

# Taxing Wages

## 2019-2020

## SPECIAL FEATURE: IMPACT OF COVID-19 ON THE TAX WEDGE IN OECD COUNTRIES

OECD

2021

# Taxing Wages 2021

## 2019-2020



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# Foreword

This annual publication, *Taxing Wages*,[1] provides details of taxes paid on wages in the 37 member countries of the OECD.[2] 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 amount of taxes, social security contributions, payroll taxes and cash benefits for eight household types, which differ by income level and household composition. It also presents the resulting average and marginal tax rates. Average tax rates show the share 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 share of an increase in gross earnings or total labour costs that is paid in these levies.

The focus of the Report is the presentation of new data on the tax/benefit position of employees in 2020. In addition, the new data is compared with corresponding data for the year 2019. 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:

- Part I (Tax burden comparisons and trends) includes 6 chapters:
  - Chapter 1 contains an overview of the main results for 2020.
  - Chapter 2 contains the Special Feature on “Impact of COVID-19 on the tax wedge in OECD countries”.
  - Chapter 3 reviews the main results for 2020, 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 2020 for gross wage earnings between 50% and 250% of the average wage.
  - Chapter 5 reviews the main results for 2019, which are summarised in the comparative tables at the end of the chapter and compares them with the 2020 figures.
  - Chapter 6 focuses on the historical trends in the tax burden for the period 2000-2020.
- Part II contains individual country tables specifying the wage levels considered and the associated tax burdens for eight separate household types, together with descriptions of each country’s tax/benefit system.
- The Annex describes the methodology and its limitations.

The Report has been prepared by the OECD's Centre for Tax Policy and Administration (CTPA) under the auspices of Working Party No.2 on Tax Policy Analysis and Tax Statistics (WP2) of the Committee on Fiscal Affairs. The Report was led by Dominique Paturot under the supervision of Michelle Harding, Head of the Tax Data and Statistical Analysis Unit and written jointly with Michelle Harding who authored the Special Feature. The authors would also like to acknowledge Leonie Cedano for her statistical and analytical contributions to the Special Feature, Michael Sharratt for the data management and dissemination and Marie-Aurélie Elkurd for the publication formatting as well as other colleagues in CTPA: David Bradbury, Bert Brys, Karena Garnier, Natalie Lagorce, Pascal Saint-Amans and Carrie Tyler for their support and valuable comments. The authors would like to thank the delegates of WP2 for their inputs. 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

In 2020, the OECD average tax wedge for the single worker earning the average wage was 34.6%, a decrease of 0.39 percentage points from 2019, reflecting the initial impact of the COVID-19 crisis on both wages and labour tax systems. In the period covered by *Taxing Wages* (2000-2020), the largest decreases in the OECD tax wedge for the average worker without children are observed in 2008 (0.48 percentage points) and in 2009 (0.52 percentage points), in the context of the Global Financial Crisis.

The tax wedge, the primary indicator presented in this Report, measures the difference between the labour costs to the employer and the corresponding net take-home pay of the employee. It is calculated as the sum of the total personal income tax (PIT) and social security contributions (SSCs) paid by employees and employers, minus cash benefits received, as a proportion of the total labour costs for employers.

The OECD average tax wedge decreased for the single worker in 2020, due to falls in 29 out of the 37 OECD countries. The decrease was derived for the most part from lower income taxes, linked in part to lower nominal average wages in 16 countries, and in part to policy changes, including tax and benefit measures introduced in response to the COVID-19 pandemic. In Austria, a marginal tax rate within the income tax schedule was reduced; in Lithuania, the tax-exempt amount was increased; in Canada, the decline in the tax wedge resulted from a one-time special payment through the Goods and Services Tax credit that was delivered on 9 April 2020; in the United States, the decrease in the tax wedge was mainly due to the Economic Impact Payment (EIP) that was part of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act).

Seven OECD countries experienced an increase in the tax wedge for the single worker earning the average wage in 2020. The increases in the tax wedge were even smaller than the decreases observed and did not exceed half a percentage point in any country. In all but one country (Korea), they occurred primarily due to wage growth.

The OECD average tax wedge for the one-earner couple with two children also substantially decreased. It declined by 1.15 percentage points to 24.4% in 2020. This is the largest decrease recorded for this household type since *Taxing Wages* began in 2020, and brings the OECD average tax wedge for this household type to its lowest recorded point. There were decreases of one percentage point or more in 16 OECD countries for the one-earner couple – Austria, Belgium, Canada, Colombia, Finland, Germany, Iceland, Ireland, Italy, Korea, Latvia, Lithuania, Luxembourg, the Netherlands, Poland and the United States. Seven of these countries introduced tax and benefit measures related to the COVID-19 crisis in 2020 that affected this household type. For example, extra or one-off cash benefit or tax provision payments in response to the COVID-19 crisis were made in Austria (1.66 percentage points), Canada (2.10 percentage points), Germany (1.38 percentage points), Iceland (1.27 percentage points), Korea (2.06 percentage points), Lithuania (9.88 percentage points) and the United States (4.62 percentage points).

The report also contains a Special Feature on the impact of COVID-19 on the tax wedge in OECD countries. The Special Feature considers the impact of changes in the labour market due to COVID-19 on the *Taxing Wages* indicators and disentangles the role of changes in nominal average wages, and of COVID-19 support measures, in the changes in the tax wedge observed in 2020.

## Key findings

### *The average tax wedge in the OECD decreased in 2020 relative to 2019*

- Across OECD countries, the average PIT and total employee and employer SSCs on employment incomes was 34.6% in 2020, a decrease of 0.39 percentage points.
- In 2020, the highest average tax wedges for single workers with no children earning the average national wage were in Belgium (51.5%), Germany (49.0%), Austria (47.3%), France (46.6%) and Italy (46.0%). The lowest were in Colombia (zero), Chile (7.0%) and New Zealand (19.1%).
- Between 2019 and 2020, the tax wedge increased in seven of the 37 OECD countries and fell in 29. The decrease was greater than 1 percentage point in Italy (1.91 percentage points) and the United States (1.37 percentage points). By contrast, there were no increases in the tax wedge of the single worker of more than 0.5 percentage points. The largest increases were in Australia (0.42 percentage points), Korea (0.31 percentage points) and New Zealand (0.34 percentage points).

### *The average tax wedge for families with children in 2020 was 24.4%*

- In 2020, the highest tax wedge for one-earner couples with two children at the average wage was in Turkey (38.2%). Greece, Sweden and France had tax wedges of between 37% and 38%. Colombia had the lowest tax wedge (-5.4%), followed by New Zealand (5.0%), Chile (7.0%) and Switzerland (9.6%).
- Between 2019 and 2020, the tax wedge for this household type decreased by more than one percentage point for 16 countries. The largest decreases were in Lithuania (9.88 percentage points), the United States (4.62 percentage points), Poland (4.32 percentage points), Italy (2.68 percentage points), Canada (2.10 percentage points) and Korea (2.06 percentage points). The only increase exceeding one percentage point was in New Zealand (1.58 percentage points).
- The tax wedge for one-earner couples with children is lower than for single individuals without children in all OECD countries except in Mexico, where both household types face the same tax levels. The differences are around 15% or more of labour costs in Austria, Belgium, Canada, the Czech Republic, Germany, Ireland, Lithuania, Luxembourg, Poland and Slovenia.

### *The impact of COVID-19 on the tax wedge in OECD countries (Special Feature)*

- The falls in country tax wedges for the single worker, the one-earner couple with two children, and the single parent resulted predominantly from changes in tax policy settings, although falling average wages also contributed in some countries.
- By contrast, increases in the tax wedge were almost all driven by rising average wages, offset slightly by policy change.
- In the absence of the wage changes seen in 2020, the OECD average would have decreased by between 0.0 and 0.2 percentage points more for the three household types.
- Of the ten countries for which COVID-19 measures were modelled, support has been primarily delivered through the provision of enhanced or one-off cash benefits, with a focus on supporting families with children. Only a few countries have introduced measures to change the structure of their personal income taxes or SSCs in direct response to the COVID-19 pandemic. Consequently, the impact of COVID-19 support measures is primarily in reducing the tax wedge for families with children rather than the single worker.

- Taken together, the impact of these COVID-19 measures is smaller than other policy changes; accounting for roughly two-fifths of the decrease in the OECD average between 2019 and 2020 for the single parent and the one-earner couple, and one-fifth for the single worker.

## 2. Notes

[1] Earlier editions were published under the title *The Tax/Benefit Position of Employees* (1996–1998 editions) and *The Tax/Benefit Position of Production Workers* (editions published before 1996).

[2] On 15 May 2020, the OECD Council invited Costa Rica to become a Member. At the time of preparation of this publication, the deposit of Costa Rica's instrument of accession to the OECD Convention was pending and therefore Costa Rica does not appear in the list of OECD Members and is not included in the OECD zone aggregates.

# Part I Tax burden comparisons and trends

# 1 Overview

This chapter presents the main results of the analysis of the taxation of labour income across OECD member countries in 2020. 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 on the single worker, with no children, at average earnings and makes a comparison with the single earner married couple with two children, at the same income level. A complementary analysis focuses on the two earner couple with two children, where one spouse earns the average wage and the other 67% of it.

This Report provides unique information for each of the 37 OECD countries on the income taxes paid by workers, their social security contributions, the transfers they receive in the form of cash benefits, 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[1], 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 complements the information provided annually in *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 household types on comparable levels of income. The key results for 2020 are summarised in the second section below. Part I of the Report presents more detailed results for 2020, together with comparable results for 2019 and discusses the changes between the two years. Part I of the Report also reviews historical changes in tax burdens between 2000 and 2020.

The present chapter 1 begins with an introduction to the *Taxing Wages* methodology that is followed by a review of the results of tax burden indicators for 2020. The review includes the tax wedge and the personal average tax rates results for a single worker, without children, earning the average wage, and also the corresponding indicators for a one-earner couple at the average wage level and a two-earner couple where one spouse earns the average wage and the other 67% of it, and assumes that both couples have two children. Finally, the chapter ends with a section on the change in the average wage levels by country and the industry classification on which they are based.

The report covers the period of crisis related to the COVID-19 pandemic. We pay particular attention to the changes made to tax and benefit systems in response to the pandemic. Only measures that are relevant for the *Taxing Wages* publication are considered. In particular, these measures are changes in personal income tax (central and local/state levels), social security contributions, payroll taxes and cash benefits paid to workers. Consistent with the approach in *Taxing Wages*, these measures must affect the majority of full-time workers that are covered within the sectors B to N in ISIC rev 4. Further detailed information on the methodology is given in the Special Feature. Furthermore, detailed information on the COVID-19 related measures are given within the country chapters in the Part II of the report.

## Introduction

This section briefly introduces the methodology employed for *Taxing Wages*, 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, 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).[2] Further details are provided in Table 1.8 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.

In *Taxing Wages*, the term tax includes the 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 transfers included are those paid by general government as cash benefits, 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 2020 are those for the tax year 2020-2021. 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 2020 in respect of Australia has been defined to mean its tax year 2019-2020.

*Taxing Wages* 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. 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 taxes and social security contributions less cash benefits. However, it should be notified that this measure only includes payments that are classified as taxes. Employees and employers may also have to make non-tax compulsory payments (NTCPs)[3] that may increase the indicators that are presented in the *Taxing Wages* publication. An accompanying paper to *Taxing Wages* that is available on the *OECD Tax Database* presents "compulsory payment indicators" that combine the burden of taxes and NTCPs: http://www.oecd.org/tax/tax-policy/non-tax-compulsory-payments.pdf.

The calculations also focus on the personal average tax rate and the net personal average tax rate. The personal average tax rate is the term used when the personal income tax and employee social security contributions are expressed as a percentage of gross wage earnings. The net personal average tax rate corresponds to the above measure net of cash benefits. 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 2020

### *Tax Wedge*

Table 1.1 shows that the tax wedge between the 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 2020 (see column 1). While in Austria, Belgium, France, Germany and Italy, the tax wedge was more than 45%, it was lower than 20% in Chile, Colombia and New Zealand. The highest tax wedge is observed in Belgium (51.5%) and the lowest in Colombia (0.0%). In Colombia, the single worker at the average wage level did not pay personal income taxes in 2020, whereas their contributions to pension, health and employment risk insurances are considered to be non-tax compulsory payments (NTCPs)[4] and therefore are not counted as taxes in the *Taxing Wages* calculations. Table 1.1 shows that the average tax wedge in OECD countries was 34.6% in 2020.

The changes in tax wedge between 2019 and 2020 for the average worker without children are described in column 2 of Table 1.1. The OECD average decreased by 0.39 percentage points. The decrease was significant compared to those observed in the previous years. Since the start of the production of the report (2000), the largest decreases in the OECD tax wedge for the average worker without children were observed in 2008 (0.48 percentage points) and in 2009 (0.52 percentage points), in the context of the Global Financial Crisis. Among the OECD member countries, the tax wedge increased in seven countries and fell in 29. The tax wedge remained at the same level for the average worker in Colombia between

2019 and 2020. The increases were comparatively small and none of them exceeded one percentage point. The largest increase was observed in Australia (0.42 percentage points). In contrast, there were decreases exceeding one percentage point in the United States (1.37 percentage points) and Italy (1.91 percentage points).

In general, the rises in tax wedge were driven by higher income tax (see column 3). This was the major factor for most of the countries showing an overall increase, the exception being Korea. For the latter, the increase in the tax wedge was due to higher employee and employer SSCs as a percentage of labour costs, whereas income tax slightly decreased.

In 21 of the 29 OECD countries that saw a decrease in the tax wedge, the decrease was derived for the most part from lower income taxes (Austria, Belgium, Chile, the Czech Republic, Denmark, Estonia, France, Germany, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Mexico, Poland, the Slovak Republic, Slovenia, Spain and Switzerland). In Austria and Lithuania, there were changes related to the COVID-19 crisis. In Austria, a marginal tax rate within the income tax schedule was reduced. In Lithuania, the tax-exempt amount was increased. In other countries with a decreasing tax wedge due to lower income tax, there were changes in the income tax system that were not related to the COVID-19 crisis and that affected the income taxes at the average wage level. In France, Poland and Slovenia, there was a reduction in one or more income tax rates within the income tax schedules. In Italy, the income tax reduction was due to a temporary additional PAYE tax credit that was introduced in 2020.[5] In Japan, there was a tax relief reform in 2020.

In five other OECD countries with decreasing tax wedges, the changes were mostly driven by lower SSCs (Finland, Greece, Hungary, the Netherlands and the United Kingdom). Employer SSCs as a percentage of labour costs decreased by more than one percentage point in Finland (1.26 percentage points) and Hungary (1.41 percentage points). In Finland, the employer SSC rate was reduced by 1.8 percentage points in 2020 (from 20.49% to 18.69%). In Hungary, the employer SSC rate dropped by 2 percentage points in July 2020, from 17.5% to 15.5%. Although the measure resulted from a permanent change in labour taxation in Hungary, the timing was closely linked to the COVID-19 crisis. In Greece, both employee and employer SSC rates decreased between June 2019 and June 2020 from 15.75% to 15.33% and from 24.81% to 24.33%, respectively, leading to a decrease in both employee and employer SSCs (0.24 and 0.25 percentage points respectively). In the United Kingdom, employee SSCs decreased for the single average worker due to an increase in the income exempt limit in 2020. In the Netherlands, employee SSCs were reduced by increased tax credits.

In Iceland, the decreasing tax wedge derived from an even reduction in income taxes and employer SSCs as a percentage of labour costs.

In two countries, decreases in the tax wedge were also driven by cash benefit payments to the single worker at the average wage level. In Canada, the decline in the tax wedge resulted from a one-time special payment through the Goods and Services Tax credit that was delivered on 9 April 2020, in response to the COVID-19 crisis, and that was treated as a cash benefit in the Taxing Wages calculations. The cash benefit represented a change of 0.04 percentage points in the tax wedge. In the United States, the decrease in the tax wedge was mainly due to the Economic Impact Payment (EIP) that was part of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) in response to the COVID-19 pandemic. The EIP was a tax credit that could be claimed on the 2020 tax return filed in 2021. An advance payment of the credit was made in 2020 and treated as a cash benefit in the Taxing Wages calculations. The cash benefit represented a change of 1.84 percentage points in the tax wedge.

Table 1.2 and Figure 1.1 show the constituent components of the tax wedge in 2020, 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 US dollars with equivalent purchasing power.

The percentage of labour costs paid in income tax varies considerably across OECD countries. The lowest figures are in Colombia (zero) and Chile (0.03%), with Greece, Israel, Japan, Korea, Mexico, Poland and the Slovak Republic also below 10%. The highest values are in Denmark (35.3%), with Australia and Iceland also over 20%. The percentage of labour costs paid in employee social security contributions also varies widely, ranging from zero in Australia, Colombia, Denmark and New Zealand to 19.0% in Slovenia and 19.2% in Lithuania. Employers in France pay 26.6% of labour costs in social security contributions, the highest amongst OECD countries. The corresponding figures are also more than 20% in eight other countries – Austria, Belgium, the Czech Republic, Estonia, 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 at least one-third of labour costs in five OECD countries: Austria, the Czech Republic, France, Germany and the Slovak Republic.

## Table 1.1. Comparison of total tax wedge

As % of labour costs, 2020

| Country[1] | Total Tax wedge 2020 (1) | Annual change, 2020/19 (in percentage points)[2] | | | |
|---|---|---|---|---|---|
| | | Tax wedge (2) | Income tax (3) | Employee SSC (4) | Employer SSC[3] (5) |
| Belgium | 51.5 | -0.76 | -0.73 | -0.01 | -0.02 |
| Germany | 49.0 | -0.28 | -0.35 | 0.03 | 0.03 |
| Austria | 47.3 | -0.56 | -0.49 | 0.02 | -0.09 |
| France | 46.6 | -0.56 | -0.55 | 0.00 | -0.01 |
| Italy | 46.0 | -1.91 | -1.91 | 0.00 | 0.00 |
| Czech Republic | 43.9 | -0.03 | -0.03 | 0.00 | 0.00 |
| Hungary | 43.6 | -0.94 | 0.21 | 0.26 | -1.41 |
| Slovenia | 42.9 | -0.55 | -0.55 | 0.00 | 0.00 |
| Sweden | 42.7 | 0.09 | 0.08 | 0.01 | 0.00 |
| Latvia | 41.8 | -0.62 | -0.62 | 0.00 | 0.00 |
| Portugal | 41.3 | 0.06 | 0.06 | 0.00 | 0.00 |
| Slovak Republic | 41.2 | -0.62 | -0.50 | 0.02 | -0.15 |
| Finland | 41.2 | -0.92 | -0.09 | 0.43 | -1.26 |
| Greece | 40.1 | -0.80 | -0.32 | -0.24 | -0.25 |
| Turkey | 39.7 | 0.09 | 0.09 | 0.00 | 0.00 |
| Spain | 39.3 | -0.12 | -0.12 | 0.00 | 0.00 |
| Luxembourg | 37.5 | -0.92 | -0.87 | 0.00 | -0.04 |
| Lithuania | 36.9 | -0.76 | -0.76 | 0.00 | 0.00 |
| Estonia | 36.9 | -0.13 | -0.13 | 0.00 | 0.00 |
| Netherlands | 36.4 | -0.54 | -0.06 | -0.59 | 0.11 |
| Norway | 35.8 | 0.04 | 0.04 | 0.00 | 0.00 |
| Denmark | 35.2 | -0.25 | -0.26 | 0.00 | 0.00 |
| Poland | 34.8 | -0.76 | -0.76 | 0.00 | 0.00 |
| Japan | 32.7 | -0.02 | -0.03 | 0.00 | 0.02 |
| Ireland | 32.3 | -0.86 | -0.94 | 0.00 | 0.08 |
| Iceland | 32.3 | -0.44 | -0.22 | 0.00 | -0.22 |
| United Kingdom | 30.8 | -0.10 | 0.09 | -0.19 | 0.00 |
| Canada | 30.4 | -0.15 | -0.08 | 0.06 | -0.08 |
| Australia | 28.4 | 0.42 | 0.42 | 0.00 | 0.00 |
| United States | 28.3 | -1.37 | 0.50 | 0.00 | -0.03 |
| Korea | 23.3 | 0.31 | -0.09 | 0.24 | 0.16 |
| Israel | 22.4 | -0.53 | -0.25 | -0.19 | -0.09 |
| Switzerland | 22.1 | -0.22 | -0.49 | 0.13 | 0.13 |
| Mexico | 20.2 | -0.01 | -0.13 | -0.01 | 0.14 |
| New Zealand | 19.1 | 0.34 | 0.34 | 0.00 | 0.00 |
| Chile | 7.0 | -0.01 | -0.01 | 0.00 | 0.00 |
| Colombia | 0.0 | 0.00 | 0.00 | 0.00 | 0.00 |
| Unweighted average | | | | | |
| OECD Average | 34.6 | -0.39 | -0.26 | 0.00 | -0.08 |

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-hundredth of a percentage point from the sum of columns (3)-(5). For Canada, Denmark and the United States, cash benefits contribute to the difference as they are not included in columns (3)-(5).

3. Includes payroll taxes where applicable.

Sources: Country submissions, OECD Economic Outlook Volume 2020 issue2.

StatLink https://stat.link/tjlb4f

## Table 1.2. Income tax plus employee and employer social security contributions

As % of labour costs, 2020

| Country[1] | Total tax wedge[2] (1) | Income tax (2) | Social security contributions | | Labour costs[4] (5) |
|---|---|---|---|---|---|
| | | | employee (3) | employer[3] (4) | |
| Germany | 49.0 | 15.7 | 16.8 | 16.6 | 84 456 |
| Austria | 47.3 | 11.4 | 14.0 | 21.9 | 81 902 |
| Switzerland | 22.1 | 10.1 | 6.0 | 6.0 | 81 822 |
| Belgium | 51.5 | 19.2 | 11.0 | 21.3 | 80 965 |
| Netherlands | 36.4 | 14.5 | 11.1 | 10.8 | 77 594 |
| Luxembourg | 37.5 | 14.6 | 10.8 | 12.1 | 76 211 |
| Norway | 35.8 | 17.0 | 7.3 | 11.5 | 71 456 |
| France | 46.6 | 11.7 | 8.3 | 26.6 | 70 841 |
| Iceland | 32.3 | 26.0 | 0.3 | 6.0 | 70 117 |
| Sweden | 42.7 | 13.4 | 5.3 | 23.9 | 69 879 |
| Australia | 28.4 | 22.7 | 0.0 | 5.6 | 67 199 |
| United States | 28.3 | 15.5 | 7.1 | 7.6 | 65 145 |
| Denmark | 35.2 | 35.3 | 0.0 | 0.0 | 64 948 |
| United Kingdom | 30.8 | 12.6 | 8.4 | 9.8 | 64 161 |
| Ireland | 32.3 | 18.8 | 3.6 | 10.0 | 64 086 |
| Finland | 41.2 | 16.9 | 8.6 | 15.7 | 63 713 |
| Japan | 32.7 | 6.8 | 12.5 | 13.3 | 59 166 |
| Korea | 23.3 | 5.4 | 8.1 | 9.7 | 59 031 |
| Italy | 46.0 | 14.8 | 7.2 | 24.0 | 58 889 |
| Spain | 39.3 | 11.4 | 4.9 | 23.0 | 55 937 |
| Canada | 30.4 | 14.3 | 6.8 | 9.4 | 53 570 |
| Greece | 40.1 | 8.0 | 12.5 | 19.7 | 48 262 |
| Israel | 22.4 | 9.6 | 7.5 | 5.3 | 45 112 |
| New Zealand | 19.1 | 19.1 | 0.0 | 0.0 | 43 493 |
| Turkey | 39.7 | 12.0 | 12.8 | 14.9 | 43 447 |
| Czech Republic | 43.9 | 10.4 | 8.2 | 25.3 | 42 302 |
| Estonia | 36.9 | 10.4 | 1.2 | 25.3 | 42 136 |
| Slovenia | 42.9 | 10.0 | 19.0 | 13.9 | 41 541 |
| Portugal | 41.3 | 13.2 | 8.9 | 19.2 | 41 504 |
| Hungary | 43.6 | 12.7 | 15.7 | 15.3 | 40 247 |
| Poland | 34.8 | 5.4 | 15.3 | 14.1 | 39 515 |
| Lithuania | 36.9 | 16.0 | 19.2 | 1.8 | 37 109 |
| Slovak Republic | 41.2 | 7.8 | 10.3 | 23.2 | 33 784 |
| Latvia | 41.8 | 13.5 | 8.9 | 19.4 | 32 802 |
| Chile | 7.0 | 0.0 | 7.0 | 0.0 | 24 050 |
| Mexico | 20.2 | 8.4 | 1.2 | 10.5 | 15 555 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 11 961 |
| Unweighted average | | | | | |
| OECD Average | 34.6 | 13.1 | 8.3 | 13.3 | 54 700 |

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 tenth of a percentage point from the sum of columns (2)-(4). For Canada, Denmark and the United States, cash benefits contribute to the difference as they are not included in columns (2)-(4).

3. Includes payroll taxes where applicable.

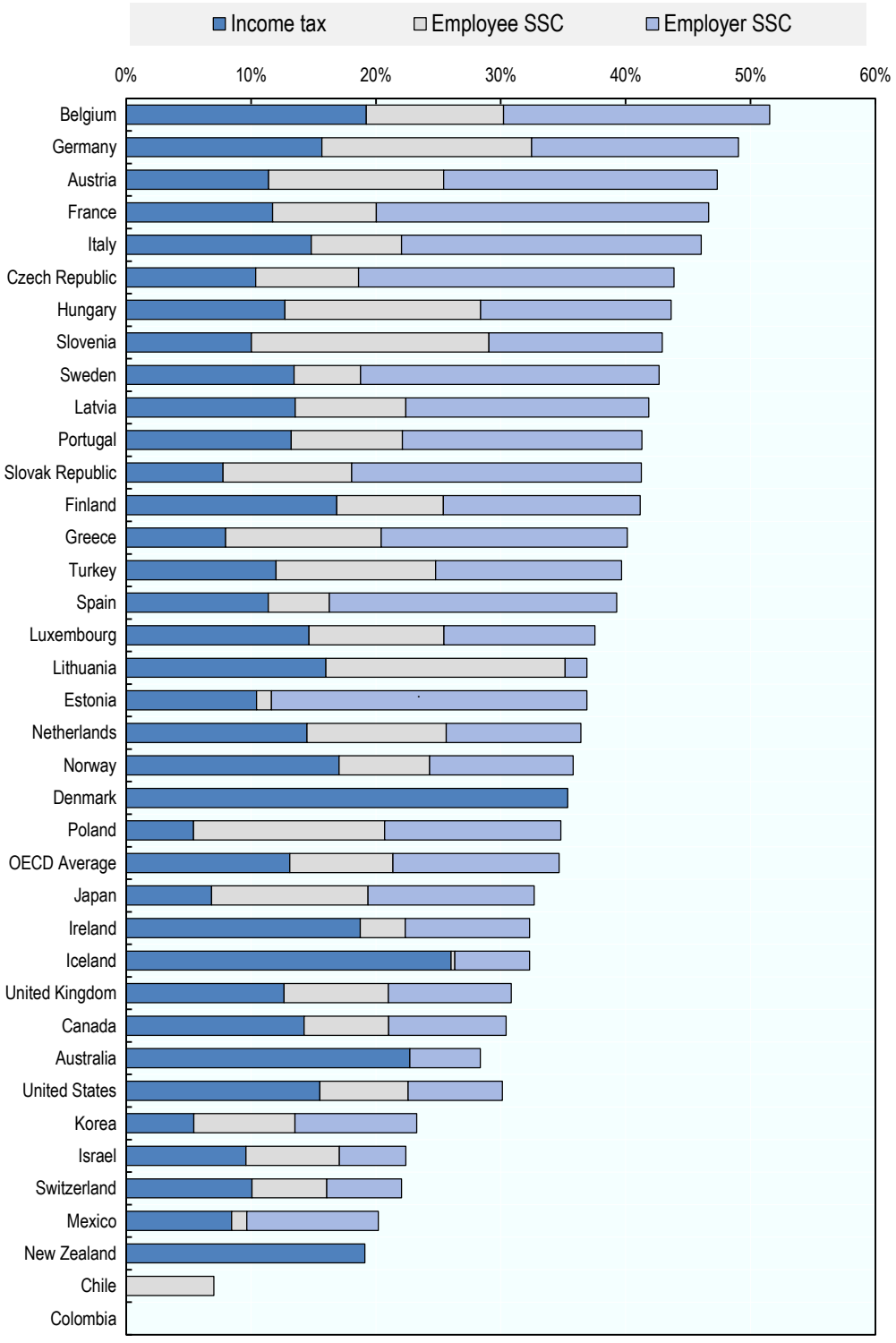
4. US dollars with equal purchasing power.

Sources: Country submissions, OECD Economic Outlook Volume 2020 issue 2.

StatLink https://stat.link/9zwyni

## Figure 1.1. Income tax plus employee and employer social security contributions, 2020

As a % of labour costs




Notes: Single individual without children at the income level of the average worker.
Includes payroll taxes where applicable.

StatLink https://stat.link/z629v5

### *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. Table 1.3 and Figure 1.2 show the personal average tax rates in 2020 for a single worker without children at the average earnings level. The average workers' gross wage earnings figures in Table 1.3 are expressed in terms of US 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.

Table 1.3 and Figure 1.2 show that on average, the personal average tax rate for a single worker at average earnings in OECD countries was 24.9% in 2020. Germany had the highest rate at 38.9% of gross earnings; with Belgium, Denmark and Lithuania being the only other countries with rates of more than 35%. Chile, Colombia and Mexico had the lowest personal average tax rates at 7.0%, 0.0% and 10.8% of gross average earnings respectively. The personal average tax rate was zero for Colombia as the single worker did not pay personal income tax at the average wage level in 2020. Moreover, contributions to pension, health and employment risk insurance in Colombia are considered to be non-tax compulsory payments (NTCPs)[6] and are not counted as taxes in the *Taxing Wages* calculations.

The impact of taxes and benefits on a worker's take-home pay varies greatly among OECD countries. Such wide variations in the size and make-up of tax wedges, in part, reflect 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 income tax and social security contributions paid out of gross wage earnings also varies greatly between countries as illustrated in Figure 1.2.

In 2020, the share of income tax within the personal average tax rate was higher than the share of the employee social security contributions for 24 of the 37 OECD member countries. No employee social security contributions were levied in Australia, Colombia, Denmark and New Zealand and their levels were at 4% or less of gross earnings in Estonia, Iceland, Ireland and Mexico. In contrast, the single worker at the average wage level paid substantially more (i.e., more than six percentage points) in employee social security contributions than in personal income tax in four countries – Chile, Japan, Poland and Slovenia. In five countries – the Czech Republic, Germany, Israel, Korea and Turkey – the shares of personal income tax and employee social security contributions as percentages of gross earnings were very close (i.e., differences of 3 percentage points or less).

## Table 1.3. Income tax plus employee social security contributions, 2020

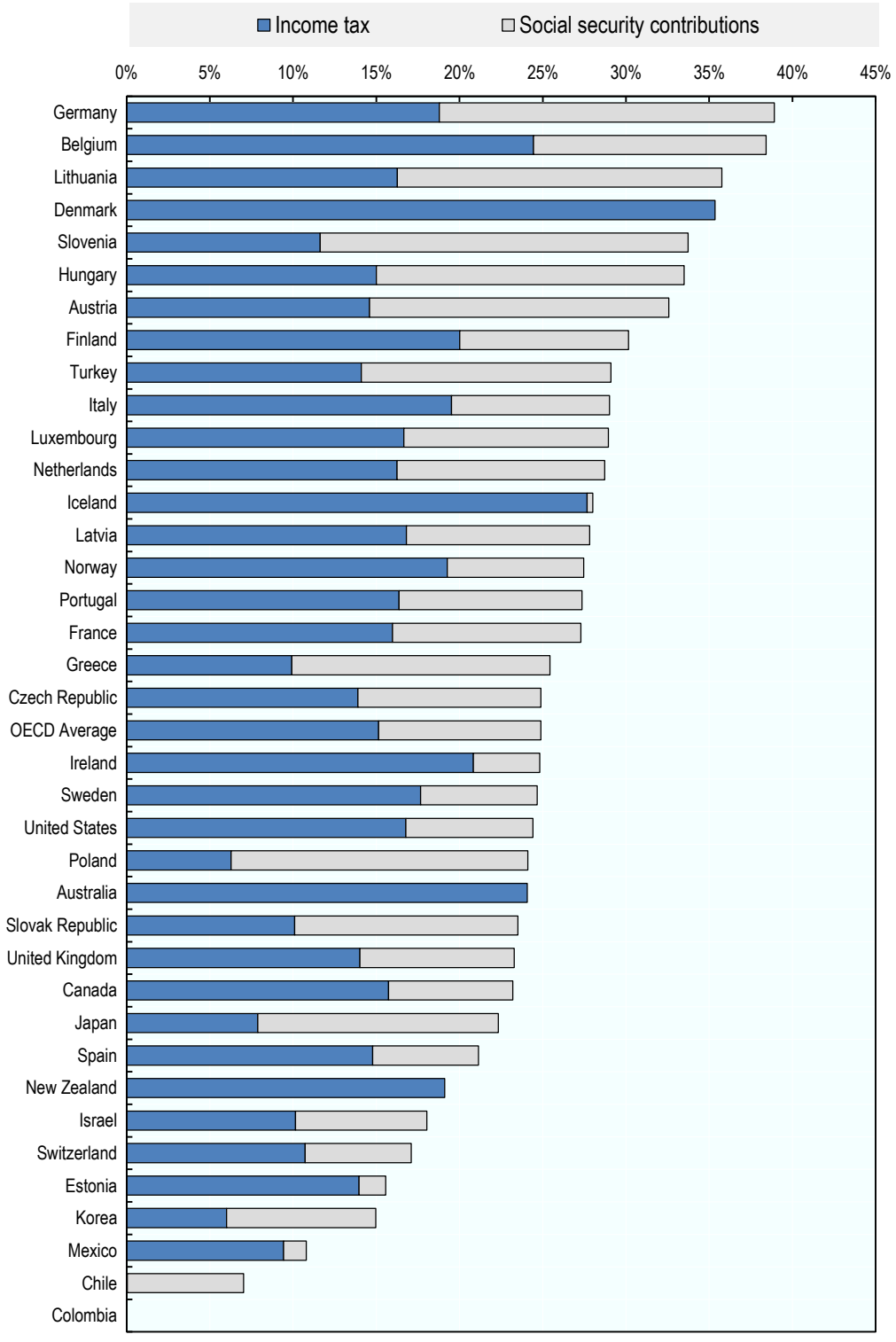
As % of gross wage earnings

| Country[1] | Total payment[2] (1) | Income tax (2) | Employee social security contributions (3) | Gross wage earnings[3] (4) |
|---|---|---|---|---|
| Switzerland | 17.1 | 10.7 | 6.4 | 76 918 |
| Germany | 38.9 | 18.8 | 20.1 | 70 454 |
| Netherlands | 28.7 | 16.2 | 12.5 | 69 213 |
| Luxembourg | 28.9 | 16.7 | 12.3 | 66 993 |
| Iceland | 28.0 | 27.7 | 0.3 | 65 930 |
| Denmark | 35.3 | 35.3 | 0.0 | 64 948 |
| Austria | 32.6 | 14.6 | 18.0 | 63 956 |
| Belgium | 38.4 | 24.5 | 14.0 | 63 704 |
| Australia | 24.1 | 24.1 | 0.0 | 63 415 |
| Norway | 27.5 | 19.3 | 8.2 | 63 236 |
| United States | 24.4 | 16.8 | 7.7 | 60 220 |
| United Kingdom | 23.3 | 14.0 | 9.3 | 57 855 |
| Ireland | 24.8 | 20.8 | 4.0 | 57 709 |
| Finland | 30.2 | 20.0 | 10.2 | 53 680 |
| Korea | 15.0 | 6.0 | 9.0 | 53 284 |
| Sweden | 24.7 | 17.7 | 7.0 | 53 173 |
| France | 27.3 | 16.0 | 11.3 | 51 985 |
| Japan | 22.3 | 7.9 | 14.5 | 51 288 |
| Canada | 23.2 | 15.7 | 7.5 | 48 536 |
| Italy | 29.0 | 19.5 | 9.5 | 44 755 |
| New Zealand | 19.1 | 19.1 | 0.0 | 43 493 |
| Spain | 21.1 | 14.8 | 6.4 | 43 062 |
| Israel | 18.0 | 10.1 | 7.9 | 42 703 |
| Greece | 25.4 | 9.9 | 15.5 | 38 755 |
| Turkey | 29.1 | 14.1 | 15.0 | 36 976 |
| Lithuania | 35.8 | 16.3 | 19.5 | 36 456 |
| Slovenia | 33.7 | 11.6 | 22.1 | 35 781 |
| Hungary | 33.5 | 15.0 | 18.5 | 34 107 |
| Poland | 24.1 | 6.3 | 17.8 | 33 939 |
| Portugal | 27.4 | 16.4 | 11.0 | 33 539 |
| Czech Republic | 24.9 | 13.9 | 11.0 | 31 616 |
| Estonia | 15.6 | 14.0 | 1.6 | 31 492 |
| Latvia | 27.8 | 16.8 | 11.0 | 26 427 |
| Slovak Republic | 23.5 | 10.1 | 13.4 | 25 948 |
| Chile | 7.0 | 0.0 | 7.0 | 24 050 |
| Mexico | 10.8 | 9.4 | 1.4 | 13 917 |
| Colombia | 0.0 | 0.0 | 0.0 | 11 961 |
| Unweighted average | | | | |
| OECD Average | 24.9 | 15.1 | 9.7 | 47 175 |

Note: Single individual at the income level of the average worker, without children.
1. Countries ranked by decreasing gross wage earnings.
2. Due to rounding total may differ by one tenth of a percentage point from aggregate of columns for income tax and social security contributions
3. US dollars with equal purchasing power.
Sources: Country submissions, OECD Economic Outlook Volume 2020 issue 2.

StatLink https://stat.link/569y1q

## Figure 1.2. Percentage of gross wage earnings paid in income tax and employee social security contributions, 2020




Notes: Countries ranked by decreasing tax burden.
Single workers at the income level of the average worker.

StatLink https://stat.link/xjmd8o

### *Single versus one-earner couple taxpayers*

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 2020 (see columns 1 and 2). The size of the tax wedge for the couple with children is generally lower than the one observed for the individual without children, since many OECD countries provide a fiscal benefit to households with children through advantageous tax treatment and/or cash benefits. Hence, the OECD average tax wedge for the one-earner couple with two children was 24.4% compared to 34.6% for the single average worker. This gap has widened (by 0.7 percentage points) since 2019.

The tax savings realised by a one-earner married couple with two children compared to a single worker without children were greater than 20% of labour costs in Canada, Luxembourg and Poland, and more than 15% of labour costs in seven other countries – Austria, Belgium, the Czech Republic, Germany, Ireland, Lithuania and Slovenia. The tax burdens of one-earner married couples and single workers on the average wage were the same in Mexico and differed by three percentage points or less in Chile (0.03%), Greece, Israel and Turkey (see columns 1 and 2).

In 19 of the 37 OECD countries, there was only a small change (not exceeding plus or minus one percentage point) in the tax wedge of an average one-earner married couple with two children between 2019 and 2020 (see column 3). There was no change in Chile only. There was an increase of more than one percentage point in New Zealand (1.58 percentage points) resulting entirely from a lower income related cash benefit payment in 2020. There were decreases of one percentage point or more in 16 countries – Austria, Belgium, Canada, Colombia, Finland, Germany, Iceland, Ireland, Italy, Korea, Latvia, Lithuania, Luxembourg, the Netherlands, Poland and the United States. For most of those countries, the changes in the tax wedge resulted from the introduction of, or changes in, tax provisions or cash benefits for dependent children. Several of these countries introduced measures related to the COVID-19 crisis in 2020. In Austria (1.66 percentage points), there was a change in the income tax schedule (reduced income tax rate) in response to the COVID-19 crisis. In addition, an extra child benefit was paid in response to the COVID-19 crisis. In Lithuania (9.88 percentage points), as previously mentioned, the tax-exempt amount was increased in response to the COVID-19 crisis and also a one-off child benefit payment was made to families in response to the COVID-19 crisis. Extra or one-off cash benefit or tax provision payments in response to the COVID-19 crisis were also made in Canada (2.10 percentage points), Germany (1.38 percentage points), Iceland (1.27 percentage points), Korea (2.06 percentage points) and the United States (4.62 percentage points). Detailed explanations on COVID-19 related measures are given in the country details in Part II of the report.

A comparison of the changes in tax wedges between 2019 and 2020 for 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 27 OECD countries: Australia, Austria, Belgium, Canada, Colombia, Czech Republic, Estonia, Finland, France, Germany, Greece, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, the Slovak Republic, Spain, Switzerland and the United States. Additionally, the effects of changes in the tax system on the tax wedge were of the same magnitude for both household types only in Mexico. In four countries: Chile, Denmark, Portugal and the United Kingdom; the fiscal preference for families decreased, by less than 0.03 percentage points in each country.

## Table 1.4. Comparison of total tax wedge for single and one-earner couple taxpayers, 2020

As % of labour costs

| Country[1] | Family[2] Total Tax wedge 2020 (1) | Single[3] Total Tax wedge 2020 (2) | Annual change, 2020/19 (in percentage points) | | |
|---|---|---|---|---|---|
| | | | Family Tax wedge (3) | Single Tax wedge (4) | Difference between single and family (4)-(3) (5) |
| Turkey | 38.2 | 39.7 | 0.16 | 0.09 | -0.08 |
| France | 37.9 | 46.6 | -0.77 | -0.56 | 0.21 |
| Sweden | 37.5 | 42.7 | 0.21 | 0.09 | -0.12 |
| Greece | 37.1 | 40.1 | -0.82 | -0.80 | 0.02 |
| Finland | 36.7 | 41.2 | -1.00 | -0.92 | 0.07 |
| Italy | 36.4 | 46.0 | -2.68 | -1.91 | 0.77 |
| Belgium | 34.9 | 51.5 | -1.71 | -0.76 | 0.95 |
| Spain | 33.9 | 39.3 | -0.16 | -0.12 | 0.04 |
| Germany | 32.9 | 49.0 | -1.38 | -0.28 | 1.10 |
| Norway | 32.2 | 35.8 | 0.04 | 0.04 | 0.01 |
| Austria | 32.0 | 47.3 | -1.66 | -0.56 | 1.10 |
| Latvia | 31.1 | 41.8 | -1.13 | -0.62 | 0.51 |
| Hungary | 30.1 | 43.6 | -0.22 | -0.94 | -0.72 |
| Slovak Republic | 30.1 | 41.2 | -0.88 | -0.62 | 0.25 |
| Netherlands | 30.0 | 36.4 | -1.93 | -0.54 | 1.39 |
| Portugal | 30.0 | 41.3 | 0.08 | 0.06 | -0.02 |
| Japan | 27.5 | 32.7 | -0.06 | -0.02 | 0.04 |
| Estonia | 26.8 | 36.9 | -0.24 | -0.13 | 0.11 |
| United Kingdom | 26.4 | 30.8 | -0.09 | -0.10 | -0.02 |
| Czech Republic | 26.1 | 43.9 | -0.37 | -0.03 | 0.34 |
| Slovenia | 25.5 | 42.9 | -0.24 | -0.55 | -0.31 |
| Denmark | 25.1 | 35.2 | -0.23 | -0.25 | -0.02 |
| Australia | 20.8 | 28.4 | 0.07 | 0.42 | 0.34 |
| Mexico | 20.2 | 20.2 | -0.01 | -0.01 | 0.00 |
| Lithuania | 20.1 | 36.9 | -9.88 | -0.76 | 9.12 |
| Israel | 19.9 | 22.4 | -0.60 | -0.53 | 0.07 |
| Iceland | 18.6 | 32.3 | -1.27 | -0.44 | 0.82 |
| Korea | 18.3 | 23.3 | -2.06 | 0.31 | 2.36 |
| Luxembourg | 16.3 | 37.5 | -1.12 | -0.92 | 0.20 |
| Ireland | 16.1 | 32.3 | -1.71 | -0.86 | 0.85 |
| United States | 14.0 | 28.3 | -4.62 | -1.37 | 3.25 |
| Poland | 13.2 | 34.8 | -4.32 | -0.76 | 3.56 |
| Canada | 10.1 | 30.4 | -2.10 | -0.15 | 1.95 |
| Switzerland | 9.6 | 22.1 | -0.37 | -0.22 | 0.15 |
| Chile | 7.0 | 7.0 | 0.00 | -0.01 | -0.01 |
| New Zealand | 5.0 | 19.1 | 1.58 | 0.34 | -1.24 |
| Colombia | -5.4 | 0.0 | -1.02 | 0.00 | 1.02 |
| Unweighted average | | | | | |
| OECD Average | 24.4 | 34.6 | -1.15 | -0.39 | 0.76 |

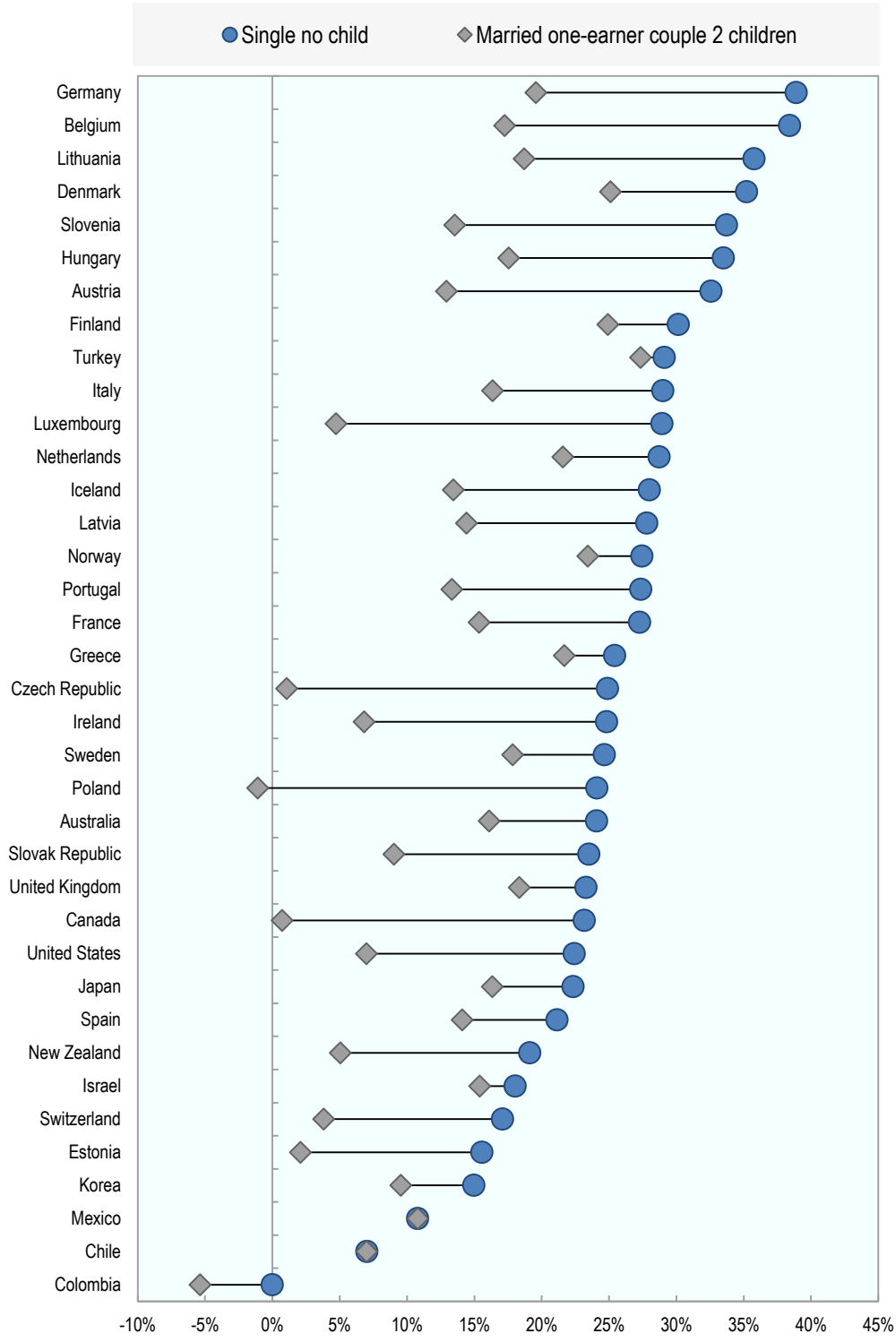
1. Countries ranked by decreasing tax wedge of the family.
2. One earner married couple with two children and earnings at the average wage level.
3. Single individual without children and earnings at the average wage level.

