerning rental income deriving renting of immovable and movable property a new schedular principle of taxation was introduced in the year 2013 with proportional rate of 25 %. The standardised costs were reduced from 40% to 10% of the rental income.
- The main and most important substantive change for the year 2014 and beyond eliminates the automatic adjustment of tax credits and net annual tax basis in the scale for assessing personal income tax with the growth in consumer prices.
- For the year 2014 were also introduced another amendments to the personal income tax, that is the abolishment of the tax benefits to certain groups of taxpayers (special relief for daily migrants, relief for the residents over 65 years of age).

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.

2014 parameter values

Ave_earn	17 851	Secretariat estimate					
Ave_earn_1	17 673						
Ave_net_earnfam	11 964						
Basic_al	0	6 519.82					
	10 866.37	4 418.64					
	12 570.89	3 302.70					
Child_al1	2 436.92						
Child_al2	5 086.16						
Child_al3	9 504.70						
Child_al4	15 692.55						
Child_al5	23 649.69						
Depend_al	2 436.92						
Tax_sch	0.16	8 021.34					
	0.27	18 960.28					
	0.41	70 907.20					
	0.50						
SSC_rate1	0.221						
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
Fam_allow_mc	0	114.31	125.73	137.18	1 371.72	2 880.48	4 526.64
	2 153.52	97.73	108.04	118.28	1 172.76	2 469.24	3 888.60
	3 589.200	74.48	83.25	91.98	893.76	1 892.76	2 996.52
	4 307.04	58.75	67.03	75.47	705.00	1 509.36	2 415.00
	5 024.88	43.24	50.45	57.63	518.88	1 124.28	1 815.84
	6 340.92	27.40	34.29	41.14	328.80	740.28	1 233.96
	7 656.96	0.00	0.00	0.00	0.00	0.00	0.00
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
Fam_allow_sp	0	125.74	138.30	150.90	1 508.89	3 168.53	4 979.30
	2 153.52	107.50	118.84	130.11	1 290.04	2 716.16	4 277.46
	3 589.2	81.93	91.58	101.18	983.14	2 082.04	3 296.17
	4 307.04	64.63	73.73	83.02	775.50	1 660.30	2 656.50
	5 024.88	47.56	55.50	63.39	570.77	1 236.71	1 997.42
	6 340.92	30.14	37.72	45.25	361.68	814.31	1 357.36
	7 656.96	0.00	0.00	0.00	0.00	0.00	0.00
numdays	365						

2014 tax equations

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings			
	Current year	earn		
	Net earnings Year-1	net_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((net_earn_1)/(1+married+children),IF(Married=0;Fam_allow_sp,Fam_allow_m),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.

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 2014

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		17 528	26 162	43 690	17 528
2. Standard tax allowances:					
Basic allowance					
Married or head of family		0	0	0	2 150
Dependent children					
Deduction for social security contributions and income taxes		1 113	1 661	2 741	1 113
Work-related expenses		2 652	2 652	2 652	2 652
Other					
	Total	3 765	4 313	5 393	5 915
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central and state government taxable income (1 - 2 + 3)		13 763	21 849	38 297	11 613
5. Central and state government income tax liability (exclusive of tax credits)		3 406	5 625	11 089	2 874
6. Central and state government tax credits					
Basic credit		1 275	1 275	1 275	2 273
Married or head of family					
Children					
Other					
	Total	1 275	1 275	1 275	2 273
7. Central government income tax finally paid		1 098	2 264	5 186	291
8. State income tax finally paid		1 033	2 087	4 627	310
9. Employees' compulsory social security contributions					
Gross earnings		1 113	1 661	2 741	1 113
Taxable income					
	Total	1 113	1 661	2 741	1 113
10. Total payments to general government (7 + 8 + 9)		3 245	6 011	12 555	1 715
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)		14 284	20 150	31 136	15 814
13. Employer's compulsory social security contributions		5 241	7 822	12 906	5 241
14. Average rates					
Income tax		12.2%	16.6%	22.5%	3.4%
Employees' social security contributions		6.35%	6.35%	6.27%	6.35%
Total payments less cash transfers		18.5%	23.0%	28.7%	9.8%
Total tax wedge including employer's social security contributions		37.3%	40.7%	45.0%	30.5%
15. Marginal rates					
Total payments less cash transfers: Principal earner		29.5%	34.4%	40.0%	38.9%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		45.7%	49.5%	40.0%	53.0%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Spain 2014

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		26 162	34 795	43 690	34 795
2. Standard tax allowances					
Basic allowance					
Married or head of family		3 400	0	0	0
Dependent children					
Deduction for social security contributions and income taxes		1 661	2 209	2 774	2 209
Work-related expenses		2 652	6 732	5 304	6 732
Other					
	Total	7 713	8 941	8 078	8 941
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central and state government taxable income (1 - 2 + 3)		18 449	25 854	35 612	25 854
5. Central and state government income tax liability (exclusive of tax credits)		4 605	6 616	9 031	6 616
6. Central and state government tax credits					
Basic credit		2 234	2 746	3 509	2 266
Married or head of family					
Children					
Other					
	Total	2 234	2 746	3 509	2 266
7. Central government income tax finally paid		1 225	2 016	2 867	2 264
8. State income tax finally paid		1 145	1 854	2 655	2 087
9. Employees' compulsory social security contributions					
Gross earnings		1 661	2 209	2 774	2 209
Taxable income					
	Total	1 661	2 209	2 774	2 209
10. Total payments to general government (7 + 8 + 9)		4 032	6 080	8 297	6 560
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)		22 130	28 715	35 394	28 236
13. Employer's compulsory social security contributions		7 822	10 404	13 063	10 404
14. Average rates					
Income tax		9.1%	11.1%	12.6%	12.5%
Employees' social security contributions		6.35%	6.35%	6.35%	6.35%
Total payments less cash transfers		15.4%	17.5%	19.0%	18.9%
Total tax wedge including employer's social security contributions		34.9%	36.5%	37.6%	37.5%
15. Marginal rates					
Total payments less cash transfers: Principal earner		34.4%	34.4%	34.4%	34.4%
Total payments less cash transfers: Spouse		23.7%	6.4%	29.5%	6.3%
Total tax wedge: Principal earner		49.5%	49.5%	49.5%	49.5%
Total tax wedge: Spouse		41.3%	27.9%	45.7%	27.9%

The national currency is the euro (EUR). In 2014, EUR 0.75 was equal to USD 1. In that year the average worker earned EUR 26 162 (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: $\text{EUR } 400 - 0.1 * (\text{tax base} - \text{EUR } 8\,000.01)$, 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, up to 1 January 2013, taxpayers were allowed to deduct from their tax liability 15 per cent of the investment made during the year, up to a maximum of EUR 9 040.
- Furthermore, disabled taxpayers were also 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 up to a maximum of EUR 12 080.
- With effect from 1 January 2013, the above tax credit has been abolished. Nevertheless, grandfathering rules apply for those taxpayers who before 1 January 2013 had acquired their main residence; had made some payments for it to be built; had made some payments for restoration/enlargement of their main residence or had made some payments to carry out the adaptation of the main residence of disabled people. However, in the latter two cases the works performed should be completed before 1 January 2017. For these taxpayers, the above tax credit can still be applied in accordance with the rules set up above.

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	12.75
17 707.20-33 007.20	2 257.67	16.00
33 007.20-53 407.20	4 705.67	21.50
53 407.20-120 000.20	9 091.67	25.50
120 000.20-175 000.20	26 072.88	27.50
175 000.20-300 000.20	41 197.88	29.50
Over 300 000.20	78 072.88	30.50

1.2. State and local income taxes

Regional rates of tax – resident individuals: (in case that Regional Governments do not exercise its rights to set their own tax rates.

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 2014, these ceilings are:

- Lower ceiling: EUR 9 036
- Upper Ceiling: EUR 43 164.

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 11 519.16; the child transfer decreases with income between EUR 11 519.16 and EUR 11 785.91; the value is 0 for gross earnings exceeding EUR 11 785.91. EUR 582 for families with 2 children with annual gross earnings below EUR 13 247.03; the child transfer decreases with income between EUR 13 247.03 and EUR 13 780.53; the value is 0 for gross earnings exceeding EUR 13 780.53.

4. Main changes in tax/benefit systems in 2014

In 2014, the following changes apply:

- Spain implemented temporary and supplementary increases (for 2012 and 2013) in the Central Government tax rates, which have been extended to 2014. The new rates that apply to personal income are as follows: up to EUR 17 707.20: 12.00% + 0.75% = 12.75%; up to EUR 33 007.20: 14.00% + 2.00% = 16.00%; up to EUR 53 407.20: 18.50% + 3.00% = 21.00%; up to EUR 120 000: 21.50% + 4% = 25.50%; up to EUR 175 000.20: 22.50% + 5.00% = 27.50%; and two new tax brackets; up to EUR 300 000.20: 23.50% + 6.00% = 29.50%, and over EUR 300 000.20: 23.50% + 7.00% = 30.50%.
- Aimed to foster new indefinite hirings, since 2 March 2014 employers hiring new workers under a non-fixed term contract (contracts between 25 February and 31 December 2014) may also apply a flat social security contribution (covering general risks). The flat contribution rate is: EUR 100 monthly contribution for full-time hirings (lower contribution also applies for part-time newcomers). The flat contribution will apply for a 24-month period.

5. Memorandum items

5.1. Identification of an AW and calculation of earnings

Refer to the information provided in the Annex of this Report.