Sources: Country submissions, OECD Economic Outlook Volume 2020 issue 2.

StatLink https://stat.link/k5wnz4

## Figure 1.3. Income tax plus employee contributions less cash benefits, 2020

As % of gross wage earnings, by single and one-earner couple taxpayers




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

StatLink https://stat.link/vg0bd3

Figure 1.3 compares the net personal average tax rate for the average worker between a single individual and a one-earner married couple with two children at the same income level. 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 household type. Due to tax reliefs and cash benefits for families with children, the one-earner married couple's disposable income was higher than the single individual's by more than 20% of earnings in six countries – Poland (25.2%), Luxembourg (24.2%), the Czech Republic (23.8%), Canada (22.4%), Belgium (21.2%) and Slovenia (20.2%). At the lower end of the spectrum, the disposable income of the one-earner married couple was higher than the single individual by less than 10% of earnings in 14 countries – Australia (8.0%), the Netherlands (7.2%), Spain (7.0%), Sweden (6.8%), Japan (6.0%), Korea and Colombia (5.4%), Finland (5.2%), the United Kingdom (5.0%), Norway (4.0%), Greece (3.8%), Israel (2.6%), Turkey (1.8%) and Chile (0.03%). The disposable income was the same for both household types in Mexico, as their net personal average tax rates were identical.

### *Tax on labour income for two-earner couples*

The preceding analysis focuses on two households with comparable levels of income: the single worker at 100% of the average wage, and the married couple with one earner at 100% of the average wage, with two children. This section extends the discussion to include a third household type: the two-earner married couple, earning 100% and 67% of the average wage, with two children.

For this household type, the OECD average tax wedge as a percentage of labour costs for the household was 28.9% in 2020 (Figure 1.4 and Table 1.5). Belgium had a tax wedge of 43.4%, which was the highest among OECD countries. The other countries with tax wedges exceeding 40% were Italy (40.04 %),France (40.2%) and Germany (41.5%). At the other extreme, the lowest tax wedge was observed in Colombia (-6.4%). In Colombia, the tax wedge was negative as this household type did not pay income taxes at that level of earnings. The household paid contributions that are not considered to be taxes[7] and that are not included in the calculations. This household type received cash benefits that were paid on top of their wages, resulting in a negative tax wedge. The other countries with tax wedges of less than 20% were Korea (19.3%), Mexico (18.7%), New Zealand (17.6%), Israel (16.0%), Switzerland (15.7%) and Chile (6.6%).

Figure 1.4 shows the average tax wedge and its components as a percentage of labour costs for the two-earner couple for 2020. On average across OECD countries, income tax represented 10.2% of labour costs and the sum of the employees' and employers' social security contributions represented 21.4%. The OECD tax wedge is net of cash benefits, which represented 2.7% of labour costs in 2020.

The cash benefits that are considered in the *Taxing Wages* publication are those universally paid to workers in respect of dependent children between the ages of six to eleven inclusive. In-work benefits that are paid to workers regardless of their family situation are also included in the calculations. For the observed two-earner couple, Denmark paid an income-tested cash benefit (the Green Check) that also benefited childless single workers. In response to the COVID-19 crisis, workers without children also received cash benefits in Canada and the United States as observed in the previous section on the tax wedge for the average single worker.

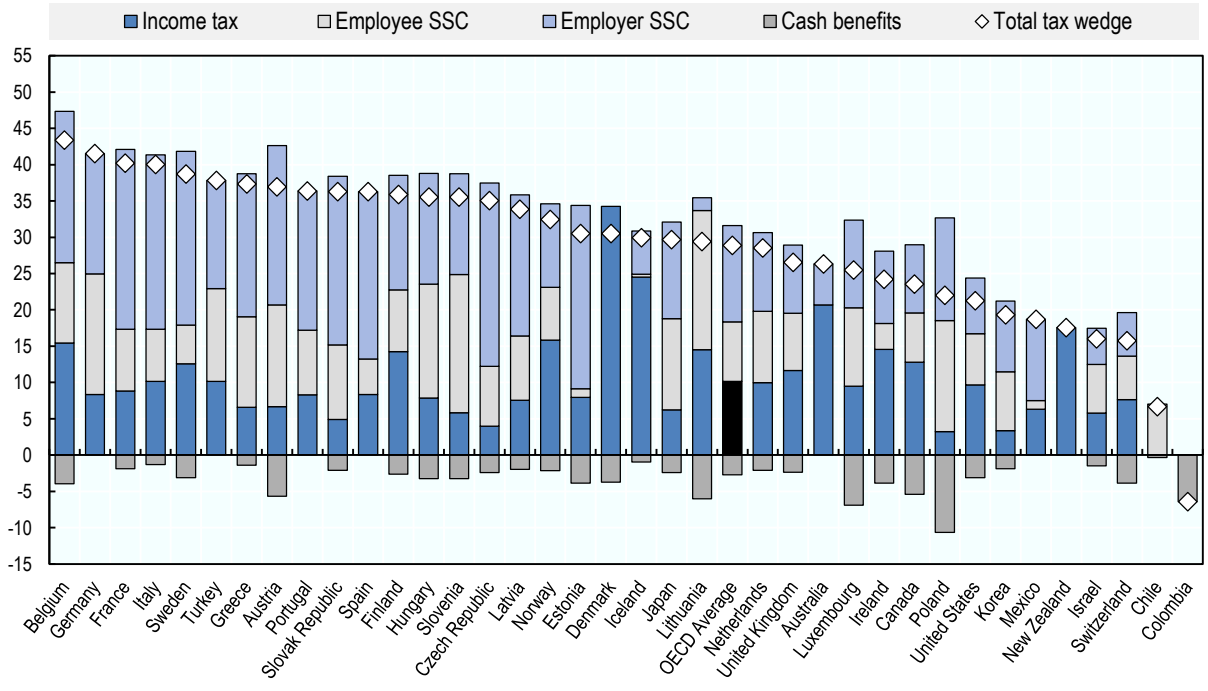
Compared to 2019, the OECD average tax wedge of the two-earner couple decreased by 0.75 percentage points in 2020, as indicated in Table 1.5 (column 2) as a consequence of decreasing tax wedges in 31 out of 37 OECD countries. It increased in six countries only – Norway (0.07 percentage points), Portugal (0.09 percentage points), Sweden and Turkey (both by 0.16 percentage points), New Zealand (0.24 percentage points) and Australia (0.48 percentage points). In most countries with decreasing tax wedges for families with children between 2019 and 2020, the lower tax wedges resulted from changes in income tax systems and SSCs, as observed for the single workers, and also from increased cash benefits or tax provisions for dependent children between the two years. Decreases of more than one percentage point were observed

in 15 countries – Poland (2.97 percentage points), the United States (2.78 percentage points), Lithuania (2.50 percentage points), Italy (1.75 percentage points), France (1.48 percentage points), Austria (1.33 percentage points), Latvia (1.31 percentage points), Luxembourg (1.30 percentage points), Belgium (1.23 percentage points), Colombia (1.22 percentage points), Ireland (1.20 percentage points), Iceland (1.13 percentage points), Greece and Korea (both by 1.11 percentage points) and Finland (1.10 percentage points). As observed for the one-earner couples with children in the previous section, among some of these countries, measures related to the COVID-19 crisis were introduced in 2020. Extra or one-off cash benefit or tax provision payments in response to the COVID-19 crisis were made to two-earner couples with children in Austria, Canada, Korea, Iceland, Lithuania and the United States. In addition to an extra child benefit payment in response to the COVID-19 crisis, a marginal income tax rate within the income tax schedule was reduced in Austria and a tax-exempt amount was increased in Lithuania. In Poland, which had the second largest increase in the cash benefit as a percentage of labour costs (2.24 percentage points) after the United States (3.12 percentage points) for two-earner couples with children, the increase was due to a reform of the family benefit system that was introduced in July 2019 and that was not related to the COVID-19 crisis.

Among the six countries where tax wedges increased for two-earner couples with children in 2020, the increase in income tax as a percentage of labour costs represented the bulk of the increase in the tax wedge in five of them: Norway (0.07 percentage points), Portugal (0.09 percentage points), Turkey (0.16 percentage points), New Zealand (0.24 percentage points) and Australia (0.48 percentage points). In Sweden, the increase in the tax wedge was mainly driven by higher income tax and reduced cash benefits as a percentage of labour costs (0.08 percentage points and -0.07 percentage points).

## Figure 1.4. Income tax plus employee and employer social security contributions less cash benefits, 2020

For two-earner couples with two children, as % of labour costs




Note: Two earner married couple, one at 100% and the other at 67% of the average wage, with 2 children. Includes payroll taxes where applicable.

StatLink https://stat.link/nlhgis

## Table 1.5. Comparison of total tax wedge for two-earner couples with children, 2020

As % of labour costs

| Country[1] | Total Tax wedge 2020 (1) | Annual change, 2020/19 (in percentage points)[2] | | | | |
|---|---|---|---|---|---|---|
| | | Tax wedge (2) | Income tax (3) | Employee SSC (4) | Employer SSC[3] (5) | Cash benefits (6) |
| Belgium | 43.4 | -1.23 | -0.87 | 0.06 | -0.24 | 0.17 |
| Germany | 41.5 | -0.92 | -0.99 | 0.03 | 0.03 | 0.00 |
| France | 40.2 | -1.48 | -0.83 | 0.07 | -0.66 | 0.07 |
| Italy | 40.0 | -1.75 | -1.66 | 0.00 | 0.00 | 0.09 |
| Sweden | 38.7 | 0.16 | 0.08 | 0.01 | 0.00 | -0.07 |
| Turkey | 37.8 | 0.16 | 0.16 | 0.00 | 0.00 | 0.00 |
| Greece | 37.4 | -1.11 | -0.58 | -0.24 | -0.25 | 0.04 |
| Austria | 37.0 | -1.33 | -0.59 | 0.02 | -0.09 | 0.67 |
| Portugal | 36.4 | 0.09 | 0.09 | 0.00 | 0.00 | 0.00 |
| Slovak Republic | 36.3 | -0.82 | -0.64 | 0.02 | -0.15 | 0.05 |
| Spain | 36.3 | -0.14 | -0.14 | 0.00 | 0.00 | 0.00 |
| Finland | 35.9 | -1.10 | -0.17 | 0.37 | -1.26 | 0.04 |
| Hungary | 35.6 | -0.51 | 0.47 | 0.26 | -1.41 | -0.17 |
| Slovenia | 35.5 | -0.17 | -0.12 | 0.00 | 0.00 | 0.05 |
| Czech Republic | 35.1 | -0.22 | -0.21 | 0.00 | 0.00 | 0.02 |
| Latvia | 33.9 | -1.31 | -1.32 | 0.00 | 0.00 | -0.02 |
| Norway | 32.5 | 0.07 | 0.07 | 0.00 | 0.00 | 0.00 |
| Estonia | 30.5 | -0.17 | -0.13 | 0.00 | 0.00 | 0.04 |
| Denmark | 30.5 | -0.26 | -0.26 | 0.00 | 0.00 | -0.01 |
| Iceland | 29.9 | -1.13 | -0.33 | 0.00 | -0.22 | 0.59 |
| Japan | 29.7 | -0.03 | -0.03 | 0.00 | 0.02 | 0.02 |
| Lithuania | 29.4 | -2.50 | -1.06 | 0.00 | 0.00 | 1.43 |
| Netherlands | 28.5 | -0.48 | -0.04 | -0.63 | 0.11 | -0.07 |
| United Kingdom | 26.5 | -0.12 | 0.11 | -0.23 | 0.00 | 0.00 |
| Australia | 26.3 | 0.48 | 0.48 | 0.00 | 0.00 | 0.00 |
| Luxembourg | 25.5 | -1.30 | -0.92 | -0.01 | -0.04 | 0.33 |
| Ireland | 24.2 | -1.20 | -1.12 | 0.00 | 0.08 | 0.16 |
| Canada | 23.5 | -0.54 | -0.15 | 0.13 | -0.07 | 0.45 |
| Poland | 22.0 | -2.97 | -0.73 | 0.00 | 0.00 | 2.24 |
| United States | 21.3 | -2.78 | 0.38 | 0.00 | -0.03 | 3.12 |
| Korea | 19.3 | -1.11 | -0.10 | 0.24 | 0.16 | 1.41 |
| Mexico | 18.7 | -0.13 | -0.30 | -0.01 | 0.18 | 0.00 |
| New Zealand | 17.6 | 0.24 | 0.24 | 0.00 | 0.00 | 0.00 |
| Israel | 16.0 | -0.53 | -0.15 | -0.23 | -0.11 | 0.04 |
| Switzerland | 15.7 | -0.42 | -0.51 | 0.13 | 0.13 | 0.17 |
| Chile | 6.6 | -0.02 | 0.00 | 0.00 | 0.00 | 0.02 |
| Colombia | -6.4 | -1.22 | 0.00 | 0.00 | 0.00 | 1.22 |
| Unweighted average | | | | | | |
| OECD Average | 28.9 | -0.75 | -0.32 | 0.00 | -0.10 | 0.33 |

Note: Two-earner married couple, one at 100% and the other at 67% of the average wage, with 2 children.

1. Countries ranked by decreasing total tax wedge.
2. Due to rounding, the changes in tax wedge in column (2) may differ by one hundredth of a percentage point from the sum of columns (3)-(6).
3. Includes payroll taxes where applicable.

Sources: Country submissions, OECD Economic Outlook Volume 2020 issue 2.

StatLink https://stat.link/4y8pgh

## Table 1.6. Income tax plus employee social security contributions less cash benefits, 2020

For two-earner couples with two children, as % of gross wage earnings

| Country[1] | Total payment[2] (1) | Income tax (2) | Employee social security contributions (3) | Cash benefits (4) | Gross wage earnings[3] (5) |
|---|---|---|---|---|---|
| Switzerland | 10.4 | 8.1 | 6.4 | 4.1 | 128 453 |
| Germany | 29.9 | 10.0 | 19.9 | 0.0 | 117 658 |
| Netherlands | 19.9 | 11.2 | 11.0 | 2.4 | 115 586 |
| Luxembourg | 15.2 | 10.8 | 12.3 | 7.9 | 111 878 |
| Iceland | 25.5 | 26.1 | 0.4 | 1.0 | 110 103 |
| Denmark | 30.5 | 34.2 | 0.0 | 3.7 | 108 463 |
| Austria | 19.3 | 8.5 | 18.0 | 7.2 | 106 807 |
| Belgium | 28.5 | 19.5 | 14.0 | 5.0 | 106 386 |
| Australia | 21.9 | 21.9 | 0.0 | 0.0 | 105 902 |
| Norway | 23.7 | 17.9 | 8.2 | 2.4 | 105 604 |
| United States | 14.7 | 10.5 | 7.7 | 3.4 | 100 568 |
| United Kingdom | 19.0 | 12.8 | 8.7 | 2.6 | 96 618 |
| Ireland | 15.8 | 16.1 | 4.0 | 4.3 | 96 375 |
| Finland | 23.9 | 16.9 | 10.1 | 3.1 | 89 646 |
| Korea | 10.6 | 3.7 | 9.0 | 2.1 | 88 984 |
| Sweden | 19.4 | 16.5 | 7.0 | 4.1 | 88 798 |
| France | 20.6 | 11.7 | 11.3 | 2.5 | 86 816 |
| Japan | 18.9 | 7.2 | 14.5 | 2.8 | 85 651 |
| Canada | 15.6 | 14.1 | 7.5 | 6.0 | 81 055 |
| Italy | 21.1 | 13.3 | 9.5 | 1.7 | 74 742 |
| New Zealand | 17.6 | 17.6 | 0.0 | 0.0 | 72 633 |
| Spain | 17.2 | 10.9 | 6.4 | 0.0 | 71 913 |
| Israel | 11.6 | 6.1 | 7.1 | 1.6 | 71 314 |
| Greece | 22.0 | 8.2 | 15.5 | 1.7 | 71 193 |
| Turkey | 26.9 | 11.9 | 15.0 | 0.0 | 61 750 |
| Lithuania | 28.2 | 14.8 | 19.5 | 6.1 | 60 881 |
| Slovenia | 25.1 | 6.8 | 22.1 | 3.8 | 59 754 |
| Hungary | 24.0 | 9.3 | 18.5 | 3.8 | 56 959 |
| Poland | 9.2 | 3.8 | 17.8 | 12.4 | 56 678 |
| Portugal | 21.3 | 10.3 | 11.0 | 0.0 | 56 009 |
| Czech Republic | 13.1 | 5.3 | 11.0 | 3.3 | 52 799 |
| Estonia | 7.0 | 10.6 | 1.6 | 5.2 | 52 592 |
| Latvia | 17.9 | 9.4 | 11.0 | 2.5 | 44 133 |
| Slovak Republic | 17.1 | 6.4 | 13.4 | 2.7 | 43 333 |
| Chile | 6.6 | 0.0 | 7.0 | 0.4 | 40 163 |
| Mexico | 8.4 | 7.1 | 1.3 | 0.0 | 23 241 |
| Colombia | -6.4 | 0.0 | 0.0 | 6.4 | 19 974 |
| Unweighted average | | | | | |
| OECD Average | 18.1 | 11.6 | 9.7 | 3.1 | 78 957 |

Notes: Two earner married couple, one at 100% and the other at 67% of the average wage, with 2 children.
1. Countries ranked by decreasing gross wage earnings.
2. Due to rounding total may differ by one tenth of a percentage point from aggregate of columns for income tax, social security contributions and cash benefits.
3. US dollars with equal purchasing power.
Sources: country submissions, OECD Economic Outlook Volume 2020 issue 2.

StatLink https://stat.link/nqcd0i

Regarding the net personal average tax rate as a percentage of gross earnings, the OECD average was 18.1% in 2020 for the two-earner couple with two children where one spouse earns the average wage and the other earns 67% of it. Table 1.6 shows the net personal average tax rates for the OECD countries and their components as a percentage of gross earnings. The household gross wage earnings figures in column 5 are expressed in terms of US dollars with equivalent purchasing power. Unlike the results shown in Table 1.3, in Table 1.6 cash benefits are taken into account and reduce the impact of the employees' income taxes and social security contributions (columns 2 plus 3 minus column 4).

The net personal average tax rate on the two-earner couple varied greatly among OECD countries in 2020, ranging from -6.4% in Colombia to 30.5% in Denmark. In Colombia, the tax wedge was negative as the household did not pay income taxes at that level of earnings. The household paid contributions that are not considered to be taxes[8] and that are not taken into account in the calculations. This household type received cash benefits that were paid on top of their wages, resulting in a negative net personal average tax rate. In other terms, the disposable income of the household after tax represented 106.4% of the couple's gross wage earnings in Colombia while it represented 69.5% in Denmark. In addition, the net personal average tax rate was less than 10% in Poland (9.2%), Mexico (8.4%), Estonia (7.0%), Chile (6.6%) as well as in Colombia.

The *Taxing Wages* indicators focus on the structure of income tax systems on disposable income. To assess the overall impact of the government sector on people's welfare other factors such as indirect taxes (e.g. VAT) should also be taken into account, as should other forms of income (e.g. capital income). Non-tax compulsory payments that affect households' disposable incomes are not included in the calculations presented in the publication, but further analyses on those payments are presented in the online report: http://www.oecd.org/tax/tax-policy/non-tax-compuslory-payments.pdf.

### *Wages*

Table 1.7 shows the gross wage earnings in national currency of the average worker in each OECD member country for 2019 and 2020. The figures for 2020 are estimated by the OECD Secretariat by applying the change in the compensation per employee in the total economy as presented in the *OECD Economic Outlook* (Volume 2020 issue 2) 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 2020 – shown in column 3 – varied between -13.3% in Colombia and 20.9% in Turkey. To a large extent, the changes in wage levels in 27 OECD countries reflect the inflation trends, whereas they went in opposite directions in 10 countries (Belgium, Colombia, the Czech Republic, Finland, France, Japan, Korea, Luxembourg, Mexico and Portugal)– see column 4 of Table 1.7. The annual change in real wage levels (before personal income tax and employee social security contributions) is within the range of -2% to +2% for 21 countries; see column 5 of Table 1.7. Sixteen countries show changes that are outside this range. Among those countries, the changes exceed 2% in the Netherlands (2.3%), Canada (2.7%), Australia (2.8%), Hungary (3.5%), the United States (5.0%), Lithuania (5.1%) and Turkey (7.9%). In contrast, they are below -2% in France (-3.1%), the Czech Republic, Ireland and Italy (all -3.8%), Switzerland (-4.0%), Belgium (- 4.6%), Mexico (-4.7%), Luxembourg (-4.8%) and Colombia (-15.5%).

In 23 out of the 37 OECD countries, the average single worker without children had higher real post-tax income in 2020 than in 2019, either because real wages before tax increased more or decreased less than personal average tax rates; or personal average tax rates decreased or remained unchanged while real wages before tax increased (see column 6).

In contrast, the average single worker without children had lower real post-tax income in 2020 in Belgium, Chile, Colombia, the Czech Republic, Finland, France, Japan, Korea, Luxembourg, Mexico, New Zealand, Norway, Spain and Switzerland:

- The real wage before tax decreased more than the personal average tax rate in Belgium, Chile, the Czech Republic, Finland, France, Japan, Luxembourg, Mexico, Spain and Switzerland.
- The real wage before tax decreased whereas the personal average tax rate increased in Korea and Norway.
- The real wage before tax decreased while the personal average tax rate remained unchanged in Colombia.
- The personal average tax rate increased more than the real wage before tax in New Zealand.

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 or do not exclude wage earnings from part-time workers (see Table A.4 in the Annex). Furthermore, caveats related to the average wage figures in 2020 are discussed in Chapter 2, the special feature.

Table 1.8 provides more information on whether the average wages for the years 2000 to 2020 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 for prior years as well. Average wage values based on the ISIC Rev. 4 Classification or any variant are available for years back to 2000 for Australia, Canada, the Czech Republic, Estonia, Finland, Greece, Hungary, Iceland, Italy, Japan, Latvia, Lithuania, the Slovak Republic, Slovenia, Spain and Switzerland.

Australia (for all years) and New Zealand (from 2004 onwards) 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 to 2004 continue to be based on sectors C-K in ANZSIC. Turkey has provided values based on the NACE Rev.2 classification sectors B-N from 2007 onwards. Values for the years prior to 2007 are based on the average production worker wage (ISIC rev.3.1, sector D). The average wages are not based on the sectors B-N in the ISIC Rev. 4 Industry Classification for the Netherlands (from 2012 onwards) and Mexico (all years).

## Table 1.7. Comparison of wage levels

| Country | Gross wage in national currency | | Annual change, 2020/19 (percentage) | | | |
|---|---|---|---|---|---|---|
| | 2019 (1) | 2020 (2) | Gross wage (3) | Inflation[1] (4) | Real wage before tax (5) | Change in personal average tax rate[2] (6) |
| Australia | 87 766 | 90 861 | 3.5 | 0.7 | 2.8 | 1.9 |
| Austria | 48 398 | 48 658 | 0.5 | 1.3 | -0.7 | -1.9 |
| Belgium | 49 783 | 47 720 | -4.1 | 0.5 | -4.6 | -2.4 |
| Canada | 55 459 | 57 292 | 3.3 | 0.6 | 2.7 | -0.4 |
| Chile | 10 042 281 | 10 279 535 | 2.4 | 2.9 | -0.5 | -0.2 |
| Colombia | 18 499 302 | 16 033 240 | -13.3 | 2.5 | -15.5 | 0.0 |
| Czech Republic | 404 764 | 402 261 | -0.6 | 3.3 | -3.8 | -0.2 |
| Denmark | 432 900 | 437 094 | 1.0 | 0.4 | 0.6 | -0.7 |
| Estonia | 16 817 | 16 637 | -1.1 | -0.7 | -0.4 | -1.1 |
| Finland | 45 813 | 45 719 | -0.2 | 0.5 | -0.7 | -0.2 |
| France | 39 196 | 38 188 | -2.6 | 0.5 | -3.1 | -2.7 |
| Germany | 52 000 | 52 104 | 0.2 | 0.4 | -0.2 | -0.9 |
| Greece | 21 621 | 21 139 | -2.2 | -1.2 | -1.1 | -3.0 |
| Hungary | 4 677 521 | 5 011 590 | 7.1 | 3.5 | 3.5 | 0.0 |
| Iceland | 9 048 000 | 9 247 101 | 2.2 | 2.8 | -0.6 | -1.1 |
| Ireland | 48 722 | 46 685 | -4.2 | -0.4 | -3.8 | -3.9 |
| Israel | 161 028 | 157 093 | -2.4 | -0.5 | -1.9 | -2.6 |
| Italy | 31 472 | 30 233 | -3.9 | -0.1 | -3.8 | -8.0 |
| Japan | 5 221 704 | 5 185 181 | -0.7 | 0.2 | -0.9 | -0.2 |
| Korea | 46 285 248 | 46 020 316 | -0.6 | 0.5 | -1.1 | 1.3 |
| Latvia | 12 804 | 12 913 | 0.8 | 0.1 | 0.7 | -2.7 |
| Lithuania | 15 436 | 16 426 | 6.4 | 1.2 | 5.1 | -2.1 |
| Luxembourg | 60 896 | 58 040 | -4.7 | 0.1 | -4.8 | -3.4 |
| Mexico | 133 131 | 131 163 | -1.5 | 3.4 | -4.7 | -1.3 |
| Netherlands | 53 054 | 54 843 | 3.4 | 1.0 | 2.3 | -2.3 |
| New Zealand | 62 181 | 64 150 | 3.2 | 1.6 | 1.5 | 1.8 |
| Norway | 620 035 | 627 370 | 1.2 | 1.5 | -0.3 | 0.2 |
| Poland | 58 779 | 60 915 | 3.6 | 3.4 | 0.2 | -3.5 |
| Portugal | 19 331 | 19 478 | 0.8 | -0.2 | 0.9 | 0.3 |
| Slovak Republic | 13 154 | 13 200 | 0.4 | 1.9 | -1.5 | -2.8 |
| Slovenia | 20 265 | 20 424 | 0.8 | 0.1 | 0.7 | -1.9 |
| Spain | 27 292 | 26 934 | -1.3 | -0.3 | -1.0 | -0.7 |
| Sweden | 455 072 | 465 767 | 2.4 | 0.6 | 1.8 | 0.5 |
| Switzerland | 91 628 | 87 363 | -4.7 | -0.7 | -4.0 | -2.0 |
| Turkey | 61 841 | 74 751 | 20.9 | 12.0 | 7.9 | 0.4 |
| United Kingdom | 41 128 | 41 807 | 1.7 | 0.8 | 0.9 | -0.5 |
| United States | 56 577 | 60 220 | 6.4 | 1.4 | 5.0 | -6.1 |

1. Estimated percentage change in the total consumer price index.
2. Percentage change in the personal average tax rate of the average worker (single without children) between 2019 and 2020.
Sources: Country submissions, OECD Economic Outlook Volume 20120 issue 2.

StatLink https://stat.link/4up2hl

## Table 1.8. 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] | | 2000-2020 |
| Austria[2] | 2004-2007 | 2008-2020 |
| Belgium | 2000-2007 | 2008-2020 |
| Canada | | 2000-2020 |
| Chile[3] | 2000-2008 | 2009-2020 |
| Colombia[4] | 2000-2020 | |
| Czech Republic | | 2000-2020 |
| Denmark[5] | 2000-2007 | 2008-2020 |
| Estonia | | 2000-2020 |
| Finland | | 2000-2020 |
| France | 2000-2007 | 2008-2020 |
| Germany | 2000-2005 | 2006-2020 |
| Greece[6] | | 2000-2020 |
| Hungary | | 2000-2020 |
| Iceland[7] | | 2000-2020 |
| Ireland[8] | | 2000-2020 |
| Israel[9] | 2000-2012 | 2013-2020 |
| Italy | | 2000-2020 |
| Japan | | 2000-2020 |
| Korea[10] | 2000-2007 | 2008-2020 |
| Latvia[11] | | 2000-2020 |
| Lithuania | | 2000-2020 |
| Luxembourg | 2000-2004 | 2005-2020 |
| Mexico[12] | | |
| Netherlands[13] | 2000-2007 | 2008-2011 |
| New Zealand[14] | 2000-2003 | 2004-2020 |
| Norway | 2000-2008 | 2009-2020 |
| Poland | 2000-2006 | 2007-2020 |
| Portugal | 2000-2005 | 2006-2020 |
| Slovak Republic[15] | | 2000-2020 |
| Slovenia | | 2000-2020 |
| Spain | | 2000-2020 |
| Sweden | 2000-2007 | 2008-2020 |
| Switzerland | | 2000-2020 |
| Turkey[16] | | 2007-2020 |
| United Kingdom | 2000-2007 | 2008-2020 |
| United States | 2000-2006 | 2007-2020 |

1. Australia: based on ANZSIC06 such that the categories substantially overlap with ISIC 4, sectors B-N.
2. Austria: 2000-2003 average wage values are not based on the NACE (ISIC) classification.
3. Chile: the values for 2000 to 2008 are estimates deriving from the annual changes in the average wages based on "CIIU Rev.3" (2009=100) between 2000 and 2008, and the average wage for 2009 based on CIIU Rev.4 (2016=100). From 2009, the values are based on ISIC4.CL2012 sectors B to R, excluding O (8422) "Defense Activities" and O (8423) "Public order and safety activities".
4. Colombia: average wage values based on ISIC rev. 3. The "Agriculture, hunting and forestry", "Other community, social and personal service activities" and "Activities not adequately defined" sectors are excluded.
5. Denmark: The AW values are based on sectors B-N and R-S (NACE rev 2).
6. 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.
7. Iceland: using national classification system that corresponds with the NACE rev. 2 classification system.
8. Ireland: Values from 2008 onwards are based on CSO table EHA05 for NACE rev.2 B-N. Values for prior years are the Secretariat's estimates, based on the growth rates of the average wages for sectors C to E in reference to NACE.
9. Israel: Information on data for Israel: http://oe.cd/israel-disclaimer.

10. Korea: average wage values are based on 6th Korean Standard Industrial Classification (KSIC) C-K for 2000-2001, 8th KISC C-M for 2002 to 2007. Average wage data of 2008 to 2010 is based on the 9th KISC B-N (samples of firms with five or more permanent employees). Average wage data of 2011 to 2019 is based on the 9th KISC B-N (samples of firms with one or more permanent employees). Average wage data of 2020 is based on the 10th KISC B-N (samples of firms with one or more permanent employees).
11. Latvia: Values are based on NACE rev.2 and cover the private sector that includes commercial companies with central or local government capital participation up to 50%, commercial companies of all types without central or local government capital participation, individual merchants, and peasant and fishermen farms with 50 and more employees.
12. Mexico: 2000-2020 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.
13. Netherlands: the average wages from 2012 onwards include all economic activities (sectors A to U from SBI2008). Values for the private sector only (sectors B to N) are not available.
14. New Zealand: see the note for Australia which applies from 2004.
15. Slovak Republic: average wage values based on SK NACE Rev. 2 classification (B to N) without the earnings of the self-employed. However, employment data used for the calculation of the weighted mean still include the self-employed.
16. Turkey: the average wage is based on the average production worker wage ISIC rev. 3.1 sector D for years 2000 to 2006.

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## Notes

[1] From the 2020 edition of *Taxing Wages*, the household types including spouses earning 33% of the average wage was replaced with household types where both spouses are at the average wage level and where one spouse is at the average wage level and the other at 67% of it.

[2] 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 2012). 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.

[3] Non-tax compulsory payments are requited and unrequited compulsory payments to privately-managed funds, welfare agencies or social insurance schemes outside general governments and to public enterprises (http://www.oecd.org/tax/tax-policy/tax-database.htm#NTCP).

[4] In Colombia, the general social security system for healthcare is financed by public and private funds. The pension system is a hybrid of two different systems: a defined-contribution, fully-funded pension system; and a pay-as-you-go system. Each of those contributions are mandatory and more than 50% of total contributions are made to privately managed funds. Therefore, they are considered to be non-tax compulsory payments (NTCPs) (further information is available in the country details in Part II of the report). In addition, in Colombia, all payments for employment risk are made to privately managed funds and are considered to be NTCPs. Other countries also have NTCPs (please see http://www.oecd.org/tax/tax-policy/tax-database.htm#NTCP).

[5] The additional PAYE tax credit was finally included in the draft budget law for 2021 as measure introduced on permanent basis in Italian PIT system.

[6] See note 4.

[7] See note 4.

[8] See note 4.

# 2 Special feature: Impact of COVID-19 on the tax wedge in OECD countries

## Introduction

In 2020, the labour market in OECD countries experienced a heavy shock of a scale and speed not seen in recent memory. With the advent of the COVID-19 health crisis, the unprecedented measures taken to control it, and the resulting economic crisis, labour markets have been rapidly reshaped. Hours worked have decreased, through a combination of higher unemployment, lower labour force participation, and reduced working hours; hiring activity has plummeted; and a significant proportion of workforce has experienced a prolonged period of working from home. Vulnerable groups, such as low-income workers, new entrants to the labour market, workers in non-standard jobs, women and young people, have been disproportionately affected (OECD, 2020[1]). Moreover, in response to the crisis, governments have introduced comprehensive support measures for employers and employees that have further reshaped the job market – notably via the availability and expansion of job retention schemes and wage subsidies – as well as changes to labour taxes and cash benefits.

What then, in this year of change, is considered in the *Taxing Wages* models and how should the record falls in the OECD average tax wedges seen throughout this year's publication be understood? This chapter examines some of the drivers of the tax wedge changes in 2020 in the context of the changing labour market in 2020 due to the COVID-19 pandemic. The chapter is structured as follows. The next section considers the interpretation of the *Taxing Wages* indicators in light of the COVID-19 pandemic, via its impact on the labour market and average wage, as well as countries' policy responses to the pandemic. The special feature next considers the various tax policy responses adopted by OECD governments in response to the crisis and explains how these were incorporated into the *Taxing Wages* models. Finally, the special feature examines the drivers of the changes in tax wedges in 2020, by disentangling the role of changes in the average wage and the implementation of specific COVID-19 tax or benefit measures in the decreases in the tax wedge.

## The COVID-19 crisis and the labour market: how to interpret tax wedge changes in 2020?

In 2020, there were sharp decreases in the tax wedge for all family types relative to 2019, as discussed in chapter 1 of this publication and further illustrated in chapter 3. This chapter focuses on the change in the tax wedge for three family types:

- The single worker: a single individual with no children, at 100% of the average wage;

- The one-earner couple: a married couple, with one earner at 100% of the average wage, and two children; and
- The single parent: a single individual with two children, at 67% of the average wage.

The first two of these family types correspond to the main results discussed in chapter 1. They permit comparisons for two households at the same level of income but with differing household characteristics – notably, the presence of two children. The presence of children in the last two family types illustrates the impact of cash benefits and specific tax advantages for families with children, provided in many OECD countries. Including indicators for the single parent, at a lower income level, also provides insights into the effect of COVID-19 on the tax wedge applying to this more vulnerable family type.

Each of these stylised scenarios in the *Taxing Wages* models assumes that there is at least one adult working full-time in the private sector on a standard employment contract, with no breaks for sickness or unemployment. For the purposes of the models, the worker is assumed to receive only employment income, which is measured as a percentage of the average wage across the private sector in each country. They are assumed to earn either the average wage – calculated as total payments by employers to full-time employees within a given country, divided by the number of full-time employees – or some percentage of it and may either be married or single, or with or without two children between the ages of six and eleven.

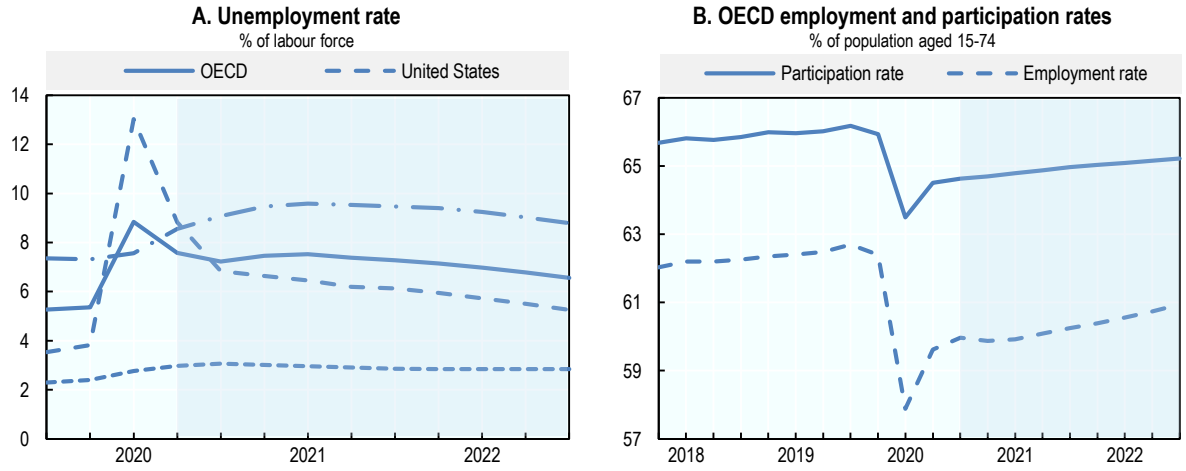
The labour taxes modelled as applying to these workers include personal income taxes, their social security contributions and those of their employer, and cash benefits that apply to all workers based on their financial and family circumstances (i.e. tax provisions or benefits targeted at particular sectors or based on other individual circumstances are not included, and nor are non-standard tax reliefs).

The tax wedge calculated in *Taxing Wages* shows the combined impact of taxes and social security contributions (SSCs) paid, less cash benefits received, divided by labour costs (gross wage earnings plus employer SSCs). Changes in the tax wedge can therefore result either from a change in the denominator, notably wages, and by changes in any item of the numerator. Further, the amount of personal income taxes and SSCs paid, or cash benefits received, may change either due to changes in tax settings or to the interaction of different wage levels with the progressivity of a country's tax schedule.

The COVID-19 crisis has impacted the labour market, average wages and tax settings to a more marked extent than in recent years, which impacts how the *Taxing Wages* results must be interpreted.. In particular, the standard *Taxing Wages* models do not consider part-time workers, the recently unemployed, or those on an extended period of sick leave. The COVID-19 crisis has led to an increase in benefits and tax provisions that apply only to particular sectors of the economy, or those employed under non-standard arrangements, however, these targeted measures are not considered in the models. And finally, the number of workers who have ceased employment, or moved to part-time employment, was significantly higher in 2020 than in preceding years.

In 2020, a higher share of individuals have become unemployed than in normal years (Figure 2.1), and labour market participation has decreased, to an even greater extent than seen in the global financial crisis (OECD, 2020[2]). These individuals are outside the scope of the tax and benefit provisions included in the *Taxing Wages* models.[1] However, as job losses have been more concentrated at lower wage levels (OECD, 2020[1]), a composition or selection effect can push up the average wage, even when wages of individual workers may not have changed or were small. There is evidence that this indeed had a significant effect in many advanced economies in 2020 (ILO, 2020[3]) (Cajner et al., 2020[4]; Crust, Daly and Hobijn, 2020[5]). Selection effects would also occur when those workers who have moved to part-time or non-standard work are concentrated at the lower-end of the earnings distribution (Gardiner and Slaughter, 2020[6]).[2]

## Figure 2.1. Impact of COVID-19 on unemployment and labour-force participation




Source: OECD Economic Outlook, December 2020 (OECD, 2020[2])

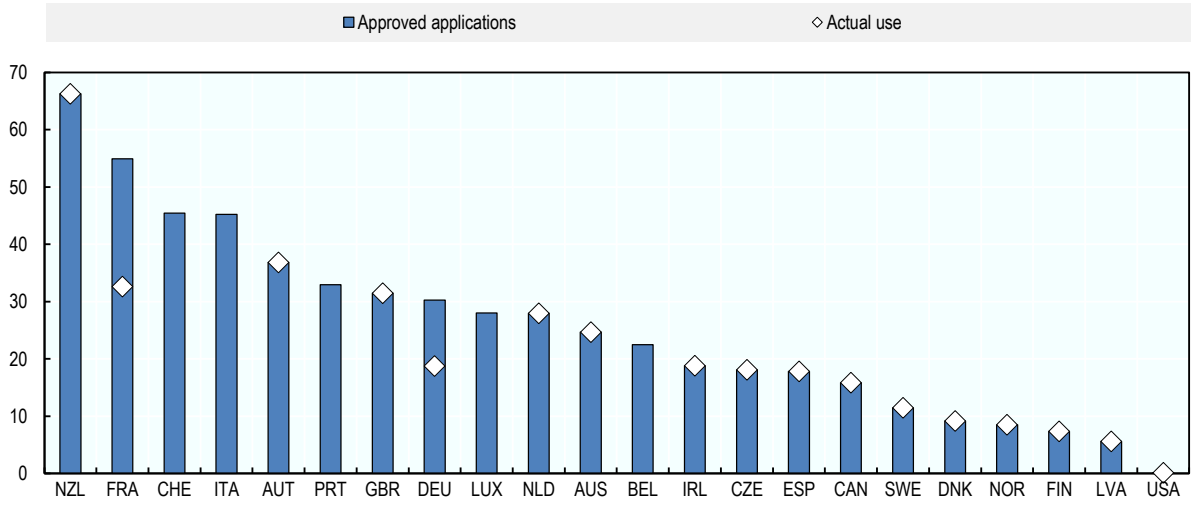
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A second unprecedented change in 2020 is the widespread use of job retention schemes across the majority of OECD countries, which can also affect the calculation of the average wage. There are two primary types of job retention scheme in the OECD. The first is a short-time work scheme, under which an employee works reduced (or in some cases, zero) hours, and is partially compensated for resulting earnings lost by their employer, who in turn is partially reimbursed by the government, or by the government directly. The second type of job retention schemes are wage subsidy schemes, under which the employee's hours may or may not be reduced, with the government providing a subsidy to the employer in respect of their wage costs. These schemes have the benefit of providing support for businesses and workers affected by the crisis, while minimising employment loss and enabling firms to scale up production after the crisis (OECD, 2020[7]).

The use of job retention schemes, which has been unprecedented in this crisis (Figure 2.2) (OECD, 2020[1]), has reduced the average wages used in some countries in the *Taxing Wages* calculations. The high use of job retention schemes pushes down the average wage, as employer payments decrease while the number of full-time employees remains more stable (ILO, 2020[3]) (OECD, 2020[1]).[3] This has contributed to a fall in the measured average wage in many countries, including in several countries with higher levels of participation in job retention schemes as a share of dependent employees (i.e. wage and salary workers), including in France, Italy, Luxembourg and Switzerland. On the tax side of the equation, the income received by employees participating in the schemes has generally been taxed under the standard tax rules applying to labour income in most countries, although this is not the case in Germany, where income received under a job retention scheme is non-taxable but is added to the gross income in the calculation of the appropriate marginal personal income tax rate (Bundesministerium für Arbeit und Soziales, 2021[8]).

## Figure 2.2. Initial participation in job retention schemes during the COVID-19 crisis

Approved applications and actual participants in job retention schemes as a share of dependent employees (i.e. wage and salary workers)




Note: Data refer to end May except for Luxembourg and Switzerland (end April). Data for Austria, Finland and Norway refer to the number of registered persons in job retention schemes at the end of May. Data for Belgium refer to the estimated number of approved applications in May. Data for Ireland and Spain refer to the number of recipients in May. Data for Canada cover the period from 10 May to 6 June. Data for France and Germany on actual use are the estimated number of persons in job retention schemes in May. United States: data refer to participation in short-time compensation schemes. Australia, Canada, Ireland, the Netherlands and New Zealand operate wage subsidy schemes, which are not conditional on the reduction in working hours (see Section 1.3.2). Take-up rates are calculated as a percentage of dependent employees in 2019 Q4.
Source: OECD Employment Outlook, (OECD, 2020[1])

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Sickness payments also increased in 2020, and entitlement to these benefits was expanded in many OECD countries (OECD, 2020[1]). When made by the employer to the employee, these are included in the average wage estimates and are implicitly covered in the *Taxing Wages* models, although any special tax rules applying to sickness payments are not modelled. With the exception of five countries (Australia, Estonia, Latvia, Poland and Slovenia) sickness payments made by the government to employees are not included in the average wage estimates (unless paid via the employer); and in no countries are specific tax provisions in relation to these payments modelled. The *Taxing Wages* models therefore do not capture any differences between the taxation of sickness benefits and normal labour income. However, as noted in Annex A, the impact of this on the results is likely to be minimal as the payments are typically made for a short period of time and closely correspond to the level of income normally received by the employee.

Finally, the use of teleworking has become widespread in 2020. The impact of teleworking on the average wage is primarily indirect; i.e. those on higher-incomes are typically have a greater ability to telework, and are therefore less likely to lose their jobs or move to part-time or non-standard work, contributing to the composition effect discussed earlier. On the tax side, teleworking may result in a number of changes in tax provisions, which are captured to different degrees in *Taxing Wages*:

- In some countries, teleworkers may be able to claim additional deductions for their “home office” or for materials bought to facilitate teleworking (for example, in Ireland, where a portion of broadband costs and other working from home costs are deductible; or in the United Kingdom, where tax reliefs are provided for some household costs (e.g. heating, water, insurance, business

calls, broadband or equipment). Germany has also recently implemented a fixed deduction for teleworkers (Finanztip, 2021[9]). These deductions are not included in the Taxing Wages models as they do not meet the assumption of being a standard relief.

- Commuting deductions that depend on the days worked or on distance travel may or may not continue to apply to teleworkers. These deductions apply, for example, in Belgium and Denmark, which apply a deduction based on kilometres travelled, or Finland and Sweden, where actual costs are deductible. However, they are not included in *Taxing Wages* because they are also non-standard.
- However, a number of standard work-related expense deductions are included in the *Taxing Wages* models. This is the case, for example, in Austria, Germany and Poland, who provide a lump-sum deduction for work-related expenses, including commuting, per employee; and France and Switzerland[4], who provide a work-related expense deduction as a percentage of net income, within upper and lower bounds. Within *Taxing Wages*, the eligibility and the calculation of these deductions is not affected by an employee teleworking, and the models continue to be appropriate.

Thus, the indicators for 2020 capture the tax settings for a private sector worker who has been fortunate enough to retain their job throughout the year on a full-time basis; who may have converted to teleworking through part of the year; who may have been partially inactive under a job retention or wage subsidy scheme; and/or who may have taken a period of employer-paid sick leave. If the worker has teleworked for part of the year, no changes to the tax status that result have been included on the tax side; neither via a reduction in commuting benefits, nor an increase in eligible deductions for work-related expenses. If the worker has been included in a job retention scheme, changes in tax rules for job retention payments (although rare) have also not been taken into account. However, the impact of composition effects on the average wage may have served to artificially increase the wage level for these workers.

## Impact of COVID-19 related country tax and policy measures on the *Taxing Wages* models

In the COVID-19 crisis, governments have introduced a range of measures, both within and beyond the tax system, to support businesses and households:

- Measures to support businesses have focussed on tax payment deferrals, including deferrals of employer SSCs, and other measures to support cash-flow, as well as a significant expansion of the use and applicability of job retention schemes and other forms of employment support (OECD, 2020[10]).
- Governments have also introduced significant support for households affected by the health and economic consequences of the COVID-19 crisis. Many countries have provided targeted support for households working in sectors particularly affected by the pandemic or those who have recently become unemployed, as well as expanding sick leave and unemployment payment entitlements. Support for households' cash flow has also been offered in many OECD countries; this has largely been provided through direct transfers, rather than through the tax system, although the choice between the two depends on the architecture of countries' tax systems (OECD, 2020[10]). Deferrals of tax payments, although rarer than for businesses, have also been implemented for individual taxpayers in some countries, along with extended tax filing deadlines, flexible payment plans, and accelerated tax refunds.

## Table 2.1. Summary of tax and benefit measures in response to COVID-19 within sectors B to N in ISIC rev. 4

| | Personal income taxes | | | Social security contributions | | | | Cash benefits |
|---|---|---|---|---|---|---|---|---|
| | Changes in tax reliefs | Changes in PIT rate or thersholds | Deferred PIT payments | Changes in SSC rates or thresholds | Discount or tax credit in SSC payments | Cancelled SSC payments | Deferred SSC payments | Changes in cash benefits |
| Australia | | | | | | | | |
| Austria | | | | | | | | |
| Belgium | | | | | | | | |
| Canada | | | | | | | | |
| Chile | | | | | | | | |
| Colombia | | | | | | | | |
| Czech Republic | | | | | | | | |
| Denmark | | | | | | | | |
| Estonia | | | | | | | | |
| Finland | | | | | | | | |
| France | | | | | | | | |
| Germany | | | | | | | | |
| Greece | | | | | | | | |
| Hungary | | | | | | | | |
| Iceland | | | | | | | | |
| Ireland | | | | | | | | |
| Israel | | | | | | | | |
| Italy | | | | | | | | |
| Japan | | | | | | | | |
| Korea | | | | | | | | |
| Latvia | | | | | | | | |
| Lithuania | | | | | | | | |
| Luxembourg | | | | | | | | |
| Mexico | | | | | | | | |
| Netherlands | | | | | | | | |
| New Zealand | | | | | | | | |
| Norway | | | | | | | | |
| Poland | | | | | | | | |
| Portugal | | | | | | | | |
| Slovak Republic | | | | | | | | |
| Slovenia | | | | | | | | |
| Spain | | | | | | | | |
| Sweden | | | | | | | | |
| Switzerland | | | | | | | | |
| Turkey | | | | | | | | |
| United Kingdom | | | | | | | | |
| United States | | | | | | | | |

Note: This table shows the tax and benefit measures that were introduced by countries to respond to the COVID-19 crisis and that are described in the country chapters in Part II of the report. They include only measures relating to labour tax income, and many countries have also introduced other income tax and benefit measures to support households and companies that are not described in Part II of the report. Measures shown in dark blue are included in the *Taxing Wages* model; measures in light blue were not modelled as they do not meet the assumptions outlined above.

Source: OECD, based on the description of country measures in each country chapter in Part II of the report.

The *Taxing Wages* models for 2020 include the support measures for businesses and households that are consistent with the general *Taxing Wages* assumptions, as detailed in the introduction of chapter 1 and in Annex A. Therefore, the support measures included in the *Taxing Wages* models for 2020 (the modelled support measures) are those which:

- apply to labour income (including changes to the rates, thresholds, allowances or credits allowable under personal income taxes, social security contributions (employee or employer) and cash benefits);
- apply to the majority of full-time workers in sectors B to N in ISIC rev 4 (i.e. sector-specific or other targeted measures are not included);
- do not vary based on taxpayer circumstances other than income level and family status, as in the case of a universal cash benefit or a standard tax relief (i.e. non-standard tax reliefs, or benefits applying based on employment status are not included); and
- represent a variation in the taxpayer's liabilities for the 2020 year, rather than a timing difference (i.e. deferrals of tax liabilities are not included; whereas temporary measures and one-off payments are).

For this edition of *Taxing Wages*, countries were asked to provide a short summary on the broader labour tax measures implemented in response to the COVID-19 pandemic, which are included in the country chapters in Part II. Table 2.2 provides an overview of the tax and benefit measures implemented in response to the COVID-19 crisis within sectors B-N, differentiating between provisions that are included in the *Taxing Wages* models, and those that are not included for one of the following reasons: (i) because they applied to less than the majority of private sector workers; (ii) because they were not standard; or (iii) because they amounted to a deferral rather than the reduction or removal of a tax liability.

In total, specific tax and benefit provisions in response to COVID-19 were modelled for ten countries. These largely related to one-off payments or increases in cash benefit provisions (Australia, Austria, Canada, Iceland, Korea, Lithuania, the United States), particularly for families with children; and increases in tax reliefs under personal income taxes (Germany, Lithuania, the United Kingdom). In addition, Austria made a change to its marginal tax rate schedule, and Hungary reduced its employer SSC rate. A summary of these measures is shown in Table 2.2.

### Table 2.2. Summary of country COVID-19 measures included in the *Taxing Wages* models

| Country | Description of COVID-19 related measure included in Taxing Wages models |
|---|---|
| Australia | A non-taxable one-off Economic Support Payment of AUD 750 was paid. These one-off payments were predominantly made in April 2020. |
| Austria | There was a change in the income tax schedule (a reduction in one income tax rate) and extra child benefit payments made in response to the COVID-19 crisis. |
| Canada | Additional payments were made under the Canada Child Benefit and the Goods and Services Tax Credit (which is treated as a cash benefit in Taxing Wages), both of which applied only to the single parent and the one-earner couple. |
| Germany | There was a one-time bonus benefit payment per child and a temporary increase in the tax allowance for single parents. |
| Hungary | The employer SSC rate decreased by 2 p.p., from 18.5% to 16.5% to support businesses & employees |
| Iceland | Child benefit supplements were paid in response to the COVID-19 crisis |
| Korea | There were extra 'childcare coupons' paid to families with children in response to the COVID-19 crisis. |
| Lithuania | Tax-exempt income was increased, affecting all three family types, and in addition, a one-off child benefit payment was made to families in response to the COVID-19 crisis. |
| United Kingdom | There was an additional increase in the Working Tax Credit in response to the COVID-19 crisis. |
| United States | Taxpayers received an advance payment of the Economic Impact Payment as a part of the Coronavirus Aid, Relief and Economic Security Act, affecting all three family types as well as a supplement per child. |

Source: OECD, based on the description of country measures in each country chapter in Part II of the report.

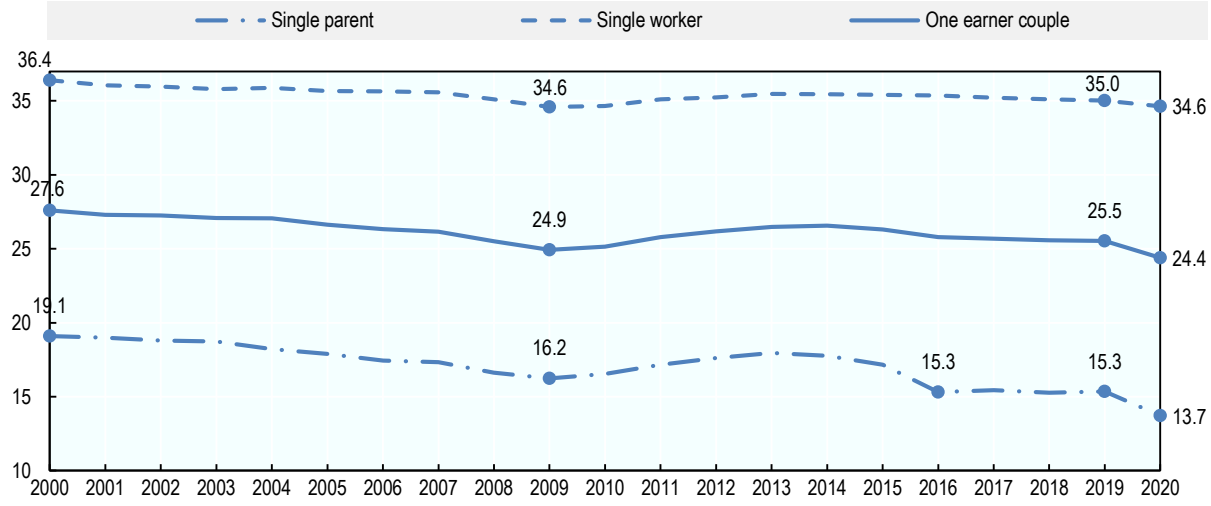
The remainder of the special feature considers the impact of these measures on the tax wedge for the single parent, single worker, and one-earner couple in these countries, as well as the OECD average. It is important to note that many countries provided significant support to households and businesses that is not modelled in *Taxing Wages*, either because the support was targeted in nature or lay outside the labour tax system. The discussion that follows therefore aims only to identify the impact of the labour tax-specific measures modelled in *Taxing Wages* on the tax wedge of the three family types. It does not constitute even a partial assessment of the total impact of COVID-19 support measures in the OECD.

## Drivers of the change in the tax wedge in 2019-2020

In 2020, the tax wedge decreased for all three family types relative to 2019 (Figure 2.3): by 0.4 percentage points (p.p.) for the single worker, 1.1 p.p. for the one-earner couple and 1.6 p.p. for the single parent. These falls bring the average for each family type to its lowest level since 2000; exceeding the lows in 2009 following the global financial crisis for the one-earner couple and the single parent, and equivalent to the 2009 average tax wedge for the single worker.

### Figure 2.3. Average OECD tax wedge for different family types, 2000-2020

% of total labour costs




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This section considers the drivers of the changes in the OECD and country tax wedges in 2020, exploring the impact of changes in the average wage and of specific COVID-19 tax or benefit provisions.

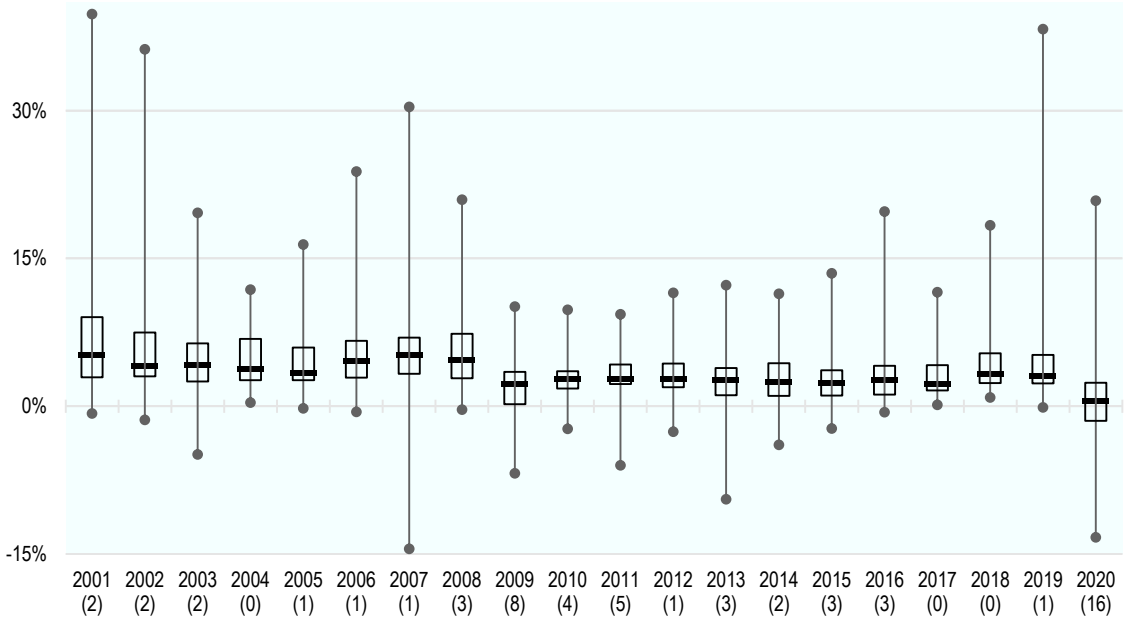
### *Impact of wage changes*

As outlined in chapter 1, the annual nominal change in the average wage varied between -13.3% in Colombia to 20.9% in Turkey (Table 1.7), with an average change of 0.6%. Sixteen OECD countries had falls in the nominal average wage in 2020 relative to 2019, a level not previously seen in the period covered by *Taxing Wages* (Figure 2.4) and all the more striking in the presence of the composition effects noted earlier in this chapter. Even among the 21 countries that had higher nominal wages in 2020 relative to 2019, the increase was less than 4% in all but four countries. The average wage estimates for 2020 have

been produced using the percentage changes in compensation per employee from the *OECD Economic Outlook Volume 2020, issue 2*.

### Figure 2.4. Distribution of year-on-year changes in nominal average wages across OECD countries

% change in nominal average wage




Note: The figures show maximum and minimum changes in OECD countries (dots); the upper and lower quartile of changes (in the boxes) and the median change (bars). The figure in brackets on the horizontal axis indicate the number of countries with a year-on-year fall in nominal wages. Wages for 2000-2019 have been provided by countries for full-time workers in sectors B-N of ISIC rev. 4 under the assumptions noted in the Annex. The average wage estimates for 2020 have been produced using the percentage changes in compensation per employee from the *OECD Economic Outlook Volume 2020, issue 2*.

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The interaction between the progressivity of country tax systems and lower average wages could result in a decrease in the tax wedge in these countries and for the OECD as a whole, depending on the degree of progressivity and the scale of other policy changes. To examine the impact of wage changes on the indicators, Table 2.3 summarises the correlation between changes in the nominal average wage and the change in the average tax wedge across the OECD in 2020, relative to 2019. This table demonstrates that:

- Of the 16 countries that had a fall in the nominal average wage in 2020, almost all also saw a decrease in the tax wedge, regardless of household type, with one exception for the single parent (an increase in Japan) and two for the single worker (an increase in Korea, and no change in Colombia).
- Of the 21 countries that saw a rise in the nominal average wage in 2020, approximately one-third also experienced an increase in the tax wedge, whereas two-thirds saw a decrease in the tax wedge, regardless of the family type considered.[5]
- For both the single parent and the one-earner couple, the average tax wedge decrease in countries where the average wage rose (2.8 p.p. and 2.1 p.p., respectively) was greater than the tax wedge decrease in countries in which the average wage fell (1.9 p.p. and 0.9 p.p., respectively);

- For the single worker, the average decrease in the tax wedge was not markedly different for countries in which the average wage fell (0.6. p.p.) than it was for countries in which the average wage rose (0.5 p.p.).

### Table 2.3. Summary of correlation between average wage changes and tax wedge changes, 2019-2020

| | | Number of countries | | | Average tax wedge change (p.p.) | | |
|---|---|---|---|---|---|---|---|
| | Change in nominal average wage | TW increase | TW decrease | No change to TW | TW increase | TW decrease | Total |
| Single parent | Rise | 8 | 13 | - | 0.4 | -2.8 | -1.6 |
| | Fall | 1 | 15 | - | 0.5 | -1.9 | -1.7 |
| | Total | 9 | 28 | - | 0.4 | -2.3 | - |
| Single worker | Rise | 6 | 15 | - | 0.2 | -0.5 | -0.3 |
| | Fall | 1 | 14 | 1 | 0.3 | -0.6 | -0.5 |
| | Total | 7 | 29 | 1 | 0.2 | -0.5 | - |
| One-earner couple | Rise | 6 | 14 | 1 | 0.4 | -2.1 | -1.3 |
| | Fall | - | 16 | - | - | -0.9 | -0.9 |
| | Total | 6 | 30 | 1 | 0.4 | -1.5 | - |

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Table 2.3 suggests that the decreases in the OECD average tax wedge for each family type were not due to the unprecedented number of falls in countries' average wages in 2020.

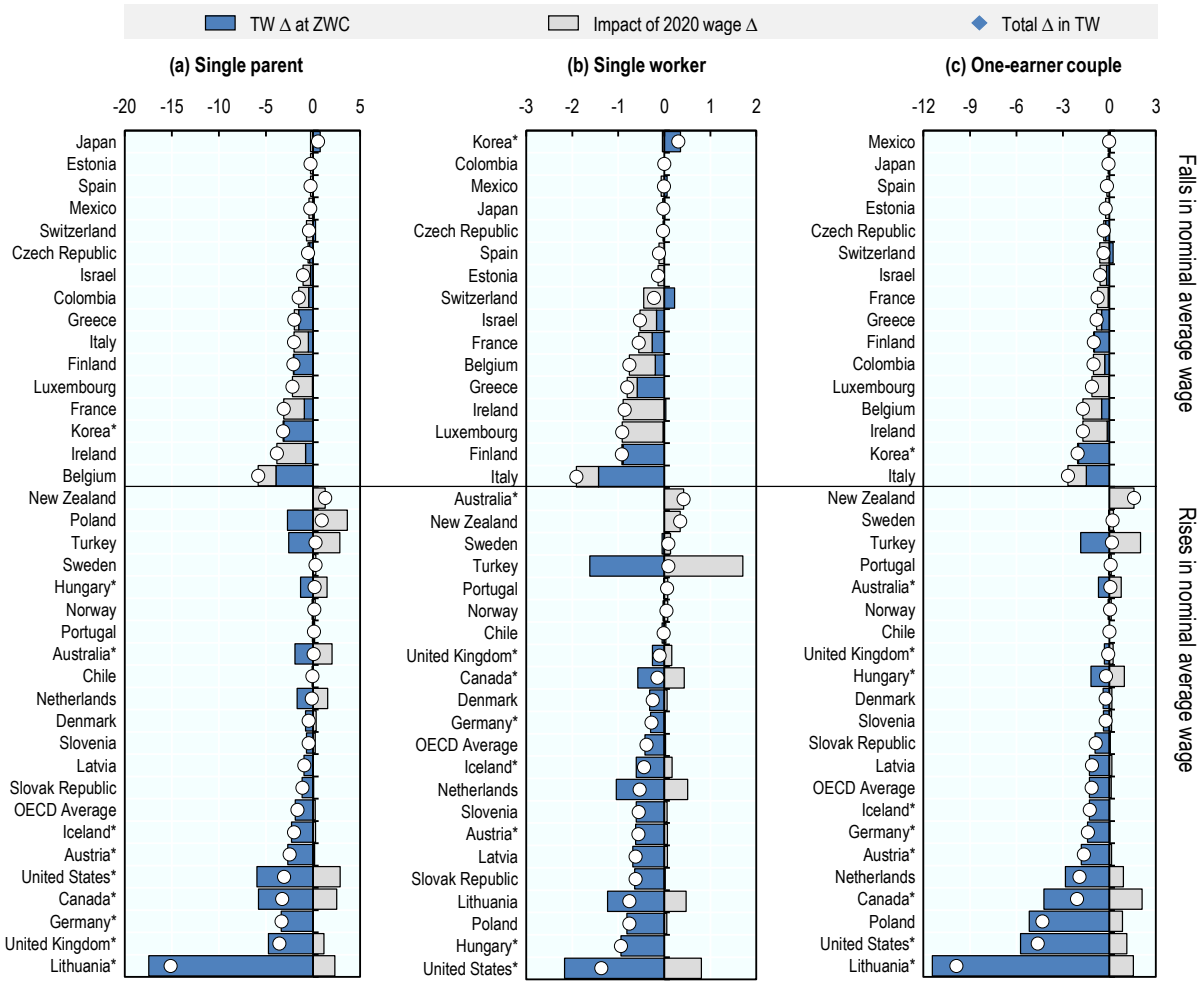
To further explore the impact of the changes in nominal wages in 2020 on country tax wedges, the tax wedge in each country was calculated for a zero-wage change (ZWC) scenario, i.e. at the level of 2019 average wages, using the tax rules applicable in 2020 (Figure 2.5). The difference between the ZWC scenario and the tax wedges for 2019 and 2020 highlights the impact of changes to the average wage on the results:

- Impact of 2020 wage change: calculated as the tax wedge in 2020 less the tax wedge under the ZWC scenario, this shows the impact of wage change on the tax wedge in each country (either due to different tax provisions applying at the new wage level);
- Change in the tax wedge under the ZWC scenario: calculated as the tax wedge under the ZWC scenario less the tax wedge in 2019, this shows the impact of policy changes between 2019 and 2020 on the tax wedge in the absence of changes to the average wage.

The impact of the average wage on the tax wedge differed depending on whether it rose or fell. As indicated in Table 2.3, only one of the 16 countries with a fall in the average wage saw an increase in the tax wedge for the single parent (Japan) and the single worker (Korea). In both cases, the increase in the tax wedge was driven by policy changes. In Japan, a lower income-tested single parent benefit (the Child Rearing Allowance) was paid in 2020 compared to 2019, due to an increased withdrawal rate; whereas in Korea, there were increases in the health and unemployment contribution rates. In the remaining countries where the average wage fell, policy changes were the predominant factor in the decrease in the tax wedge only in the Czech Republic and Korea (single parent and one-earner couple), Belgium (single parent only), Italy (single worker and one-earner couple) and Greece and Finland (all family types). The falls in the average wage were the predominant factor in the remaining decreases in the tax wedge in these 16 countries.

## Figure 2.5. Change in tax wedge, 2019-2020, disaggregated by impact of change in average wage

Percentage points (p.p.).




Note: The blue bars show the change in the tax wedge that would have resulted in the absence of wage change in 2020 (the zero-wage change scenario (ZWC)); the grey bars show the impact of the change in average wage on the tax wedge for each family type; and the dots show the actual change in the tax wedge. For each family type, countries are ordered in increasing order of the overall change, divided first into those countries who had increases in the average wage in 2020 and then into countries who had decreases in the average wage in 2020. For readability, the horizontal scale differs for each family type. Countries marked with "*" indicate that the modelling for that country includes tax and benefit changes in response to the COVID-19 crisis.

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In the 21 countries where average wages rose, policy changes consistently acted to reduce the change in the tax wedge. The overall change in the tax wedge was therefore determined by the degree to which these policy changes were offset by wages growth. In approximately two-thirds of these countries, the impact of policy changes in reducing the tax wedge dwarfed the impact of the wage rise in increasing it, resulting in a decreasing tax wedge (as seen in Table 2.3) for 13 countries for the single parent; 15 for the single worker, and 14 for the one-earner couple. Notably, many of the largest decreases in the tax wedge, particularly for the single parent, are seen in countries where wages increased but COVID-19 measures applied (shown in Figure 2.5 by an asterix after each country name). The impact of these changes is discussed further in the next section.

Both Table 2.3 and Figure 2.5 confirm that the wide falls in nominal average wages across the OECD were not the primary cause of the decrease in the OECD average. The contrary is true: decreasing tax wedges were primarily caused by changes in tax policy settings, which (except in a very small number of cases) resulted in a negative impact on the tax wedge, regardless of whether average wages rose or fell. While most of the increases in tax wedges were due to wage rises (and resulting higher income taxes via the progressivity of income tax systems), many of the countries in which wages rose still saw decreases in the tax wedge for all family types, as the decrease due to policy changes more than offset the impact of higher wages. For the OECD average, policy changes led to a reduction in the tax wedge change for all three family types, offset slightly by the impact of changes to countries' average wages (see also Table 2.5). In short, the OECD average tax wedge in 2020 would have been slightly lower even if none of the changes to average wages at the country level had occurred.

### *Impact of COVID-19 support measures on tax wedge changes*

The analysis of the ZWC scenario highlights that decreases in the tax wedge in 2020 were due to changes in tax policy settings rather than to wage changes. This section examines to what extent COVID-19 specific provisions affected country tax wedges and the OECD averages. As detailed above, only those provisions that meet the standard *Taxing Wages* assumptions are included in the analysis, and so this chapter does not attempt to measure the full impact of COVID-19 support on households, but rather to assess the impact of these specific measures on the *Taxing Wages* results.

In 2020, ten OECD countries introduced support measures that met the *Taxing Wages* assumptions and were included in the models. These are summarised in Table 2.2. To assess the impact of these on the change in tax wedge for the three family types, Table 2.4 presents the change in the tax wedge in these countries with these measures included (i.e. the standard *Taxing Wages* results) as well as with these measures removed from the models (the No-COVID scenario, (NCV)).

## Table 2.4. Impact of COVID-19 support measures on the change in the tax wedge

| | Change in average wage (%) | Change in tax wedge 2019-2020 (i.e. including COVID-19 measures) (p.p.) | | | Impact of COVID measures on change in tax wedge (i.e. 2020 tax wedge less tax wedge under NCV, p.p.) | | |
|---|---|---|---|---|---|---|---|
| | | Single parent | Single worker | One-earner couple | Single parent | Single worker | One-earner couple |
| Australia | 3.5% | 0.1 | 0.4 | 0.1 | -1.2 | - | -0.8 |
| Austria | 0.5% | -2.5 | -0.6 | -1.7 | -2.7 | -0.6 | -1.8 |
| Canada | 3.3% | -3.3 | -0.1 | -2.1 | -3.6 | - | -2.4 |
| Germany | 0.2% | -3.3 | -0.3 | -1.4 | -2.9 | - | -1.0 |
| Hungary | 7.1% | 0.2 | -0.9 | -0.2 | -0.7 | -0.5 | -0.6 |
| Iceland | 2.2% | -2.0 | -0.4 | -1.3 | -1.7 | - | -1.5 |
| Korea | -0.6% | -3.2 | 0.3 | -2.1 | -1.2 | - | -0.8 |
| Lithuania | 6.4% | -15.1 | -0.8 | -9.9 | -4.5 | -0.5 | -2.9 |
| United Kingdom | 1.7% | -3.6 | -0.1 | -0.1 | -3.4 | - | - |
| United States | 6.4% | -3.1 | -1.4 | -4.6 | -5.0 | -1.8 | -5.2 |
| Average for countries shown | 3.1% | -3.6 | -0.4 | -2.3 | -2.7 | -0.3 | -1.7 |
| OECD Average | 0.6% | -1.6 | -0.4 | -1.1 | -0.7 | -0.1 | -0.5 |

Note: Subtracting the impact of COVID-19 measures (columns 6-8) from the actual change in the tax wedge (columns 3-5) for the corresponding family type gives the scale of the tax wedge change that would have occurred in the absence of the COVID-19 measures in each country. For example, in Australia, the single parent would have had a tax wedge increase of 1.3 p.p. in 2020 relative to 2019 had the COVID-19 measures not applied; similarly, in Lithuania, the single worker would have had a tax wedge decrease of 0.3 p.p. in 2020 had the COVID-19 measures not applied.

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The scale of the COVID-19 support measures included in the models were biggest for the single parent in every country except the United States (where the one-earner couple experienced the biggest decrease) as well as on average (a decrease of 2.7 p.p. for the single parent, 1.7 p.p. for the one-earner couple and 0.3 for the single worker). The measures in all ten countries applied to the single parent and in nine to the one-earner couple; compared to only four countries where they reached the single worker. This was largely due to most changes being delivered to support families with children via targeted child benefits (for example, in Austria, Canada, Germany, Iceland, Korea, Lithuania and the United States. See Table 2.2 for a summary of these measures). As noted in chapter 1 and in the special feature of *Taxing Wages 2019*, this reflects the prevalence of support measures in OECD countries for families with children.

Almost all of the ten countries in Table 2.4 saw a rise in the average wage, excluding Korea, which may have partially been a result of the composition effects discussed earlier. Nonetheless, most had decreases in the tax wedge for all family types between 2019 and 2020, with the exceptions of Australia (all family types); Hungary (the single parent) and Korea (the single worker). Without the COVID changes, increases in the tax wedge would also have been observed in Austria and the United States (all family types); Canada (single parent and one-earner couple) and Hungary (one-earner couple). All other cases would have seen a decrease in the tax wedge (but of a lesser magnitude) even without the COVID-19 measures.

Similarly, if the COVID-19 measures had not been implemented in these ten countries, the OECD average tax wedge would have still decreased for all three family types in 2020 (although only very marginally, by 0.1 p.p., in the case of the single worker), albeit to a lesser degree than the decreases recorded inclusive of these measures. The impact of the COVID-19 support measures in these ten countries accounted for two-fifths of the overall decrease in the OECD average tax wedge for the single parent and the one-earner couple, and one-fifth of the decrease for the single worker.

Finally, as shown in Figure 2.6, the COVID-19 support measures were predominantly composed of increases in cash benefits. Lower income tax rates played a role in several countries; employee SSCs did not change in any, and employer SSCs played a role only in Hungary, where the employer SSC rate was lowered by 2 p.p. in response to the COVID-19 crisis, as described above.

Table 2.5 summarises the impact of wage changes, as well as COVID-19 measures, on the change in the OECD average tax wedge for all three family types.

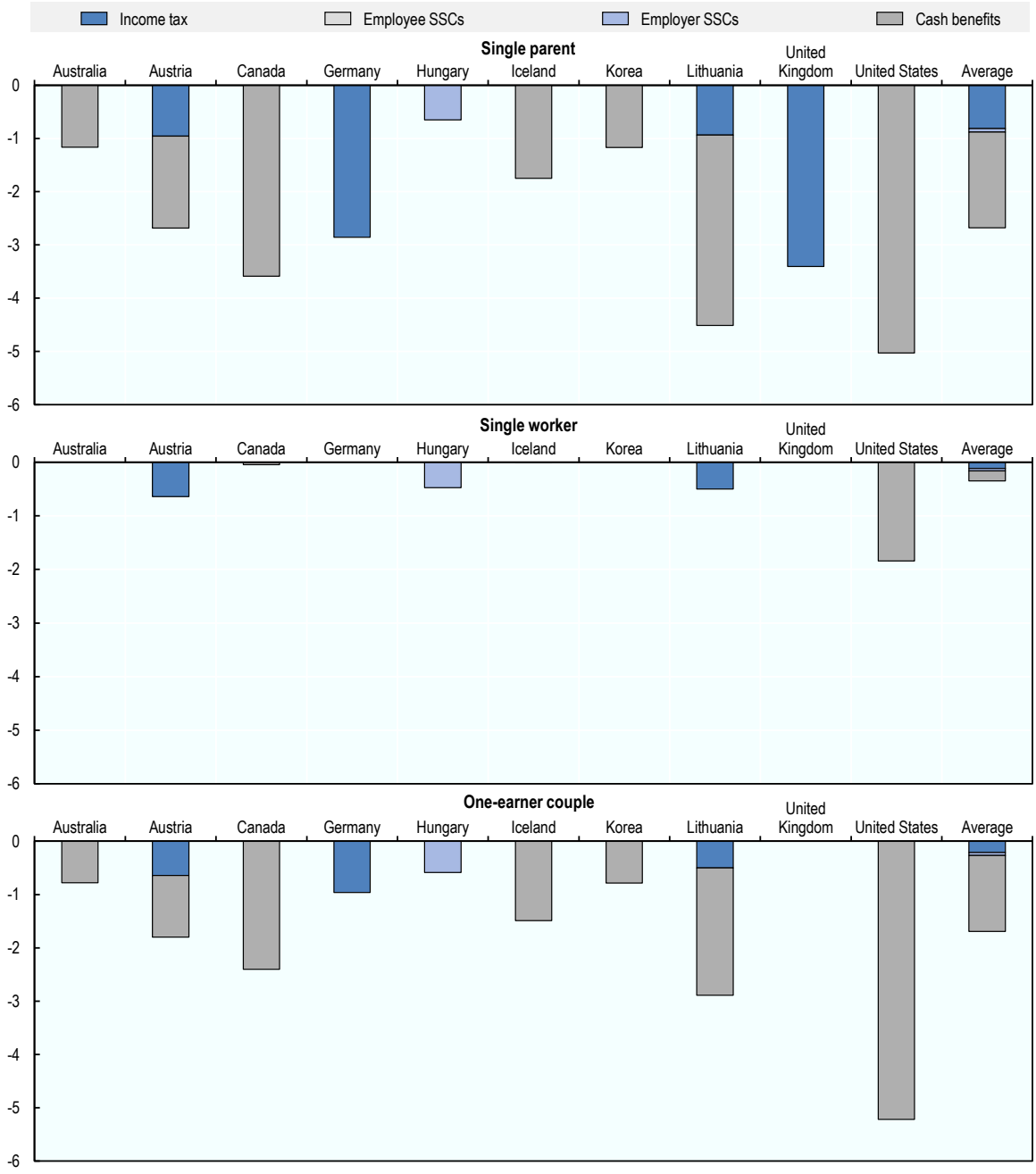
## Table 2.5. OECD average tax wedges 2019-2020 and impact of wage changes and COVID-19 measures

| | 2019 | 2020 | Actual change (p.p.) | Impact of wage changes (p.p.) | Impact of COVID-19 measures (p.p.) |
|---|---|---|---|---|---|
| Single parent | 15.3 | 13.7 | -1.6 | 0.2 | -0.7 |
| Single worker | 35.0 | 34.6 | -0.4 | 0.0 | -0.1 |
| One-earner couple | 25.5 | 24.4 | -1.1 | 0.1 | -0.5 |

Note: The impact of wage changes on the averages (column 5) and the impact of COVID-19 measures (column 6), are not additive, as some COVID-19 measures would have also applied in the absence of the wage changes in column 5. The actual change in the tax wedge is a combination of changes in wage levels, COVID-19 measures, and changes to other policy settings. See chapter 1 for more details.

## Figure 2.6. Composition of COVID-19 support measures

Cumulative p.p. difference in the change in the tax wedge between 2019-2020




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## Conclusions

In 2020, significant reductions in the tax wedge are seen for the single parent, single worker, and one-earner couple, to the lowest levels since *Taxing Wages* began in 2000. These falls occurred in the context of COVID-19's impact on the labour market and widespread falls in nominal average wages, as well as in

the presence of support measures for businesses and households implemented via the tax system or through direct support.

By disentangling the impact of wage changes and the COVID-19 support measures that are included in the *Taxing Wages* models, this chapter demonstrates that the falls in the OECD average were not primarily due to the widespread decline in the average wage across OECD countries. Rather, changes in tax policy settings acted to reduce the tax wedge in almost all countries and were the predominant factor in the tax wedge decreases in countries where wages rose. By contrast, increases in the tax wedge were almost all driven by rising wages, offset slightly by policy change. On average, in the absence of the wage changes seen in 2020, the OECD average would have decreased by between 0.0 and 0.2 p.p. more for the three family types.

Across the OECD, countries have largely chosen to provide support to households and businesses outside the labour tax system. While the *Taxing Wages* models are unable to take account of many of these changes, the results presented in this special feature do include direct measures implemented through the system to address COVID-19 for ten countries. These countries have largely delivered support through the provision of enhanced or one-off cash benefits, with a focus on supporting families with children. Only a few countries have introduced measures to change the structure of their personal income taxes or SSCs in direct response to the COVID-19 pandemic, and consequently, the impact of COVID-19 support measures is primarily in reducing the tax wedge for families with children rather than the single worker. Taken together, the impact of these COVID-19 measures is smaller than other policy changes; accounting for roughly two-fifths of the decrease between 2019 and 2020 for the single parent and the one-earner couple, and one-fifth for the single worker.

Countries may yet choose to introduce further measures that more directly affect the structure of labour taxation as part of the post-crisis recovery, whether to address their longer-term goals in addressing structural inequalities, promoting economic growth, or improving fiscal sustainability. Future editions of *Taxing Wages* will monitor the impact of these changes on the taxation of the labour incomes of different family types, together with further changes in the labour market that may affect the results.

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## Notes

[1] Out of work benefits are taken into account in the Tax and Benefit models, available here: https://www.oecd.org/social/benefits-and-wages/.

[2] In addition, four OECD countries (Chile, Ireland, Slovak Republic and Turkey) are not able to exclude part-time wages, nor to convert them into full-time equivalents, for the purposes of calculating the average wage (see Annex A for more information). Therefore, the impact of higher than usual part-time work will be to reduce the average wage in these countries.

[3] This is not the case in the United States, where employees under job retention schemes are not included as full-time employees in the calculation of the average wage (OECD, 2020[2]). See also the OECD's Labour Force Statistics guidelines for more information on the definition of short-time work in each country (OECD, 2020[12]). Moreover, wage subsidy schemes (as in Australia, Canada, Ireland, the Netherlands and New Zealand), which do not necessarily entail a fall in the hours worked by employees benefiting from the scheme, are less likely to put downward pressure on average wages.

[4] The information for Switzerland relates to the Canton of Zurich, which is used as the representative region in *Taxing Wages.* Other cantons have different work-related deductions, some of which may be withdrawn in the case of telework (Deloitte, 2020[11]).

[5] All of the increases in this group of countries for the single worker were due to higher income taxes. See chapter 1 for further information.

# 3 2020 tax burdens

The 2020 tax burden results based on the eight model household types are presented in Tables 3.1 to 3.13 and Figures 3.1 to 3.7. The model household 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 167% and 200% of the AW with two children; and a two-earner couple, without children, at 167% 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[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 household type is entitled to, in 2020. Total taxes due minus transfers received are expressed as a percentage of labour costs, defined as gross wage *plus* employers' social security contributions (including payroll taxes). In the case of a single person on average wage the tax wedge ranged from zero (Colombia) and 7.0% (Chile) to 49.0% (Germany) and 51.5% (Belgium). For a one-earner married couple, with two children, at the same wage level, the tax wedge was lowest in Colombia (-5.4%) and New Zealand (5.0%) and highest in Turkey (38.2%) and France (37.9%). As stated in Chapter 1, the tax 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 tax wedge for a single parent, with two children, earning 67% of the average wage was negative in New Zealand (-18.1%), Canada (-17.9%), Colombia (-8.0%) and Poland (-3.5%). Negative tax wedges are due to the cash benefits received by families, plus any applicable non-wastable tax credits, exceeding 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), in 2020. For single workers at the average wage level without children, the highest average tax plus contributions burdens were seen in Belgium (38.4%) and Germany (38.9%). The lowest average rates were in Colombia (0.0%), Chile (7.0%), Mexico (10.8%), Korea (15.0%), Estonia (15.6%), Switzerland (17.1%), Israel (18.0%) and New Zealand (19.1%).

Table 3.3 shows the combined burden of income tax and employee social security contributions, reduced by the entitlement to cash benefits, for each household type in 2020. Figure 3.3 illustrates this burden for single individuals without children and one-earner married couples with two children, with both household types on average earnings. Comparing Table 3.2 and Table 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.

Comparing Table 3.2 and Table 3.3, for single parents, with two children, earning 67% of the average wage, 33 countries provided cash benefits in 2020. In Canada, Poland and New Zealand these represented respectively 40.8%, 37.0% and 33.3% of income and they were also at least 25% of income in Lithuania (25.5%), France (26.6%) and Denmark (26.8 %). Thirty-two countries provided cash benefits for a one-earner married couple, with two children, earning the average wage level, although these were less generous relative to income, ranging up to 20.7% (Poland). The lower level 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 in 2020. For single persons, without children, at the average wage (column 2) – the income tax burden varies between 0.0% (Colombia) and 35.3% (Denmark). In most OECD member countries, at the average wage level, the income tax burden for one-earner married couples with two children is lower than that faced by single persons (compare columns 2 and 5). These differences are clearly illustrated in Figure 3.4. In twelve OECD countries, the income tax burden faced by a one-earner married couple with two children is less than half that faced by a single individual (Austria, Belgium, Hungary, Ireland, Latvia, Luxembourg, Poland, Portugal, the Slovak Republic, Slovenia, Switzerland and the United States). In contrast, there was no difference in eight countries – Australia, Finland, Israel, Lithuania, Mexico, New Zealand, Norway and Sweden. In Chile, the one-earner married couple at the average wage level with children did not pay personal income tax, while the average single worker paid 0.03% of gross wage earnings. In Colombia,

neither the single worker on the average wage nor the one-earner married couple at the average wage level paid personal income taxes.

There were only two OECD countries where a married average worker with two children had a negative personal income tax burden. This was due to the presence of non-wastable tax credits, whereby credits were paid in excess of the taxes otherwise due. This resulted in tax burdens of -0.3% in Germany and - 4.5% in the Czech Republic. Similarly, single parents, with two children, earning 67% of the average wage showed a negative tax burden in eight countries – Austria, the Czech Republic, Germany, Israel, Poland, Spain, the United Kingdom and the United States. In three other countries – Chile, Colombia and Latvia – this household type paid no income tax.

A comparison of columns 5 and 6 in Table 3.4 demonstrates that if the second spouse has a job which pays 67% of the average wage, the income tax burden of the household (now expressed as 167% of the average wage) is slightly higher in 22 countries, the largest differences being in the Czech Republic (9.9 percentage points) and Germany (10.3 percentage points). At the same time, the income tax burden is lower in thirteen countries, the largest differences being in the Netherlands (-4.8 percentage points) and Israel (-4.1 percentage points). There is no impact on the tax burden in Chile and Colombia.

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 wage (columns 2 and 3), the lower paid worker faced a lower tax burden in all countries except in Colombia and Hungary in 2020. In Colombia, neither the average single worker nor the counterpart at 167% of the average wage paid income tax. In Hungary, a flat tax rate is applied on labour income and all households without children paid the same percentage of income tax. Comparing single individuals at 67% of the average wage level with their counterparts at the average wage level (columns 1 and 2), the lower paid worker also faced a lower tax burden across all OECD countries, except Colombia and Hungary for the reasons previously mentioned. Finally, the burden faced by single individuals at 67% of the average wage level represented less than 25% of the burden faced by their counterparts at 167% in four OECD countries: Chile (0.0%), the Netherlands (21.0%), Korea (22.3%) and Greece (22.7%).

The addition of social security contributions to the average tax rate reduces this progressivity as well as the proportional tax savings (i.e. tax savings of the low income workers relative to the higher income workers). When comparing Table 3.2 with Table 3.4, the OECD personal average tax burden including social security contributions for single individuals at 67% of the average wage level was only 32.0% lower than their counterparts at 167% compared to the OECD average tax savings of 48.2% for personal income taxes alone in 2020. The OECD average tax savings observed for one-earner married couples with two children at the average wage level relative to the average single workers fell from 35.0% for the personal income tax to 21.4% for the personal average tax burden including social security contributions. These lower figures reflect that there is little variation between social security contribution rates across household types, as shown in Table 3.5.

Table 3.5 shows employee social security contributions as a percentage of gross wage earnings in 2020. For a single worker without children at the average wage (column 2) the contribution rate varies between zero (Australia, Colombia, Denmark and New Zealand) and 22.1% (Slovenia). Australia, Denmark and New Zealand did not levy any employee social security contributions paid to general government. In Colombia, most of the social security contributions are paid to funds outside the general government and are considered to be non-tax compulsory payments. Therefore, they are not counted as social security contributions in the Taxing Wages calculations. There were three other countries with very low rates - Iceland (0.3%), Mexico (1.4%) and Estonia (1.6%). 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 ceiling usually applies to wage levels higher than 167% of the average wage. The

flat rates result in a constant average burden of employee social security contributions for most countries between 67% and 167% of average wage earnings. Constant proportional burden for employee social security contributions for over the eight model household types, is observed in (in decreasing order of rates) Slovenia (22.1%), Lithuania (19.5%), Hungary (18,5%), Poland (17.8%), Greece (15.5%), Turkey (15.0%), the Slovak Republic (13.4%), the Czech Republic, Latvia and Portugal (all 11.0%), Norway (8.2%), the United States (7.7%), Chile (7.0%), Spain and Switzerland (both 6.4%), Ireland (4.0%) and Estonia (1.6%).