2014 parameter values

Average earnings/yr	Ave_earn	26 162	Secretariat estimate	
Work related allowance	wr_rate	0.35		
	wr_lim_max	13 260		
	wr_lim_min	9 180		
	wr_lim_min_1	9 180.01		
	wr_allow_max	4 080		
	wr_allow_min	2 652		
Personal and family exempt income	Per_fam_exempt_inc	5 151		
Joint taxation allowance	Joint_tax_allow_fam 1	3 400		
	Joint_tax_allow_fam 2	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	12.75%
		17 707.2	2 257.67	16.0%
		33 007.2	4 705.67	21.50%
		53 407.2	9 091.67	25.50%
		120 000.2	26 072.88	27.50%
		175 000.2	411 997.88	29.50%
		300 000.2	78 072.88	30.50%
	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	9036	
	top_lim	43 164		
Child benefit	SS_child_benefit	291		
	SS_child_table	1	11 519.16	11 785.91
		2	13 247.03	13 780.53
		3	17 337.05	18 137.3
		4	20 145.17	21 212.17
		5	22 953.29	24 287.04

2014 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: $\text{earn} = \text{earn_princ}$, or $\text{earn} = \text{earn_sp}$ for joint (family) taxation: $\text{earn} = \text{earn_princ} + \text{earn_sp}$
2. Allowances:			
Work related, individual	work_ind	B	$\text{IF}(\text{earn_SSC} \leq \text{wr_lim_min}, \text{wr_allow_max}, \text{IF}(\text{earn_SSC} \leq \text{wr_lim_max}, \text{wr_allow_max} - \text{wr_rate} * ((\text{earn_SSC}) - (\text{wr_lim_min_1})), \text{wr_allow_min}))$
Work related, family	work_fam	J	$\text{IF}(\text{AND}(\text{earn_sp} = 0, \text{Married} = 0, \text{Children} = 0), 0, \text{IF}(\text{earn_total_SSC_fam} \leq \text{wr_lim_min}, \text{wr_allow_max}, \text{IF}(\text{earn_total_SSC_fam} \leq \text{wr_lim_max}, \text{wr_allow_max} - \text{wr_rate} * ((\text{earn_total_SSC_fam}) - (\text{wr_lim_min_1})), \text{wr_allow_min})))$
Joint taxation allowance	joint_allow_fam	J	$\text{IF}(\text{AND}(\text{Married} = 0, \text{Children} = 0), 0, \text{IF}(\text{AND}(\text{Married} = 0, \text{Children} > 0), \text{joint_tax_allow_fam2}, \text{joint_tax_allow_fam1}))$
Personal and family exempt income, individual	ex_inc_ind	B	$\text{per_fam_exempt_inc}$
Personal and family exempt income, family	ex_inc_fam	J	$\text{IF}(\text{AND}(\text{Married} = 0, \text{Children} = 0), 0, \text{per_fam_exempt_inc})$
Children exempt income, individual	child_ex_inc_ind	P	$\text{IF}(\text{earn_sp} = 0, (\text{children} > 0) * (\text{dep_child} + (\text{children} > 1) * \text{dep_child2} + (\text{children} > 2) * \text{dep_child3} + (\text{children} > 3) * (\text{children} - 3) * \text{dep_child4}), (\text{children} > 0) * (\text{dep_child} + (\text{children} > 1) * \text{dep_child2} + (\text{children} > 2) * \text{dep_child3} + (\text{children} > 3) * (\text{children} - 3) * \text{dep_child4}) / 2)$
		S	$\text{IF}(\text{earn_sp} = 0, 0, (\text{children} > 0) * (\text{dep_child} + (\text{children} > 1) * \text{dep_child2} + (\text{children} > 2) * \text{dep_child3} + (\text{children} > 3) * (\text{children} - 3) * \text{dep_child4}) / 2)$
Children exempt income, family	child_ex_inc_fam	J	$(\text{children} > 0) * (\text{dep_child} + (\text{children} > 1) * \text{dep_child2} + (\text{children} > 2) * \text{dep_child3} + (\text{children} > 3) * (\text{children} - 3) * \text{dep_child4})$
3. Credits in taxable income	taxbl_cr	B, J	0
4. CG taxable income	tax_inc	B, J	$\text{IF}(\text{AND}(\text{Married} = 0, \text{Children} = 0), \text{tax_inc_princ}, \text{MINA}(\text{tax_inc_princ} + \text{tax_inc_sp}, \text{tax_inc_fam}))$
	tax_inc_ind	B	$\text{Positive}(\text{earn} - (\text{work_ind} + \text{SSC}))$
	tax_inc_fam	J	$\text{IF}(\text{AND}(\text{Married} = 0, \text{Children} = 0), 0, \text{Positive}(\text{earn} - (\text{work_fam} + \text{joint_allow_fam} + \text{SSC_princ} + \text{SSC_sp})))$
5. CG tax before credits	CG_tax_ind_excl	B	$\text{MAXA}(0, \text{VLOOKUP}(\text{tax_inc_ind}, \text{tax_sch_sg}, 2) + (\text{tax_inc_ind} - \text{VLOOKUP}(\text{tax_inc_ind}, \text{tax_sch_sg}, 1)) * \text{VLOOKUP}(\text{tax_inc_ind}, \text{tax_sch_sg}, 3))$
	CG_tax_fam_excl	J	$\text{MAXA}(0, \text{VLOOKUP}(\text{tax_inc_fam}, \text{tax_sch_sg}, 2) + (\text{tax_inc_fam} - \text{VLOOKUP}(\text{tax_inc_fam}, \text{tax_sch_sg}, 1)) * \text{VLOOKUP}(\text{tax_inc_fam}, \text{tax_sch_sg}, 3))$
6. CG tax credits:	CG_tax_cr_ind	B	$\text{MAXA}(0, \text{VLOOKUP}(\text{ex_inc_ind} + \text{child_ex_inc_ind}, \text{tax_sch_sg}, 2) + ((\text{ex_inc_ind} + \text{child_ex_inc_ind}) - \text{VLOOKUP}(\text{ex_inc_ind} + \text{child_ex_inc_ind}, \text{tax_sch_sg}, 1)) * \text{VLOOKUP}(\text{ex_inc_ind} + \text{child_ex_inc_ind}, \text{tax_sch_sg}, 3) + \text{IF}(\text{earn} > 0, \text{MINA}(\text{taper}(\text{TC_NUEVO}, \text{tax_inc_ind}, \text{tc_lim_min}, \text{tc_rate}), \text{CG_tax_ind_excl}), 0))$

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.

Line in country table and intermediate steps	Variable name	Range	Equation
	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))
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.

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 2014

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		273 343	407 974	681 317	273 343
2. Standard tax allowances					
Basic allowance		20 700	13 100	13 100	20 700
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		0	0	0	0
Work-related expenses					
Other					
	Total	20 700	13 100	13 100	20 700
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		252 600	394 800	668 200	252 600
5. Central government income tax liability (exclusive of tax credits)		0	0	52 760	0
6. Tax credits					
Basic credit					
Married or head of family					
Children					
Other		39 960	54 910	58 410	39 960
	Total	39 960	54 910	58 410	39 960
7. Central government income tax finally paid (5-6)		- 39 960	- 54 910	- 5 650	- 39 960
8. State and local taxes		80 478	125 783	212 888	80 478
9. Employees' compulsory social security contributions					
Gross earnings		19 100	28 600	32 100	19 100
Taxable income					
	Total	19 100	28 600	32 100	19 100
10. Total payments to general government (7 + 8 + 9)		59 618	99 473	239 338	59 618
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	27 000
	Total	0	0	0	27 000
12. Take-home pay (1-10+11)		213 725	308 501	441 979	240 725
13. Employer's wage dependent contributions and taxes					
Employer's compulsory social security contributions		58 878	87 878	146 755	58 878
payroll taxes		27 006	40 307	67 314	27 006
	Total	85 884	128 185	214 069	85 884
14. Average rates					
Income tax		14.8%	17.4%	30.4%	14.8%
Employees' social security contributions		7.0%	7.0%	4.7%	7.0%
Total payments less cash transfers		21.8%	24.4%	35.1%	11.9%
Total tax wedge including employer's social security contributions		40.5%	42.5%	50.6%	33.0%
15. Marginal rates					
Total payments less cash transfers: Principal earner		28.3%	31.9%	56.9%	28.3%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		45.5%	48.2%	67.2%	45.5%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Sweden 2014

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		407 974	542 606	681 317	542 606
2. Standard tax allowances:					
Basic allowance		13 100	47 300	33 800	47 300
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		0	0	0	0
Work-related expenses					
Other					
	Total	13 100	47 300	33 800	47 300
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		394 800	495 200	647 400	495 200
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		54 910	75 964	94 870	75 964
	Total	54 910	75 964	94 870	75 964
7. Central government income tax finally paid (5-6)		- 54 910	- 75 964	- 94 870	- 75 964
8. State and local taxes		125 783	157 770	206 261	157 770
9. Employees' compulsory social security contributions					
Gross earnings		28 600	38 000	47 700	38 000
Taxable income					
	Total	28 600	38 000	47 700	38 000
10. Total payments to general government (7 + 8 + 9)		99 473	119 806	159 091	119 806
11. Cash transfers from general government					
For head of family					
For two children		27 000	27 000	27 000	0
	Total	27 000	27 000	27 000	0
12. Take-home pay (1-10+11)		335 501	449 800	549 226	422 800
13. Employer's wage dependent contributions and taxes					
Employer's compulsory social security contributions		87 878	116 878	146 756	116 878
payroll taxes		40 307	53 608	67 313	53 608
	Total	128 185	170 486	214 069	170 486
14. Average rates					
Income tax		17.4%	15.1%	16.3%	15.1%
Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
Total payments less cash transfers		17.8%	17.1%	19.4%	22.1%
Total tax wedge including employer's social security contributions		37.4%	36.9%	38.7%	40.7%
15. Marginal rates					
Total payments less cash transfers: Principal earner		31.9%	31.9%	31.9%	31.9%
Total payments less cash transfers: Spouse		15.1%	28.3%	28.3%	28.3%
Total tax wedge: Principal earner		48.2%	48.2%	48.2%	48.2%
Total tax wedge: Spouse		35.4%	45.5%	45.5%	45.5%

The national currency is the Swedish kronor (SEK). In 2014, SEK 6.86 was equal to USD 1. In that year, the average worker earned SEK 407 974 (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 13 100 and SEK 34 200, depending on income. When individuals pay central government income tax, the basic allowance is at its lowest level, which equals SEK 13 100. The basic allowance depends on the assessed earned income and the basic amount, which equals SEK 44 400.