In addition, at the average wage level only Germany and the Netherlands imposed different burdens 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 marginal increase in labour costs that is deducted through the combined effect of increasing personal income tax, employee and employer (including payroll taxes) social security contributions and decreasing cash transfers, in 2020. It is assumed that the gross earnings of the principal earner rise by 1 currency unit. This is the marginal tax wedge. In most cases, it absorbs 25% to 55% of an increase in labour costs for single individuals on average wage without children. However, in five OECD countries these individuals faced marginal wedges above 55% in 2020 – Belgium (65.1%), Germany (59.6%), Austria (59.5%), France (58.2%) and Luxembourg (57.0%). By contrast, Chile (10.2%) had the lowest marginal tax wedge in 2020. For Colombia, no income tax was paid at the average wage level in 2020 and their social security contributions are considered as non-tax compulsory payments and not included in the *Taxing Wages* calculations.[2]

In twenty-six OECD member countries, the marginal tax wedge for one-earner married couples at average earnings with two children was either the same or within 5 percentage points as that for single persons at average wage earnings with no children. The marginal tax wedge was more than 5 percentage points lower for one-earner married couples in five countries: Luxembourg (17.6 percentage points), the United States (9.3 percentage points), Switzerland (8.0 percentage points), Germany (7.7 percentage points) and Slovenia (6.7 percentage points). In contrast, the marginal rate for one-earner married couples with two children was more than 5 percentage points higher than it was for single workers, with no children, in Canada (31.6 percentage points), New Zealand (25.0 percentage points), Iceland (9.0 percentage points), France (6.3 percentage points) and the Netherlands (5.6 percentage points). These higher marginal rates arise because of the phase out of income-tested tax reliefs and/or cash benefits. When an income-tested measure is being phased out, the reduction in the relief or benefit compounds the increase in the tax payable. These programmes are set out in greater detail in the relevant country chapters in Part II of the Report.

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 increase at the margin (it is assumed that the gross earnings of the principal earner rise by 1 currency unit) in 2020. As in the case of the tax wedge, in most cases personal income tax and employee social security contributions absorb 25% to 55% of a worker's pay rise for single individuals without children at the average wage level. The marginal tax rate for the average worker was higher than 55% only in Belgium (55.6%) and lower than 25% in Chile (10.2%), Mexico (19.5%) and Korea (23.2%). As previously mentioned for Colombia, no income tax was paid at the average wage level and their social security contributions are considered as non-tax compulsory payments and not included in the *Taxing Wages* calculations.

In twenty-five OECD member countries, the net personal marginal tax rate for one-earner married couples with two children at the average wage level was either the same or within 5 percentage points as that for single persons with no children. The marginal rate was more than 5 percentage points lower for the one-earner married couples in six countries: Luxembourg (20.0 percentage points), the United States

(10.0 percentage points), Germany (9.3 percentage points), Switzerland (8.6 percentage points), Slovenia (7.8 percentage points), Belgium and Portugal (5.5 percentage points). In contrast, the marginal rate for one-earner married couples with two children was more than 5 percentage points higher than it was for single persons with no children in Canada (34.3 percentage points), New Zealand (25.0 percentage points), Iceland (9.6 percentage points), France (8.6 percentage points), and the Netherlands (6.3 percentage points). Similar to the marginal tax wedges, these higher marginal rates arise because of the phase out of income-tested tax reliefs and/or cash transfers.

Table 3.8 shows the percentage increase in net income relative to the percentage increase in gross wages when the latter increases by 1 currency unit, i.e. the elasticity of after-tax income, in 2020.[3] 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 more progressive the system is – at the income level considered – the lower this elasticity will be. In the case of the one-earner married couples, with two children, at the average wage, column 5 of Table 3.8 shows that Canada (0.27), New Zealand (0.47), Ireland (0.55) and France (0.57) had, 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 2020. In contrast, Chile (1.00) and Mexico (0.90) either implemented or were close to a proportional system of income tax plus employee social security contributions – at least for this household type. For Colombia (0.95), no income tax was paid at that level of earnings and their social security contributions are considered as non-tax compulsory payments and not included in the *Taxing Wages* calculations. However, the household's cash benefit payment remained fixed while the gross wage increased. As a result, the percentage increase in net income was slightly less than the percentage increase in gross wage.

It is interesting to note that the elasticity exceeded 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 was regressive. In other words, a percentage increase in gross pay led 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 relative to the percentage increase in labour costs (i.e. gross wage earnings plus employer social security contributions and payroll taxes) when the latter rises by 1 currency unit in 2020.[4] In this case, taxes and social security contributions paid by employers are also part of the analysis. In twenty OECD countries the value of this elasticity lay between 0.50 and 0.97 for the eight selected household types. This elasticity was below 0.50 for single parents earning 67% of the average wage level in New Zealand (0.49), Belgium (0.47), the Netherlands (0.46), Australia (0.42), Canada (0.37), France (0.31), Ireland and the United Kingdom (both 0.26) and Poland (0.03), and for one-earner married couples at the average wage level with two children in New Zealand (0.47) and Canada (0.28). In contrast, the elasticity was between 0.98 and 1.0 for most of the household types in Chile and some household types in Colombia, Hungary, Mexico and Poland, and one household type in Estonia for the single worker earning 167% of the average wage (1.00). Under this elasticity measure the income tax system was regressive for a single individual at 167% of the average wage in Germany (1.14) and Austria (1.20).

Table 3.10 and Table 3.11 set out figures for gross wage earnings and net income for the eight household types in 2020, after all amounts have been converted into U.S. dollars with the same purchasing power. Single workers with the average wage took home (see Table 3.10, column 4) over USD 45 000 in eight countries : Switzerland (USD 63 770), the Netherlands (USD 49 331), Australia (USD 48 145), Luxembourg (USD 47 600), Iceland (USD 47 469), the United States (USD 46 715), Norway (USD 45 873) and Korea (USD 45 303). The corresponding lowest levels (less than USD 20 000) were in Colombia (USD 11 961), Mexico (USD 12 414), Latvia (USD 19 077) and the Slovak Republic (USD 19 850). In the case of a one-earner married couple with two children at the average earnings level (see Table 3.11), families took home over USD 50 000 in Australia, Austria, Belgium, Germany, Iceland, Ireland, Luxembourg, the Netherlands, Switzerland and the United States; with the lowest level again being in

Mexico. With the exception of Mexico, the one-earner married couple in OECD countries took home more than the single individual (with both household types at the average wage level) due to the favourable tax treatment of this household and/or the cash transfers to which they were entitled.

Table 3.12 and Table 3.13 show the corresponding figures to Table 3.10 and Table 3.11 for labour costs and net income in 2020. Thus, the 'net' columns in Table 3.10 and Table 3.11 are identical to those in Table 3.12 and Table 3.13, respectively. Usually, labour costs are much higher than gross wages, because any employer social security contributions (including payroll taxes) are taken into account. If measured in US dollars with equal purchasing power, labour costs for single workers earning the average wage level (see Table 3.12) were highest (more than USD 80 000) in Germany (USD 84 456), Austria (USD 81 902), Switzerland (USD 81 822) and Belgium (USD 80 965), and lowest (less than USD 30 000) in Colombia (USD 11 961), Mexico (USD 15 555) and Chile (USD 24 050). Annual labour costs are equal to annual gross wage in Chile, Colombia, Denmark and New Zealand. In those countries neither compulsory employer social security contributions nor payroll taxes paid to general government are levied on wages. However, employers in Chile, Colombia and Denmark are subject to non-tax compulsory payments.

## Table 3.1. Income tax plus employee and employer contributions less cash benefits, 2020

As % of labour costs, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 23.3 | 28.4 | 34.7 | 1.2 | 20.8 | 26.3 | 28.4 | 26.3 |
| Austria | 42.7 | 47.3 | 51.0 | 19.8 | 32.0 | 37.0 | 40.2 | 45.5 |
| Belgium | 44.1 | 51.5 | 58.1 | 25.5 | 34.9 | 43.4 | 47.1 | 48.6 |
| Canada | 24.5 | 30.4 | 31.7 | -17.9 | 10.1 | 23.5 | 26.8 | 29.0 |
| Chile | 7.0 | 7.0 | 8.3 | 6.1 | 7.0 | 6.6 | 7.0 | 7.0 |
| Colombia | 0.0 | 0.0 | 0.0 | -8.0 | -5.4 | -6.4 | -5.4 | 0.0 |
| Czech Republic | 41.6 | 43.9 | 45.7 | 21.9 | 26.1 | 35.1 | 37.3 | 43.0 |
| Denmark | 32.4 | 35.2 | 40.8 | 4.0 | 25.1 | 30.5 | 32.2 | 34.1 |
| Estonia | 33.1 | 36.9 | 41.2 | 17.9 | 26.8 | 30.5 | 32.8 | 35.4 |
| Finland | 34.6 | 41.2 | 47.8 | 23.8 | 36.7 | 35.9 | 38.9 | 38.5 |
| France | 40.0 | 46.6 | 53.2 | 17.3 | 37.9 | 40.2 | 43.6 | 43.9 |
| Germany | 44.9 | 49.0 | 51.2 | 28.1 | 32.9 | 41.5 | 44.3 | 47.2 |
| Greece | 35.3 | 40.1 | 46.0 | 28.9 | 37.1 | 37.4 | 40.6 | 39.3 |
| Hungary | 43.6 | 43.6 | 43.6 | 22.6 | 30.1 | 35.6 | 36.9 | 43.6 |
| Iceland | 28.7 | 32.3 | 37.1 | 16.1 | 18.6 | 29.9 | 32.0 | 30.9 |
| Ireland | 24.1 | 32.3 | 41.2 | 1.3 | 16.1 | 24.2 | 29.1 | 28.1 |
| Israel | 15.3 | 22.4 | 32.0 | 2.7 | 19.9 | 16.0 | 19.2 | 19.1 |
| Italy | 40.0 | 46.0 | 53.7 | 23.9 | 36.4 | 40.0 | 43.4 | 43.6 |
| Japan | 31.2 | 32.7 | 35.2 | 17.4 | 27.5 | 29.7 | 30.7 | 32.1 |
| Korea | 20.0 | 23.3 | 26.1 | 13.9 | 18.3 | 19.3 | 21.0 | 22.0 |
| Latvia | 38.1 | 41.8 | 42.8 | 23.4 | 31.1 | 33.9 | 36.4 | 40.3 |
| Lithuania | 33.3 | 36.9 | 39.9 | 8.2 | 20.1 | 29.4 | 31.9 | 35.4 |
| Luxembourg | 29.9 | 37.5 | 45.1 | 6.1 | 16.3 | 25.5 | 30.4 | 32.4 |
| Mexico | 16.5 | 20.2 | 23.2 | 16.5 | 20.2 | 18.7 | 20.2 | 18.7 |
| Netherlands | 29.0 | 36.4 | 41.5 | 6.0 | 30.0 | 28.5 | 32.3 | 33.4 |
| New Zealand | 14.0 | 19.1 | 24.5 | -18.1 | 5.0 | 17.6 | 19.1 | 17.1 |
| Norway | 32.8 | 35.8 | 41.5 | 22.4 | 32.2 | 32.5 | 34.0 | 34.6 |
| Poland | 34.1 | 34.8 | 35.4 | -3.5 | 13.2 | 22.0 | 24.4 | 34.5 |
| Portugal | 37.1 | 41.3 | 46.7 | 23.4 | 30.0 | 36.4 | 38.8 | 39.4 |
| Slovak Republic | 38.8 | 41.2 | 43.2 | 28.9 | 30.1 | 36.3 | 37.9 | 40.3 |
| Slovenia | 40.1 | 42.9 | 45.9 | 14.3 | 25.5 | 35.5 | 38.6 | 41.8 |
| Spain | 35.8 | 39.3 | 43.8 | 24.5 | 33.9 | 36.3 | 37.9 | 37.9 |
| Sweden | 40.5 | 42.7 | 50.4 | 32.8 | 37.5 | 38.7 | 40.1 | 41.8 |
| Switzerland | 19.4 | 22.1 | 26.7 | 4.4 | 9.6 | 15.7 | 18.2 | 21.9 |
| Turkey | 36.4 | 39.7 | 42.9 | 35.1 | 38.2 | 37.8 | 39.2 | 38.4 |
| United Kingdom | 26.0 | 30.8 | 37.2 | 9.2 | 26.4 | 26.5 | 28.9 | 28.9 |
| United States | 24.9 | 28.3 | 34.5 | 7.0 | 14.0 | 21.3 | 24.1 | 26.2 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **30.6** | **34.6** | **39.0** | **13.7** | **24.4** | **28.9** | **31.3** | **33.0** |
| **OECD-EU 22** | **37.0** | **41.3** | **45.8** | **18.2** | **29.1** | **34.3** | **37.1** | **39.5** |

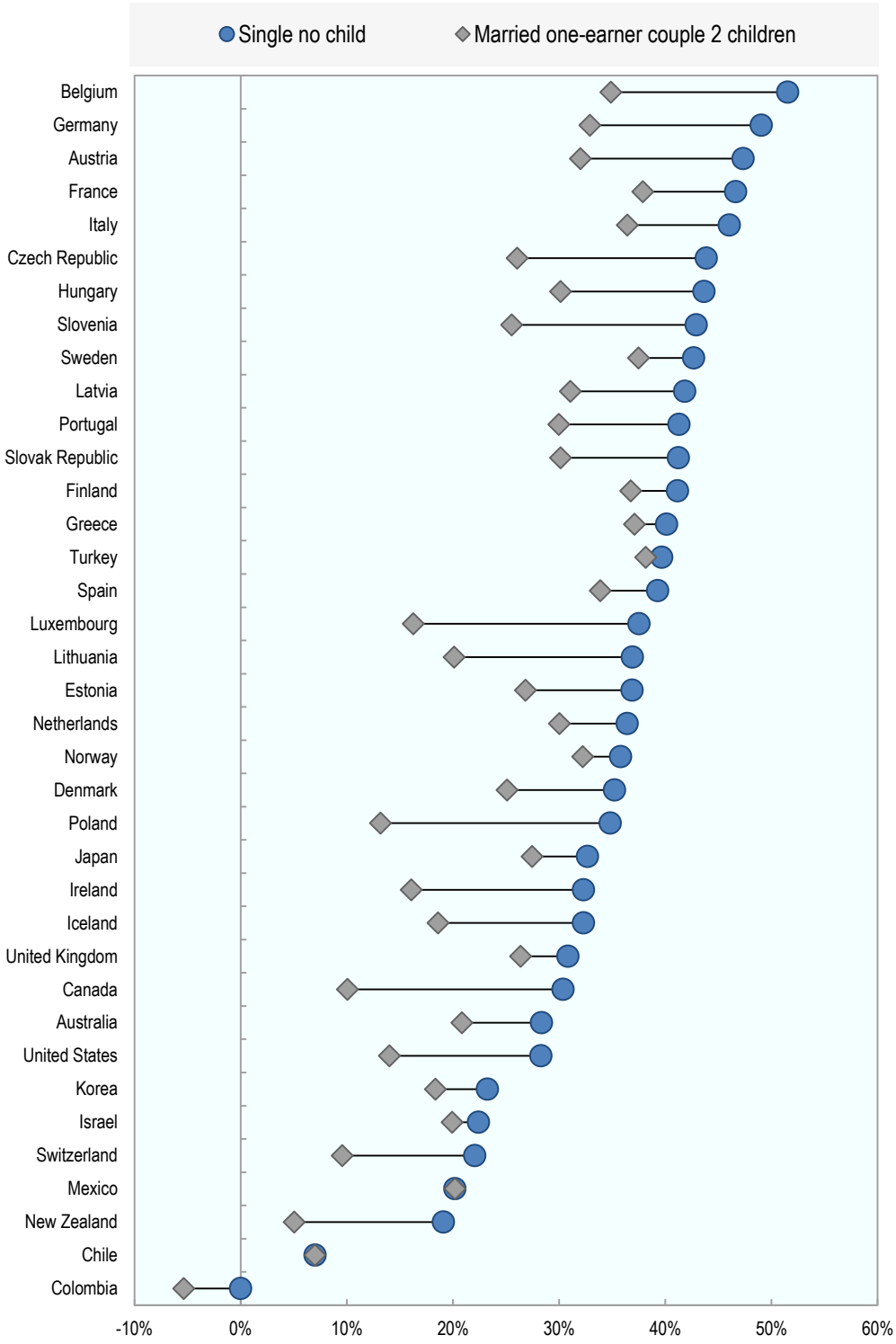
Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/905243

## Figure 3.1. Income tax plus employee and employer contributions less cash benefits, 2020

As a % of labour costs, by household type




Note: The household type 'single no child' corresponds to a wage level of 100% of average wage. The household 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 2020 issue 2.

StatLink https://stat.link/jgsbfa

## Table 3.2. Income tax plus employee contributions, 2020

As % of gross wage earnings, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 18.7 | 24.1 | 30.8 | 18.7 | 24.1 | 21.9 | 24.1 | 21.9 |
| Austria | 26.7 | 32.6 | 38.0 | 15.4 | 25.0 | 26.5 | 29.5 | 30.2 |
| Belgium | 30.1 | 38.4 | 46.8 | 23.9 | 25.8 | 33.5 | 36.9 | 35.1 |
| Canada | 19.1 | 23.2 | 26.5 | 10.7 | 18.7 | 21.6 | 23.2 | 21.6 |
| Chile | 7.0 | 7.0 | 8.3 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 21.9 | 24.9 | 27.4 | 3.6 | 6.5 | 16.3 | 18.8 | 23.7 |
| Denmark | 32.6 | 35.3 | 40.8 | 30.8 | 31.4 | 34.2 | 35.3 | 34.2 |
| Estonia | 10.5 | 15.6 | 21.3 | 7.2 | 10.7 | 12.2 | 14.5 | 13.5 |
| Finland | 22.3 | 30.2 | 38.0 | 22.3 | 30.2 | 27.0 | 30.2 | 27.0 |
| France | 23.3 | 27.3 | 33.4 | 20.8 | 20.8 | 23.0 | 25.2 | 25.5 |
| Germany | 34.0 | 38.9 | 43.3 | 13.9 | 19.6 | 29.9 | 33.2 | 36.7 |
| Greece | 19.4 | 25.4 | 32.8 | 18.6 | 26.0 | 23.7 | 26.0 | 24.3 |
| Hungary | 33.5 | 33.5 | 33.5 | 19.2 | 23.9 | 27.8 | 28.7 | 33.5 |
| Iceland | 24.2 | 28.0 | 33.1 | 24.2 | 20.9 | 26.5 | 28.0 | 26.5 |
| Ireland | 15.7 | 24.8 | 34.7 | 10.5 | 14.0 | 20.1 | 24.8 | 20.1 |
| Israel | 11.4 | 18.0 | 27.6 | 4.1 | 18.0 | 13.1 | 15.9 | 14.9 |
| Italy | 21.0 | 29.0 | 39.0 | 13.2 | 22.0 | 22.8 | 26.6 | 25.8 |
| Japan | 20.6 | 22.3 | 26.1 | 20.6 | 21.0 | 21.6 | 22.3 | 21.6 |
| Korea | 11.4 | 15.0 | 18.9 | 9.8 | 13.0 | 12.7 | 14.3 | 13.5 |
| Latvia | 23.1 | 27.8 | 29.0 | 11.0 | 18.5 | 20.4 | 23.2 | 25.9 |
| Lithuania | 32.1 | 35.8 | 38.8 | 32.1 | 35.8 | 34.3 | 35.8 | 34.3 |
| Luxembourg | 20.3 | 28.9 | 37.5 | 12.8 | 17.9 | 23.1 | 27.3 | 23.1 |
| Mexico | 4.9 | 10.8 | 15.4 | 4.9 | 10.8 | 8.4 | 10.8 | 8.4 |
| Netherlands | 20.3 | 28.7 | 36.8 | 12.5 | 27.7 | 22.2 | 26.1 | 25.4 |
| New Zealand | 14.0 | 19.1 | 24.5 | 15.2 | 19.1 | 17.6 | 19.1 | 17.1 |
| Norway | 24.0 | 27.5 | 33.9 | 21.3 | 27.5 | 26.1 | 27.5 | 26.1 |
| Poland | 23.3 | 24.1 | 24.8 | 16.5 | 19.6 | 21.6 | 22.3 | 23.8 |
| Portugal | 22.1 | 27.4 | 34.1 | 12.9 | 16.8 | 21.3 | 24.3 | 25.0 |
| Slovak Republic | 20.4 | 23.5 | 26.0 | 14.2 | 13.6 | 19.8 | 21.4 | 22.2 |
| Slovenia | 30.5 | 33.7 | 37.2 | 24.5 | 25.9 | 28.9 | 30.8 | 32.4 |
| Spain | 16.6 | 21.1 | 26.9 | 1.9 | 14.1 | 17.2 | 19.4 | 19.3 |
| Sweden | 21.8 | 24.7 | 34.8 | 21.8 | 24.7 | 23.5 | 24.7 | 23.5 |
| Switzerland | 14.3 | 17.1 | 22.0 | 8.6 | 10.7 | 14.5 | 16.4 | 16.9 |
| Turkey | 25.3 | 29.1 | 33.0 | 23.7 | 27.3 | 26.9 | 28.6 | 27.6 |
| United Kingdom | 19.0 | 23.3 | 29.6 | 7.1 | 22.7 | 21.6 | 23.3 | 21.6 |
| United States | 21.6 | 24.4 | 29.2 | 4.6 | 12.6 | 18.1 | 20.7 | 22.5 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **20.5** | **24.9** | **30.1** | **14.6** | **19.6** | **21.3** | **23.4** | **23.0** |
| **OECD-EU 22** | **23.7** | **28.7** | **34.3** | **16.4** | **21.4** | **24.1** | **26.6** | **26.6** |

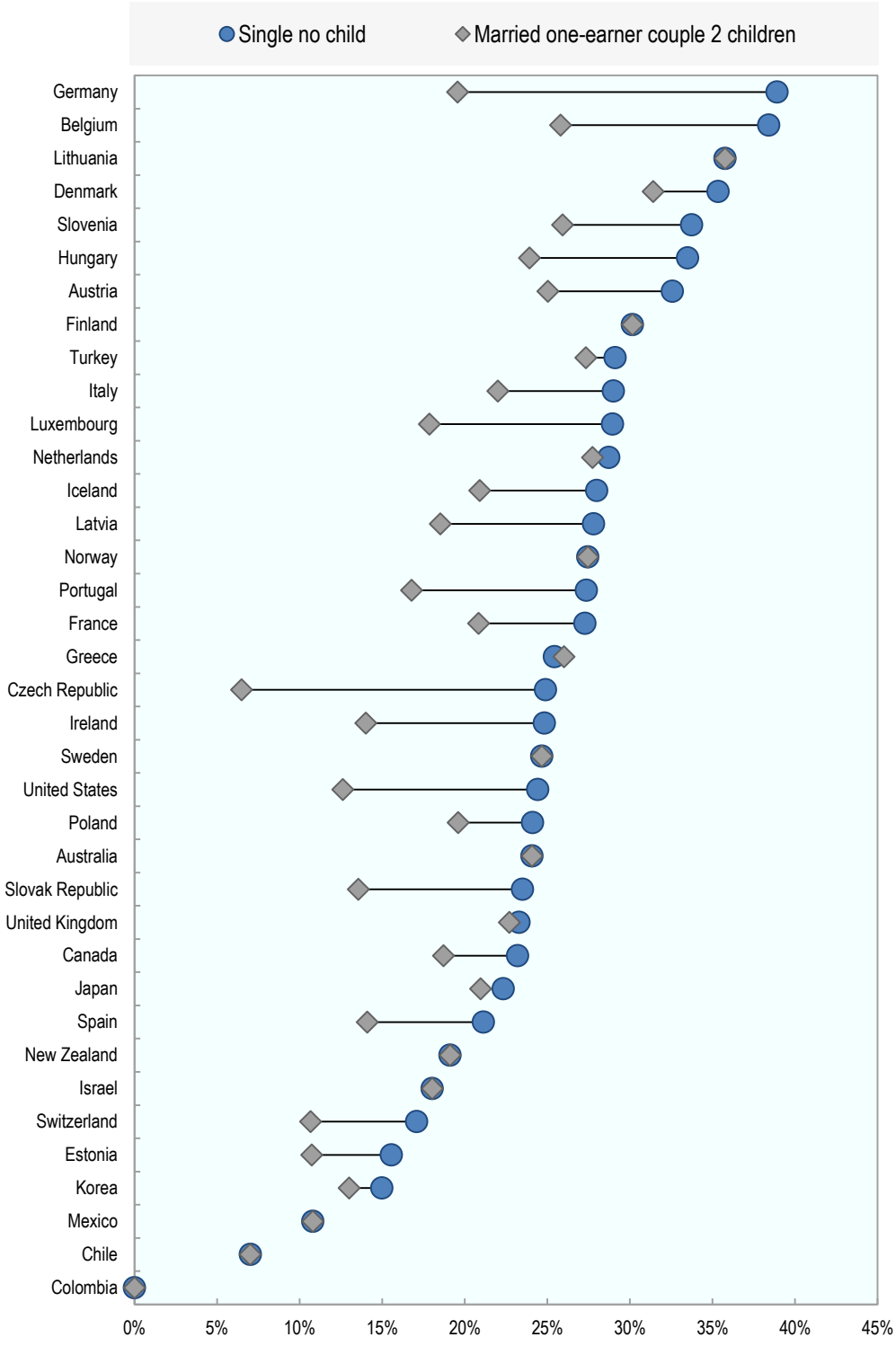
Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/fzbh1s

## Figure 3.2. Income tax plus employee contributions, 2020

As % of gross wage earnings, by household type and wage level




Note: The household type 'single no child' corresponds to a wage level of 100% of average wage. The household 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 2020 issue 2.

StatLink https://stat.link/njguh9

## Table 3.3. Income tax plus employee contributions less cash benefits, 2020

As % of gross wage earnings, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 18.7 | 24.1 | 30.8 | -4.7 | 16.1 | 21.9 | 24.1 | 21.9 |
| Austria | 26.7 | 32.6 | 38.0 | -2.6 | 12.9 | 19.3 | 23.4 | 30.2 |
| Belgium | 30.1 | 38.4 | 46.8 | 6.9 | 17.2 | 28.5 | 32.7 | 35.1 |
| Canada | 16.7 | 23.2 | 26.5 | -30.1 | 0.7 | 15.6 | 19.2 | 21.6 |
| Chile | 7.0 | 7.0 | 8.3 | 6.1 | 7.0 | 6.6 | 7.0 | 7.0 |
| Colombia | 0.0 | 0.0 | 0.0 | -8.0 | -5.4 | -6.4 | -5.4 | 0.0 |
| Czech Republic | 21.9 | 24.9 | 27.4 | -4.5 | 1.1 | 13.1 | 16.1 | 23.7 |
| Denmark | 32.4 | 35.2 | 40.8 | 4.0 | 25.1 | 30.5 | 32.2 | 34.1 |
| Estonia | 10.5 | 15.6 | 21.3 | -9.8 | 2.1 | 7.0 | 10.1 | 13.5 |
| Finland | 22.3 | 30.2 | 38.0 | 9.6 | 24.9 | 23.9 | 27.5 | 27.0 |
| France | 23.3 | 27.3 | 33.4 | -5.7 | 15.3 | 20.6 | 23.2 | 25.5 |
| Germany | 34.0 | 38.9 | 43.3 | 13.9 | 19.6 | 29.9 | 33.2 | 36.7 |
| Greece | 19.4 | 25.4 | 32.8 | 11.4 | 21.7 | 22.0 | 26.0 | 24.3 |
| Hungary | 33.5 | 33.5 | 33.5 | 8.6 | 17.6 | 24.0 | 25.5 | 33.5 |
| Iceland | 24.2 | 28.0 | 33.1 | 10.7 | 13.4 | 25.5 | 27.7 | 26.5 |
| Ireland | 15.7 | 24.8 | 34.7 | -9.6 | 6.8 | 15.8 | 21.2 | 20.1 |
| Israel | 11.4 | 18.0 | 27.6 | -1.8 | 15.4 | 11.6 | 14.6 | 14.9 |
| Italy | 21.0 | 29.0 | 39.0 | -0.1 | 16.4 | 21.1 | 25.6 | 25.8 |
| Japan | 20.6 | 22.3 | 26.1 | 4.7 | 16.3 | 18.9 | 20.0 | 21.6 |
| Korea | 11.4 | 15.0 | 18.9 | 4.6 | 9.5 | 10.6 | 12.5 | 13.5 |
| Latvia | 23.1 | 27.8 | 29.0 | 4.9 | 14.4 | 17.9 | 21.1 | 25.9 |
| Lithuania | 32.1 | 35.8 | 38.8 | 6.6 | 18.7 | 28.2 | 30.7 | 34.3 |
| Luxembourg | 20.3 | 28.9 | 37.5 | -6.8 | 4.7 | 15.2 | 20.8 | 23.1 |
| Mexico | 4.9 | 10.8 | 15.4 | 4.9 | 10.8 | 8.4 | 10.8 | 8.4 |
| Netherlands | 20.3 | 28.7 | 36.8 | -5.5 | 21.6 | 19.9 | 24.1 | 25.4 |
| New Zealand | 14.0 | 19.1 | 24.5 | -18.1 | 5.0 | 17.6 | 19.1 | 17.1 |
| Norway | 24.0 | 27.5 | 33.9 | 12.3 | 23.4 | 23.7 | 25.4 | 26.1 |
| Poland | 23.3 | 24.1 | 24.8 | -20.5 | -1.1 | 9.2 | 11.9 | 23.8 |
| Portugal | 22.1 | 27.4 | 34.1 | 5.3 | 13.3 | 21.3 | 24.3 | 25.0 |
| Slovak Republic | 20.4 | 23.5 | 26.0 | 7.4 | 9.0 | 17.1 | 19.2 | 22.2 |
| Slovenia | 30.5 | 33.7 | 37.2 | 0.5 | 13.5 | 25.1 | 28.7 | 32.4 |
| Spain | 16.6 | 21.1 | 26.9 | 1.9 | 14.1 | 17.2 | 19.4 | 19.3 |
| Sweden | 21.8 | 24.7 | 34.8 | 11.6 | 17.8 | 19.4 | 21.2 | 23.5 |
| Switzerland | 14.3 | 17.1 | 22.0 | -1.7 | 3.8 | 10.4 | 13.0 | 16.9 |
| Turkey | 25.3 | 29.1 | 33.0 | 23.7 | 27.3 | 26.9 | 28.6 | 27.6 |
| United Kingdom | 19.0 | 23.3 | 29.6 | 0.6 | 18.3 | 19.0 | 21.1 | 21.6 |
| United States | 18.6 | 22.4 | 29.2 | -0.8 | 7.0 | 14.7 | 17.9 | 20.1 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **20.3** | **24.8** | **30.1** | **0.8** | **12.9** | **18.1** | **20.9** | **23.0** |
| **OECD-EU 22** | **23.7** | **28.7** | **34.3** | **1.3** | **13.9** | **20.3** | **23.6** | **26.6** |

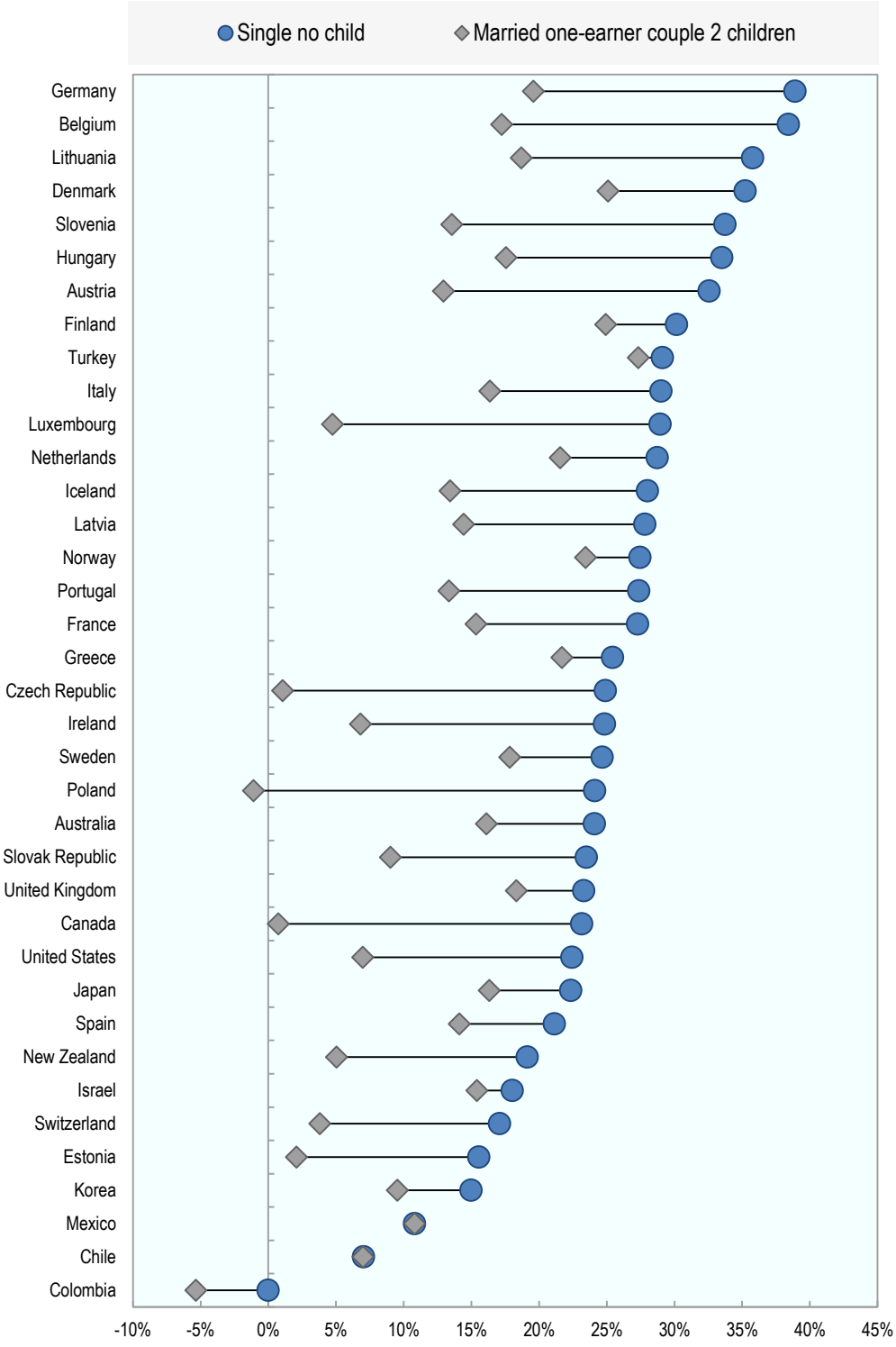
Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/rjfizy

## Figure 3.3. Income tax plus employee contributions less cash benefits, 2020

As % of gross wage earnings, by household type and wage level




Note: The household type 'single no child' corresponds to a wage level of 100% of average wage. The household 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 2020 issue 2.

StatLink https://stat.link/23eykl

## Table 3.4. Income tax, 2020

As % of gross wage earnings, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 18.7 | 24.1 | 30.8 | 18.7 | 24.1 | 21.9 | 24.1 | 21.9 |
| Austria | 8.7 | 14.6 | 21.3 | -2.6 | 7.1 | 8.5 | 11.5 | 12.2 |
| Belgium | 16.2 | 24.5 | 32.8 | 10.0 | 11.8 | 19.5 | 23.1 | 21.2 |
| Canada | 11.6 | 15.7 | 21.8 | 3.2 | 11.2 | 14.1 | 15.7 | 14.1 |
| Chile | 0.0 | 0.0 | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 10.9 | 13.9 | 16.4 | -7.4 | -4.5 | 5.3 | 7.8 | 12.7 |
| Denmark | 32.6 | 35.3 | 40.8 | 30.8 | 31.4 | 34.2 | 35.3 | 34.2 |
| Estonia | 8.9 | 14.0 | 19.7 | 5.6 | 9.1 | 10.6 | 12.9 | 11.9 |
| Finland | 12.4 | 20.0 | 27.8 | 12.4 | 20.0 | 16.9 | 20.0 | 16.9 |
| France | 12.0 | 16.0 | 22.4 | 9.5 | 9.5 | 11.7 | 13.9 | 14.2 |
| Germany | 13.9 | 18.8 | 27.1 | -6.0 | -0.3 | 10.0 | 13.3 | 16.6 |
| Greece | 3.9 | 9.9 | 17.3 | 3.1 | 10.5 | 8.2 | 10.5 | 8.8 |
| Hungary | 15.0 | 15.0 | 15.0 | 0.7 | 5.4 | 9.3 | 10.2 | 15.0 |
| Iceland | 23.7 | 27.7 | 32.9 | 23.7 | 20.6 | 26.1 | 27.7 | 26.1 |
| Ireland | 11.7 | 20.8 | 30.7 | 6.5 | 10.0 | 16.1 | 20.8 | 16.1 |
| Israel | 5.5 | 10.1 | 18.1 | -1.8 | 10.1 | 6.1 | 8.0 | 7.8 |
| Italy | 11.5 | 19.5 | 29.5 | 3.7 | 12.5 | 13.3 | 17.2 | 16.3 |
| Japan | 6.2 | 7.9 | 12.9 | 6.2 | 6.5 | 7.2 | 7.9 | 7.2 |
| Korea | 2.4 | 6.0 | 10.9 | 0.8 | 4.0 | 3.7 | 5.3 | 4.6 |
| Latvia | 12.1 | 16.8 | 18.0 | 0.0 | 7.5 | 9.4 | 12.2 | 14.9 |
| Lithuania | 12.6 | 16.3 | 19.3 | 12.6 | 16.3 | 14.8 | 16.3 | 14.8 |
| Luxembourg | 8.0 | 16.7 | 25.2 | 0.6 | 5.6 | 10.8 | 15.0 | 10.8 |
| Mexico | 3.7 | 9.4 | 13.9 | 3.7 | 9.4 | 7.1 | 9.4 | 7.1 |
| Netherlands | 5.7 | 16.2 | 26.9 | 3.6 | 16.0 | 11.2 | 15.6 | 12.0 |
| New Zealand | 14.0 | 19.1 | 24.5 | 15.2 | 19.1 | 17.6 | 19.1 | 17.1 |
| Norway | 15.8 | 19.3 | 25.7 | 13.1 | 19.3 | 17.9 | 19.3 | 17.9 |
| Poland | 5.4 | 6.3 | 7.0 | -1.3 | 1.8 | 3.8 | 4.5 | 5.9 |
| Portugal | 11.1 | 16.4 | 23.1 | 1.9 | 5.8 | 10.3 | 13.3 | 14.0 |
| Slovak Republic | 7.0 | 10.1 | 12.6 | 0.8 | 0.2 | 6.4 | 8.0 | 8.8 |
| Slovenia | 8.4 | 11.6 | 15.1 | 2.4 | 3.8 | 6.8 | 8.7 | 10.3 |
| Spain | 10.2 | 14.8 | 20.6 | -4.4 | 7.8 | 10.9 | 13.0 | 13.0 |
| Sweden | 14.9 | 17.7 | 29.9 | 14.9 | 17.7 | 16.5 | 17.7 | 16.5 |
| Switzerland | 7.9 | 10.7 | 15.6 | 2.2 | 4.3 | 8.1 | 10.0 | 10.5 |
| Turkey | 10.3 | 14.1 | 18.0 | 8.7 | 12.3 | 11.9 | 13.6 | 12.6 |
| United Kingdom | 11.1 | 14.0 | 22.1 | -0.8 | 13.4 | 12.8 | 14.0 | 12.8 |
| United States | 13.9 | 16.8 | 21.6 | -3.0 | 5.0 | 10.5 | 13.1 | 14.9 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **10.8** | **15.1** | **20.8** | **5.1** | **9.8** | **11.6** | **13.7** | **13.3** |
| **OECD-EU 22** | **11.5** | **16.6** | **22.7** | **4.4** | **9.3** | **12.0** | **14.6** | **14.4** |

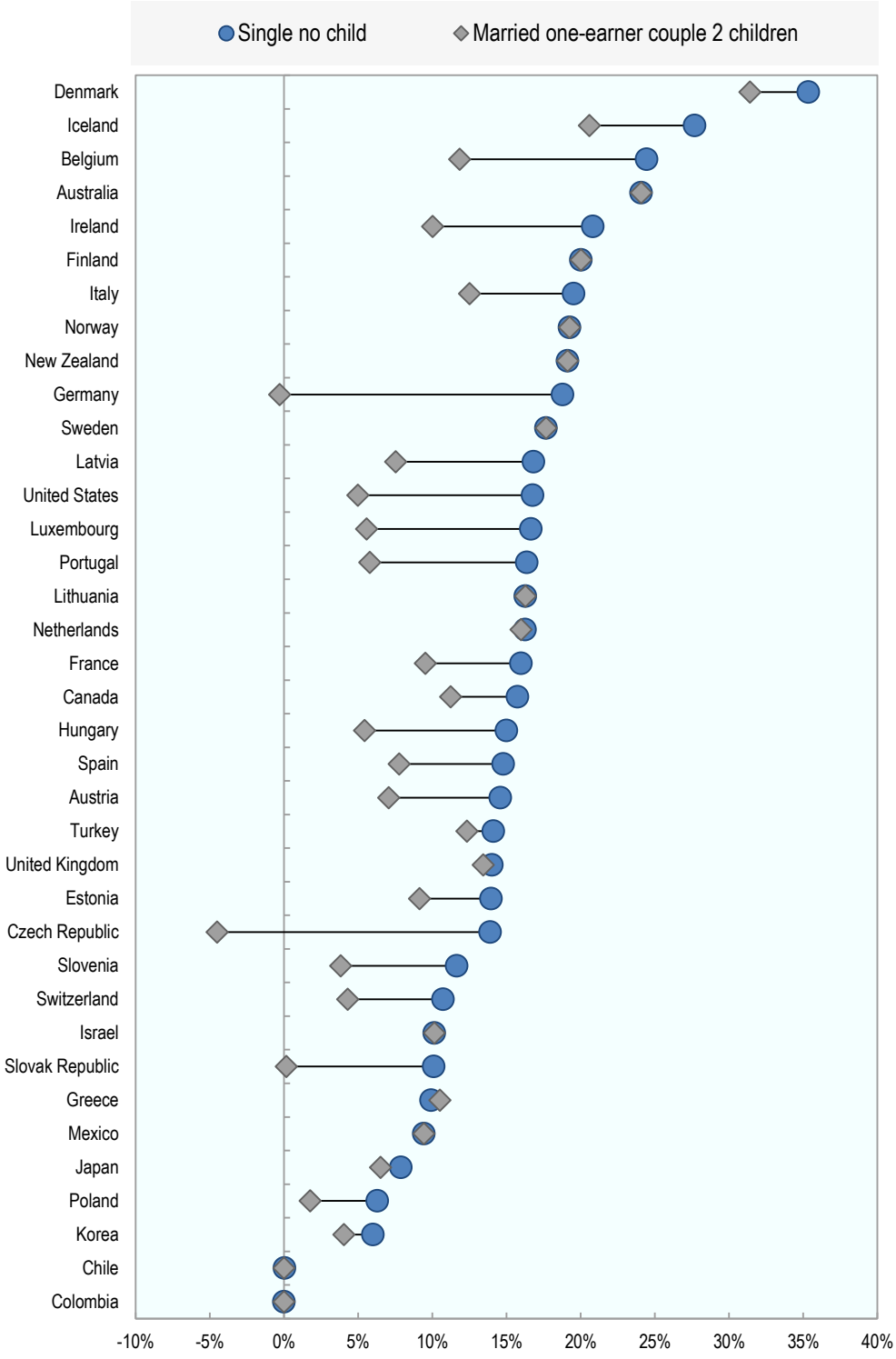
Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/xg93vh

## Figure 3.4. Income tax, by household type, 2020

As % of gross wage earnings




Note: The household type 'single no child' corresponds to a wage level of 100% of average wage. The household 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 2020 issue 2.

StatLink https://stat.link/nqltx4

## Table 3.5. Employee contributions, 2020

As % of gross wage earnings, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Austria | 18.0 | 18.0 | 16.6 | 18.0 | 18.0 | 18.0 | 18.0 | 18.0 |
| Belgium | 13.8 | 14.0 | 14.0 | 13.8 | 14.0 | 14.0 | 13.8 | 14.0 |
| Canada | 7.5 | 7.5 | 4.7 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 |
| Chile | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 |
| Denmark | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Estonia | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| Finland | 10.0 | 10.2 | 10.2 | 10.0 | 10.2 | 10.1 | 10.2 | 10.1 |
| France | 11.3 | 11.3 | 11.0 | 11.3 | 11.3 | 11.3 | 11.3 | 11.3 |
| Germany | 20.1 | 20.1 | 16.2 | 19.9 | 19.9 | 19.9 | 19.9 | 20.1 |
| Greece | 15.5 | 15.5 | 15.5 | 15.5 | 15.5 | 15.5 | 15.5 | 15.5 |
| Hungary | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 |
| Iceland | 0.5 | 0.3 | 0.2 | 0.5 | 0.3 | 0.4 | 0.3 | 0.4 |
| Ireland | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Israel | 5.9 | 7.9 | 9.5 | 5.9 | 7.9 | 7.1 | 7.9 | 7.1 |
| Italy | 9.5 | 9.5 | 9.6 | 9.5 | 9.5 | 9.5 | 9.5 | 9.5 |
| Japan | 14.5 | 14.5 | 13.2 | 14.5 | 14.5 | 14.5 | 14.5 | 14.5 |
| Korea | 9.0 | 9.0 | 8.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 |
| Latvia | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 |
| Lithuania | 19.5 | 19.5 | 19.5 | 19.5 | 19.5 | 19.5 | 19.5 | 19.5 |
| Luxembourg | 12.2 | 12.3 | 12.4 | 12.2 | 12.3 | 12.3 | 12.3 | 12.3 |
| Mexico | 1.3 | 1.4 | 1.5 | 1.3 | 1.4 | 1.3 | 1.4 | 1.3 |
| Netherlands | 14.7 | 12.5 | 9.9 | 8.9 | 11.8 | 11.0 | 10.5 | 13.4 |
| 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 | 6.4 | 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 | 6.4 | 6.4 | 6.4 | 6.4 | 6.4 | 6.4 | 6.4 | 6.4 |
| Turkey | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| United Kingdom | 7.9 | 9.3 | 7.5 | 7.9 | 9.3 | 8.7 | 9.3 | 8.7 |
| United States | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **9.7** | **9.7** | **9.3** | **9.5** | **9.7** | **9.7** | **9.7** | **9.7** |
| **OECD-EU 22** | **12.2** | **12.1** | **11.7** | **11.9** | **12.1** | **12.0** | **12.0** | **12.2** |

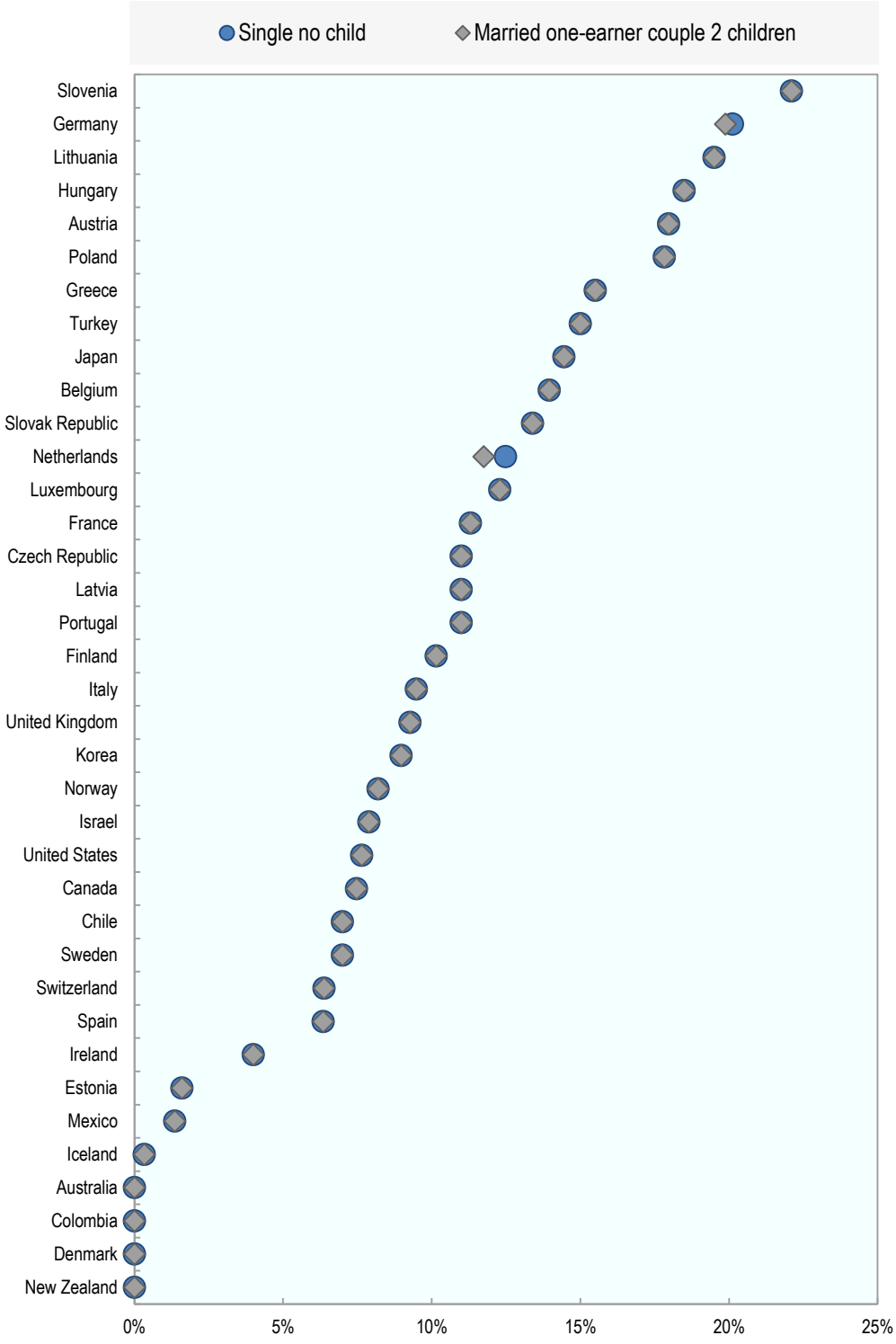
Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/0mvs8d

## Figure 3.5. Employee contributions, 2020

As % of gross wage earnings, by household type




Note: The household type 'single no child' corresponds to a wage level of 100% of average wage. The household 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 2020 issue 2.

StatLink https://stat.link/saml41

## Table 3.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, 2020

As % of labour costs, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 39.6 | 45.3 | 42.4 | 58.5 | 45.3 | 45.3 | 45.3 | 45.3 |
| Austria | 55.7 | 59.5 | 40.9 | 55.7 | 59.5 | 59.5 | 59.5 | 59.5 |
| Belgium | 65.3 | 65.1 | 67.8 | 65.3 | 60.7 | 65.1 | 64.2 | 65.1 |
| Canada | 47.2 | 43.6 | 39.1 | 56.9 | 75.2 | 44.3 | 44.3 | 39.1 |
| Chile | 7.0 | 10.2 | 10.2 | 7.0 | 7.0 | 7.0 | 7.0 | 10.2 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 48.5 | 48.5 | 48.5 | 48.5 | 48.5 | 48.5 | 48.5 | 48.5 |
| Denmark | 38.7 | 41.7 | 55.5 | 36.9 | 41.7 | 41.7 | 41.7 | 41.7 |
| Estonia | 41.2 | 49.5 | 41.2 | 41.2 | 49.5 | 49.5 | 49.5 | 49.5 |
| Finland | 44.9 | 55.0 | 58.1 | 44.9 | 55.0 | 55.0 | 55.0 | 55.0 |
| France | 64.6 | 58.2 | 59.4 | 74.6 | 64.5 | 50.6 | 58.2 | 47.9 |
| Germany | 55.1 | 59.6 | 44.3 | 52.6 | 51.8 | 57.1 | 59.4 | 57.3 |
| Greece | 47.1 | 49.9 | 55.9 | 47.1 | 49.9 | 49.9 | 49.9 | 49.9 |
| Hungary | 43.6 | 43.6 | 43.6 | 43.6 | 43.6 | 43.6 | 43.6 | 43.6 |
| Iceland | 39.5 | 39.5 | 47.7 | 49.9 | 48.6 | 46.3 | 39.5 | 39.5 |
| Ireland | 35.6 | 53.6 | 56.8 | 74.2 | 53.6 | 53.6 | 53.6 | 53.6 |
| Israel | 31.2 | 36.8 | 50.7 | 34.4 | 36.8 | 36.8 | 36.8 | 36.8 |
| Italy | 54.7 | 54.7 | 62.9 | 55.9 | 55.9 | 55.3 | 55.3 | 54.7 |
| Japan | 33.1 | 37.3 | 37.0 | 52.4 | 37.3 | 37.3 | 37.3 | 37.3 |
| Korea | 29.2 | 30.7 | 32.6 | 22.9 | 30.7 | 30.7 | 30.7 | 30.7 |
| Latvia | 49.5 | 49.5 | 45.0 | 28.3 | 49.5 | 49.5 | 49.5 | 49.5 |
| Lithuania | 44.3 | 44.3 | 44.3 | 44.3 | 44.3 | 44.3 | 44.3 | 44.3 |
| Luxembourg | 44.8 | 57.0 | 55.7 | 49.1 | 39.4 | 51.1 | 57.0 | 51.1 |
| Mexico | 17.5 | 25.2 | 28.4 | 17.5 | 25.2 | 25.2 | 25.2 | 25.2 |
| Netherlands | 51.6 | 51.6 | 51.8 | 57.2 | 57.2 | 51.6 | 51.6 | 51.6 |
| New Zealand | 17.5 | 30.0 | 33.0 | 42.5 | 55.0 | 30.0 | 30.0 | 30.0 |
| Norway | 41.9 | 41.9 | 52.6 | 41.9 | 41.9 | 41.9 | 41.9 | 41.9 |
| Poland | 36.3 | 36.3 | 36.3 | 96.9 | 36.3 | 36.3 | 36.3 | 36.3 |
| Portugal | 46.7 | 51.1 | 58.0 | 46.7 | 46.7 | 51.1 | 51.1 | 51.1 |
| Slovak Republic | 46.1 | 46.1 | 46.1 | 46.1 | 46.1 | 46.1 | 46.1 | 46.1 |
| Slovenia | 43.6 | 50.3 | 50.3 | 43.6 | 43.6 | 43.6 | 43.6 | 50.3 |
| Spain | 44.6 | 48.3 | 54.1 | 44.6 | 46.1 | 48.3 | 48.3 | 48.3 |
| Sweden | 45.3 | 48.5 | 66.0 | 45.3 | 48.5 | 48.5 | 48.5 | 48.5 |
| Switzerland | 26.5 | 30.3 | 36.7 | 19.0 | 22.2 | 29.5 | 32.8 | 30.3 |
| Turkey | 42.8 | 47.8 | 47.8 | 42.8 | 47.8 | 47.8 | 47.8 | 47.8 |
| United Kingdom | 40.2 | 40.2 | 49.0 | 76.3 | 40.2 | 40.2 | 40.2 | 40.2 |
| United States | 31.5 | 40.8 | 42.7 | 52.3 | 31.5 | 31.5 | 40.8 | 31.5 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **40.3** | **43.8** | **45.7** | **46.4** | **44.2** | **43.1** | **43.6** | **43.0** |
| **OECD-EU 22** | **47.6** | **51.0** | **51.9** | **51.9** | **49.6** | **50.0** | **50.7** | **50.2** |

Note: ch = children

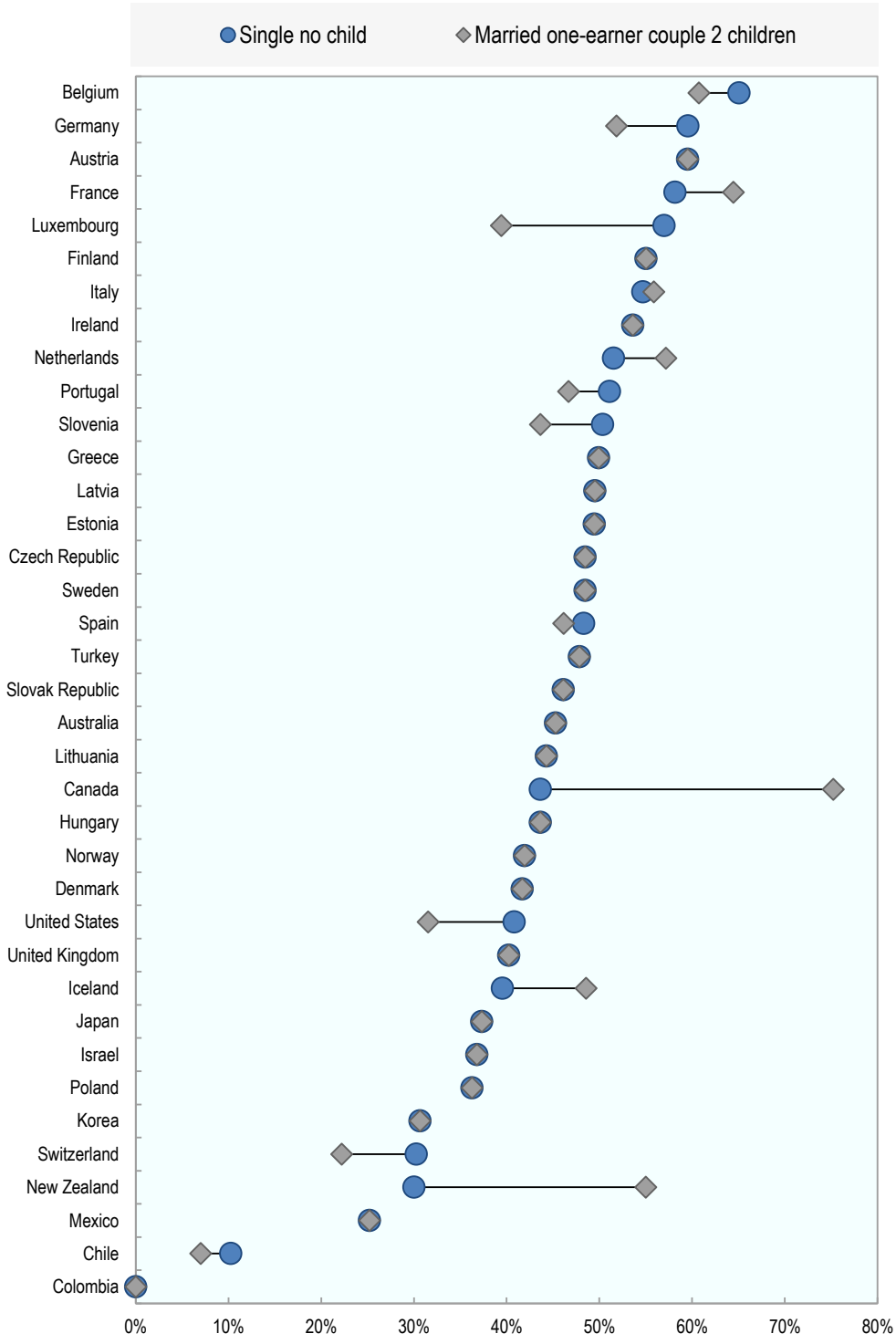
It is assumed that gross earnings of the principal earner in the household rise. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

1. Two-earner couple.

StatLink https://stat.link/u1brga

## Figure 3.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, 2020

As % of labour costs, by household type




Note: The household type 'single no child' corresponds to a wage level of 100% of average wage. The household 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 2020 issue 2.

StatLink https://stat.link/bv07ez

## Table 3.7. Marginal rate of income tax plus employee contributions less cash benefits, 2020

As % of gross wage earnings, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 36.0 | 42.0 | 39.0 | 56.0 | 42.0 | 42.0 | 42.0 | 42.0 |
| Austria | 43.3 | 48.2 | 36.9 | 43.3 | 48.2 | 48.2 | 48.2 | 48.2 |
| Belgium | 51.0 | 55.6 | 59.1 | 51.0 | 50.1 | 55.6 | 54.5 | 55.6 |
| Canada | 41.5 | 38.8 | 37.9 | 52.2 | 73.1 | 39.5 | 39.5 | 33.8 |
| Chile | 7.0 | 10.2 | 10.2 | 7.0 | 7.0 | 7.0 | 7.0 | 10.2 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 |
| Denmark | 38.7 | 41.7 | 55.5 | 36.9 | 41.7 | 41.7 | 41.7 | 41.7 |
| Estonia | 21.3 | 32.4 | 21.3 | 21.3 | 32.4 | 32.4 | 32.4 | 32.4 |
| Finland | 34.6 | 46.6 | 50.2 | 34.6 | 46.6 | 46.6 | 46.6 | 46.6 |
| France | 32.6 | 43.0 | 42.2 | 51.6 | 51.6 | 32.6 | 43.0 | 29.0 |
| Germany | 46.2 | 51.5 | 44.3 | 43.2 | 42.3 | 48.6 | 51.3 | 48.9 |
| Greece | 34.1 | 37.6 | 45.1 | 34.1 | 37.6 | 37.6 | 37.6 | 37.6 |
| Hungary | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 |
| Iceland | 35.7 | 35.7 | 44.4 | 46.7 | 45.3 | 42.9 | 35.7 | 35.7 |
| Ireland | 28.5 | 48.5 | 52.0 | 71.4 | 48.5 | 48.5 | 48.5 | 48.5 |
| Israel | 26.0 | 32.0 | 47.0 | 29.4 | 32.0 | 32.0 | 32.0 | 32.0 |
| Italy | 40.4 | 40.4 | 51.2 | 42.0 | 42.0 | 41.2 | 41.2 | 40.4 |
| Japan | 22.8 | 27.7 | 33.1 | 45.1 | 27.7 | 27.7 | 27.7 | 27.7 |
| Korea | 21.5 | 23.2 | 28.4 | 14.6 | 23.2 | 23.2 | 23.2 | 23.2 |
| Latvia | 37.4 | 37.4 | 31.8 | 11.0 | 37.4 | 37.4 | 37.4 | 37.4 |
| Lithuania | 43.3 | 43.3 | 43.3 | 43.3 | 43.3 | 43.3 | 43.3 | 43.3 |
| Luxembourg | 37.2 | 51.1 | 49.6 | 42.1 | 31.1 | 44.4 | 51.1 | 44.4 |
| Mexico | 12.1 | 19.5 | 22.9 | 12.1 | 19.5 | 19.5 | 19.5 | 19.5 |
| Netherlands | 45.8 | 45.8 | 51.8 | 52.1 | 52.1 | 45.8 | 45.8 | 45.8 |
| New Zealand | 17.5 | 30.0 | 33.0 | 42.5 | 55.0 | 30.0 | 30.0 | 30.0 |
| Norway | 34.4 | 34.4 | 46.4 | 34.4 | 34.4 | 34.4 | 34.4 | 34.4 |
| Poland | 25.8 | 25.8 | 25.8 | 96.3 | 25.8 | 25.8 | 25.8 | 25.8 |
| Portugal | 34.0 | 39.5 | 48.0 | 34.0 | 34.0 | 39.5 | 39.5 | 39.5 |
| Slovak Republic | 29.9 | 29.9 | 29.9 | 29.9 | 29.9 | 29.9 | 29.9 | 29.9 |
| Slovenia | 34.6 | 42.4 | 42.4 | 34.6 | 34.6 | 34.6 | 34.6 | 42.4 |
| Spain | 28.1 | 32.9 | 40.4 | 28.1 | 30.0 | 32.9 | 32.9 | 32.9 |
| Sweden | 28.1 | 32.3 | 55.3 | 28.1 | 32.3 | 32.3 | 32.3 | 32.3 |
| Switzerland | 21.8 | 25.8 | 32.7 | 13.9 | 17.3 | 25.0 | 28.5 | 25.9 |
| Turkey | 32.8 | 38.7 | 38.7 | 32.8 | 38.7 | 38.7 | 38.7 | 38.7 |
| United Kingdom | 32.0 | 32.0 | 42.0 | 73.0 | 32.0 | 32.0 | 32.0 | 32.0 |
| United States | 26.3 | 36.3 | 38.3 | 48.6 | 26.3 | 26.3 | 36.3 | 26.3 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **31.0** | **35.6** | **38.8** | **37.9** | **35.9** | **34.7** | **35.4** | **34.5** |
| **OECD-EU 22** | **35.4** | **40.5** | **42.8** | **40.6** | **38.9** | **39.2** | **40.1** | **39.4** |

Note: ch = children

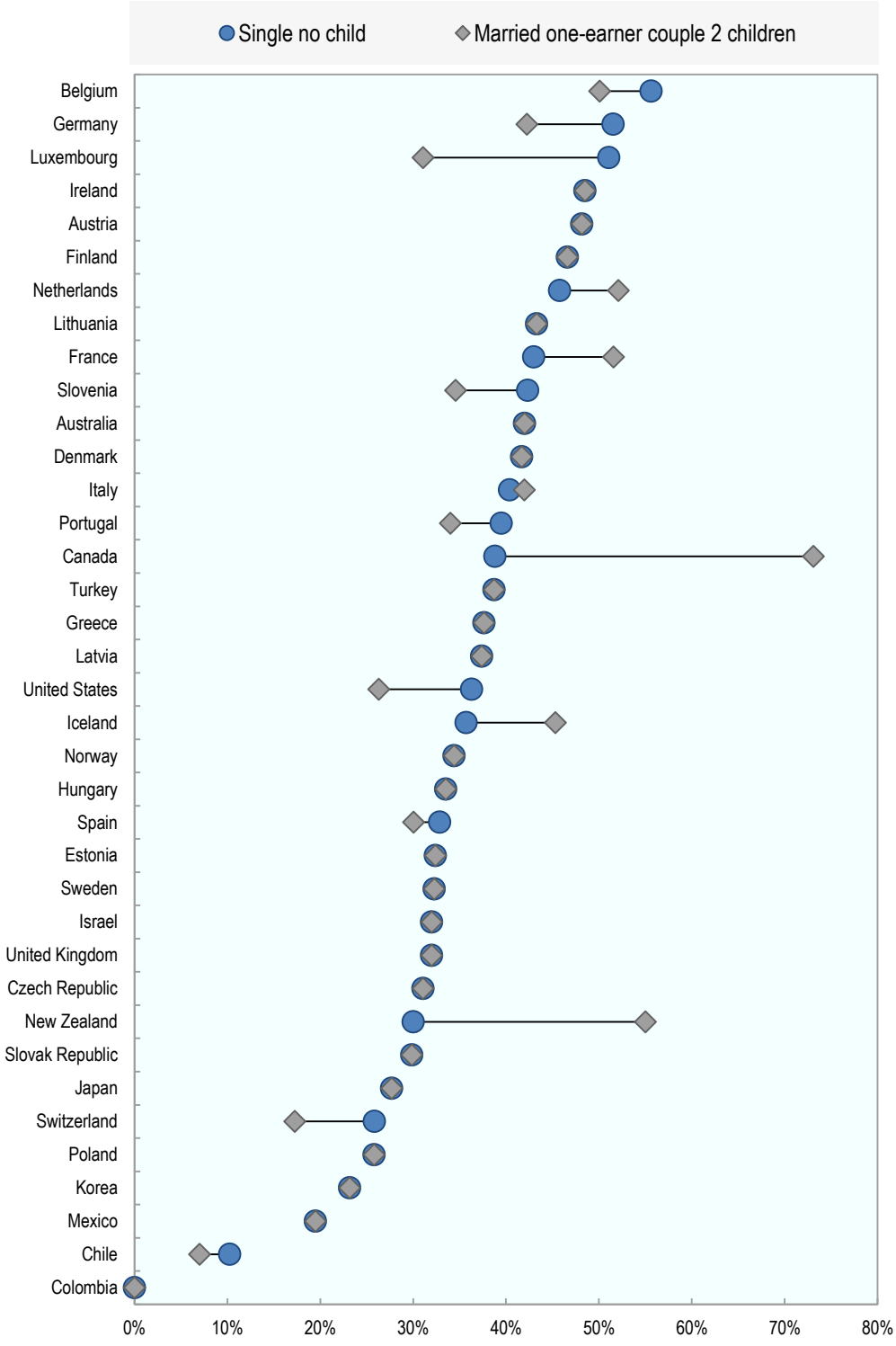
It is assumed that gross earnings of the principal earner in the household rise. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

1. Two-earner couple.

StatLink https://stat.link/1zou37

## Figure 3.7. Marginal rate of income tax plus employee contributions less cash benefits, 2020

As % of gross wage earnings, by household type




Note: The household type 'single no child' corresponds to a wage level of 100% of average wage. The household 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 2020 issue 2.

StatLink https://stat.link/bhi2ej

## Table 3.8. Percentage increase in net income relative to percentage increase in gross wages, 2020

After an increase of 1 currency unit in gross wages, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 0.79 | 0.76 | 0.88 | 0.42 | 0.69 | 0.74 | 0.76 | 0.74 |
| Austria | 0.77 | 0.77 | 1.02 | 0.55 | 0.60 | 0.64 | 0.68 | 0.74 |
| Belgium | 0.70 | 0.72 | 0.77 | 0.53 | 0.60 | 0.62 | 0.68 | 0.68 |
| Canada | 0.70 | 0.80 | 0.84 | 0.37 | 0.27 | 0.72 | 0.75 | 0.84 |
| Chile | 1.00 | 0.97 | 0.98 | 0.99 | 1.00 | 1.00 | 1.00 | 0.97 |
| Colombia | 1.00 | 1.00 | 1.00 | 0.93 | 0.95 | 0.94 | 0.95 | 1.00 |
| Czech Republic | 0.88 | 0.92 | 0.95 | 0.66 | 0.70 | 0.79 | 0.82 | 0.90 |
| Denmark | 0.91 | 0.90 | 0.75 | 0.66 | 0.78 | 0.84 | 0.86 | 0.88 |
| Estonia | 0.88 | 0.80 | 1.00 | 0.72 | 0.69 | 0.73 | 0.75 | 0.78 |
| Finland | 0.84 | 0.76 | 0.80 | 0.72 | 0.71 | 0.70 | 0.74 | 0.73 |
| France | 0.88 | 0.78 | 0.87 | 0.46 | 0.57 | 0.85 | 0.74 | 0.95 |
| Germany | 0.82 | 0.79 | 0.98 | 0.66 | 0.72 | 0.73 | 0.73 | 0.81 |
| Greece | 0.82 | 0.84 | 0.82 | 0.74 | 0.80 | 0.80 | 0.84 | 0.82 |
| Hungary | 1.00 | 1.00 | 1.00 | 0.73 | 0.81 | 0.87 | 0.89 | 1.00 |
| Iceland | 0.85 | 0.89 | 0.83 | 0.60 | 0.63 | 0.77 | 0.89 | 0.87 |
| Ireland | 0.85 | 0.69 | 0.73 | 0.26 | 0.55 | 0.61 | 0.65 | 0.64 |
| Israel | 0.83 | 0.83 | 0.73 | 0.69 | 0.80 | 0.77 | 0.80 | 0.80 |
| Italy | 0.75 | 0.84 | 0.80 | 0.58 | 0.69 | 0.75 | 0.79 | 0.80 |
| Japan | 0.97 | 0.93 | 0.90 | 0.58 | 0.86 | 0.89 | 0.90 | 0.92 |
| Korea | 0.89 | 0.90 | 0.88 | 0.89 | 0.85 | 0.86 | 0.88 | 0.89 |
| Latvia | 0.81 | 0.87 | 0.96 | 0.94 | 0.73 | 0.76 | 0.79 | 0.85 |
| Lithuania | 0.83 | 0.88 | 0.93 | 0.61 | 0.70 | 0.79 | 0.82 | 0.86 |
| Luxembourg | 0.79 | 0.69 | 0.81 | 0.54 | 0.72 | 0.66 | 0.62 | 0.72 |
| Mexico | 0.92 | 0.90 | 0.91 | 0.92 | 0.90 | 0.88 | 0.90 | 0.88 |
| Netherlands | 0.68 | 0.76 | 0.76 | 0.45 | 0.61 | 0.68 | 0.71 | 0.73 |
| New Zealand | 0.96 | 0.87 | 0.89 | 0.49 | 0.47 | 0.85 | 0.87 | 0.84 |
| Norway | 0.86 | 0.90 | 0.81 | 0.75 | 0.86 | 0.86 | 0.88 | 0.89 |
| Poland | 0.97 | 0.98 | 0.99 | 0.03 | 0.73 | 0.82 | 0.84 | 0.97 |
| Portugal | 0.85 | 0.83 | 0.79 | 0.70 | 0.76 | 0.77 | 0.80 | 0.81 |
| Slovak Republic | 0.88 | 0.92 | 0.95 | 0.76 | 0.77 | 0.85 | 0.87 | 0.90 |
| Slovenia | 0.94 | 0.87 | 0.92 | 0.66 | 0.76 | 0.87 | 0.92 | 0.85 |
| Spain | 0.86 | 0.85 | 0.82 | 0.73 | 0.81 | 0.81 | 0.83 | 0.83 |
| Sweden | 0.92 | 0.90 | 0.69 | 0.81 | 0.82 | 0.84 | 0.86 | 0.89 |
| Switzerland | 0.91 | 0.89 | 0.86 | 0.85 | 0.86 | 0.84 | 0.82 | 0.89 |
| Turkey | 0.90 | 0.86 | 0.91 | 0.88 | 0.84 | 0.84 | 0.86 | 0.85 |
| United Kingdom | 0.84 | 0.89 | 0.82 | 0.27 | 0.83 | 0.84 | 0.86 | 0.87 |
| United States | 0.91 | 0.82 | 0.87 | 0.51 | 0.79 | 0.86 | 0.78 | 0.92 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **0.86** | **0.85** | **0.87** | **0.64** | **0.74** | **0.80** | **0.81** | **0.85** |
| **OECD-EU 22** | **0.85** | **0.83** | **0.87** | **0.61** | **0.71** | **0.76** | **0.78** | **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. The reported elasticities in Table 3.8 are calculated as (100 - METR) / (100 - AETR), where METR is the marginal rate of income tax plus employee social security contributions less cash benefits reported in Table 3.7 and AETR is the average rate plus employee social security contributions less cash benefits reported in Table 3.3.

1. Two-earner couple. Assumes a rise in the labour costs associated with the principal earner in the household.

StatLink https://stat.link/iuj5h6

## Table 3.9. Percentage increase in net income relative to percentage increase in gross labour cost, 2020

After an increase of 1 currency unit in gross labour cost, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 0.79 | 0.76 | 0.88 | 0.42 | 0.69 | 0.74 | 0.76 | 0.74 |
| Austria | 0.77 | 0.77 | 1.20 | 0.55 | 0.60 | 0.64 | 0.68 | 0.74 |
| Belgium | 0.62 | 0.72 | 0.77 | 0.47 | 0.60 | 0.62 | 0.68 | 0.68 |
| Canada | 0.70 | 0.81 | 0.89 | 0.37 | 0.28 | 0.73 | 0.76 | 0.86 |
| Chile | 1.00 | 0.97 | 0.98 | 0.99 | 1.00 | 1.00 | 1.00 | 0.97 |
| Colombia | 1.00 | 1.00 | 1.00 | 0.93 | 0.95 | 0.94 | 0.95 | 1.00 |
| Czech Republic | 0.88 | 0.92 | 0.95 | 0.66 | 0.70 | 0.79 | 0.82 | 0.90 |
| Denmark | 0.91 | 0.90 | 0.75 | 0.66 | 0.78 | 0.84 | 0.86 | 0.88 |
| Estonia | 0.88 | 0.80 | 1.00 | 0.72 | 0.69 | 0.73 | 0.75 | 0.78 |
| Finland | 0.84 | 0.76 | 0.80 | 0.72 | 0.71 | 0.70 | 0.74 | 0.73 |
| France | 0.59 | 0.78 | 0.87 | 0.31 | 0.57 | 0.83 | 0.74 | 0.93 |
| Germany | 0.82 | 0.79 | 1.14 | 0.66 | 0.72 | 0.73 | 0.73 | 0.81 |
| Greece | 0.82 | 0.84 | 0.82 | 0.74 | 0.80 | 0.80 | 0.84 | 0.82 |
| Hungary | 1.00 | 1.00 | 1.00 | 0.73 | 0.81 | 0.87 | 0.89 | 1.00 |
| Iceland | 0.85 | 0.89 | 0.83 | 0.60 | 0.63 | 0.77 | 0.89 | 0.87 |
| Ireland | 0.85 | 0.69 | 0.73 | 0.26 | 0.55 | 0.61 | 0.65 | 0.64 |
| Israel | 0.81 | 0.81 | 0.72 | 0.67 | 0.79 | 0.75 | 0.78 | 0.78 |
| Italy | 0.75 | 0.84 | 0.80 | 0.58 | 0.69 | 0.75 | 0.79 | 0.80 |
| Japan | 0.97 | 0.93 | 0.97 | 0.58 | 0.86 | 0.89 | 0.90 | 0.92 |
| Korea | 0.89 | 0.90 | 0.91 | 0.89 | 0.85 | 0.86 | 0.88 | 0.89 |
| Latvia | 0.81 | 0.87 | 0.96 | 0.94 | 0.73 | 0.76 | 0.79 | 0.85 |
| Lithuania | 0.83 | 0.88 | 0.93 | 0.61 | 0.70 | 0.79 | 0.82 | 0.86 |
| Luxembourg | 0.79 | 0.69 | 0.81 | 0.54 | 0.72 | 0.66 | 0.62 | 0.72 |
| Mexico | 0.99 | 0.94 | 0.93 | 0.99 | 0.94 | 0.92 | 0.94 | 0.92 |
| Netherlands | 0.68 | 0.76 | 0.82 | 0.46 | 0.61 | 0.68 | 0.72 | 0.73 |
| New Zealand | 0.96 | 0.87 | 0.89 | 0.49 | 0.47 | 0.85 | 0.87 | 0.84 |
| Norway | 0.86 | 0.90 | 0.81 | 0.75 | 0.86 | 0.86 | 0.88 | 0.89 |
| Poland | 0.97 | 0.98 | 0.99 | 0.03 | 0.73 | 0.82 | 0.84 | 0.97 |
| Portugal | 0.85 | 0.83 | 0.79 | 0.70 | 0.76 | 0.77 | 0.80 | 0.81 |
| Slovak Republic | 0.88 | 0.92 | 0.95 | 0.76 | 0.77 | 0.85 | 0.87 | 0.90 |
| Slovenia | 0.94 | 0.87 | 0.92 | 0.66 | 0.76 | 0.87 | 0.92 | 0.85 |
| Spain | 0.86 | 0.85 | 0.82 | 0.73 | 0.81 | 0.81 | 0.83 | 0.83 |
| Sweden | 0.92 | 0.90 | 0.69 | 0.81 | 0.82 | 0.84 | 0.86 | 0.89 |
| Switzerland | 0.91 | 0.89 | 0.86 | 0.85 | 0.86 | 0.84 | 0.82 | 0.89 |
| Turkey | 0.90 | 0.86 | 0.91 | 0.88 | 0.84 | 0.84 | 0.86 | 0.85 |
| United Kingdom | 0.81 | 0.86 | 0.81 | 0.26 | 0.81 | 0.81 | 0.84 | 0.84 |
| United States | 0.91 | 0.83 | 0.87 | 0.51 | 0.80 | 0.87 | 0.78 | 0.93 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **0.85** | **0.85** | **0.89** | **0.63** | **0.74** | **0.80** | **0.81** | **0.85** |
| **OECD-EU 22** | **0.83** | **0.83** | **0.89** | **0.60** | **0.71** | **0.76** | **0.78** | **0.82** |

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. The reported elasticities in Table 3.9 are calculated as (100 - METR) / (100 - AETR), where METR is the marginal rate of income tax plus employee and employer social security contributions less cash benefits reported in Table 3.6 and AETR is the average rate plus employee and employer social security contributions less cash benefits reported in Table 3.1.

1. Two-earner couple. Assumes a rise in the labour costs associated with the principal earner in the household.

StatLink https://stat.link/ept681

## Table 3.10. Annual gross wage and net income, single person, 2020

In US dollars using PPP, by household type and wage level

| | Gross | | 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 | 42 488 | 34 543 | 63 415 | 48 145 | 105 902 | 73 327 | 42 488 | 44 483 |
| Austria | 42 851 | 31 421 | 63 956 | 43 126 | 106 807 | 66 241 | 42 851 | 43 982 |
| Belgium | 42 682 | 29 845 | 63 704 | 39 233 | 106 386 | 56 602 | 42 682 | 39 733 |
| Canada | 32 519 | 27 076 | 48 536 | 37 296 | 81 055 | 59 586 | 32 519 | 42 319 |
| Chile | 16 113 | 14 985 | 24 050 | 22 358 | 40 163 | 36 820 | 16 113 | 15 127 |
| Colombia | 8 014 | 8 014 | 11 961 | 11 961 | 19 974 | 19 974 | 8 014 | 8 655 |
| Czech Republic | 21 183 | 16 554 | 31 616 | 23 745 | 52 799 | 38 346 | 21 183 | 22 138 |
| Denmark | 43 515 | 29 404 | 64 948 | 42 067 | 108 463 | 64 231 | 43 515 | 41 759 |
| Estonia | 21 100 | 18 881 | 31 492 | 26 592 | 52 592 | 41 400 | 21 100 | 23 178 |
| Finland | 35 966 | 27 933 | 53 680 | 37 490 | 89 646 | 55 586 | 35 966 | 32 531 |
| France | 34 830 | 26 718 | 51 985 | 37 801 | 86 816 | 57 840 | 34 830 | 36 821 |
| Germany | 47 204 | 31 152 | 70 454 | 43 041 | 117 658 | 66 685 | 47 204 | 40 665 |
| Greece | 25 966 | 20 921 | 38 755 | 28 898 | 64 721 | 43 504 | 25 966 | 22 994 |
| Hungary | 22 852 | 15 197 | 34 107 | 22 681 | 56 959 | 37 878 | 22 852 | 20 881 |
| Iceland | 44 173 | 33 480 | 65 930 | 47 469 | 110 103 | 73 629 | 44 173 | 39 434 |
| Ireland | 38 665 | 32 581 | 57 709 | 43 383 | 96 375 | 62 952 | 38 665 | 42 376 |
| Israel | 28 611 | 25 361 | 42 703 | 35 004 | 71 314 | 51 638 | 28 611 | 29 129 |
| Italy | 29 986 | 23 679 | 44 755 | 31 772 | 74 742 | 45 578 | 29 986 | 30 015 |
| Japan | 34 363 | 27 277 | 51 288 | 39 832 | 85 651 | 63 323 | 34 363 | 32 736 |
| Korea | 35 700 | 31 625 | 53 284 | 45 303 | 88 984 | 72 183 | 35 700 | 34 067 |
| Latvia | 17 706 | 13 615 | 26 427 | 19 077 | 44 133 | 31 327 | 17 706 | 16 843 |
| Lithuania | 24 426 | 16 594 | 36 456 | 23 416 | 60 881 | 37 265 | 24 426 | 22 821 |
| Luxembourg | 44 885 | 35 795 | 66 993 | 47 600 | 111 878 | 69 875 | 44 885 | 47 926 |
| Mexico | 9 324 | 8 863 | 13 917 | 12 414 | 23 241 | 19 660 | 9 324 | 8 863 |
| Netherlands | 46 373 | 36 949 | 69 213 | 49 331 | 115 586 | 73 004 | 46 373 | 48 919 |
| New Zealand | 29 140 | 25 058 | 43 493 | 35 177 | 72 633 | 54 820 | 29 140 | 34 416 |
| Norway | 42 368 | 32 183 | 63 236 | 45 873 | 105 604 | 69 819 | 42 368 | 37 157 |
| Poland | 22 739 | 17 447 | 33 939 | 25 757 | 56 678 | 42 627 | 22 739 | 27 391 |
| Portugal | 22 471 | 17 497 | 33 539 | 24 362 | 56 009 | 36 935 | 22 471 | 21 289 |
| Slovak Republic | 17 385 | 13 843 | 25 948 | 19 850 | 43 333 | 32 045 | 17 385 | 16 092 |
| Slovenia | 23 973 | 16 668 | 35 781 | 23 709 | 59 754 | 37 529 | 23 973 | 23 852 |
| Spain | 28 851 | 24 070 | 43 062 | 33 960 | 71 913 | 52 534 | 28 851 | 28 294 |
| Sweden | 35 626 | 27 845 | 53 173 | 40 060 | 88 798 | 57 901 | 35 626 | 31 476 |
| Switzerland | 51 535 | 44 187 | 76 918 | 63 770 | 128 453 | 100 192 | 51 535 | 52 399 |
| Turkey | 24 774 | 18 513 | 36 976 | 26 214 | 61 750 | 41 398 | 24 774 | 18 906 |
| United Kingdom | 38 763 | 31 396 | 57 855 | 44 379 | 96 618 | 67 995 | 38 763 | 38 518 |
| United States | 40 348 | 32 838 | 60 220 | 46 715 | 100 568 | 71 163 | 40 348 | 40 688 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **31 607** | **24 865** | **47 175** | **34 834** | **78 782** | **53 606** | **31 607** | **31 321** |
| **OECD-EU 22** | **31 420** | **23 846** | **46 895** | **33 043** | **78 315** | **50 358** | **31 420** | **30 999** |

StatLink https://stat.link/5ifmj1

## Table 3.11. Annual gross wage and net income, married couple, 2020

In US dollars using PPP, by household type and wage level

| | Married 2 ch 100-0 (% AW) | | Married 2 ch 100-67 (% AW)[1] | | Married 2 ch 100-100 (% AW)[1] | | Married no ch 100-67 (% AW)[1] | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 63 415 | 53 203 | 105 902 | 82 688 | 126 829 | 96 290 | 105 902 | 82 688 |
| Austria | 63 956 | 55 687 | 106 807 | 86 229 | 127 913 | 97 934 | 106 807 | 74 546 |
| Belgium | 63 704 | 52 722 | 106 386 | 76 080 | 127 408 | 85 694 | 106 386 | 69 011 |
| Canada | 48 536 | 48 181 | 81 055 | 68 385 | 97 072 | 78 470 | 81 055 | 63 552 |
| Chile | 24 050 | 22 366 | 40 163 | 37 493 | 48 099 | 44 732 | 40 163 | 37 344 |
| Colombia | 11 961 | 12 602 | 19 974 | 21 257 | 23 921 | 25 204 | 19 974 | 19 974 |
| Czech Republic | 31 616 | 31 282 | 52 799 | 45 883 | 63 232 | 53 074 | 52 799 | 40 299 |
| Denmark | 64 948 | 48 647 | 108 463 | 75 371 | 129 896 | 88 034 | 108 463 | 71 472 |
| Estonia | 31 492 | 30 835 | 52 592 | 48 898 | 62 984 | 56 609 | 52 592 | 45 473 |
| Finland | 53 680 | 40 304 | 89 646 | 68 237 | 107 361 | 77 794 | 89 646 | 65 423 |
| France | 51 985 | 44 010 | 86 816 | 68 974 | 103 971 | 79 892 | 86 816 | 64 695 |
| Germany | 70 454 | 56 665 | 117 658 | 82 489 | 140 908 | 94 128 | 117 658 | 74 504 |
| Greece | 42 631 | 33 389 | 71 193 | 55 541 | 85 261 | 63 081 | 71 193 | 53 858 |
| Hungary | 34 107 | 28 120 | 56 959 | 43 317 | 68 215 | 50 802 | 56 959 | 37 878 |
| Iceland | 65 930 | 57 079 | 110 103 | 82 062 | 131 860 | 95 365 | 110 103 | 80 948 |
| Ireland | 57 709 | 53 778 | 96 375 | 81 111 | 115 419 | 90 918 | 96 375 | 76 957 |
| Israel | 42 703 | 36 126 | 71 314 | 63 059 | 85 406 | 72 916 | 71 314 | 60 722 |
| Italy | 44 755 | 37 437 | 74 742 | 58 964 | 89 511 | 66 631 | 74 742 | 55 451 |
| Japan | 51 288 | 42 916 | 85 651 | 69 483 | 102 576 | 82 038 | 85 651 | 67 109 |
| Korea | 53 284 | 48 206 | 88 984 | 79 544 | 106 567 | 93 222 | 88 984 | 76 928 |
| Latvia | 26 427 | 22 617 | 44 133 | 36 232 | 52 854 | 41 694 | 44 133 | 32 692 |
| Lithuania | 36 456 | 29 642 | 60 881 | 43 742 | 72 912 | 50 563 | 60 881 | 40 010 |
| Luxembourg | 66 993 | 63 822 | 111 878 | 94 851 | 133 986 | 106 155 | 111 878 | 86 063 |
| Mexico | 13 917 | 12 414 | 23 241 | 21 278 | 27 834 | 24 829 | 23 241 | 21 278 |
| Netherlands | 69 213 | 54 289 | 115 586 | 92 635 | 138 426 | 105 018 | 115 586 | 86 280 |
| New Zealand | 43 493 | 41 300 | 72 633 | 59 883 | 86 986 | 70 355 | 72 633 | 60 235 |
| Norway | 63 236 | 48 422 | 105 604 | 80 606 | 126 471 | 94 295 | 105 604 | 78 056 |
| Poland | 33 939 | 34 309 | 56 678 | 51 463 | 67 878 | 59 773 | 56 678 | 43 204 |
| Portugal | 33 539 | 29 066 | 56 009 | 44 094 | 67 077 | 50 790 | 56 009 | 42 028 |
| Slovak Republic | 25 948 | 23 606 | 43 333 | 35 942 | 51 895 | 41 949 | 43 333 | 33 693 |
| Slovenia | 35 781 | 30 933 | 59 754 | 44 729 | 71 561 | 51 005 | 59 754 | 40 377 |
| Spain | 43 062 | 36 989 | 71 913 | 59 538 | 86 123 | 69 428 | 71 913 | 58 030 |
| Sweden | 53 173 | 43 690 | 88 798 | 71 536 | 106 345 | 83 750 | 88 798 | 67 905 |
| Switzerland | 76 918 | 73 997 | 128 453 | 115 128 | 153 837 | 133 886 | 128 453 | 106 767 |
| Turkey | 36 976 | 26 869 | 61 750 | 45 120 | 73 952 | 52 821 | 61 750 | 44 727 |
| United Kingdom | 57 855 | 47 250 | 96 618 | 78 300 | 115 710 | 91 283 | 96 618 | 75 774 |
| United States | 60 220 | 56 019 | 100 568 | 85 755 | 120 441 | 98 862 | 100 568 | 80 322 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **47 280** | **40 778** | **78 957** | **63 673** | **94 559** | **73 494** | **78 957** | **59 899** |
| **OECD-EU 22** | **47 071** | **40 084** | **78 609** | **62 084** | **94 142** | **71 124** | **78 609** | **57 266** |