Assessed-earned income (SEK) Relative to basic amount (BA)	Share of BA at lower bracket	For exceeding income
-0.99	0.423	
0.99-2.72	0.423	+0.2
2.72-3.11	0.77	
3.11-7.88	0.77	-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 10 000;
 - ❖ 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, %
0-420 800	0	0
420 800-602 600	0	20
over 602 600	36 360	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 65 or less, an annual Earned Income Tax Credit (EITC) worth up to SEK 26 310 at the average local tax rate is granted on labour income. For those older than 65, a higher credit worth up to SEK 30 000 is granted. For a person aged 65 or less the EITC is calculated as follows: $EITC = (\text{Special Amount} - \text{Basic Allowance}) * \text{local tax rate}$. 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 1.121; the local tax rate is discussed in Section 1.2. The Basic Amount (BA) in 2014 is SEK 44 400. 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-2.94 BA	$0.91 \text{ BA} + 0.332 * (\text{EI} - 0.91 \text{ BA})$
2.94 BA-8.08 BA	$1.584 \text{ BA} + 0.111 * (\text{EI} - 2.94 \text{ BA})$
8.08 BA-	2.155 BA

BA = SEK 44 400

For taxpayers older than 65, the EITC is calculated differently:

Earned Income (EI)	EITC
-100 000 SEK	$0.2 * \text{EI}$
100 001-300 000 SEK	$15\,000 \text{ SEK} + 0.05 * \text{EI}$
300 001 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 co-ordinated 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 13 100 and SEK 34 200; it depends on the taxpayer's income. For a taxpayer earning the AW, this basic allowance amounts to SEK 13 100 (based on an AW equal to SEK 407 974 – 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 31.86 per cent in 2014, with the maximum and minimum rates being 34.52 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 1.121). The contribution cannot exceed SEK 32 200 since the general pension contributions are not paid for income over SEK 456 700 (= 8.07 * 56 900). 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 2014 are listed below.

Program	Employer (%)	Self-employed (%)
Retirement pension	10.21	10.21
Survivor's pension	1.17	1.17
Parental insurance	2.60	2.60
Health insurance	4.35	4.44
Labour market	2.91	0.37
Occupational health	0.30	0.30
General wage tax	9.88	9.88
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 (14.89 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 7.5 per cent on the SSC is applicable if the income exceeds SEK 40 000 per year. The maximal reduction is SEK 15 000 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. 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. In order to reduce the number of people paying the central income tax, there have been an additional increase of the tax bracket in 2009.

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, 2010 and 2014.

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, 2011, 2013 and 2014.

A general reduction on the SSC for self-employed was introduced in 2010 and increased in 2014.

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.

2014 parameter values

Average earnings/yr	Ave_earn	407 974	Secretariat estimate
Central income tax			
	tax_rate	0.2	
	tax_rate2	0.05	
	tax_thrsh	420 800	
	tax_thrsh2	602 600	
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	0.3186	
	min_taxl	0	
Soc. security amount			
	basic_amt	44 400	
	basic_ant	56 900	
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	2.94	
	er_3	8.08	
	ep_1	1.584	
	ep_2	0.332	
	ep_3	0.111	
	ep_4	2.155	
Employer payroll tax	PRT	0.0988	

2014 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.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
		trunc_earn	B	TRUNC(earn, -2)
2.	Allowances:	basic_al	B	IF(trunc_earn <= 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 - trunc_earn, 0)), -2), trunc_earn), MINA(ROUNDUP(MAXA(gp_4 * basic_amt, gp_5 * basic_amt - gp_2 * MAXA(gr_2 * basic_amt - trunc_earn, 0) - gp_3 * MAXA(trunc_earn - gr_3 * basic_amt, 0)), -2), trunc_earn))
		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)))) - 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	(trunc_earn >= gp_1 * basic_amt) * MINA(ROUNDSSC(trunc_earn * SSC_rate), ROUNDSSC(SSCC * basic_amt * 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.

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 2014

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		60 650	90 522	151 172	60 650
2. Standard tax allowances					
Basic allowance					
Married or head of family		0	0	0	0
Dependent children		0	0	0	13 000
Deduction for social security contributions and income taxes		6 572	10 743	19 058	6 572
Work-related expenses		2 000	2 546	4 000	2 000
Other		1 700	1 700	1 700	3 100
	Total	10 272	14 988	24 758	24 672
3. Tax credits or cash transfers included in taxable income		0	0	0	6 000
4. Central government taxable income (1 - 2 + 3)		50 300	75 500	126 400	41 900
5. Central government income tax liability (exclusive of tax credits)		453	1 274	5 118	136
6. Tax credits					
Basic credit					
Married or head of family					
Children		0	0	0	502
Other					
	Total	0	0	0	502
7. Central government income tax finally paid (5-6)		453	1 274	5 118	0
8. State and local taxes		4 503	8 806	19 276	1 454
9. Employees' compulsory social security contributions					
Gross earnings		3 791	5 658	9 297	3 791
Taxable income					
	Total	3 791	5 658	9 297	3 791
10. Total payments to general government (7 + 8 + 9)		8 746	15 738	33 692	5 245
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	6 000
	Total	0	0	0	6 000
12. Take-home pay (1-10+11)		51 904	74 784	117 480	61 405
13. Employer's compulsory social security contributions		3 791	5 658	9 297	3 791
14. Average rates					
Income tax		8.2%	11.1%	16.1%	2.4%
Employees' social security contributions		6.3%	6.3%	6.2%	6.3%
Total payments less cash transfers		14.4%	17.4%	22.3%	-1.2%
Total tax wedge including employer's social security contributions		19.5%	22.2%	26.8%	4.7%
15. Marginal rates					
Total payments less cash transfers: Principal earner		21.7%	27.6%	32.2%	13.8%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		26.3%	31.9%	35.9%	18.9%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Switzerland 2014

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		90 522	120 394	151 172	120 394
2. Standard tax allowances					
Basic allowance					
Married or head of family		2 600	15 603	16 000	15 603
Dependent children		13 000	13 000	13 000	0
Deduction for social security contributions and income taxes		10 743	15 018	19 315	15 018
Work-related expenses		2 546	2 546	2 546	2 546
Other		4 900	4 900	4 900	3 500
Total		33 788	51 067	55 761	36 667
3. Tax credits or cash transfers included in taxable income		6 000	6 000	6 000	0
4. Central government taxable income (1 - 2 + 3)		62 700	75 300	101 400	83 700
5. Central government income tax liability (exclusive of tax credits)		505	883	2 038	1 219
6. Tax credits					
Basic credit					
Married or head of family					
Children		502	502	502	0
Other					
Total		502	502	502	0
7. Central government income tax finally paid (5-6)		3	381	1 536	1 219
8. State and local taxes		4 130	7 065	11 379	9 303
9. Employees' compulsory social security contributions					
Gross earnings		5 658	7 525	9 448	7 525
Taxable income					
Total		5 658	7 525	9 448	7 525
10. Total payments to general government (7 + 8 + 9)		9 791	14 970	22 363	18 047
11. Cash transfers from general government					
For head of family					
For two children		6 000	6 000	6 000	0
Total		6 000	6 000	6 000	0
12. Take-home pay (1-10+11)		86 731	111 424	134 808	102 348
13. Employer's compulsory social security contributions		5 658	7 525	9 448	7 525
14. Average rates					
Income tax		4.6%	6.2%	8.5%	8.7%
Employees' social security contributions		6.3%	6.3%	6.3%	6.3%
Total payments less cash transfers		4.2%	7.5%	10.8%	15.0%
Total tax wedge including employer's social security contributions		9.8%	12.9%	16.1%	20.0%
15. Marginal rates					
Total payments less cash transfers: Principal earner		19.7%	22.3%	25.0%	22.3%
Total payments less cash transfers: Spouse		17.3%	21.0%	25.6%	21.0%
Total tax wedge: Principal earner		24.4%	26.9%	29.4%	26.9%
Total tax wedge: Spouse		22.2%	25.7%	30.0%	25.7%

The national currency is the Swiss franc (CHF). In 2014, CHF 0.92 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned CHF 90 522 (Secretariat estimate).

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 "postnumerando" 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 6 500 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 251 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 (5.15% of gross earned income) and for unemployment insurance (1.1% for income up to CHF 12 600, 0.5% for income between CHF 12 600 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 from federal income tax 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 13 400.

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	-	13 000 (6 500 * 2)
Social contributions		
Old age insurance	5.05%	5.05%
Unemployment insurance	1.1% ²	1.1% ²
Pension fund	7.8%	7.8%
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		8 100-13 400

1. 3% of net income, minimum CHF 2 000, maximum CHF 4 000.

2. 1.1% of income up to CHF 126 000; 0.5% 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 the lower of CHF 8 100 or adjusted smaller income, maximum CHF 13 400.