1. Two-earner couple.

StatLink https://stat.link/k8i2mo

## Table 3.12. Annual labour costs and net income, single person, 2020

In US dollars using PPP, by household 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 | 45 023 | 34 543 | 67 199 | 48 145 | 112 222 | 73 327 | 45 023 | 44 483 |
| Austria | 54 874 | 31 421 | 81 902 | 43 126 | 135 085 | 66 241 | 54 874 | 43 982 |
| Belgium | 53 366 | 29 845 | 80 965 | 39 233 | 135 211 | 56 602 | 53 366 | 39 733 |
| Canada | 35 879 | 27 076 | 53 570 | 37 296 | 87 238 | 59 586 | 35 879 | 42 319 |
| Chile | 16 113 | 14 985 | 24 050 | 22 358 | 40 163 | 36 820 | 16 113 | 15 127 |
| Colombia | 8 014 | 8 014 | 11 961 | 11 961 | 19 974 | 19 974 | 8 014 | 8 655 |
| Czech Republic | 28 342 | 16 554 | 42 302 | 23 745 | 70 645 | 38 346 | 28 342 | 22 138 |
| Denmark | 43 515 | 29 404 | 64 948 | 42 067 | 108 463 | 64 231 | 43 515 | 41 759 |
| Estonia | 28 231 | 18 881 | 42 136 | 26 592 | 70 368 | 41 400 | 28 231 | 23 178 |
| Finland | 42 688 | 27 933 | 63 713 | 37 490 | 106 401 | 55 586 | 42 688 | 32 531 |
| France | 44 532 | 26 718 | 70 841 | 37 801 | 123 698 | 57 840 | 44 532 | 36 821 |
| Germany | 56 586 | 31 152 | 84 456 | 43 041 | 136 544 | 66 685 | 56 586 | 40 665 |
| Greece | 32 335 | 20 921 | 48 262 | 28 898 | 80 597 | 43 504 | 32 335 | 22 994 |
| Hungary | 26 965 | 15 197 | 40 247 | 22 681 | 67 212 | 37 878 | 26 965 | 20 881 |
| Iceland | 46 978 | 33 480 | 70 117 | 47 469 | 117 095 | 73 629 | 46 978 | 39 434 |
| Ireland | 42 938 | 32 581 | 64 086 | 43 383 | 107 024 | 62 952 | 42 938 | 42 376 |
| Israel | 29 949 | 25 361 | 45 112 | 35 004 | 75 898 | 51 638 | 29 949 | 29 129 |
| Italy | 39 456 | 23 679 | 58 889 | 31 772 | 98 345 | 45 578 | 39 456 | 30 015 |
| Japan | 39 641 | 27 277 | 59 166 | 39 832 | 97 704 | 63 323 | 39 641 | 32 736 |
| Korea | 39 551 | 31 625 | 59 031 | 45 303 | 97 670 | 72 183 | 39 551 | 34 067 |
| Latvia | 21 980 | 13 615 | 32 802 | 19 077 | 54 774 | 31 327 | 21 980 | 16 843 |
| Lithuania | 24 863 | 16 594 | 37 109 | 23 416 | 61 971 | 37 265 | 24 863 | 22 821 |
| Luxembourg | 51 061 | 35 795 | 76 211 | 47 600 | 127 272 | 69 875 | 51 061 | 47 926 |
| Mexico | 10 620 | 8 863 | 15 555 | 12 414 | 25 591 | 19 660 | 10 620 | 8 863 |
| Netherlands | 52 036 | 36 949 | 77 594 | 49 331 | 124 786 | 73 004 | 52 036 | 48 919 |
| New Zealand | 29 140 | 25 058 | 43 493 | 35 177 | 72 633 | 54 820 | 29 140 | 34 416 |
| Norway | 47 876 | 32 183 | 71 456 | 45 873 | 119 332 | 69 819 | 47 876 | 37 157 |
| Poland | 26 475 | 17 447 | 39 515 | 25 757 | 65 990 | 42 627 | 26 475 | 27 391 |
| Portugal | 27 808 | 17 497 | 41 504 | 24 362 | 69 312 | 36 935 | 27 808 | 21 289 |
| Slovak Republic | 22 635 | 13 843 | 33 784 | 19 850 | 56 419 | 32 045 | 22 635 | 16 092 |
| Slovenia | 27 833 | 16 668 | 41 541 | 23 709 | 69 374 | 37 529 | 27 833 | 23 852 |
| Spain | 37 478 | 24 070 | 55 937 | 33 960 | 93 415 | 52 534 | 37 478 | 28 294 |
| Sweden | 46 819 | 27 845 | 69 879 | 40 060 | 116 699 | 57 901 | 46 819 | 31 476 |
| Switzerland | 54 821 | 44 187 | 81 822 | 63 770 | 136 642 | 100 192 | 54 821 | 52 399 |
| Turkey | 29 109 | 18 513 | 43 447 | 26 214 | 72 556 | 41 398 | 29 109 | 18 906 |
| United Kingdom | 42 434 | 31 396 | 64 161 | 44 379 | 108 273 | 67 995 | 42 434 | 38 518 |
| United States | 43 752 | 32 838 | 65 145 | 46 715 | 108 579 | 71 163 | 43 752 | 40 688 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **36 533** | **24 865** | **54 700** | **34 834** | **91 113** | **53 606** | **36 533** | **31 321** |
| **OECD-EU 22** | **37 855** | **23 846** | **56 756** | **33 043** | **94 527** | **50 358** | **37 855** | **30 999** |

StatLink https://stat.link/ekbrj2

## Table 3.13. Annual labour costs and net income, married couple, 2020

In US dollars using PPP, by household type and wage level

| | Married 2 ch 100-0 (% AW) | | Married 2 ch 100-67 (% AW)[1] | | Married 2 ch 100-100 (% AW)[1] | | Married no ch 100-67 (% AW)[1] | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 67 199 | 53 203 | 112 222 | 82 688 | 134 398 | 96 290 | 112 222 | 82 688 |
| Austria | 81 902 | 55 687 | 136 776 | 86 229 | 163 803 | 97 934 | 136 776 | 74 546 |
| Belgium | 80 965 | 52 722 | 134 331 | 76 080 | 161 929 | 85 694 | 134 331 | 69 011 |
| Canada | 53 570 | 48 181 | 89 450 | 68 385 | 107 140 | 78 470 | 89 450 | 63 552 |
| Chile | 24 050 | 22 366 | 40 163 | 37 493 | 48 099 | 44 732 | 40 163 | 37 344 |
| Colombia | 11 961 | 12 602 | 19 974 | 21 257 | 23 921 | 25 204 | 19 974 | 19 974 |
| Czech Republic | 42 302 | 31 282 | 70 645 | 45 883 | 84 604 | 53 074 | 70 645 | 40 299 |
| Denmark | 64 948 | 48 647 | 108 463 | 75 371 | 129 896 | 88 034 | 108 463 | 71 472 |
| Estonia | 42 136 | 30 835 | 70 368 | 48 898 | 84 273 | 56 609 | 70 368 | 45 473 |
| Finland | 63 713 | 40 304 | 106 401 | 68 237 | 127 426 | 77 794 | 106 401 | 65 423 |
| France | 70 841 | 44 010 | 115 372 | 68 974 | 141 681 | 79 892 | 115 372 | 64 695 |
| Germany | 84 456 | 56 665 | 141 042 | 82 489 | 168 913 | 94 128 | 141 042 | 74 504 |
| Greece | 53 088 | 33 389 | 88 657 | 55 541 | 106 176 | 63 081 | 88 657 | 53 858 |
| Hungary | 40 247 | 28 120 | 67 212 | 43 317 | 80 493 | 50 802 | 67 212 | 37 878 |
| Iceland | 70 117 | 57 079 | 117 095 | 82 062 | 140 233 | 95 365 | 117 095 | 80 948 |
| Ireland | 64 086 | 53 778 | 107 024 | 81 111 | 128 173 | 90 918 | 107 024 | 76 957 |
| Israel | 45 112 | 36 126 | 75 061 | 63 059 | 90 224 | 72 916 | 75 061 | 60 722 |
| Italy | 58 889 | 37 437 | 98 345 | 58 964 | 117 778 | 66 631 | 98 345 | 55 451 |
| Japan | 59 166 | 42 916 | 98 807 | 69 483 | 118 332 | 82 038 | 98 807 | 67 109 |
| Korea | 59 031 | 48 206 | 98 582 | 79 544 | 118 063 | 93 222 | 98 582 | 76 928 |
| Latvia | 32 802 | 22 617 | 54 783 | 36 232 | 65 605 | 41 694 | 54 783 | 32 692 |
| Lithuania | 37 109 | 29 642 | 61 971 | 43 742 | 74 217 | 50 563 | 61 971 | 40 010 |
| Luxembourg | 76 211 | 63 822 | 127 272 | 94 851 | 152 422 | 106 155 | 127 272 | 86 063 |
| Mexico | 15 555 | 12 414 | 26 175 | 21 278 | 31 109 | 24 829 | 26 175 | 21 278 |
| Netherlands | 77 594 | 54 289 | 129 630 | 92 635 | 155 187 | 105 018 | 129 630 | 86 280 |
| New Zealand | 43 493 | 41 300 | 72 633 | 59 883 | 86 986 | 70 355 | 72 633 | 60 235 |
| Norway | 71 456 | 48 422 | 119 332 | 80 606 | 142 913 | 94 295 | 119 332 | 78 056 |
| Poland | 39 515 | 34 309 | 65 990 | 51 463 | 79 030 | 59 773 | 65 990 | 43 204 |
| Portugal | 41 504 | 29 066 | 69 312 | 44 094 | 83 008 | 50 790 | 69 312 | 42 028 |
| Slovak Republic | 33 784 | 23 606 | 56 419 | 35 942 | 67 568 | 41 949 | 56 419 | 33 693 |
| Slovenia | 41 541 | 30 933 | 69 374 | 44 729 | 83 082 | 51 005 | 69 374 | 40 377 |
| Spain | 55 937 | 36 989 | 93 415 | 59 538 | 111 874 | 69 428 | 93 415 | 58 030 |
| Sweden | 69 879 | 43 690 | 116 698 | 71 536 | 139 759 | 83 750 | 116 698 | 67 905 |
| Switzerland | 81 822 | 73 997 | 136 642 | 115 128 | 163 644 | 133 886 | 136 642 | 106 767 |
| Turkey | 43 447 | 26 869 | 72 556 | 45 120 | 86 894 | 52 821 | 72 556 | 44 727 |
| United Kingdom | 64 161 | 47 250 | 106 595 | 78 300 | 128 321 | 91 283 | 106 595 | 75 774 |
| United States | 65 145 | 56 019 | 108 896 | 85 755 | 130 289 | 98 862 | 108 896 | 80 322 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **54 831** | **40 778** | **91 451** | **63 673** | **109 661** | **73 494** | **91 451** | **59 899** |
| **OECD-EU 22** | **56 975** | **40 084** | **94 977** | **62 084** | **113 950** | **71 124** | **94 977** | **57 266** |

1. Two-earner couple.

StatLink https://stat.link/95ri1w

## Notes

[1] Tables 3.1 to 3.7 show figures rounded to the first decimal. Due to rounding, changes in percentage points that are presented in the text may differ by one-tenth of a percentage point relative to those in the Tables.

[2] In Colombia, the general social security system for healthcare is financed by public and private funds. The pension system is a hybrid of two different systems: a defined-contribution, fully-funded pension system; and a pay-as-you-go system. Each of those contributions are mandatory and more than 50% of total contributions are made to privately managed funds. Therefore, they are considered to be non-tax compulsory payments (NTCPs) (further information is available in the country details in Part II of the report). In addition, in Colombia, all payments for employment risk are made to privately managed funds and are considered to be NTCPs. Other countries also have NTCPs (please see http://www.oecd.org/tax/tax-policy/tax-database.htm#NTCP ).

[3] The reported elasticities in Table 3.8 are calculated as (100 - METR) / (100 - AETR), where METR is the marginal rate of income tax plus employee social security contributions less cash benefits reported in Table 3.7 and AETR is the average rate of income tax plus employee social security contributions less cash benefits reported in Table 3.3.

[4] The reported elasticities in Table 3.9 are calculated as (100 - METR) / (100 - AETR), where METR is the marginal rate of income tax plus employee and employer social security contributions less cash benefits reported in Table 3.6 and AETR is the average rate of income tax plus employee and employer social security contributions less cash benefits reported in Table 3.1.

# 4 Graphical exposition of the 2020 tax burden

The chapter presents a graphical exposition of the tax burdens on labour income in 2020 for gross wage earnings ranging from 50% to 250% of the average wage. These are illustrated in separate graphs for each of four household types and for each OECD member country. The household types are 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 into 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 cash benefits). The graphs also show the net personal average and marginal tax rates.

The graphs in this section show the tax burden on labour income in 2020 for gross wage earnings between 50% and 250% of the average wage (AW). For each OECD member country, there are separate graphs for four household 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.[1]

The graphs illustrate the relative importance of the different components of the tax wedges: central government income taxes, local government income taxes, employee social security contributions, employer social security contributions (including payroll taxes where applicable) and cash benefits as a percentage of total labour costs. It should be noted that a decreasing share in total labour costs implies that the values of tax payments less benefits are not increasing as rapidly as the corresponding total labour costs. It does not necessarily imply that the values of payments less benefits are decreasing in cash terms.

Low-income households are treated favourably by the tax and benefit systems in many OECD countries. Negative central government income taxes are observed in Belgium because of the non-wastable tax credits for low income workers and for dependent children; in Canada[2] because of the non-wastable working income tax benefit; in Austria, the Czech Republic, Germany, the Slovak Republic and the United Kingdom because of non-wastable child tax credits; in Israel because of the non-wastable earned income tax credit (EITC) for families with children (since 2016, single parents have been eligible for the EITC for a wider income range); in Italy because of the Fiscal Bonus targeting low income workers; in Luxembourg because of a tax credit for social minimum wage earners that was introduced in 2020; in Poland because of a conditional refundable child tax credit since 2015; in Spain because of non-wastable tax credits for single parents and in the United States because of the non-wastable EITC and the child tax credit. Regarding Germany and the United Kingdom, the tax credits that are paid to families with dependent children were increased in response to the COVID-19 crisis in 2020. Concerning Sweden, the charts show negative central government income taxes for the four household types due to an EITC. However, in Sweden the tax credit is wastable in the sense that it cannot reduce the total individual's income tax payments to less than zero. As a matter of fact, the EITC is also deducted from the local government income tax.

When cash benefits are also taken into account, single parents and/or one-earner married couples with two children do not pay income taxes and employee social security contributions at income levels between 50% and 100% of the AW in 21 OECD member countries. For example, the net personal average tax rate becomes positive at more than 90% of the AW in Canada (at 99% of the AW for the single parent and the one-earner couple with children), in Estonia (at 95% of the AW for the single parent and 94% for the one-earner couple with children), in New Zealand (at 91% of the AW for the single parent and the one-earner couple with children) and in Poland (at 105% of the AW for the single parent and the one-earner couple with children). In Austria, the Czech Republic, Israel, the Slovak Republic, the United Kingdom and the United States, the negative net personal average tax rates resulted from the combined effect of refundable tax credits and cash benefit payments. In contrast, the net personal average tax rate for single parents were negative mainly due to refundable tax credits in Spain (up to 64% of the AW).

There are large variations in cash benefit 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, Japan, Lithuania, New Zealand, Poland 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 all over the 50% to 250% of AW income range in the Czech Republic (48.5%) and Hungary (43.6%). For Colombia, the marginal tax wedge for the single worker without children, and for the other three household types, was equal to zero across the whole income range, as no personal income

taxes were paid at these levels of earnings. Besides, their contributions to pension, health and employment risk insurances are considered to be non-tax compulsory payments (NTCPs)[3] and therefore are not counted as taxes in the *Taxing Wages* calculations The marginal tax wedge is also relatively constant in Iceland and Lithuania. In Iceland, the marginal tax wedge is 39.5% on earnings below 127% of the AW and then 47.7% on earnings from 128% of the AW to 250% of the AW. In Lithuania, it is 44.3% on earnings below 198% of the AW and 40.6% from 199% of the AW to 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. The variations in the marginal social security contributions are in general the same for the four family types, since the contribution rates or income ceilings do not vary depending on the marital status or the number of dependent children. Nevertheless, in Hungary the marginal employee social security contributions are higher for the families with children, at low income levels, due to the impact of the withdrawal of the child tax allowance with increasing earnings. Families whose combined personal income tax base is not sufficient to claim the maximum amount of the family tax allowance can deduct the remaining sum from the health insurance and pension contributions. In contrast, in the Netherlands, the marginal employee social security contributions are lower for single parents at low income levels, as these households were eligible for a single parent tax credit that reached its maximum at 57% of the AW in 2020.

Within the income range of 50% to 250% of the AW, the marginal employer social security rates fall to zero as a result of income ceilings in Germany (at 159% of the AW), Luxembourg (at 222% of the AW), the Netherlands (at 110% of the AW) and Spain (182% of the AW). The marginal employee social security rates fall to zero in Austria (at 155% of the AW), Germany (at 159% of the AW), the Netherlands (at 191% of the AW), Spain (at 182% of the AW) and Sweden (at 116% of the AW). In Canada, the marginal employee social security contribution rate falls to zero at 103% of the AW. However, a spike is observed at 126% of the AW. As a matter of fact, the Ontario Health premium, which is calculated on an income schedule, is a fixed payment that is adjusted when a taxpayer moves to a higher income bracket.

In addition, taxpayers experience declining marginal employee and/or employer social security contribution rates as percentage of total labour costs over some parts of the earnings range as income increases. This can be observed in Austria, Belgium, Canada, France, Germany, Japan, Korea, Luxembourg, the Netherlands, Switzerland, the United Kingdom and the United States. Large decreases in the marginal rates as percentage of total labour costs were observed in Japan where the marginal employee and employer social contribution rates drop from 12.53% to 4.99% and from 13.31% to 5.85% respectively on earnings above 143% of the AW, Luxembourg where the marginal employee social security contribution rate drops from 10.94% to 1.40% on earnings above 221% of the AW, in the United Kingdom where the marginal employee social security contribution rate drops from 10.54% to 1.76% of earnings above 119% of the AW and in the United States where the marginal employer and employee social security contribution rates drop from 7.11% to 1.43% on earnings above 228% of the AW.

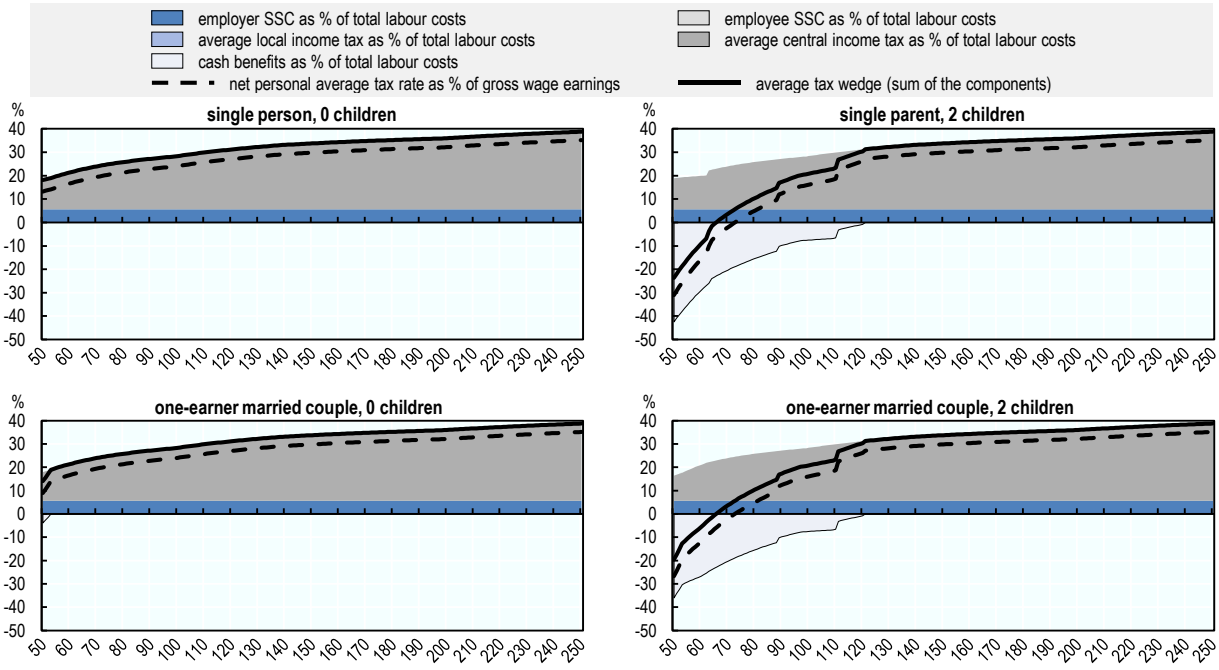
In Slovenia, the marginal employer social security contributions are negative up to 59% of the AW. This is because the employer pays additional contributions on earnings that are below the social security minimum income threshold. This penalty decreases as earnings increase and is completely exhausted once the employee's earnings reach the social security minimum income threshold. The negative marginal employer social security contribution rates derive from the decreasing additional contributions.

Taxpayers face net personal marginal tax rates and wedges of about 70% or more in several of OECD countries at particular earnings levels. This is the case for taxpayers without children in Australia, Austria, Belgium, France, Italy, Japan, Mexico, Portugal, Turkey and the United Kingdom. They also apply to families with children in Australia, Austria, Belgium, Canada, Chile, the Czech Republic, France, Greece, Iceland, Ireland, Italy, Japan, Lithuania, Luxembourg, Mexico, Poland, Portugal, Slovenia, Spain, Turkey and the United Kingdom. In many countries, these high marginal tax rates are partly the result, as income rises, in reductions 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; and the discrete characteristics of the PAYE (Pay As You Earn) tax credit, the spouse tax credit and the child transfers in Italy.

## Australia 2020: average tax wedge decomposition

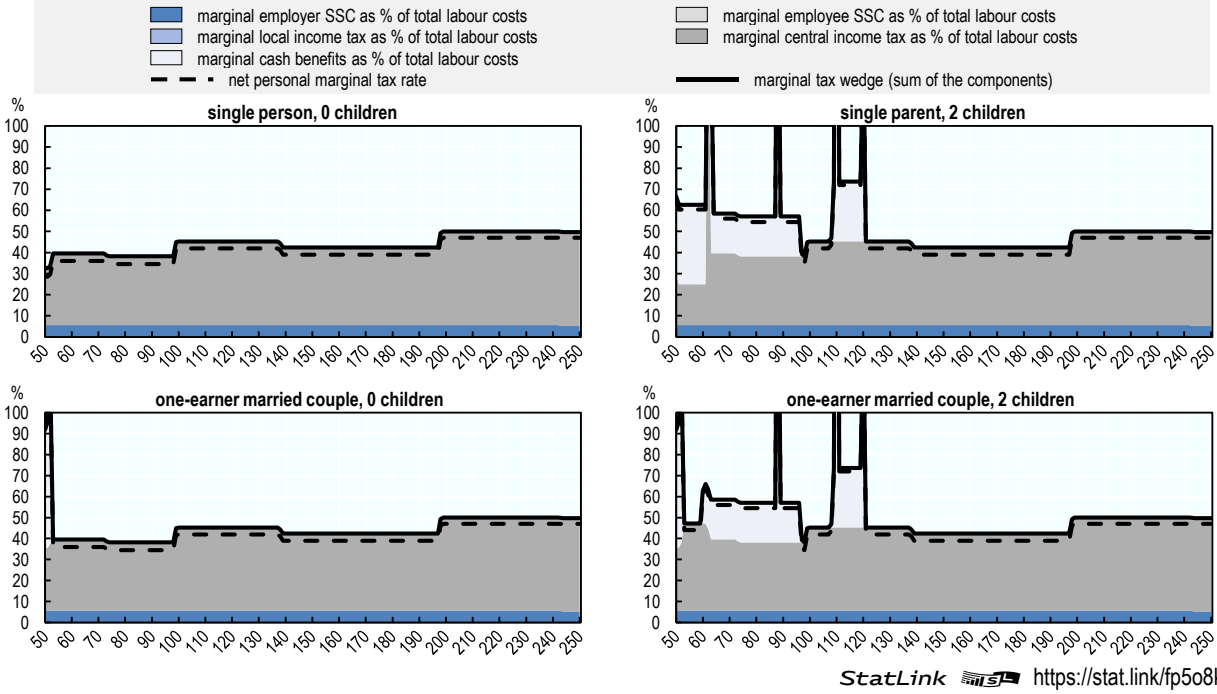
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/7ip0nc

## Australia 2020: marginal tax wedge decomposition

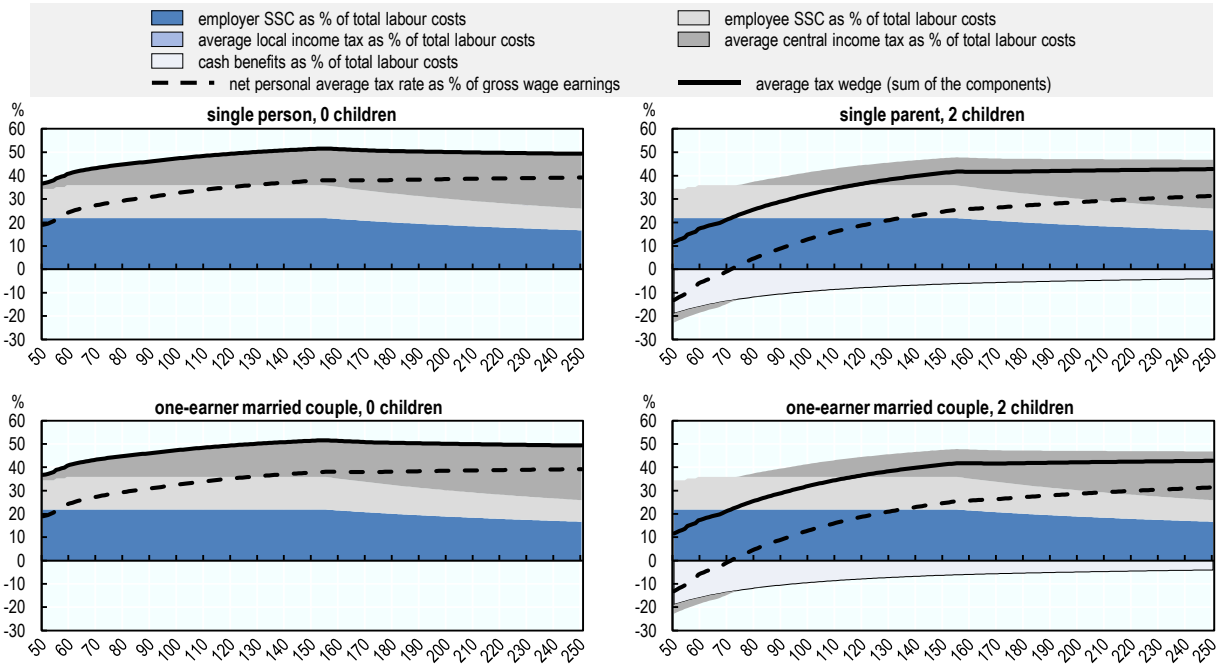
by level of gross earnings expressed as a % of the average wage




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## Austria 2020: average tax wedge decomposition

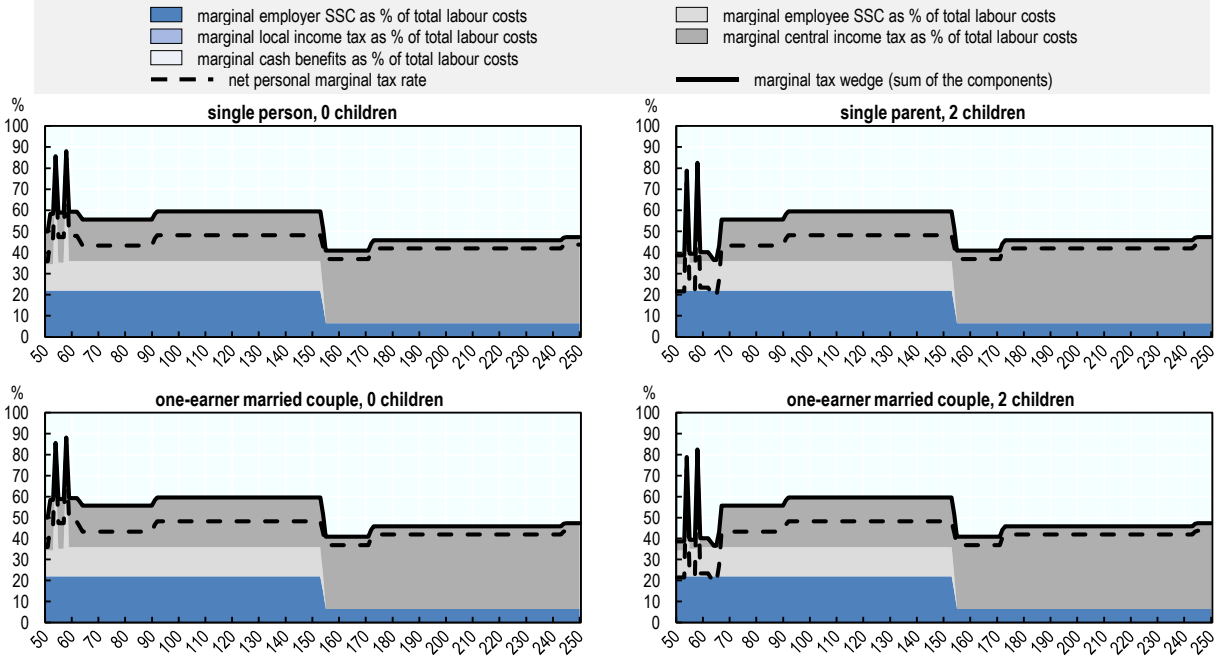
by level of gross earnings expressed as a % of the average wage




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## Austria 2020: marginal tax wedge decomposition

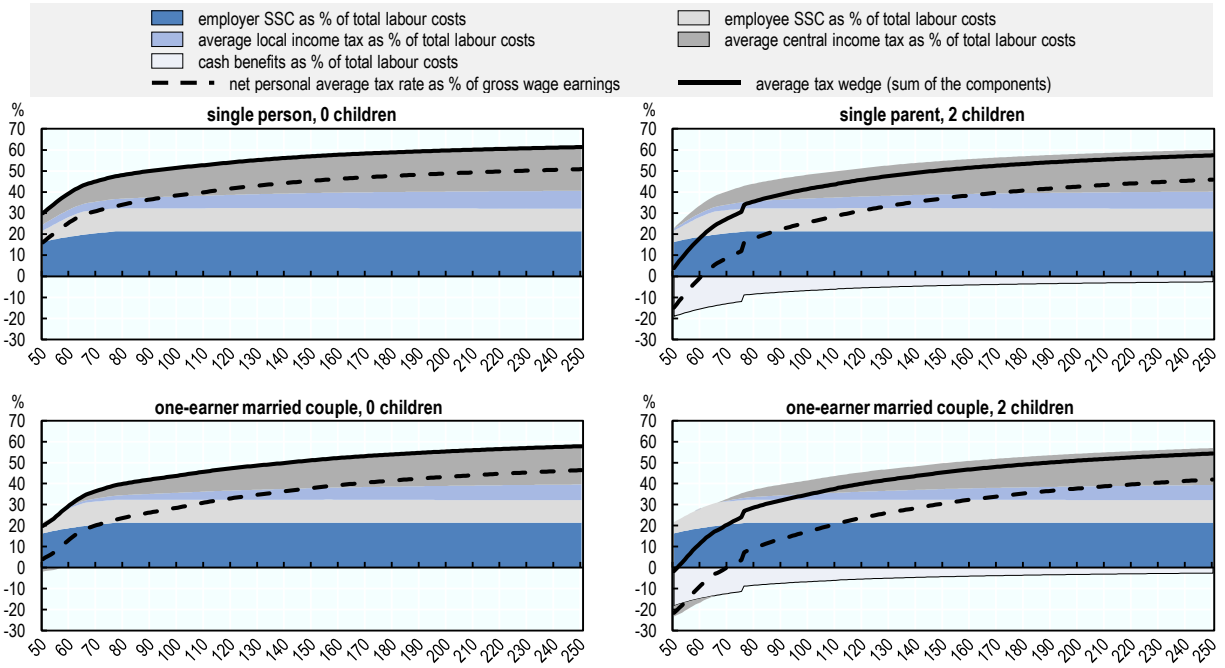
by level of gross earnings expressed as a % of the average wage




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## Belgium 2020: average tax wedge decomposition

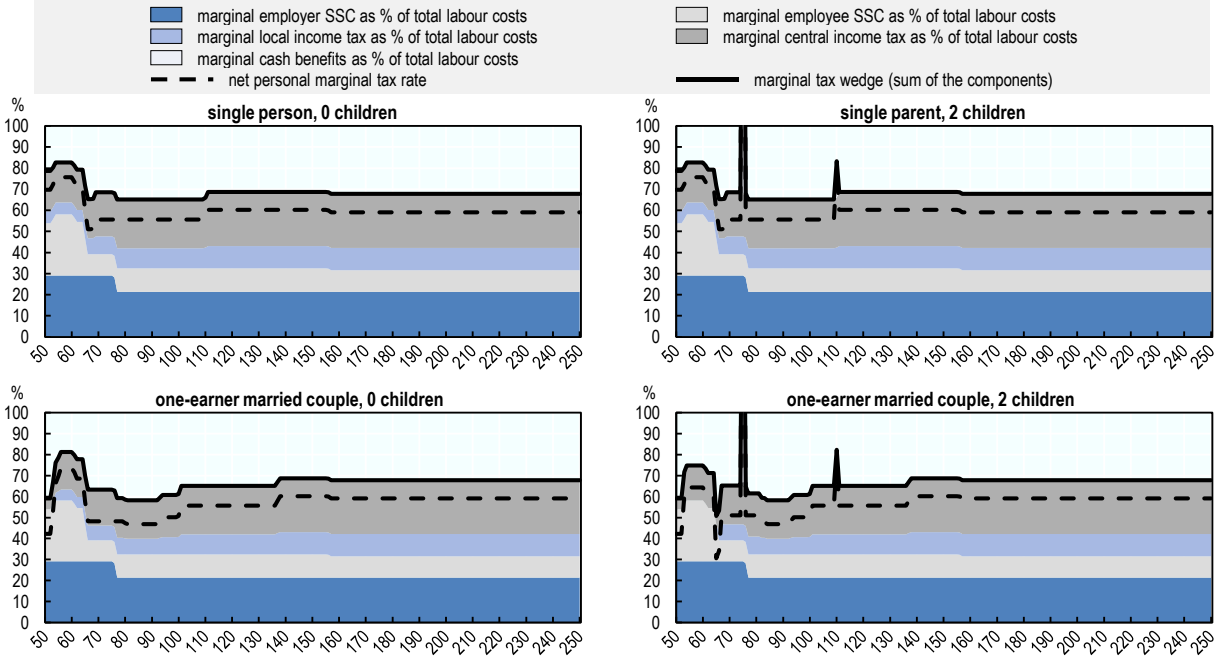
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/yo13a7

## Belgium 2020: marginal tax wedge decomposition

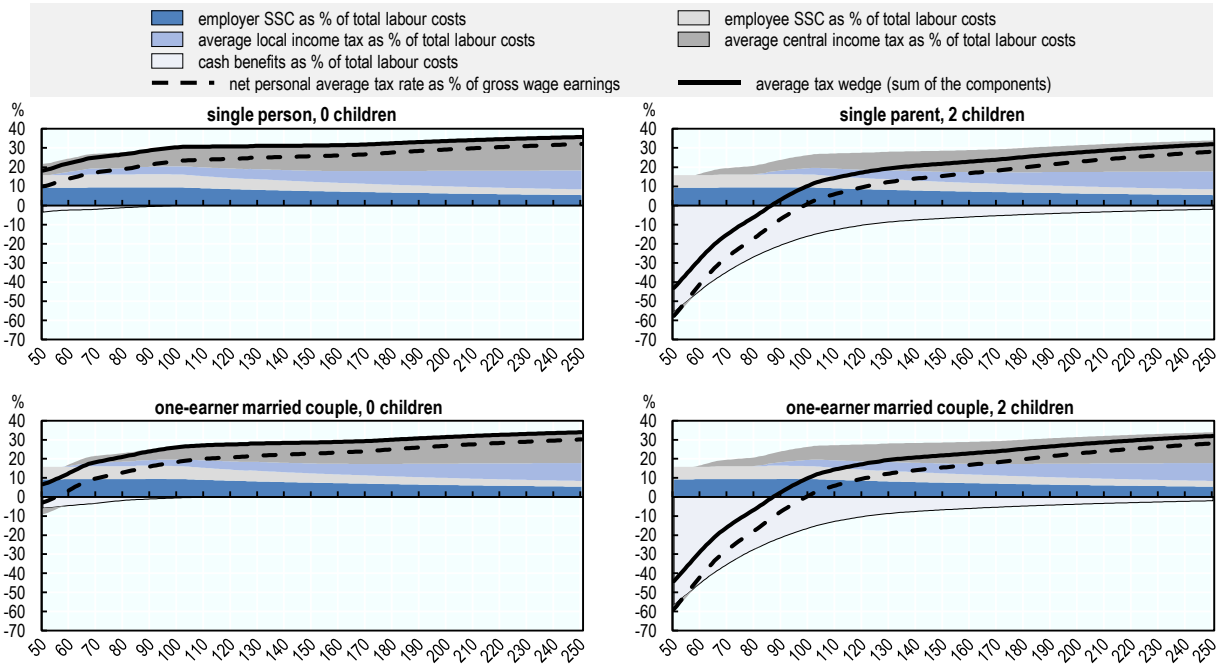
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/arb9qc

## Canada 2020: average tax wedge decomposition

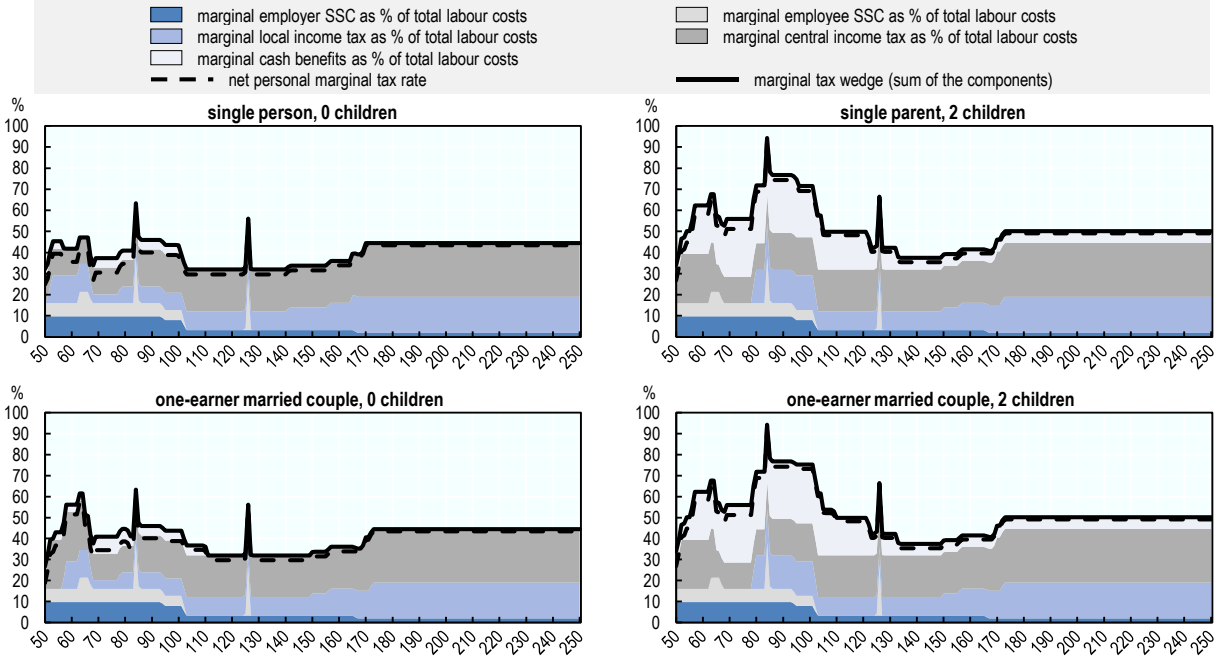
by level of gross earnings expressed as a % of the average wage




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## Canada 2020: marginal tax wedge decomposition

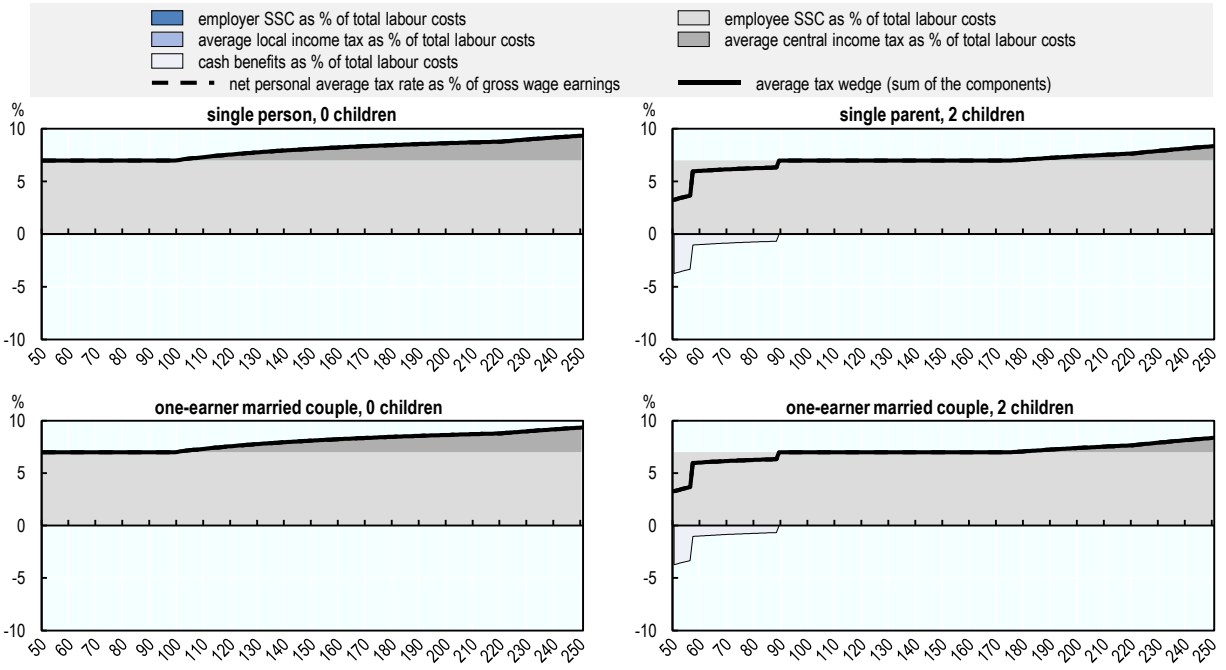
by level of gross earnings expressed as a % of the average wage




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## Chile 2020: average tax wedge decomposition

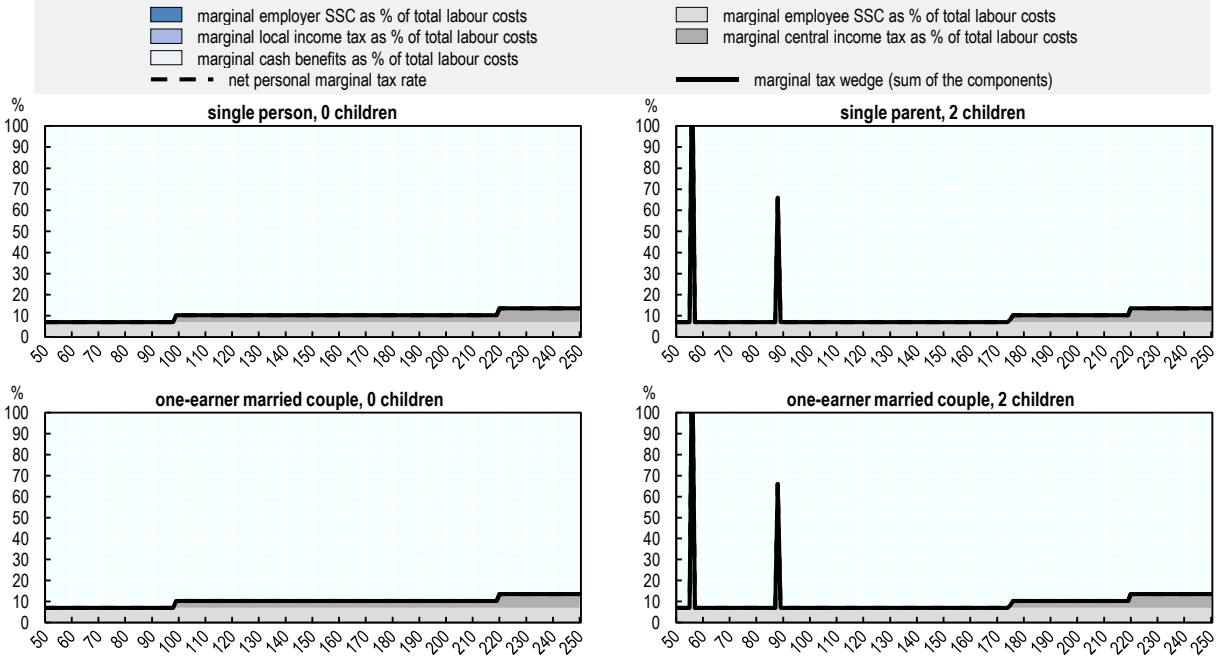
by level of gross earnings expressed as a % of the average wage




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## Chile 2020: marginal tax wedge decomposition

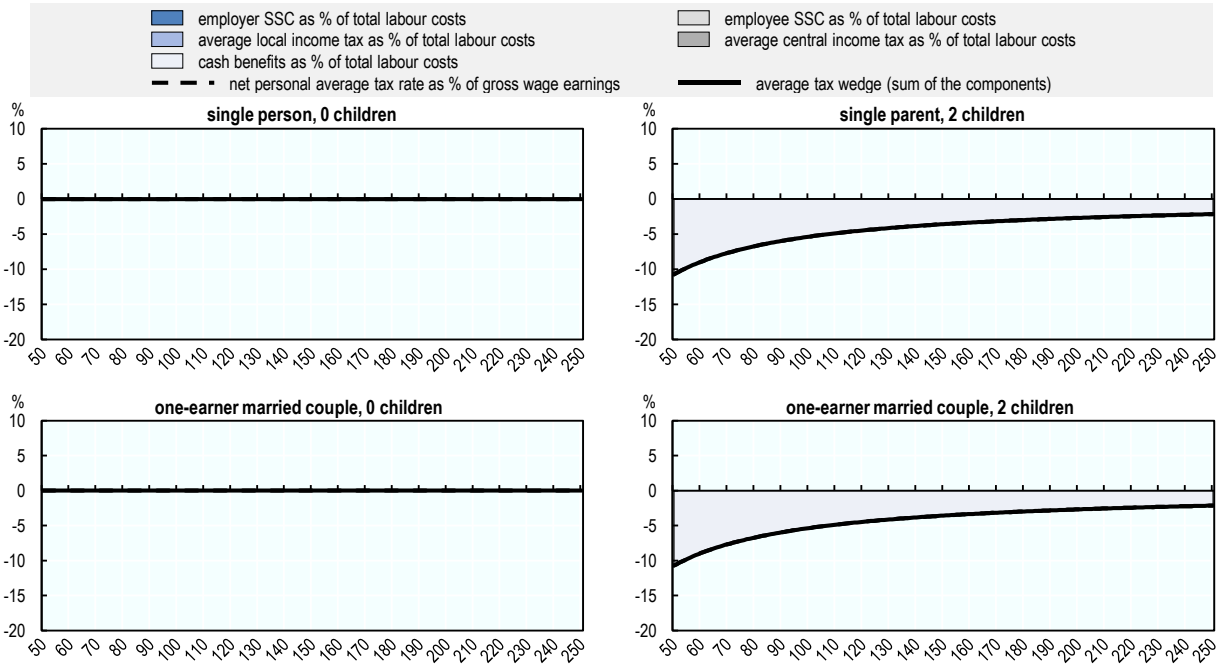
by level of gross earnings expressed as a % of the average wage