In addition, for the married taxpayer with 2 children, there is a tax credit for 2 dependent children amounting to CHF 502, thus reducing the tax liability by CHF 502.

1.1.4. Tax schedules

1.1.4.1. Rates for persons living alone

Taxable income (CHF) ⁵	Base amount (CHF)	Plus % of excess (CHF)	
Up to 14 500	-	-	-
14 500 to 31 600		0.77	14 500
31 600 to 41 400	131.65	0.88	31 600
41 400 to 55 200	217.90	2.64	41 400
55 200 to 72 500	582.20	2.97	55 200
72 500 to 78 100	1 096.00	5.94	72 500
78 100 to 103 600	1 428.60	6.60	78 100
103 600 to 134 600	3 111.60	8.80	103 600
134 600 to 176 000	5 839.60	11.00	134 600
176 000 to 755 200	10 393.60	13.20	176 000
Over 755 200 ⁶	-	11.5 of total income	

5. Fractions of less than CHF 100 are disregarded.

6. The calculation model disregards this part of the schedule.

1.1.4.2. Rates for spouses living together and for widowed, separated, divorced taxpayers or unmarried taxpayers living with their own children.

Taxable income (CHF) ⁷	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 28 300	-	-	-
28 300 to 50 900		1	28 300
50 900 to 58 400	223	2	50 900
58 400 to 75 300	373	3	58 400
75 300 to 90 300	877	4	75 300
90 300 to 103 400	1 477	5	90 300
103 400 to 114 700	2 127	6	103 400
114 700 to 124 200	2 799	7	114 700
124 200 to 131 700	3 457	8	124 200
131 700 to 137 300	4 057	9	131 700
137 300 to 141 200	4 552	10	137 300
141 200 to 143 100	4 942	11	141 200
143 100 to 145 000	5 151	12	143 100
145 000 to 895 800	5 379	13	145 000
For 895 900	103 028.50		
Over 895 900 ⁸	-	11.5 of total income	

7. Fractions of less than CHF 100 are disregarded.

8. 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 2012, 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 ⁹	2 000-4 000	2 000-4 000
Personal deduction	–	–
Deduction for 2 dependent children	–	18 000 (9 000 * 2)
Social contributions		
Old age insurance	5.15%	5.15%
Unemployment insurance	1.1% ¹⁰	1.1% ¹⁰
Pension fund	7.8%	7.8%
Maximum deductions for health insurance premiums and loan interest ¹¹	2 600 plus 1 300 per child	5 200 plus 1 300 per child
Deduction for two-income couples		5 900

9. 3% of net income, minimum CHF 2 000 CHF, maximum CHF 4 000.

10. 1.1% of income up to CHF 126 000; 0.5% of income between CHF 126 000 and CHF 315 000.

11. For the purposes of this publication, taxpayers are assumed to always receive the relevant maximum deduction.

1.2.3. Postnumerando tax rates

Cantonal income tax (Zurich)

a) Basic income tax rates for married, divorced, widowed or single taxpayers living with children:

Taxable income (CHF) ¹²	Base amount (CHF)	Plus % of the excess (CHF)
Up to 13 500	–	0
13 500 to 19 600	–	2
19 600 to 27 300	122	3
27 300 to 36 700	353	4
36 700 to 47 400	729	5
47 400 to 61 300	1 264	6
61 300 to 92 100	2 098	7
92 100 to 122 900	4 254	8
122 900 to 169 300	6 718	9
169 300 to 224 700	10 984	10
224 700 to 284 800	16 434	11
284 800 to 354 100	23 045	12
Over 354 100	31 361	13

12. Fractions below CHF 100 are disregarded.

b) Basic income tax rates for other taxpayers (single without children).

Taxable income (CHF) ¹³	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 6 700	-	0	-
6 700 to 11 400	-	2	6 700
11 400 to 16 100	94	3	11 400
16 100 to 23 700	235	4	16 100
23 700 to 33 000	539	5	23 700
33 000 to 43 700	1 004	6	33 000
43 700 to 56 100	1 646	7	43 700
56 100 to 73 000	2 514	8	56 100
73 000 to 105 500	3 866	9	73 000
105 500 to 137 700	6 791	10	105 500
137 700 to 188 700	10 011	11	137 700
188 700 to 254 900	15 621	12	188 700
Over 254 900	23 565	13	254 900

13. 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	10 (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**

5.15% 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; 0.5% 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**

5.15% of gross income for old age insurance.

2.2.2. Health insurance

–

2.2.3. Unemployment

1.1% on the portion of income up to CHF 126 000; 0.5% for income between CHF 126 000 and CHF 315 000.

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 (for children up to 16 years of age and CHF 3 000 for children in education between 16 and 25 years of age) 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 *praenumerando* taxation to annual *postnumerando* taxation on individual income. As a result, the direct federal tax is based on annual *postnumerando* 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 2012, the tax credit for children reduces the tax liability by CHF 251 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 NTCPs 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 21 060 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 7.71% for employees and 10.16% for employers in 2014.

- 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 2014 amount to CHF 4 753 for adults and CHF 1 098 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 2014 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.

2014 parameter values

Average earnings/yr	Ave_earn	90 522	Secretariat estimate
Tax allowances	fed_child_al	6 500	
Tax credit	fed_child_cred	251	
Partner Allowance	partner_rate_fed	0.5	
	partner_min_fed	8 100	
	partner_max_fed	13 400	
Basic deduction for married couples	Married_ded_fed	2 600	
Partner income local	partner_local	5 900	
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	9 000	
Federal tax	IFD_min_s	-	
Single	IFD_sch_s	0	14 500
		0.0077	31 600
		0.0088	41 400
		0.0264	55 200
		0.0297	72 500
		0.0594	78 100
		0.066	103 600
		0.088	134 600
		0.11	176 000
		0.132	752 200
		0.115	
Married	IFD_min_m	-	
	IFD_sch_m	0	28 300
		0.01	50 900
		0.02	58 400
		0.03	75 300

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		0.04	90 300
		0.05	103 400
		0.06	114 700
		0.07	124 200
		0.08	131 700
		0.09	137 300
		0.1	141 200
		0.11	143 100
		0.12	145 000
		0.13	895 900
		0.115	
Cantonal tax	Zurich_min	24	
Single	Zurich_sch_s	0	6 700
		0.02	11 400
		0.03	16 100
		0.04	23 700
		0.05	33 000
		0.06	43 700
		0.07	56 100
		0.08	73 000
		0.09	105 500
		0.1	13 770
		0.11	188 700
		0.12	254 900
		0.13	
Married	Zurich_sch_m	0	13 500
		0.02	19 600
		0.03	27 300
		0.04	36 700
		0.05	47 400
		0.06	61 300
		0.07	92 100
		0.08	122 900
		0.09	169 300
		0.1	224 700
		0.11	284 800
		0.12	354 100
		0.13	
Canton and Commune Tax Multiple	statetax_mult	2.19	
Social security contributions	old_age	0.0515	
Pension	pension_rate	0	
Pillar 2 pension	NTCP_old_age_max	28080	
	NTCP_pension_ee	0.0771	
Unemployment	unemp_rate	0.011	
	unemp_rate2	0.005	
income ceiling	unemp_ciel	126 000	
	unemp_ciel2	315 000	
Cantonal deductible limit	local_dedn	2 600	
deductible extra for child	local_dedn_c	1 300	
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	

2014 tax equations

The equations for the Swiss system in 2014 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-work_al_spouse-SSC_spouse>partner_min_fed,(Married*MAX(partner_min_fed,MIN(partner_max_fed,partner_rate_fed*(earn_spouse-work_al_spouse-SSC_spouse))))),earn_spouse-work_al_spouse-SSC_spouse)+Married*Married_ded_fed
	Children	children_al	J	Children*fed_child_al+ (Children>0)*(Married=0)*sing_par_al
	Soc sec contributions	SSC_al	B	SSC + NTCP_pension_ee*IF(earn_princ>0.75*NTCP_old_age_max,MAX(0.125*NTCP_old_age_max,earn_princ-0.875*NTCP_old_age_max),0)+NTCP_pension_ee*IF(earn_spouse>0.75*NTCP_old_age_max,MAX(0.125*NTCP_old_age_max,earn_spouse-0.875*NTCP_old_age_max),0)
	Work related	work_al	B	IF(earn-SSC>work_exp_min,MAX(work_exp_min,MIN(work_exp_max,work_exp*(earn-SSC))),earn-SSC)
	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_total-SSC_total-(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.

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 2014

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		19 008	28 370	47 378	19 008
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		2 851	4 256	7 107	2 851
Work-related expenses					
Other					
	Total	2 851	4 256	7 107	2 851
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		16 157	24 115	40 271	16 157
5. Central government income tax liability (exclusive of tax credits)		2 681	4 273	8 433	2 681
Stamp tax		144	215	360	144
	Total	2 826	4 488	8 793	2 826
6. Tax credits					
Basic credit		964	964	964	1 253
Married or head of family					
Children					
Other					
	Total	964	964	964	1 253
7. Central government income tax finally paid (5-6)		1 862	3 524	7 829	1 573
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		2 851	4 256	7 107	2 851
Taxable income					
	Total	2 851	4 256	7 107	2 851
10. Total payments to general government (7 + 8 + 9)		4 713	7 780	14 936	4 424
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)		14 295	20 590	32 442	14 584
13. Employer's compulsory social security contributions		3 326	4 965	8 291	3 326
14. Average rates					
Income tax		9.8%	12.4%	16.5%	8.3%
Employees' social security contributions		15.0%	15.0%	15.0%	15.0%
Total payments less cash transfers		24.8%	27.4%	31.5%	23.3%
Total tax wedge including employer's social security contributions		36.0%	38.2%	41.7%	34.7%
15. Marginal rates					
Total payments less cash transfers: Principal earner		32.8%	32.8%	38.7%	32.8%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		42.8%	42.8%	47.8%	42.8%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Turkey 2014

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		28 370	37 732	47 378	37 732
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		4 256	5 660	7 107	5 660
Work-related expenses					
Other					
	Total	4 256	5 660	7 107	5 660
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		24 115	32 072	40 271	32 072
5. Central government income tax liability (exclusive of tax credits)		4 273	5 467	6 954	5 467
Stamp tax		215	215	215	215
	Total	4 488	5 682	7 170	5 682
6. Tax credits					
Basic credit		1 446	2 217	2 217	1 928
Married or head of family					
Children					
Other					
	Total	1 446	2 217	2 217	1 928
7. Central government income tax finally paid (5-6)		3 042	3 536	5 097	3 825
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		4 256	5 660	7 107	5 660
Taxable income					
	Total	4 256	5 660	7 107	5 660
10. Total payments to general government (7 + 8 + 9)		7 298	9 196	12 204	9 485
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)		21 072	28 536	35 174	28 247
13. Employer's compulsory social security contributions		4 965	6 603	8 291	6 603
14. Average rates					
Income tax		10.7%	9.4%	10.8%	10.1%
Employees' social security contributions		15.0%	15.0%	15.0%	15.0%
Total payments less cash transfers		25.7%	24.4%	25.8%	25.1%
Total tax wedge including employer's social security contributions		36.8%	35.6%	36.8%	36.3%
15. Marginal rates					
Total payments less cash transfers: Principal earner		32.8%	32.8%	32.8%	32.8%
Total payments less cash transfers: Spouse		18.2%	28.5%	32.8%	28.5%
Total tax wedge: Principal earner		42.8%	42.8%	42.8%	42.8%
Total tax wedge: Spouse		30.4%	39.2%	42.8%	39.2%

The national currency unit is the “Türk Lira” (TL). In 2014, TL 2.19 was equal to USD 1. In that year, the average worker earned TL 28 370 (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 been 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.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- *Reliefs for disabled:* Article 31 of PIT Law (implemented in 01.01.2004 by the 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 respectively 3rd degree if they lost their working capacity with at least 60 respectively 40 per cent. In these cases, the following amounts are deductible from monthly wages:
 - ❖ Disabled in the 1st degree: TL 800.

- ❖ Disabled in the 2nd degree: TL 400.
- ❖ Disabled in the 3rd degree: TL 190.
- Legal deductions for public institutions such as OYAK (Social Aid Institution for Military Officers).
- 50% of the premiums paid by the wage-earner for life insurance policies which belong to himself (or herself), the spouse and dependent children and all of the premiums paid by the wage-earner for personal insurance policies including death, accident, health, illness, disablement, unemployment, maturity, birth, education, etc. provided that the insurance is contracted with a company establishment in or with a main office in Turkey. (The total amount of deductible premiums cannot exceed 15 per cent of the wage that is earned in the current month.) The annual amount cannot exceed the annual minimum wage.
- Membership payments made to labour unions.

1.1.3. Tax schedule

The tax schedule in 2014 is as follows:

Taxable income (TL)	Tax on lower threshold (TL)	Tax on excess amount above lower threshold (%)
Up to 11 000		15
11 000 up to 27 000	1 650	20
27 000 up to 97 000	4 850	27
Over 97 000	23 750	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 0.759 per cent in 2014.

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):

11 per cent

2.2.2. *Sickness:*

7.5 per cent

2.2.3. *Unemployment:*

2 per cent

2.2.4. *Pensions (for short term insurance branches):*

2 per cent

In order to increase employment and reduce regional imbalances in Turkey; various incentives policies have been implemented by state, by laws 4857, 4447, 5084, 5225, 5510, 5746, by Council of Minister's Decree of 2012/3305 (Unemployment Law No. 4447, Labour Law No. 4857, Investment and Employment Promotion Law No. 5084, Investment Incentives and The Law of Cultural Initiatives Law No. 5225, Social Security General Health Insurance Law No. 5510, Promotion Research and Development Activities Law No. 5746, Council of Minister's Decree No. 2012/3305 on Government Subsidies for Investments).

One of the various incentives is reduction of premiums. If disability, old age and death insurance premiums paid regularly by employers as stated law 5510 article of 81 (Social Security and General Health Insurance Law), 5 per cent of total 11 per cent premiums are paid by state on behalf of employers. (5 per cent discount applied in employers share). In addition to 5 per cent discount, 6 per cent discount is implemented from 2013 in the working places, which employ ten or more workers, located in 52 provinces determined by taking into account the social- development index.

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 in a year, these contribution rates are applied to the base or ceiling amounts respectively. In 2014, the base amount is approximately TL 13 230 and the ceiling amount is approximately TL 85 995. 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 be 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

Personal income tax Law (No. 193) which is about income tax, social security and general health insurance Law (No. 5510) which is about social security contributions and unemployment insurance Law (No. 4447) which is about unemployment insurance fund are the main laws about tax/benefit system.

The main changes have been made to the following laws 5615, 6009 and 6327 which are as follows:

- According to Act No. 5615, the new application “*Minimum Living Relief*” began to be implemented (see the Section 1.1.2).
- According to Act No. 6009, the taxation of the wages are differentiated than the taxation of the other taxable revenue resources like trading income, income from immovable property or income from investments. By this way, it is ensured that wages (comparative to other income items) are later entered into the 3rd bracket on the income tax schedule.
- According to Act No. 6327 (published in the *Official Gazette* issue 28338 on 29 June 2012.) there are important amendments in the Private Pension System Regulations. According to this law, any citizen of the Republic of Turkey will have the right for state subsidy for his/her paid contributions to the Private Pension Account. The contribution upper limit to favour this incentive is the annual amount of minimum wage 25% of this amount shall be transferred to the account of the insured party as a state subsidy. The state subsidy shall be earned in proportion to the amount of time within the system.

5. Memorandum items

5.1. Identification of an AW

Weighted mean, by the number of employees, of the monthly average wage* information obtained from “Structure of Earnings Survey, 2010”, published by TURKSTAT, according to NACE Rev. 2 classification for B-N sections is calculated** and B-N aggregated data is gained. (The annual average wage data is calculated by multiplying the monthly average wage values by 12.)

The data from 2011-14 (2014, I. quarter) is reached by using 2010 = 100 base year “Hourly Earnings Index” and 2010 annual average wage data.

5.2. Contribution to private pension and health schemes

Business enterprises (employers) are permitted to make additional contributions for pension savings of their employees. However, these amounts of additional premiums are limited by main tax laws. Such additional pension arrangements, which are optional, are not widely used.

* Monthly wage: Include the sum of monthly basic wages, over time payments, payments for shift work/night work and other regular payments paid to employees in November 2010 by employers.

** The average wage amount from 2010 is calculated as a result of a joint working performed by authorities from TURKSTAT and Ministry of Finance.

2014 parameter values

Average earnings/yr.	Ave_earn	28 370	Country estimate
Income tax	Tax_sch	0.15	11 000
		0.20	27 000
		0.27	97 000
		0.35	
Stamp tax	Stamp_rate	0.00759	
Employees SSC	SSC_rate	0.15	
	SSC_ceil	85 995	
Employers SSC	SSC_empr	0.175	
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	12 852	

2014 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	P	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))
		S*	IF(spouse_earn>0,credit_rate*min_wage*basic_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.

*In the case where the spouse earns 33% of the average wage: *Taxing Wages* assumption on the working spouse earning 33% of the AW does not comply with the Turkish legislation. 33% of AW in Turkey is below the minimum wage and a person cannot be employed below minimum wage. According to the Turkish legislation, it is assumed that (because he/she doesn't obtain “wage”) the spouse should not obtain income in the calculation for this case, and another minimum living allowance is not also calculated for the spouse. Minimum living allowance should be only calculated for the principle earner.

United Kingdom (2014-15 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 2014

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		23 874	35 633	59 507	23 874
2. Standard tax allowances					
Basic allowance		10 000	10 000	10 000	10 000
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	10 000	10 000	10 000	10 000
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		13 874	25 633	49 507	13 874
5. Central government income tax liability (exclusive of tax credits)		2 775	5 127	13 430	2 775
6. Tax credits					
Basic credit					
Married or head of family					
Children		0	0	0	3 633
Other					
	Total	0	0	0	3 633
7. Central government income tax finally paid (5-6)		2 775	5 127	13 430	- 859
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		1 910	3 321	4 422	1 910
Taxable income					
	Total	1 910	3 321	4 422	1 910
10. Total payments to general government (7 + 8 + 9)		4 685	8 448	17 852	1 052
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	1 775
	Total	0	0	0	1 775
12. Take-home pay (1-10+11)		19 189	27 185	41 655	24 598
13. Employer's compulsory social security contributions		2 197	3 819	7 114	2 197
14. Average rates					
Income tax		11.6%	14.4%	22.6%	-3.6%
Employees' social security contributions		8.0%	9.3%	7.4%	8.0%
Total payments less cash transfers		19.6%	23.7%	30.0%	-3.0%
Total tax wedge including employer's social security contributions		26.4%	31.1%	37.5%	5.6%
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 2014

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		35 633	47 391	59 507	47 391
2. Standard tax allowances					
Basic allowance		10 000	20 000	20 000	20 000
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	10 000	20 000	20 000	20 000
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		25 633	27 391	39 507	27 391
5. Central government income tax liability (exclusive of tax credits)		5 127	5 478	7 901	5 478
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)		5 127	5 478	7 901	5 478
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		3 321	3 778	5 231	3 778
Taxable income					
	Total	3 321	3 778	5 231	3 778
10. Total payments to general government (7 + 8 + 9)		8 448	9 256	13 133	9 256
11. Cash transfers from general government					
For head of family					
For two children		1 775	1 775	1 775	0
	Total	1 775	1 775	1 775	0
12. Take-home pay (1-10+11)		28 960	39 911	48 149	38 136
13. Employer's compulsory social security contributions		3 819	4 344	6 016	4 344
14. Average rates					
Income tax		14.4%	11.6%	13.3%	11.6%
Employees' social security contributions		9.3%	8.0%	8.8%	8.0%
Total payments less cash transfers		18.7%	15.8%	19.1%	19.5%
Total tax wedge including employer's social security contributions		26.6%	22.9%	26.5%	26.3%
15. Marginal rates					
Total payments less cash transfers: Principal earner		32.0%	32.0%	32.0%	32.0%
Total payments less cash transfers: Spouse		6.9%	32.0%	32.0%	32.0%
Total tax wedge: Principal earner		40.2%	40.2%	40.2%	40.2%
Total tax wedge: Spouse		10.9%	40.2%	40.2%	40.2%

The national currency is the Pound Sterling (GBP). In 2014, GBP 0.61 was equal to USD 1. In 2013-14, the Average Worker is estimated to earn GBP 35 633 (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 1.121).