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## Colombia 2020: average tax wedge decomposition

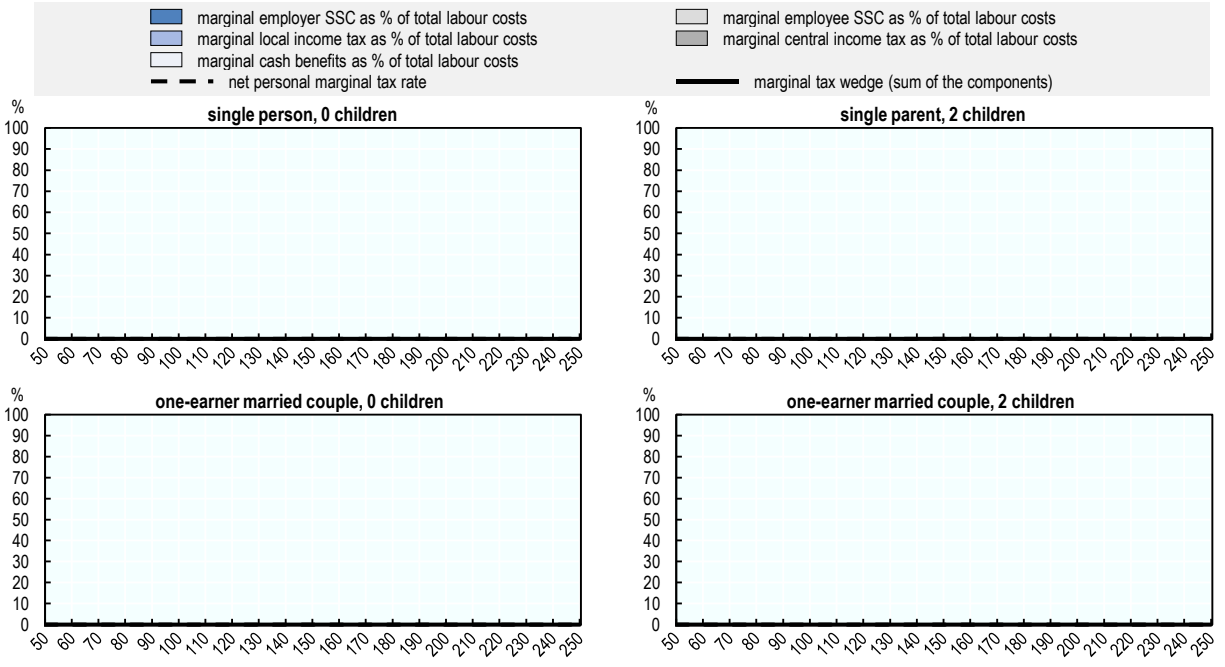
by level of gross earnings expressed as a % of the average wage




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## Colombia 2020: marginal tax wedge decomposition

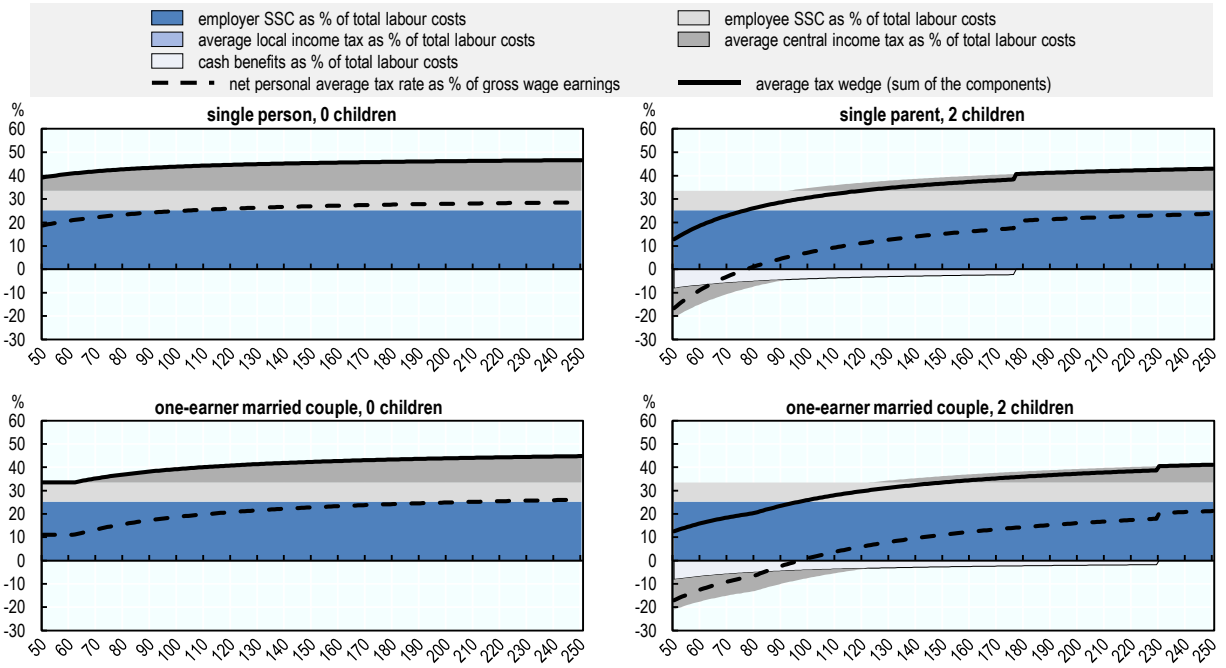
by level of gross earnings expressed as a % of the average wage




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## Czech Republic 2020: average tax wedge decomposition

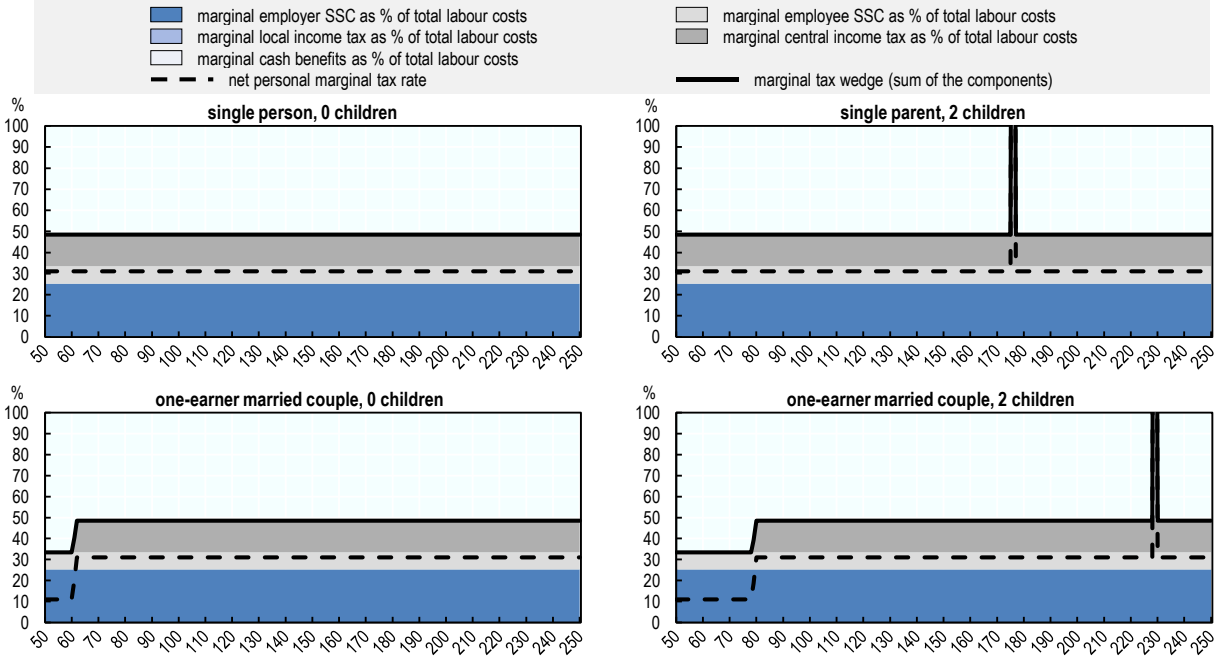
by level of gross earnings expressed as a % of the average wage




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## Czech Republic 2020: marginal tax wedge decomposition

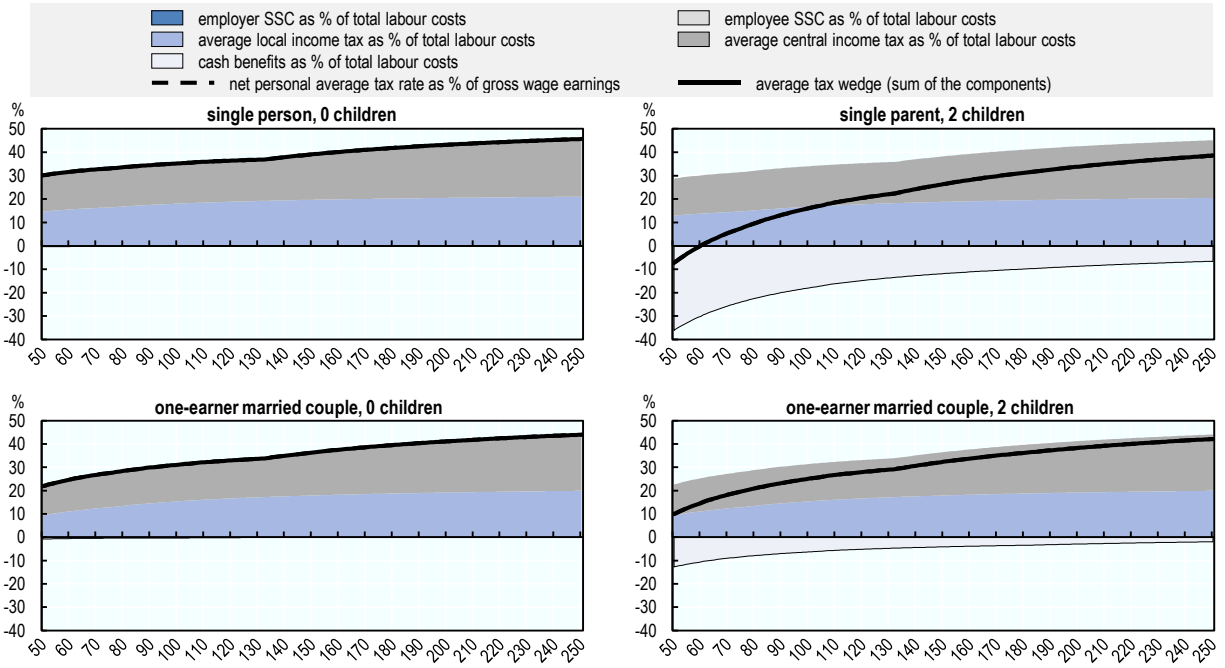
by level of gross earnings expressed as a % of the average wage




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## Denmark 2020: average tax wedge decomposition

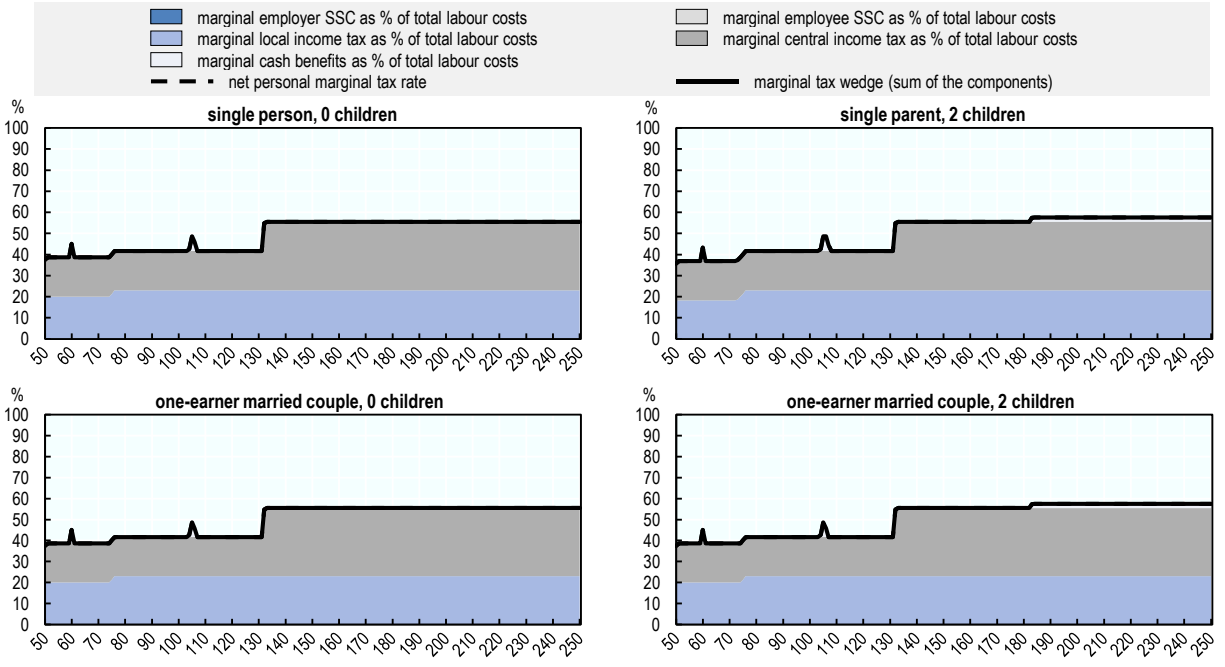
by level of gross earnings expressed as a % of the average wage




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## Denmark 2020: marginal tax wedge decomposition

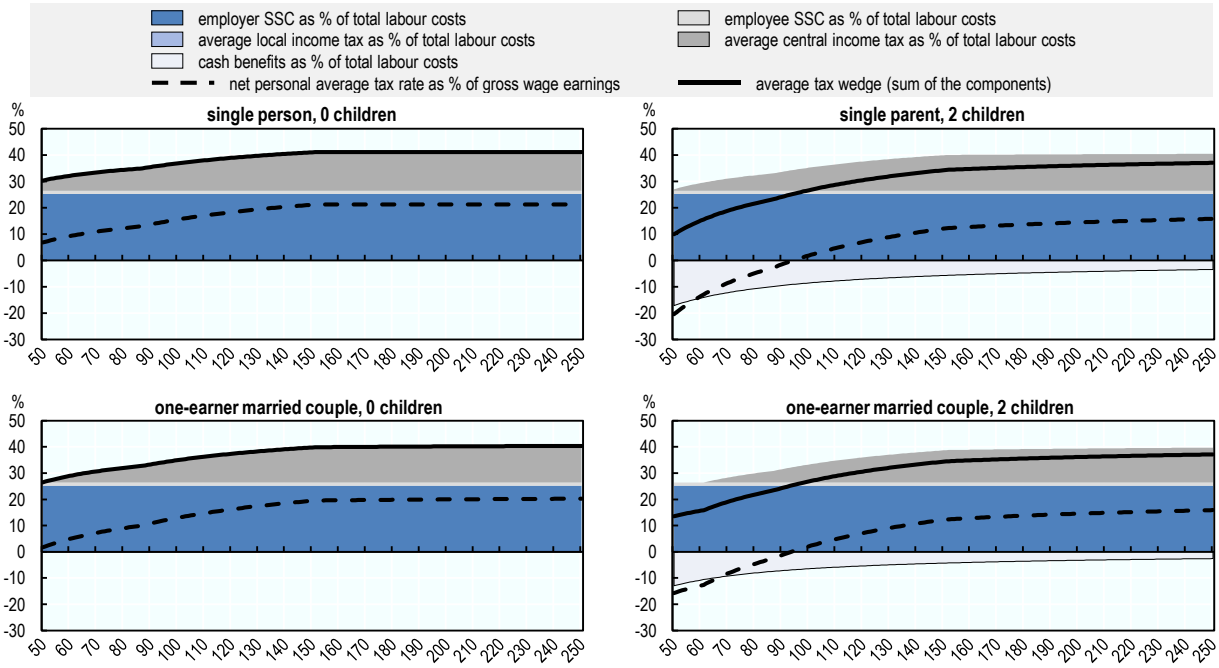
by level of gross earnings expressed as a % of the average wage




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## Estonia 2020: average tax wedge decomposition

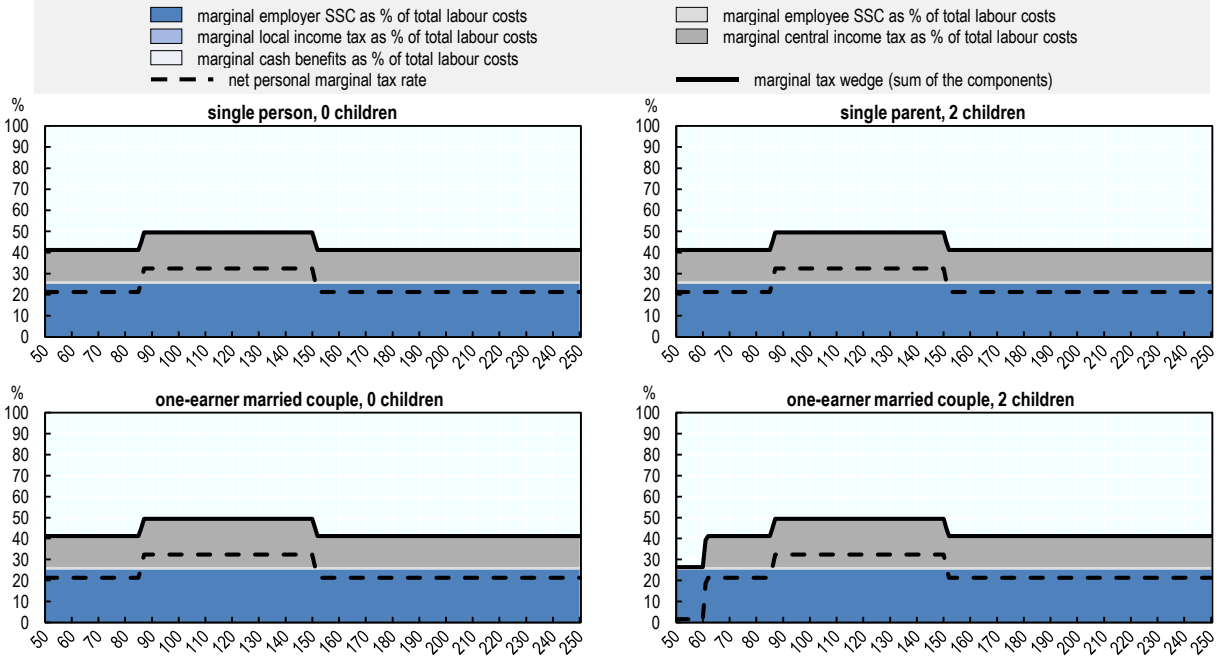
by level of gross earnings expressed as a % of the average wage




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## Estonia 2020: marginal tax wedge decomposition

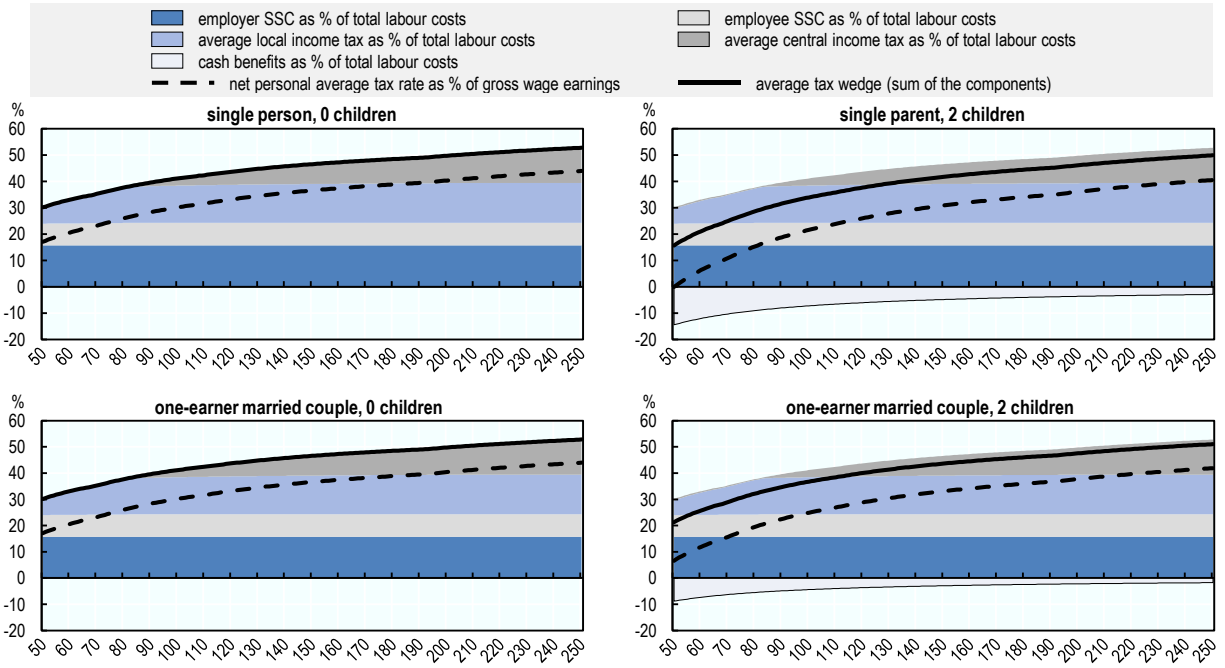
by level of gross earnings expressed as a % of the average wage




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## Finland 2020: average tax wedge decomposition

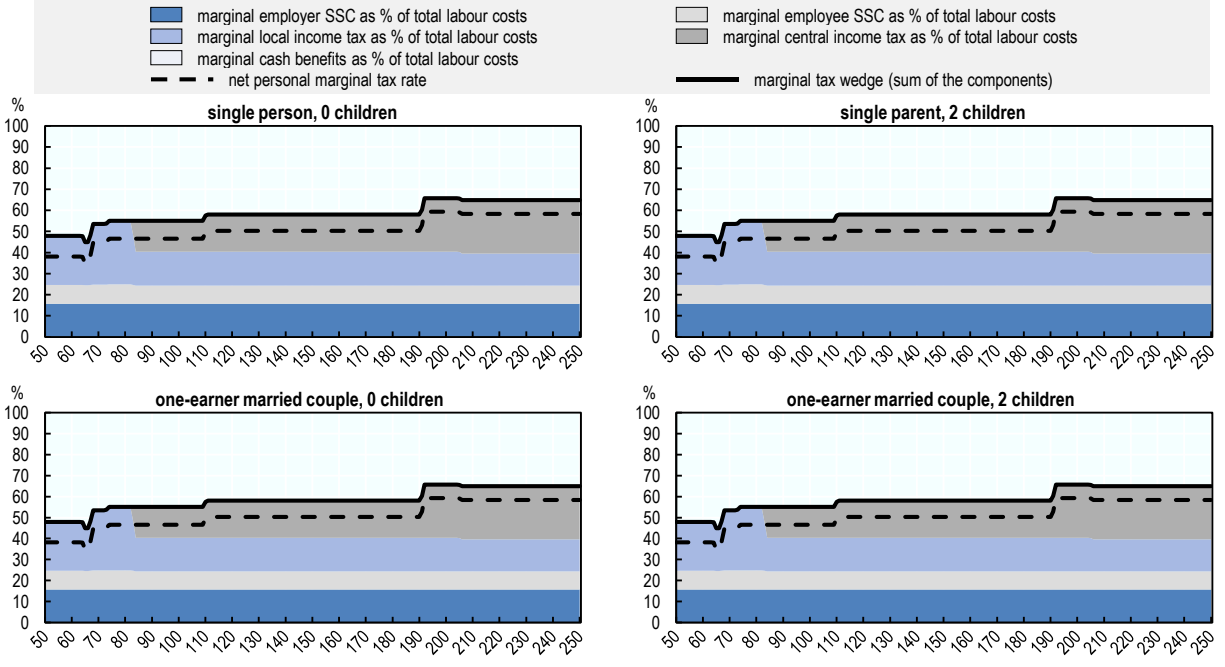
by level of gross earnings expressed as a % of the average wage




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## Finland 2020: marginal tax wedge decomposition

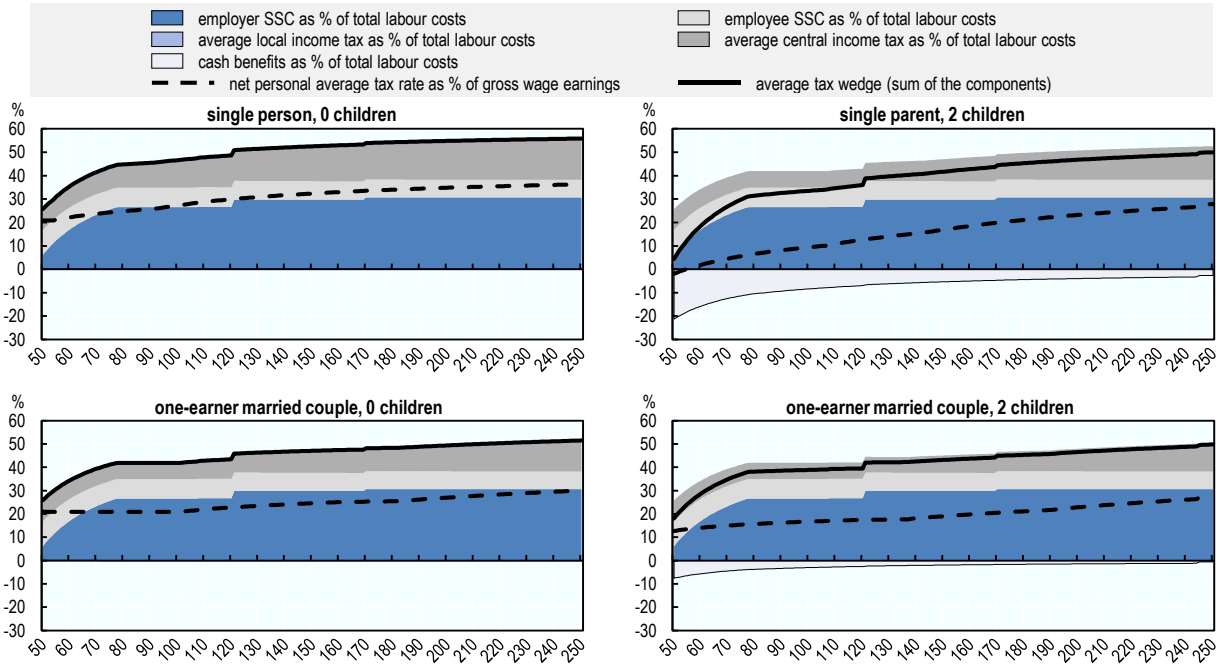
by level of gross earnings expressed as a % of the average wage




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## France 2020: average tax wedge decomposition

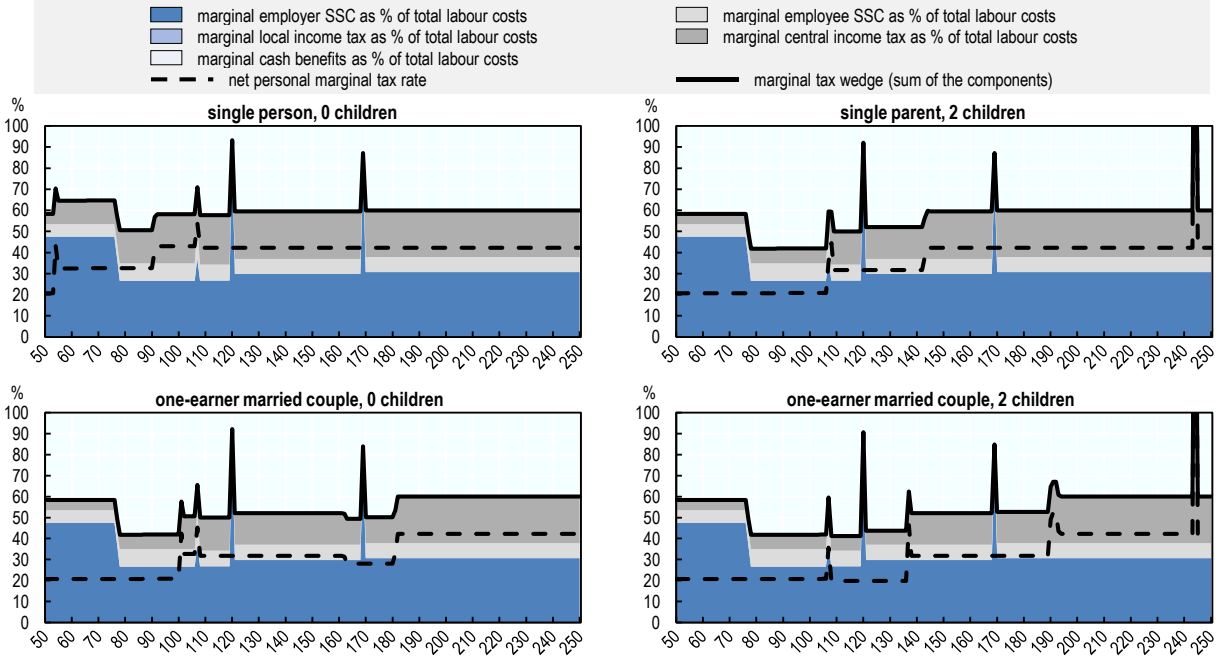
by level of gross earnings expressed as a % of the average wage




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## France 2020: marginal tax wedge decomposition

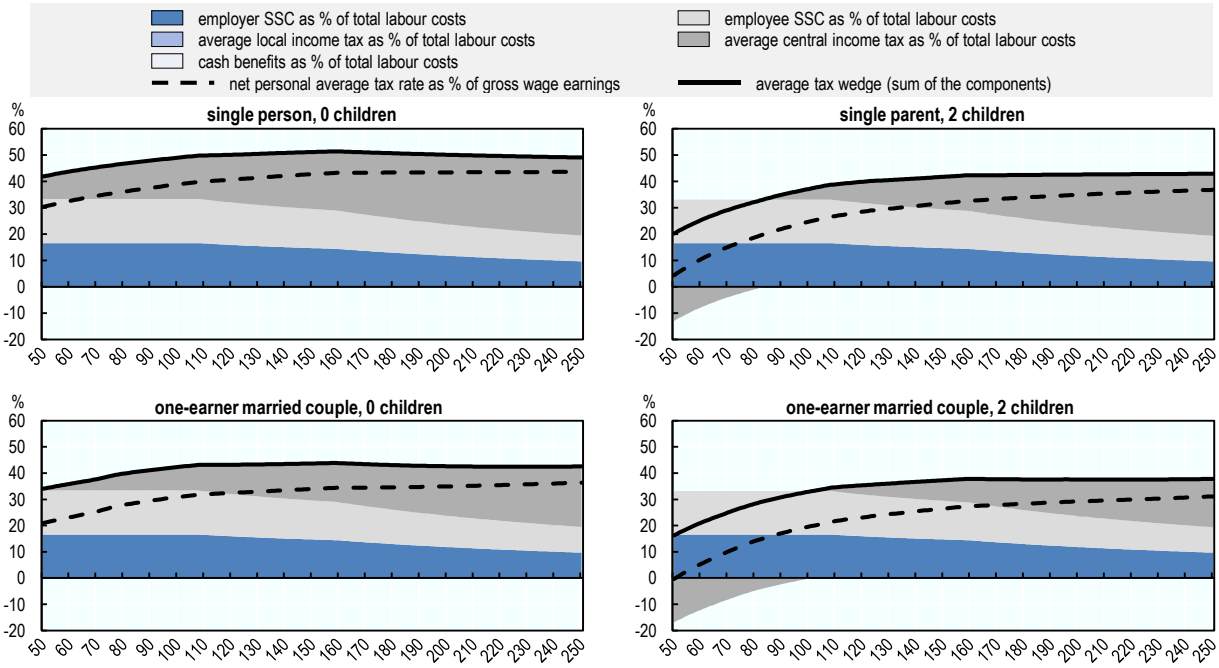
by level of gross earnings expressed as a % of the average wage




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## Germany 2020: average tax wedge decomposition

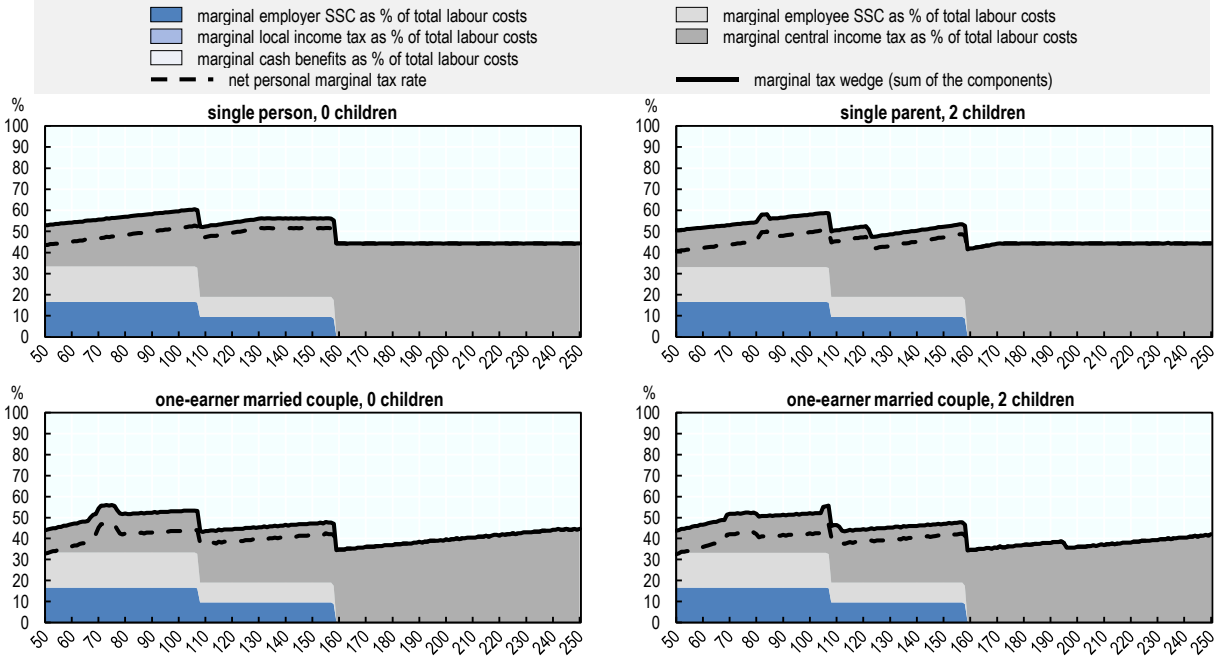
by level of gross earnings expressed as a % of the average wage




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## Germany 2020: marginal tax wedge decomposition

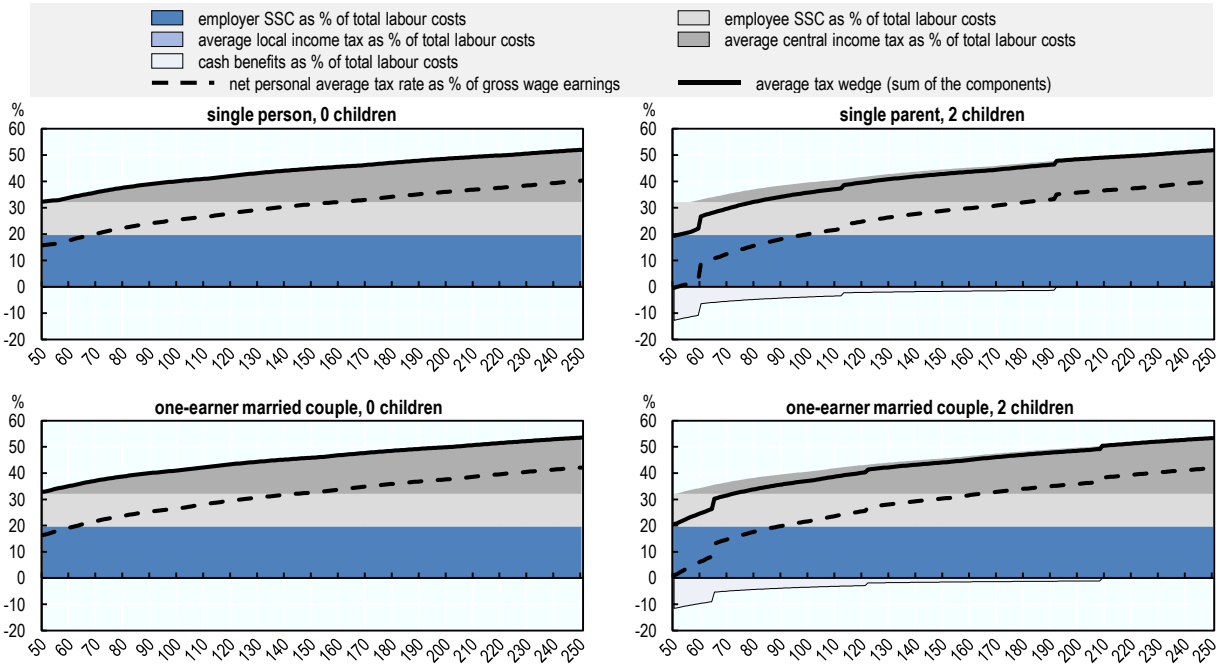
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/eifn3w

## Greece 2020: average tax wedge decomposition

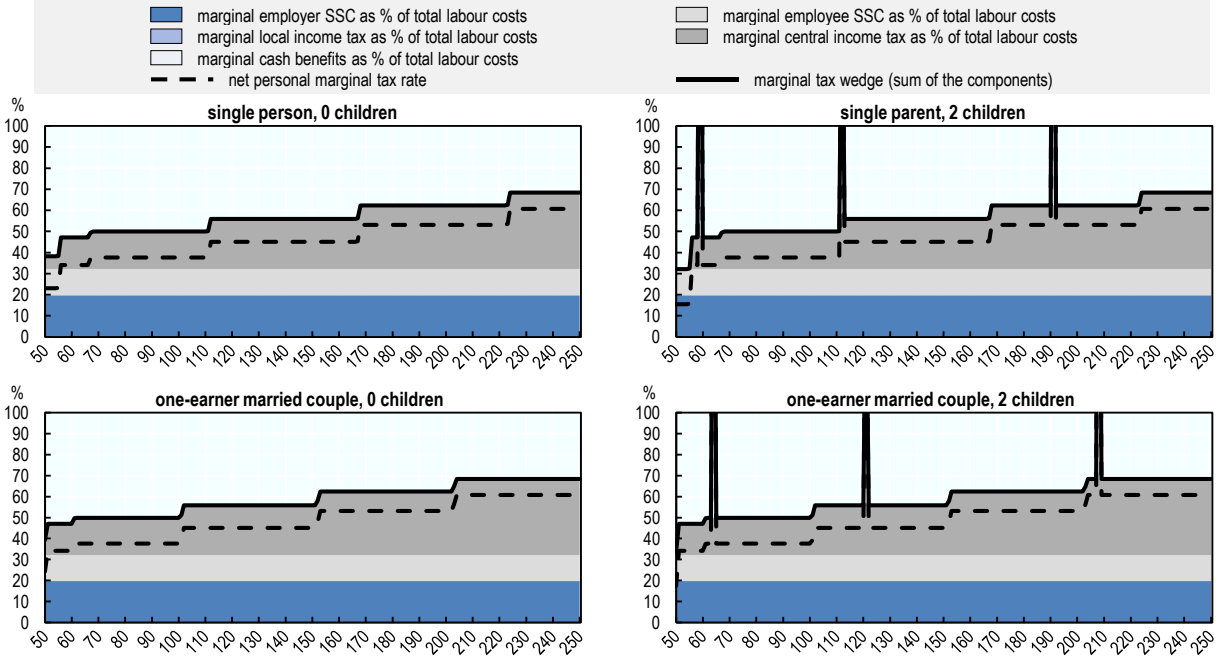
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/tbw3zu

## Greece 2020: marginal tax wedge decomposition

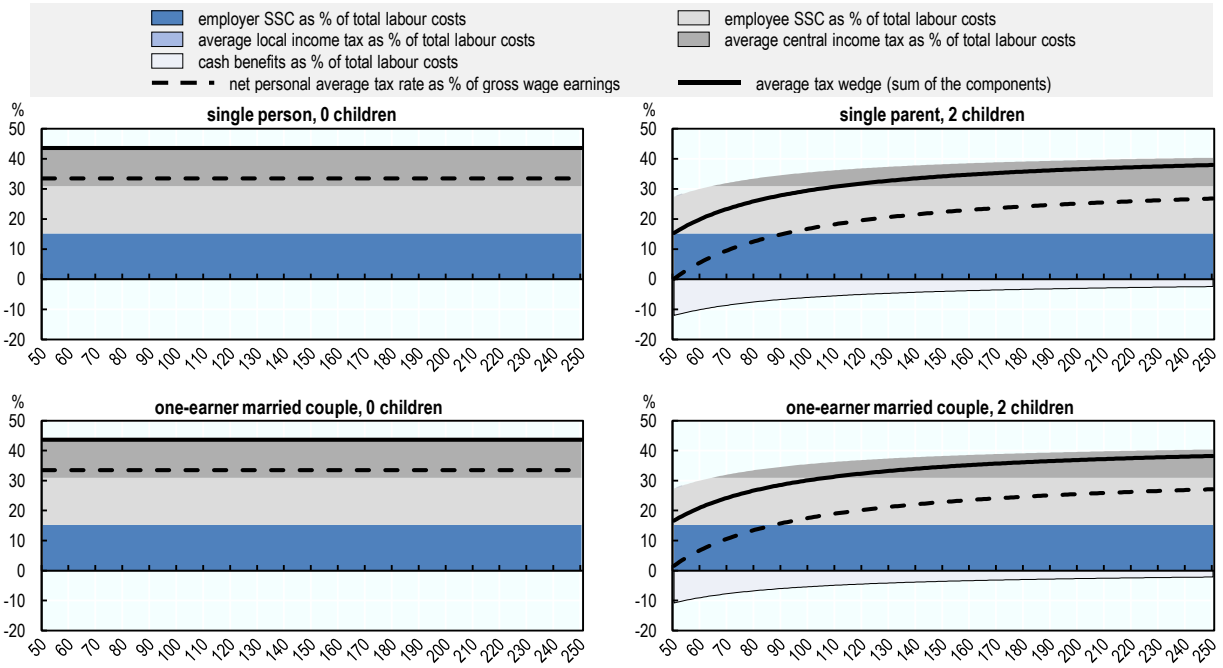
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/on2lsf

## Hungary 2020: average tax wedge decomposition

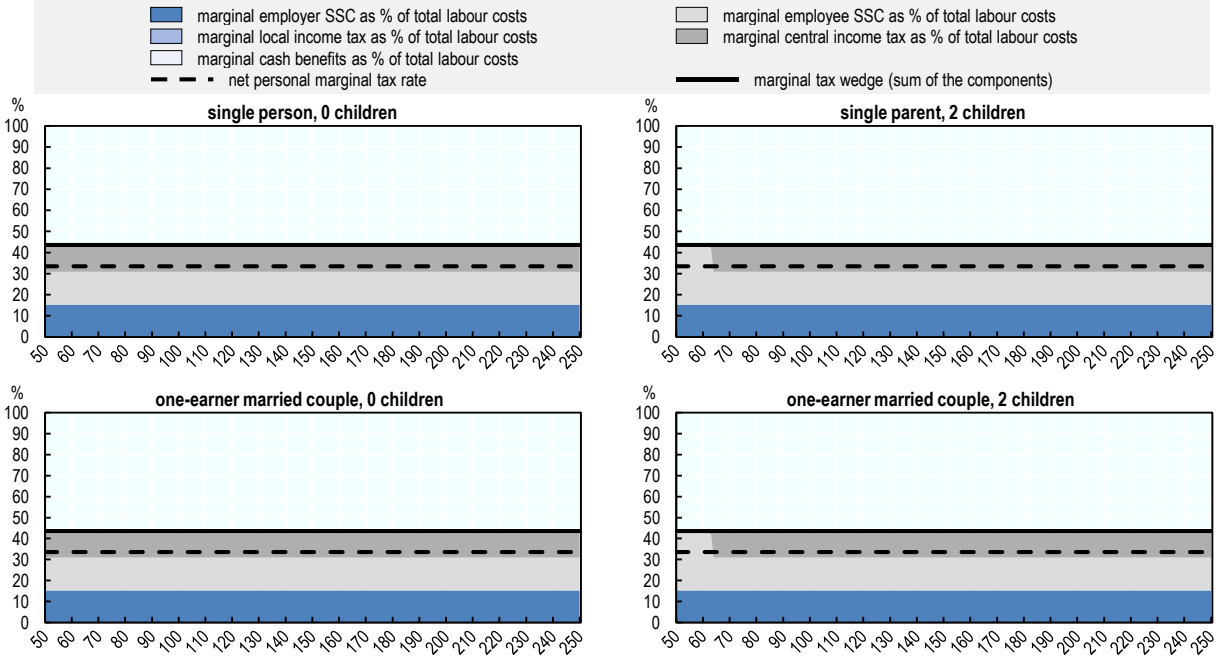
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/0iu6g1

## Hungary 2020: marginal tax wedge decomposition

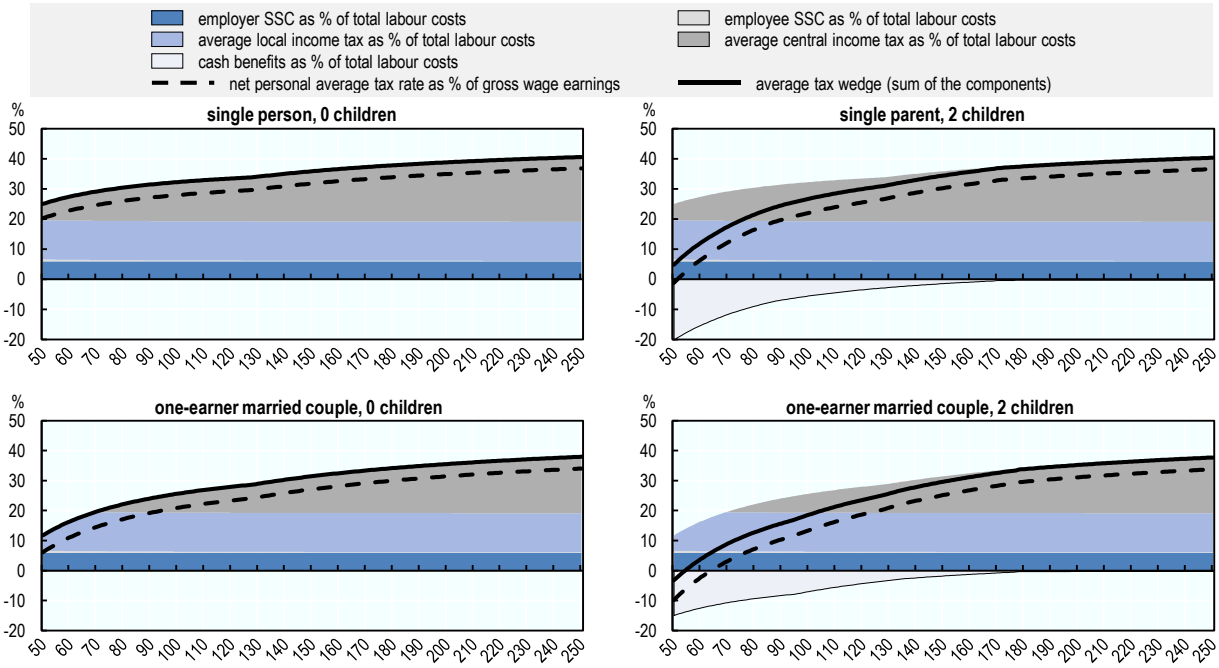
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/ghwsfc