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 10 000 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 (though hours must be at least 24 overall for a couple). 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 4 730 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 1 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 GBP 6 045

* 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.

per year, which is reduced by 41 pence for each GBP 1 of gross income above a threshold of GBP 16 010 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. 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 2014-15, 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 31 865, 40 per cent over the basic rate limit of GBP 31 865 and 45 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 31 865, 32.5 per cent above GBP 31 865 and 37.5 per cent above GBP 150 000. Savings income is charged at 10 per cent up to the starting rate limit on the first GBP 2 880, at 20 per cent up to GBP 31 865, 40 per cent above GBP 31 865 and 45 per cent above GBP 150 000.

Taxable income (GBP)	Rate %
0-31 865	20
31 865-150 000	40
Over 150 000	45

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 153 in any week. These are 12 per cent of earnings between GBP 153 and GBP 805 and 2 per cent of earnings above GBP 805 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 1.4 per cent on earnings between GBP 111 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 153 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 111 and GBP 153 to protect benefit entitlement.

2.2. Employers' contributions

Employer's contributions are not payable for employees earning less than GBP 153 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 153 per week. For employees who are contracted out, there is a rebate of 3.4 per cent on earnings between GBP 111 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 20.50 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 13.55 per week paid for each subsequent child.

From January 2013, a new tax charge has been introduced for a taxpayer who has income over GBP 50 000 and either they or their partner are in receipt of Child Benefit. For those with income between GBP 50 000 and GBP 60 000, the amount of the charge will be 1% of the Child Benefit for every GBP 100 of income over GBP 50 000. For those with income over GBP 60 000, the amount of the charge will equal the amount of Child Benefit.

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.

2014 parameter values

Average earnings/yr	Ave_earn	35 633	Secretariat Estimate	
Allowances	Basic_al	10 000		
	PA taper start	100 000		
	Married_al	0		
	Married_rate	0		
Income tax	Tax_sch	0.2	31 865	
		0.4	150 000	
		0.45		
Employees SSC				
Primary threshold	SSC_sch	0	7 956	PT
Upper earnings limit		0.12	41 865	UEL
		0.02		
Employers SSC	SSC_rate2	0.138		
	ST	7 956		
Child benefit (first)	CB_first	20.50		
Child benefit (others)	CB_others	13.55		
	CB_1st_thres	50 000.00		
	CB_2nd_thres	60 000.00		
	CB_taper1	0.01		
	CB_taper2	100.00		
NEW TAX CREDITS				
WTC				
Basic element	WTC_Basic	1 940		
	WTC_couple_or_lone			
Couple/Lone parent	e	1 990		
30 Hour element	WTC_30hr	800		
CTC				
Family element	CTC_family	545		
Child element	CTC_child	2750		
Baby element	CTC_baby			
Threshold	NTC_1st_thres	6 420		
	NTC_1st_taper	0.41		
Days in tax year	Numdays	365		

2014 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, (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), 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	=IF(princ_earn>CB_1st_thres,IF(princ_earn>CB_2nd_thres,0,((1-(AA7-CB_1st_thres)/(CB_taper2/CB_taper1))))*(numdays/7*((Children>0)*CB_first+CB_others*Positive(Children-1)))),(numdays/7*((Children>0)*CB_first+CB_others*Positive(Children-1))))
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.

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 2014

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		33 550	50 075	83 625	33 550
2. Standard tax allowances					
Basic allowance		10 150	10 150	10 150	13 050
Married or head of family					
Dependent children		0	0	0	7 900
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	10 150	10 150	10 150	20 950
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		23 400	39 925	73 475	12 600
5. Central government income tax liability (exclusive of tax credits)		3 056	5 838	14 225	1 260
6. Tax credits					
Basic credit		0	0	0	2 149
Married or head of family					
Children		0	0	0	2 000
Other		378	378	378	378
	Total	378	378	378	4 527
7. Central government income tax finally paid (5-6)		2 678	5 460	13 847	- 3 267
8. State and local taxes		2 049	3 148	5 379	1 555
9. Employees' compulsory social security contributions					
Gross earnings		2 567	3 831	6 397	2 567
Taxable income					
	Total	2 567	3 831	6 397	2 567
10. Total payments to general government (7 + 8 + 9)		7 294	12 438	25 623	855
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)		26 257	37 637	58 002	32 696
13. Employer's compulsory social security contributions		3 637	4 901	7 468	3 637
14. Average rates					
Income tax		14.1%	17.2%	23.0%	-5.1%
Employees' social security contributions		7.7%	7.7%	7.7%	7.7%
Total payments less cash transfers		21.7%	24.8%	30.6%	2.5%
Total tax wedge including employer's social security contributions		29.4%	31.5%	36.3%	12.1%
15. Marginal rates					
Total payments less cash transfers: Principal earner		29.3%	39.3%	39.3%	46.6%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		34.3%	43.6%	43.6%	50.4%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

United States 2014

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		50 075	66 600	83 625	66 600
2. Standard tax allowances					
Basic allowance		20 300	20 300	20 300	20 300
Married or head of family					
Dependent children		7 900	7 900	7 900	0
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	28 200	28 200	28 200	20 300
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		21 875	38 400	55 425	46 300
5. Central government income tax liability (exclusive of tax credits)		2 374	4 852	7 406	6 037
6. Tax credits					
Basic credit		0	0	0	0
Married or head of family					
Children		2 000	2 000	2 000	0
Other		378	378	378	378
	Total	2 378	2 378	2 378	378
7. Central government income tax finally paid (5-6)		- 4	2 474	5 028	5 659
8. State and local taxes		2 601	3 700	4 832	4 064
9. Employees' compulsory social security contributions					
Gross earnings		3 831	5 095	6 397	5 095
Taxable income					
	Total	3 831	5 095	6 397	5 095
10. Total payments to general government (7 + 8 + 9)		6 427	11 269	16 258	14 819
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)		43 648	55 331	67 368	51 781
13. Employer's compulsory social security contributions		4 901	7 236	8 539	7 236
14. Average rates					
Income tax		5.2%	9.3%	11.8%	14.6%
Employees' social security contributions		7.7%	7.7%	7.7%	7.7%
Total payments less cash transfers		12.8%	16.9%	19.4%	22.3%
Total tax wedge including employer's social security contributions		20.6%	25.1%	26.9%	29.9%
15. Marginal rates					
Total payments less cash transfers: Principal earner		29.3%	29.3%	29.3%	29.3%
Total payments less cash transfers: Spouse		29.3%	29.3%	29.3%	29.3%
Total tax wedge: Principal earner		34.3%	34.3%	34.3%	34.3%
Total tax wedge: Spouse		38.1%	34.3%	34.3%	34.3%

The national currency is the dollar (USD). In 2014, the average worker earned USD 50 075 (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 2014 a married couple filing a joint tax return is entitled to a standard deduction of USD 12 400. The standard deduction is USD 9 100 for heads of households and USD 6 200 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 2014, a USD 3 950 *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 2014, there is a phase out for personal exemptions.
- **Personal exemption phase out:** Personal exemptions are phased out in 50 steps for taxpayers with incomes in excess of certain amounts. All of a taxpayer's exemptions are phased out simultaneously. For each USD 2 500 or fraction thereof by which income exceeds the beginning of the phase out range, personal exemptions are phased down by two percentage points.

Filing status	Beginning of phase out range (USD)
Single	254 200
Joint return	305 050
Head of household	279 650

- **Standard marital status reliefs:** Married couples generally benefit from a more favourable schedule of tax rates for joint returns of spouses (see Section 1.13). 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 3 950 in 2014. Low income workers with dependents are allowed a refundable (non-wastable) earned income credit. For taxpayers with one child, the credit is 34 per cent of up to USD 9 720 of earned income in 2014. The credit phases down when income exceeds USD 17 830 (23 260 for married taxpayers) and phases out when it reaches USD 38 511 (43 941 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 13 650 of earned income in 2014. The credit phases down when income exceeds USD 17 830 (23 260 for married taxpayers) and phases out when it reaches USD 43 756 (49 186 for married taxpayers). For taxpayers with three or more children the credit is 45 per cent of up to USD 13 650 of earned income. The credit phases down when income exceeds USD 17 830 (23 260 for married taxpayers) and phases out when it reaches USD 46 997 (52 427 for married taxpayers).

Since 1998, taxpayers are permitted a tax credit for each qualifying child under the age of 17. In 2014, 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-wastable) 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-wastable) 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 2014, low income workers without children are permitted a non-wastable earned income credit of 7.65 per cent of up to USD 6 480 of earned income. The credit phases down when income exceeds USD 8 110 (13 540 for married taxpayers) and phases out when income reaches USD 14 590 (20 020 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 2014, the withholding rate for Social Security taxes for employees is 6.2 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 10 per cent of income (7.5 per cent for taxpayers age 65 and over);*

- 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 2011, the most recent year for which such statistics are available, the 33 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 7 262; taxes paid, USD 4 283; charitable contributions, USD 2 411; interest expense, USD 7 567.
- *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

Federal income tax rates

Taxable income bracket (USD) ¹			Marginal tax rate (%)
Single individual	Joint return of married couple	Head of household	
0 to 9 075	0 to 18 150	0 to 12 950	10
9 075 to 36 900	18 150 to 73 800	12 950 to 49 400	15
36 900 to 89 350	73 800 to 148 850	49 400 to 127 550	25
89 350 to 186 350	148 850 to 226 850	127 550 to 266 600	28
186 350 to 405 100	226 850 to 405 100	266 600 to 405 100	33
405 100 to 406 750	405 100 to 457 600	405 100 to 432 200	35
406 750 and over	457 600 and over	432 200 and over	39.6

1. The taxable income brackets are indexed for inflation.

In addition starting in 2013, there is a 3.8 per cent tax on certain net investment income of individuals if their income exceeds USD 200 000 (USD 250 000 for joint returns). Net investment income includes interest, dividends, capital gains, rental and royalty income, and income from businesses trading financial instruments.

1.2. State and local income taxes

1.2.1. General description of the system

The District of Columbia and 41 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 3 950 for the taxpayer, the taxpayer's spouse and each child, and taxes income at the rate of 4.25 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-wastable) credit equal to 6 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 2.4 per cent.

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

2.1. Employees' contributions

2.1.1. Pensions

In 2014, the rate for employee contributions is 7.65 per cent (6.2 per cent for old age, survivors, and disability insurance, and 1.45 per cent for old age hospital insurance). The 6.2 per cent rate applies to earnings up to USD 117 000. Beginning in 1994, there is no limit on the amount of earnings subject to the 1.45 per cent rate. Beginning in 2013, there is an additional 0.9 per cent tax on employee wages and salaries that exceed USD 200 000 (USD 250 000 for joint returns) as the additional hospital insurance tax on high-income taxpayers. The additional tax on wages and salaries is subject to withholding (but without regard to the earnings of the spouse) when wages from a particular job exceed USD 200 000 per year. These thresholds are not indexed for inflation.

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 117 000 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 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 2013, the average unemployment insurance tax rate in Michigan was 6.85 per cent of the first USD 9 500 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 0.6 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 2011

None.

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 48 774 for 2013.

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 2013 for employees in private industry:

	Pension	Health	Life
Per cent of workers covered	46	55	55
USD per covered employee	n.a.	10 620 (family) 4 427 (single)	n.a.

2014 parameter values

APW earnings	Ave_earn	50 075	Secretariat estimate			
Standard deductions	Married_al	12 400				
	hh_al	9 100				
	single_al	6 200				
Personal exemption	pers_ex	3 950				
Dependency exemption	dep_ex	3 950				
Personal exemption reduction	ex_dedn_rate	0.02				
unit of earnings	ex_dedn_unit	2500				
threshold single (no children)	ex_thrsh_s	254200				
threshold single (with children)	ex_thrsh_hh	279650				
threshold joint	ex_thrsh_m	305050				
Federal tax schedules	Fed_sch_s	0.1	9 075			
		0.15	36 900			
Single individuals		0.25	89 350			
		0.28	186 350			
		0.33	405 100			
		0.35	406 750			
		0.396				
Married filing jointly	Fed_sch_m	0.1	18 150			
		0.15	73 800			
		0.25	148 850			
		0.28	226 850			
		0.33	405 100			
		0.35	457 600			
		0.396				
Head of household	Fed_sch_h	0.1	12 950			
		0.15	49 400			
		0.25	127 550			
		0.28	266 600			
		0.33	405 100			
		0.35	423 200			
		0.396				
Earned income credit	EIC_sch	rate	income limit	threshold	thresh-married	phase-out
	no children	0.0765	6 480	8 110	13 540	0.0765
	1 child	0.34	9 720	17 830	23 260	0.1598
	2 children	0.4	13 650	17 830	23 260	0.2106
	3 or more children	0.45	13 650	17 830	23 260	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	0.024				
Michigan	Mich_ex	3 950				
	Mich_ex_child	0				
	Mich_rate	0.0425				
Michigan's earned income tax credit	Mich_EIC_rate	0.06				
credit schedule on city tax	Mich_cr_sch	0				
		0				
		0				
maximum	Mich_cr_max	0				
Pension contributions	pens_rate_er	0.062				

III. COUNTRY DETAILS, 2014: UNITED STATES

	pens_rate_ee	0.062
	hosp_rate	0.0145
	add_hosp_rate	0.009
Ceiling for employers and employees	pens_ceil	117 000
	add_hosp_thresh_m	250000
	add_hosp_thresh_oth	200000
Unemployment insurance tax	Unemp_rate	0.06
	Unemp_dedn_rate	0.054
	Unemp_max	7 000
Michigan unemploy insur	Mich_unemp_rate	0.0685
	Mich_unemp_max	9 500

2014 tax equations

The equations for the US system in 2014 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)-(ROUNDUP(Positive(earn_total- IF(Married,ex_thrsh_m,IF(Children>0,ex_thrsh_hh,ex_thrsh_s)))/ ex_dedn_unit,0)*ex_dedn_rate*((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. 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+add_hosp_rate*Positive(earn- IF(Married,add_hosp_thresh_m,add_hosp_thresh_oth))
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.

ANNEX

Methodology and limitations

Methodology

Introduction

The personal circumstances of taxpayers vary greatly. This Report therefore adopts a specific methodology to produce comparative statistics covering taxes, benefits and labour costs across OECD Member countries. The framework of the methodology is as follows:

- The Report focuses on eight different family types which vary by household composition and level of earnings.
- Each household contains a full-time adult employee working in one of a broad range of industry sectors of each OECD economy. Some of the households also have a spouse working less than full-time.
- The annual income from employment is assumed to be equal to a given fraction of the average gross wage earnings of these workers.
- Additional assumptions are also made regarding other relevant personal circumstances of these wage earners in order to calculate their tax/benefit position.

The guidelines described in the following paragraphs form the basis for the calculations shown in Chapter 1 and Parts I, II and III. Table A.1 sets out the terminology that is used. 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. The number of taxpayers with the defined characteristics and the wage level of the average workers differ between OECD economies.

Taxpayer characteristics

The eight household types identified in the Report are set out in Table A.2. Any children in the household are assumed to be aged between six and eleven inclusive.

The family is assumed to have no income source other than from employment and cash benefits.

The range of industries covered

The standard assumption for calculating average wage earnings is based on Sectors B-N of the *International Standard Industrial Classification of All Economic Activities* (ISIC Revision 4, United Nations)¹ (see Table A.3). Many countries (for more detailed country information, see Table 0.6) have now adopted this approach.

Table A.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.

Table A.2. **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

This approach broadly corresponds to the previous calculation based on sectors C-K incl. defined in the *International Standard Industrial Classification of All Economic Activities* (ISIC Revision 3.1, United Nations) which was adopted in the 2005 edition of *Taxing Wages*. The reasons for moving to a broadened average wage definition were set out in the Special Feature of *Taxing Wages* 2003-04.

Table A.3. **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

Defining gross wage earnings

This section sets out the assumptions underlying the calculation of the average earnings figures for 'the average worker'. The gross wage earnings data have been established using statistical data and the methodologies for calculating the earnings data in each country are set out in Table A.4. Further information on the calculation of the earnings figures is provided in the country chapters in Part III. The sources of the statistical data for each country are set out in Table A.5.

The main assumptions are as follows:

- The data relate to the average earnings in the relevant industry sectors for the country as a whole.

Table A.4. Method used to calculate average earnings

	Items included and excluded 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 ³	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
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

Table A.4. **Method used to calculate average earnings (cont.)**

	Items included and excluded 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			
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. Excludes profit sharing bonuses in Greece and the United States plus end of year bonuses in the United States.
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.

- The calculations are based on the earnings of a full-time adult worker (including both manual and non-manual). They relate to the average earnings of all workers in the industry sectors covered. No account is taken of variation between males and females or due to age or region.
- The worker is assumed to be full-time employed during the entire year without breaks for sickness or unemployment. However, several countries are unable to separate and exclude part-time workers from the earnings figures (see Table A.4). 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 example, an OECD Secretariat analysis of available Eurostat earnings data for selected European countries has shown that including part-time workers reduces average earnings by around 10%). Also, 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.
- Two of the household types include a second earner at 33% 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, the Special Feature also showed that the assumption of all employees 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% 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*.
- 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. However, not all countries are able to include overtime pay, vacation payments and cash bonuses according to the definition.
- The earnings figures include supervisory and/or management employees, though some countries are not able to do this. In such countries, the reported averages are lower than would otherwise be the case (for example, an 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%).
- 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 could affect comparability of tax wedges – as the reliance on fringe benefits may vary between countries and over time. However, the lack of comparability is limited as fringe benefits rarely account for more than 1-2% 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 A.4 shows that some Member countries are not able to exclude fringe

benefits from the earnings figures reported and used in *Taxing Wages*. The decision to exclude was 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, they 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.
- Employers' contributions to private pension, family allowance or health and life insurance schemes are excluded from the calculations, though the amounts involved can be significant. In the United States, for example, these contributions can account for more than 5% of the earnings of employees. The country chapters in Part III indicate of the existence of schemes which may be relevant for an average worker.

Calculating average gross wage earnings

Table A.4 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.

Statistical data on average gross wage earnings in 2014 are generally not available at present. For most countries, estimates of gross wage earnings of average workers in 2014 were therefore derived by the Secretariat on the basis of a uniform approach: year 2013 earnings levels are multiplied by the country-specific annual percentage change of wages for the whole economy reported in the most recently published edition of the OECD *Economic Outlook*.² This transparent procedure is intended to avoid any bias in the results. In some countries, there were varying different approaches;

- The final 2014 average gross wage earnings was used for Australia.
- National estimates were used for the Chile, Estonia, New Zealand and Turkey as the OECD *Economic Outlook* does not provide percentages changes in wages for those countries.
- In some countries, average wage earnings were also estimated for prior years – Finland (2013), France (2012 and 2013), Greece (2013), Ireland (2012 and 2013), Korea (2013), the Netherlands (2012 and 2013), Portugal (2013) and Switzerland (2007, 2009, 2011 and 2013) as no country information on average wage earnings levels was available for these years in these particular countries.

Fifteen OECD member countries have opted to provide national estimates of the level of gross wage earnings of average workers in 2014. These estimates were not used in the *Taxing Wages* calculations (except for the countries listed above) because of potential

Table A.5. **Source of earnings data, 2014**

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 businesses 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 unorganized 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	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	Labour Force Survey at Establishments	Ministry of Employment and 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 Estadística "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

inconsistency with the Secretariat estimates derived for other countries. However they are included in Table A.6 to enable comparisons to be made between the estimates obtained by applying the Secretariat formula and those from national sources. In most cases, the two categories are fairly close.

Table A.6. **Estimated gross wage earnings, 2013-14 (in national currency)**

	Average wage 2013	Average wage 2014 (Secret. estimates)	Average wage 2014 (country estimates)	E096 forecasted rates for 2014 ¹
Australia ²	77 530	79 070	79 689	2.0
Austria	41 940	42 573	42 653	1.5
Belgium	46 197	46 464	47 226	0.6
Canada	47 946	49 481	49 384	3.2
Chile ²	6 604 419		7 018 884	
Czech Rep.	302 403	312 084	306 050	3.2
Denmark	393 463	397 484	401 332	1.0
Estonia ²	11 732		12 436	
Finland	42 257	42 910		1.5
France	36 808	37 427		1.7
Germany	44 700	45 952		2.8
Greece	20 766	20 168		-2.9
Hungary	2 933 520	3 009 284		2.6
Iceland	6 672 000	6 856 100		2.8
Ireland	33 154	34 466		4.0
Israel	128 664	130 605		1.5
Italy	30 039	30 463		1.4
Japan	4 835 595	4 881 994		1.0
Korea	39 360 890	39 781 075	40 839 552	1.1
Luxembourg	53 485	54 560		2.0
Mexico	98 491	101 904	102 338	3.5
Netherlands	48 421	48 856		0.9
New Zealand ²	53 234		54 733	
Norway	524 330	542 386		3.4
Poland	41 652	42 360	43 401	1.7
Portugal	17 640	17 436		-1.2
Slovak republic	10 001	10 342	10 331	3.4
Slovenia	17 673	17 851	17 802	1.0
Spain	26 027	26 162		0.5
Sweden	398 220	407 974	409 581	2.4
Switzerland	89 743	90 522		0.9
Turkey ²	26 206		28 370	
United Kingdom	35 081	35 633		1.6
United States	48 774	50 075		2.7

1. Increase of compensation per employee in the total economy (Economic Outlook No 96).

2. The country AW estimate is used instead of the OECD Secretariat's AW estimate in the Taxing Wages calculations.

StatLink  <http://dx.doi.org/10.1787/888933197483>

Table A.7 indicates the exchange rates and purchasing power parities of national currencies for 2014 that are used to calculate comparative earnings figures across countries in the report.

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 on

Table A.7. **Purchasing power parities and exchange rates for 2014**

	Monetary unit	Exchange rates ¹	Purchasing power parities
Australia	AUD	1.11	1.50
Austria	EUR	0.75	0.85
Belgium	EUR	0.75	0.84
Canada	CAD	1.10	1.25
Chile	CLP	570.64	368.04
Czech Rep.	CZK	20.76	13.53
Denmark	DKK	5.62	7.62
Estonia	EUR	0.75	0.55
Finland	EUR	0.75	0.93
France	EUR	0.75	0.85
Germany	EUR	0.75	0.80
Greece	EUR	0.75	0.62
Hungary	HUF	232.62	130.08
Iceland	ISK	116.69	137.12
Ireland	EUR	0.75	0.82
Israel	ILS	3.58	3.97
Italy	EUR	0.75	0.75
Japan	JPY	105.85	104.13
Korea	KRW	1 053.06	852.51
Luxembourg	EUR	0.75	0.91
Mexico	MXN	13.31	8.24
Netherlands	EUR	0.75	0.82
New Zealand	NZD	1.21	1.47
Norway	NOK	6.30	9.14
Poland	PLN	3.15	1.81
Portugal	EUR	0.75	0.58
Slovak republic	EUR	0.75	0.50
Slovenia	EUR	0.75	0.60
Spain	EUR	0.75	0.67
Sweden	SEK	6.86	8.80
Switzerland	CHF	0.92	1.36
Turkey	TRL	2.19	1.18
United Kingdom	GBP	0.61	0.70
United States	USD	1.00	1.00

1. Average of 12 months daily rates.

StatLink  <http://dx.doi.org/10.1787/888933197496>

Payroll taxes) and in one case church tax (see section on *Church tax*) 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 on *Family cash benefits from general government*). 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.

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.

Calculation of personal income taxes

The method by which income tax payments are calculated is described in the country chapters 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.³
- **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.

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 Quebec), 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, 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 and the income taxes (and benefits) applicable in this area are presented. This is the procedure followed in Canada, Italy, Switzerland and the United States where the tax base and tax rates vary very widely throughout the country. Belgium, 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 do not vary in practice. Japan and Spain have used the widely prevalent standard schedule.

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.

Payroll taxes

Payroll taxes have a tax base that 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. Fifteen OECD countries report revenue from payroll taxes: Australia, Austria, Canada, Denmark, France, Hungary, Iceland, Ireland, Israel, Korea, Mexico, New Zealand, Poland, Slovenia 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 can be – 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. The other countries reporting payroll tax revenue in *Revenue Statistics* have not included these taxes in the calculations for the present Report for a variety of reasons.

Church tax

Some OECD Member countries impose a levy known as 'church tax', but only Denmark reports such revenues in the OECD *Revenue Statistics*. This is because 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*.

Family cash benefits from general government

Tax reliefs and family cash transfers universally paid in respect of dependent children between the 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, except that 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 as children grow older. The calculations assume that the children have been born on 1 January so the annual amount received in child benefits may be calculated from the benefit schedule that is in place at the start of the year with any revisions to these amounts during the year being taken into account.

Relevant cash payments are those received from general government. In some cases, the cash benefits include amounts that are paid without consideration to the number of children.

Payable tax credits

Payable (non-wastable) 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.⁴

Based on this review, 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)⁵ 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.

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 situation is different in *Taxing Wages* where the full amount of the payable tax credit is taken into account in the income tax calculation.

Strict consistency with the *Revenue Statistics* would require that only the tax expenditure component 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 *Taxing Wages*. 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 'cash transfers from general government' item of the country tables permits greater transparency of the latter which focuses on 'pure' cash transfers only.

However, 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 represent aggregates covering all the programs. Total program costs in each of the household cases considered can be derived by adding the tax expenditure and cash transfer amounts.

The calculation of marginal tax rates

In all except one case, 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. The exception is the case of a non-working spouse where the move from 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% of the average wage.

Limitations

General limitations

The simple approach of comparing the tax/benefit position for eight model 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, etcetera), 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 Chapter 1 and detailed in the Special Feature of the 2005 edition of *Taxing Wages*, second earners who are earning 33% 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% 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.

Some specific limitations on the income tax calculation

The exclusion of non-wage income and the limited number of tax reliefs covered mean that the average rates of income tax in the tables in this publication do 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.

Limitations to time-series comparisons

The calculations of the tax burden on labour income in OECD countries reported in the 2004 and previous editions of *Taxing Wages*, are based on an average earnings measure 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 overtime 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).

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 have 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, $(\text{Children}=2*\text{CB}_2)$ is equivalent to $\text{IF}(\text{Children}=2, \text{CB}_2, 0)$.

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 $\text{MAX}(0, X)$.
- 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 $(\text{income} - \text{threshold})$, 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.

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. The Wage estimates reported in the *Economic Outlook* are prepared by the Economics Department (ECO) of the OECD. They are consistent with the December 2014 issue of the *Economic Outlook*.
3. 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.
4. OECD, *Revenue Statistics 1965-2000*, p. 28-31.
5. 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.
6. See Table D in OECD *Revenue Statistics 2014*.

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Taxing Wages

2013-2014

SPECIAL FEATURE: MODELLING THE TAX BURDEN ON LABOUR INCOME IN BRAZIL, CHINA, INDIA, INDONESIA AND SOUTH AFRICA

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The publication shows this information for eight household types which vary by income level and household composition and the results reported include the marginal and average tax burdens for one and two earner families and the total labour costs of employers. These data are widely used in academic research and in the preparation and evaluation of social and economic policy making.

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Consult this publication on line at http://dx.doi.org/10.1787/tax_wages-2015-en.

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