## Iceland 2020: average tax wedge decomposition

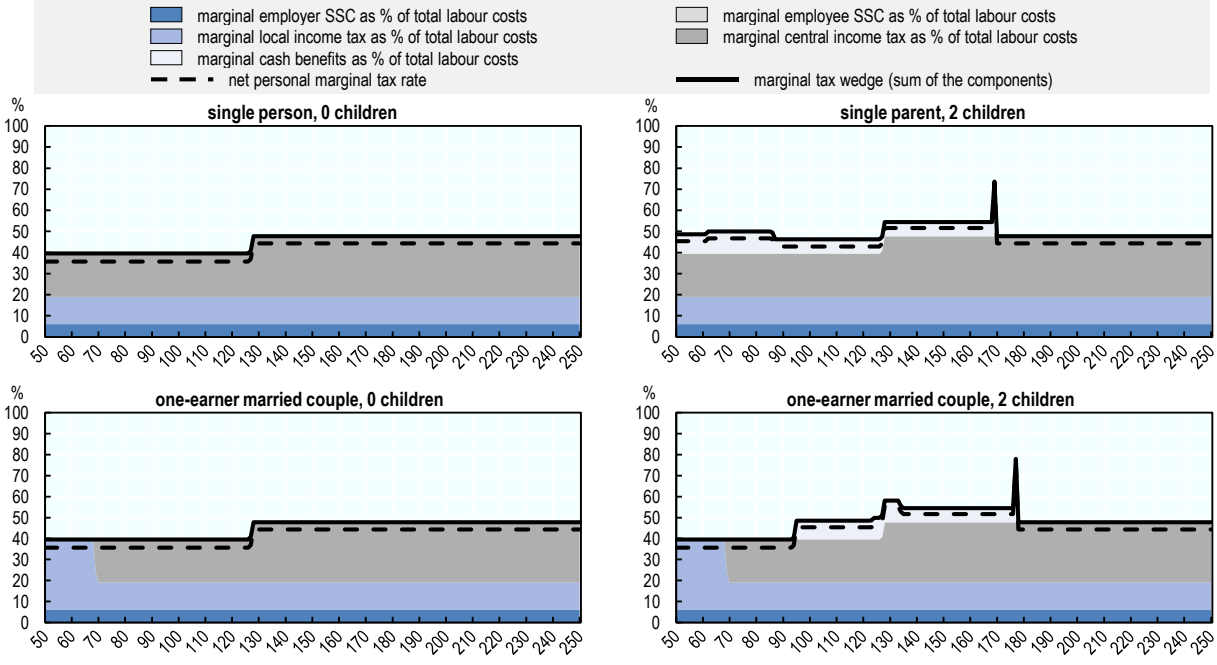
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/h3nxb5

## Iceland 2020: marginal tax wedge decomposition

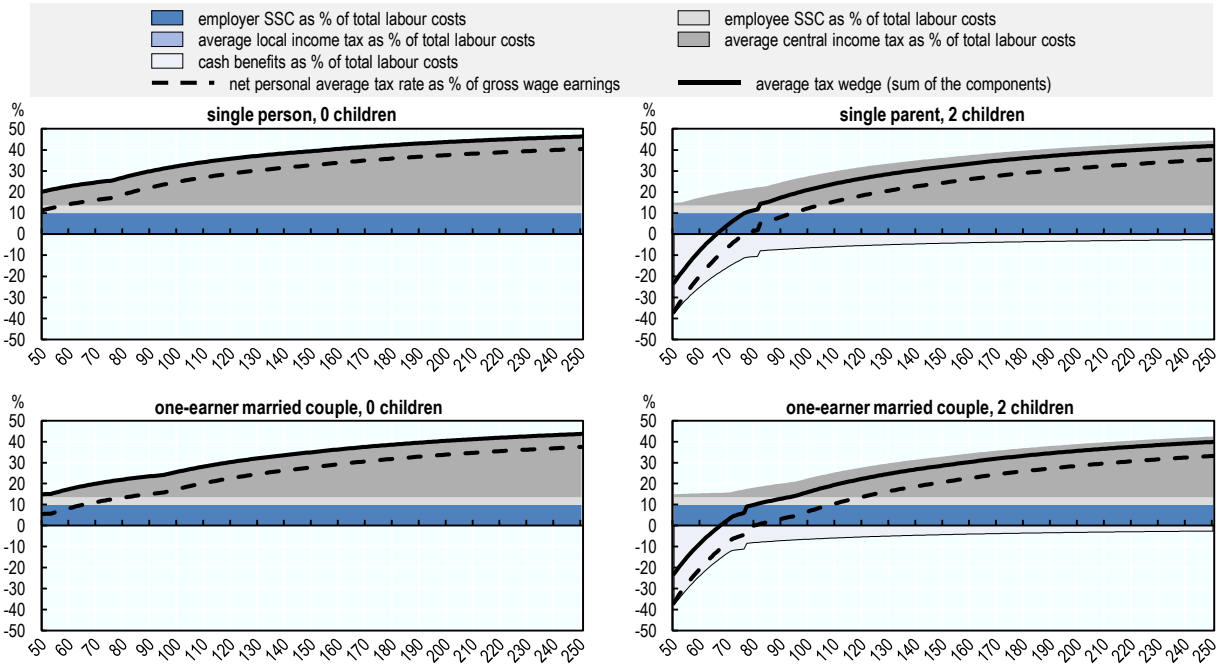
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/fyzplt

## Ireland 2020: average tax wedge decomposition

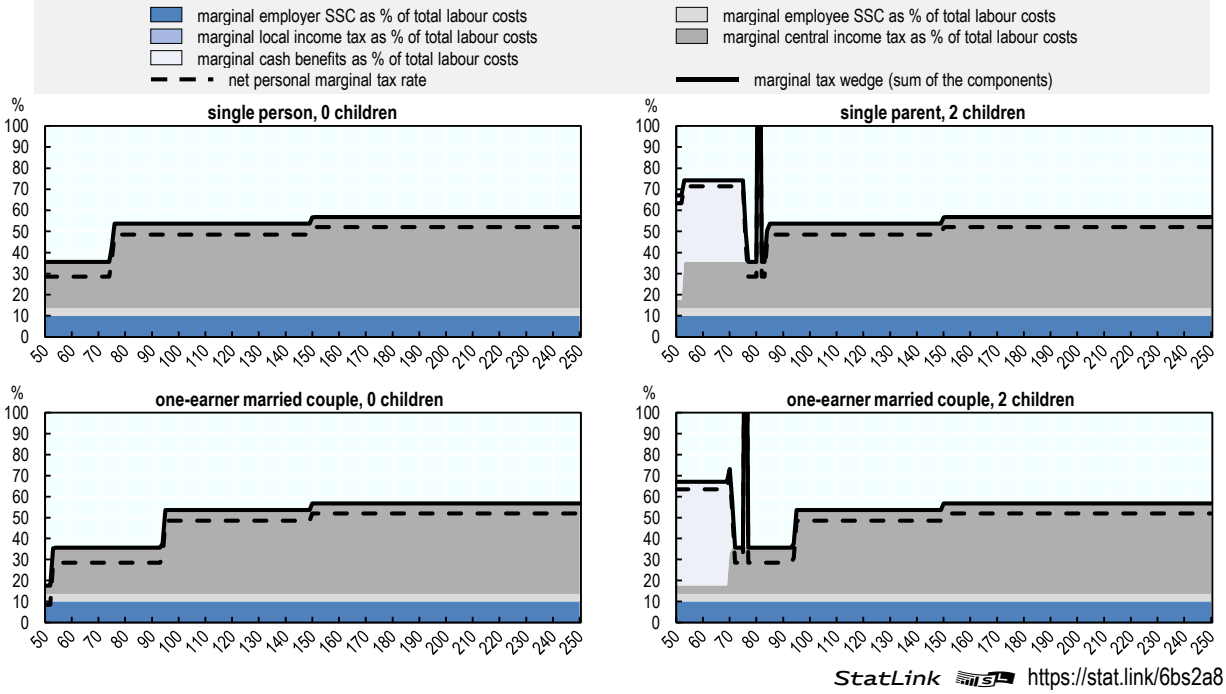
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/era3hg

## Ireland 2020: marginal tax wedge decomposition

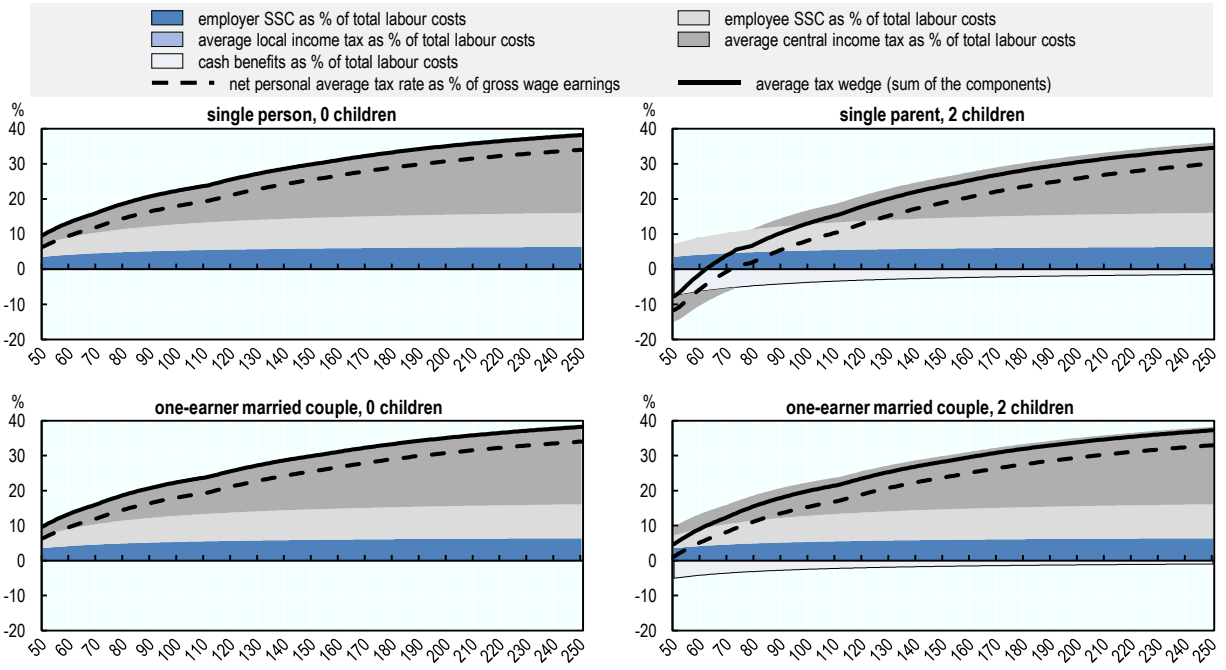
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/6bs2a8

## Israel 2020: average tax wedge decomposition

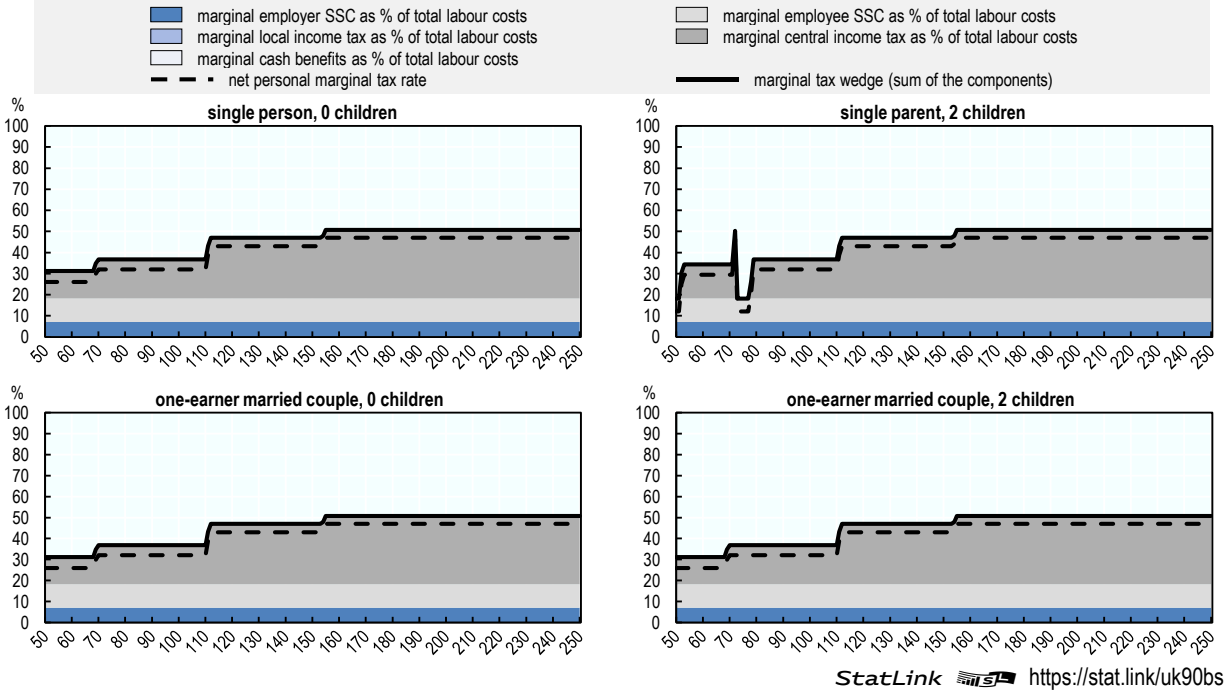
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/trpynf

## Israel 2020: marginal tax wedge decomposition

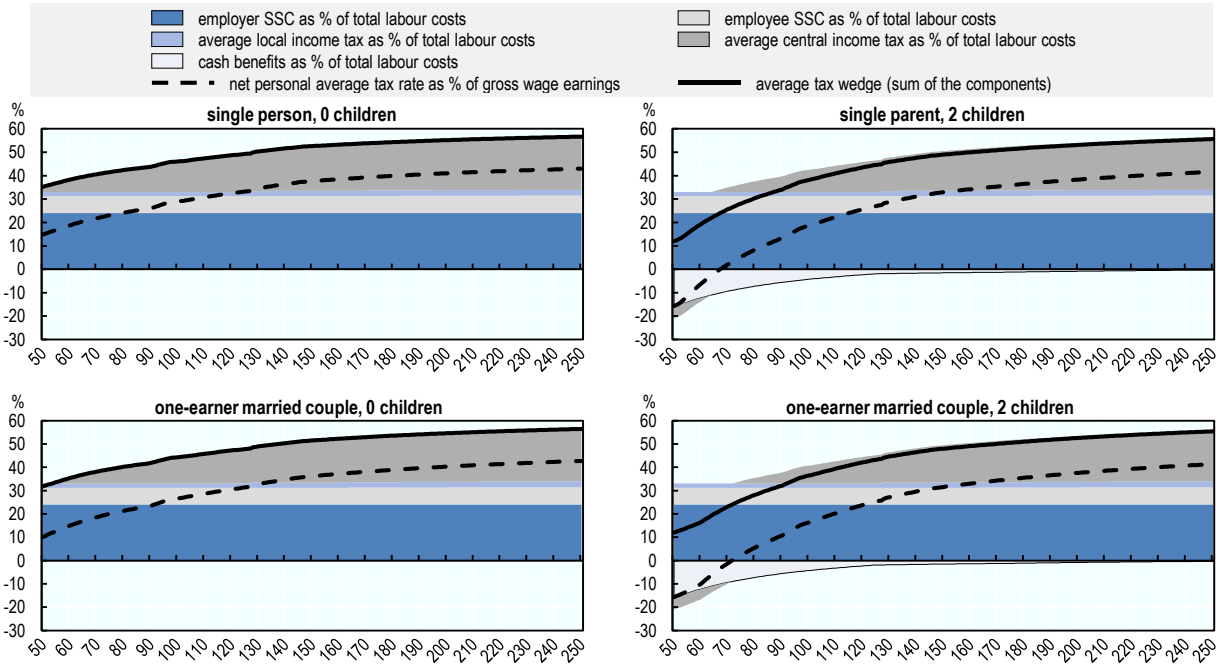
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/uk90bs

## Italy 2020: average tax wedge decomposition

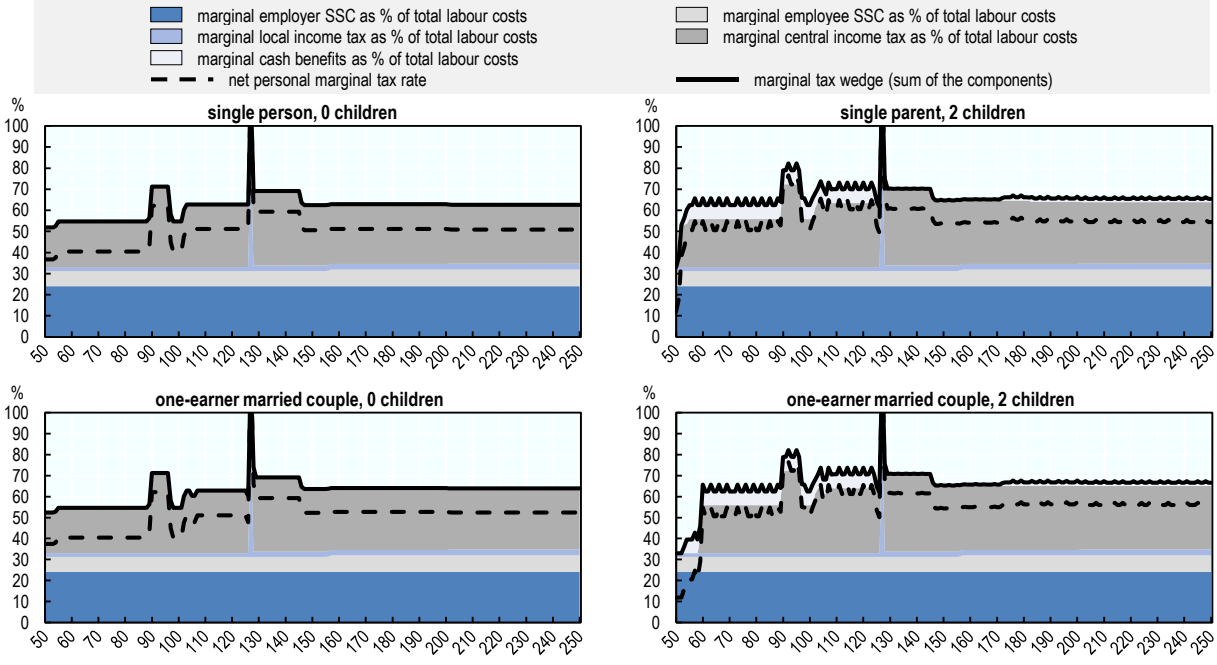
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/5u3fjb

## Italy 2020: marginal tax wedge decomposition

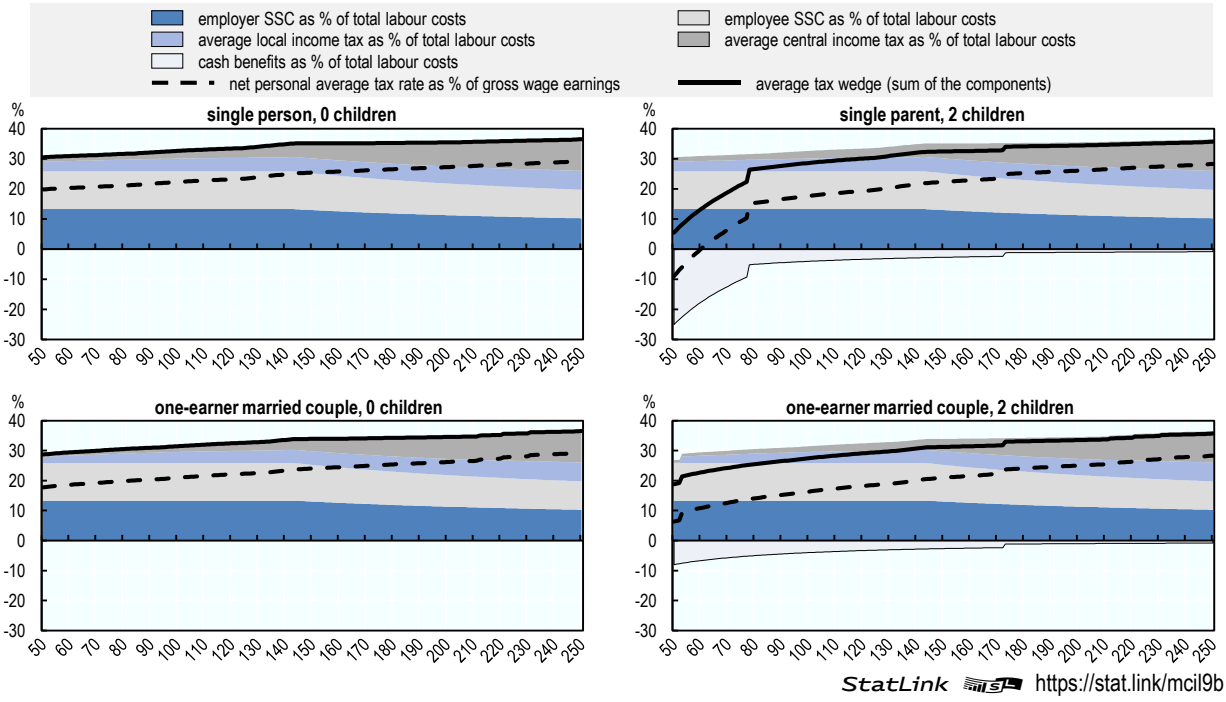
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/586tof

## Japan 2020: average tax wedge decomposition

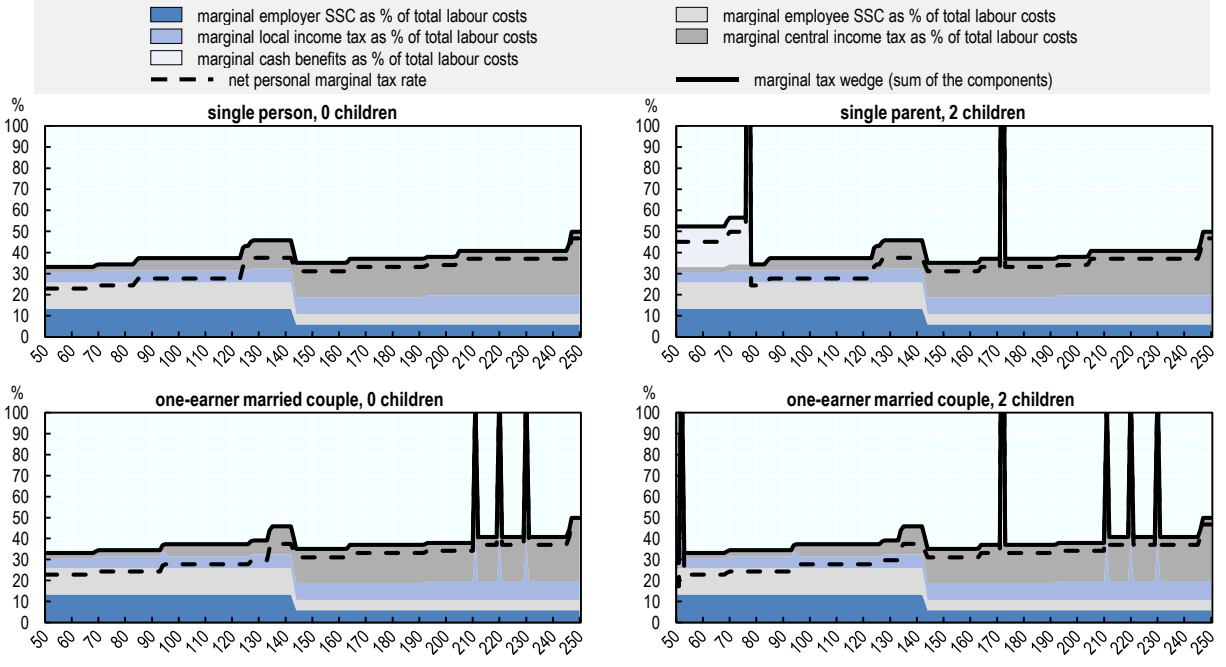
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/mcil9b

## Japan 2020: marginal tax wedge decomposition

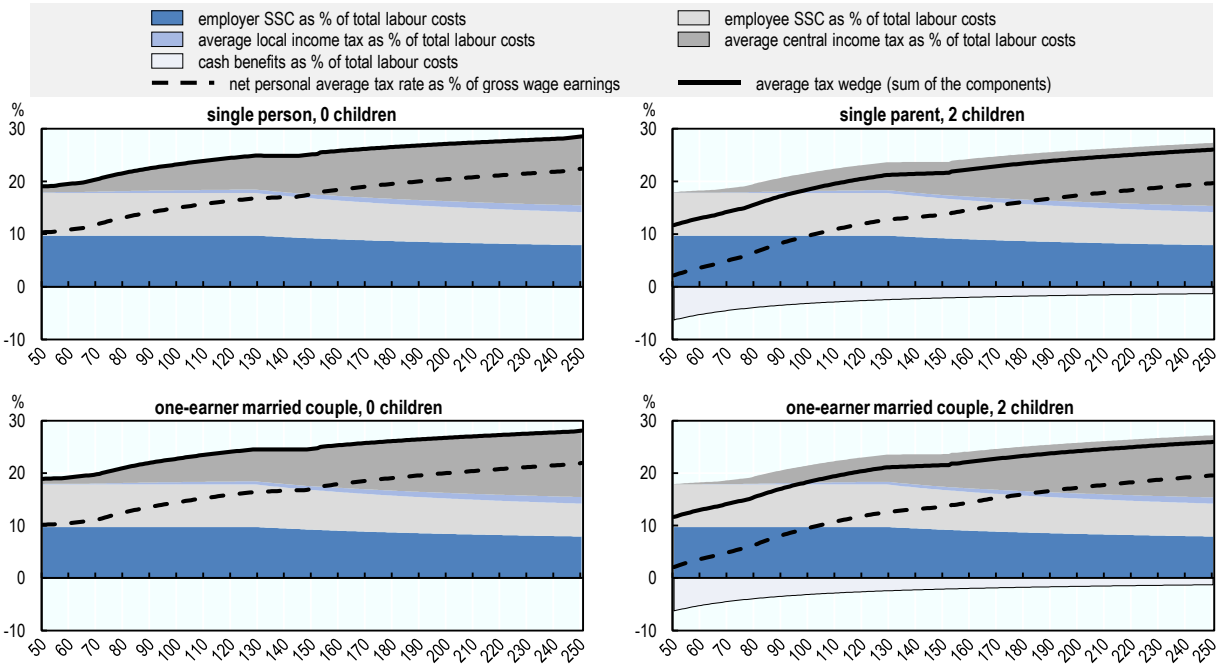
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/qvbi0z

## Korea 2020: average tax wedge decomposition

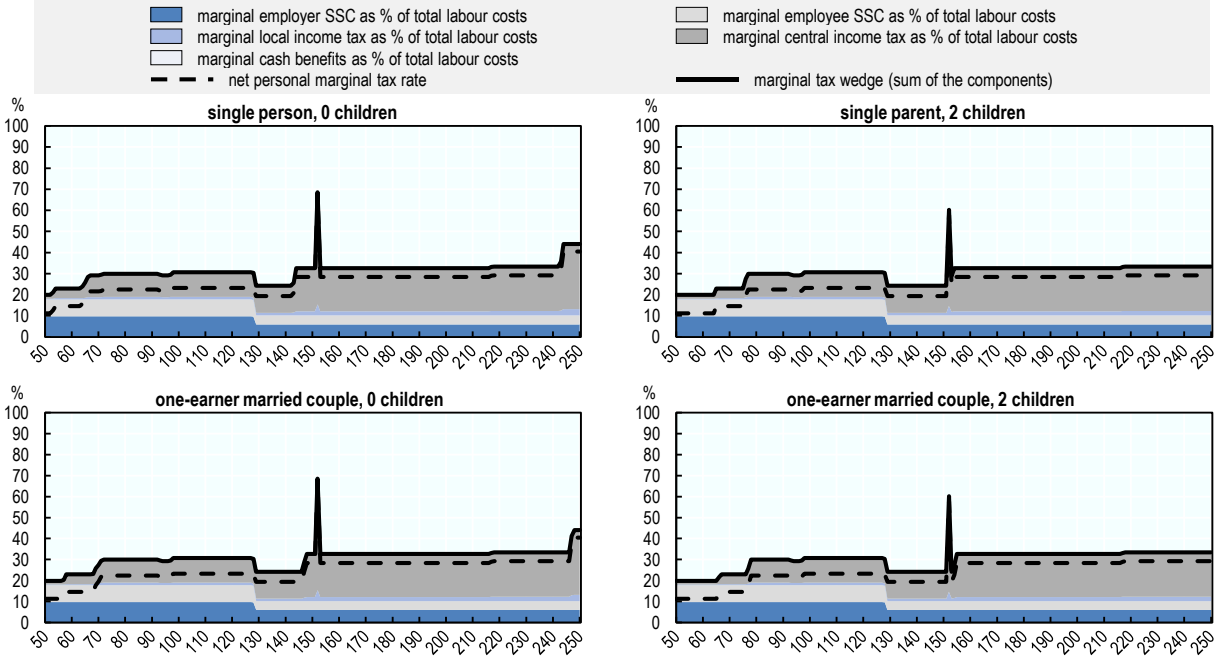
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/72lzmc

## Korea 2020: marginal tax wedge decomposition

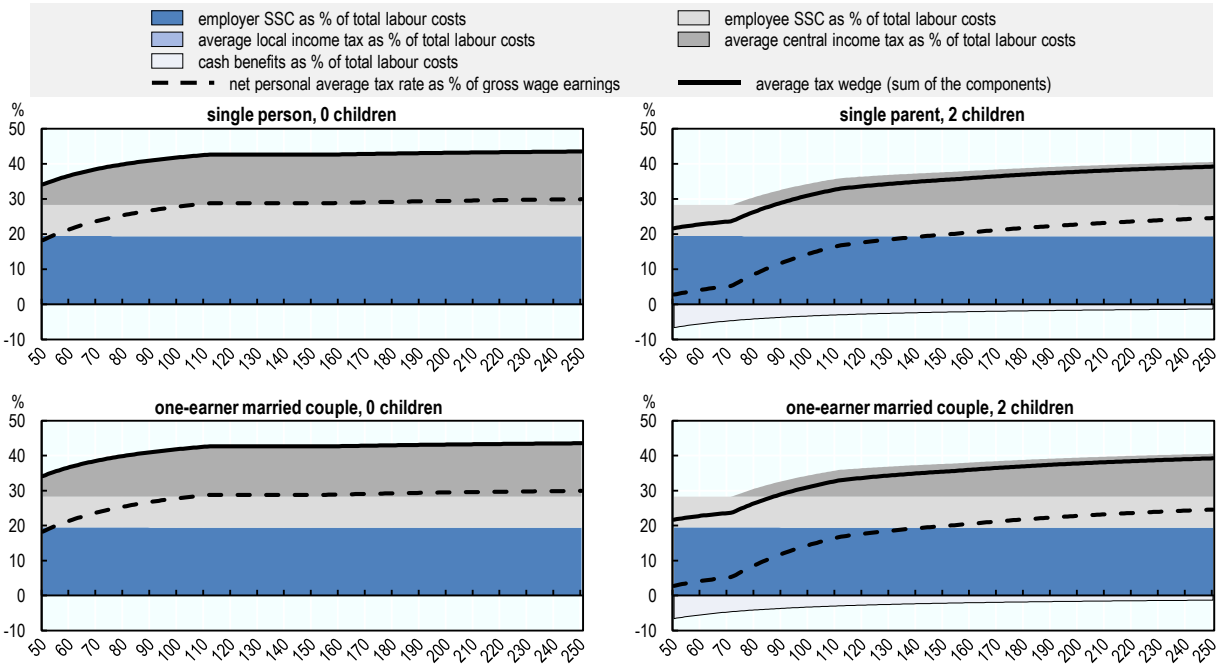
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/ukn2jr

## Latvia 2020: average tax wedge decomposition

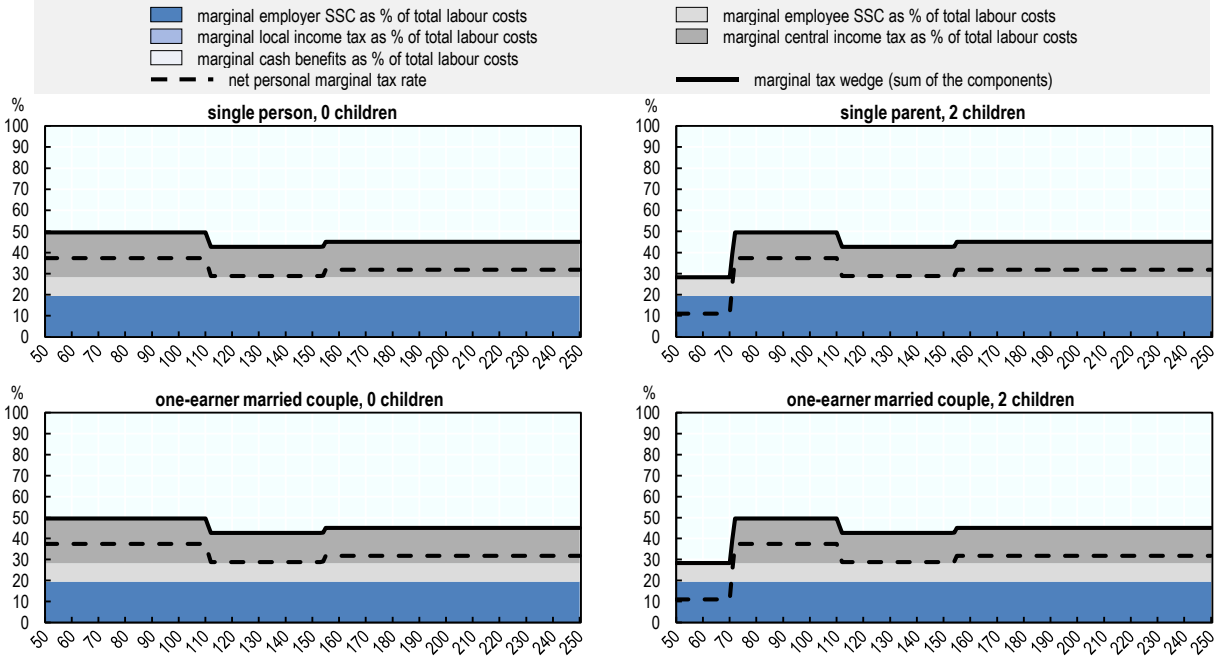
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/kphs7e

## Latvia 2020: marginal tax wedge decomposition

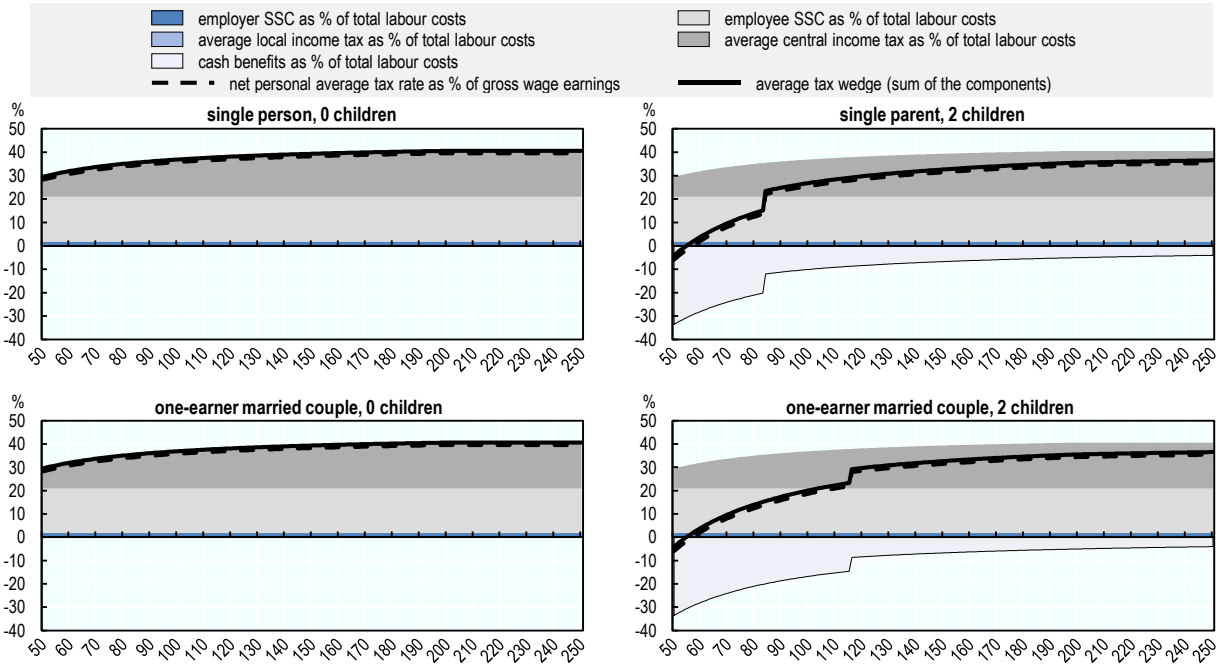
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/qr36od

## Lithuania 2020: average tax wedge decomposition

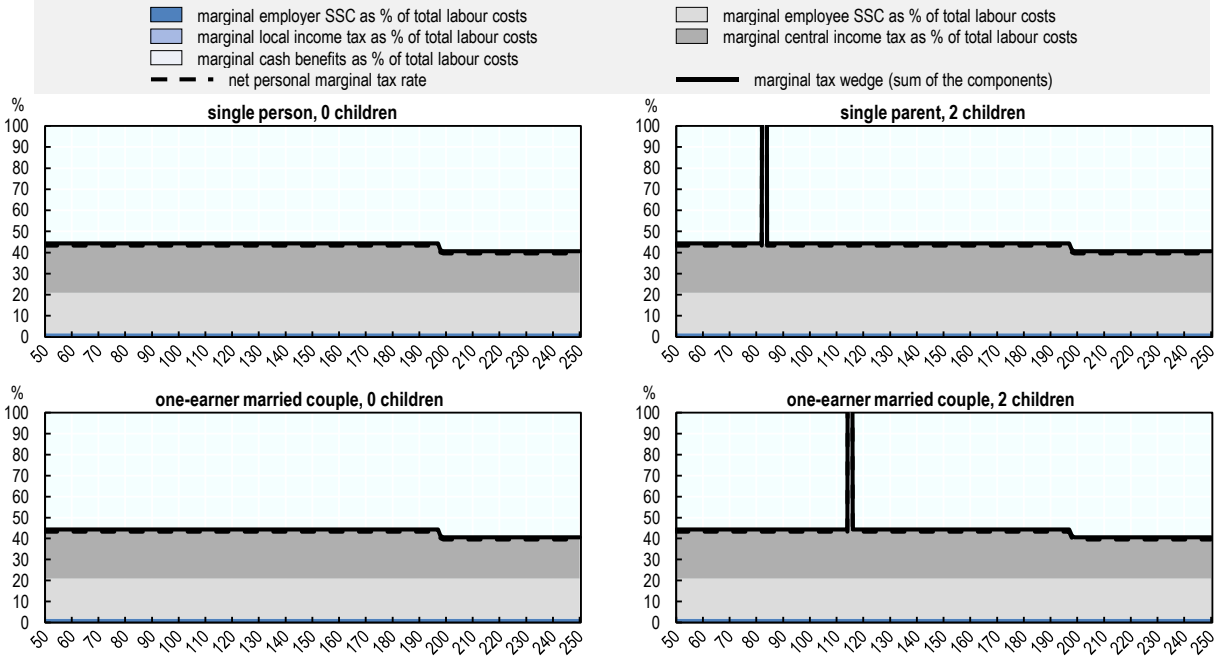
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/svx9wt

## Lithuania 2020: marginal tax wedge decomposition

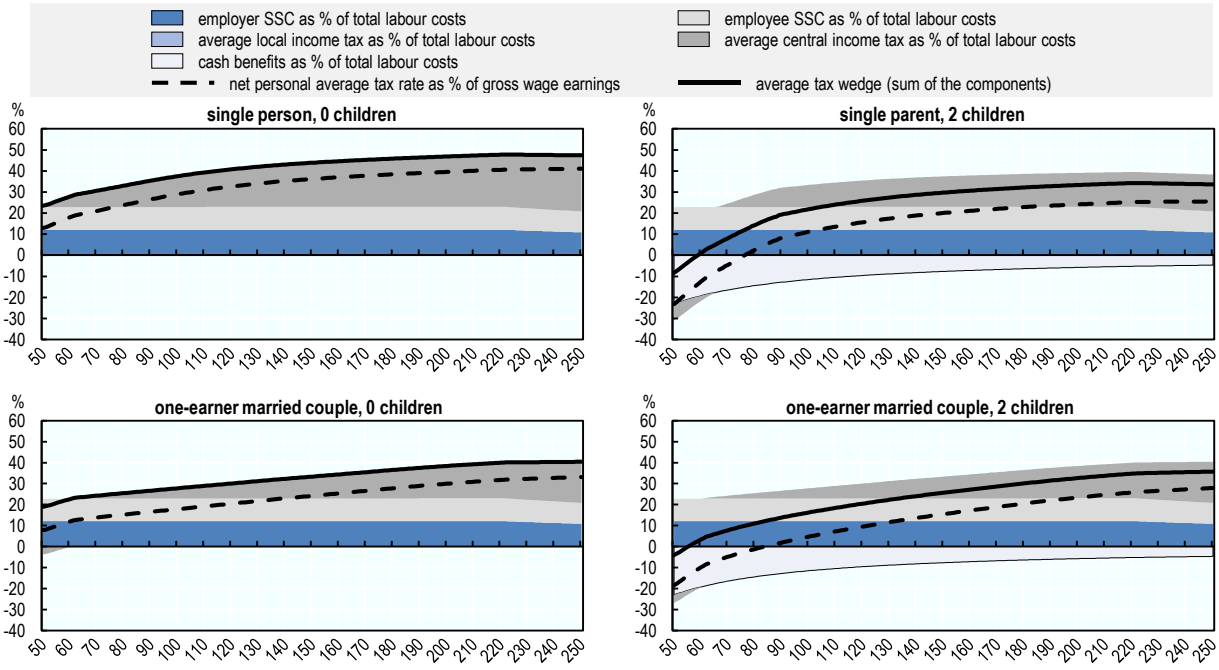
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/m327qy

## Luxembourg 2020: average tax wedge decomposition

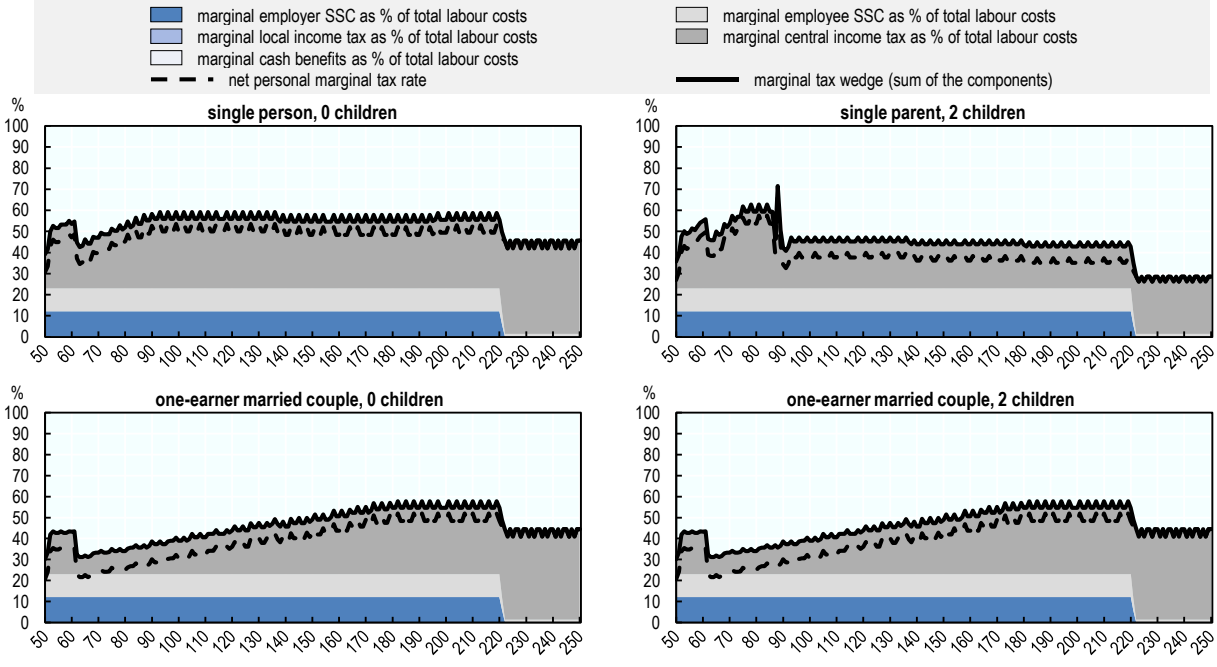
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/f7n04m

## Luxembourg 2020: marginal tax wedge decomposition

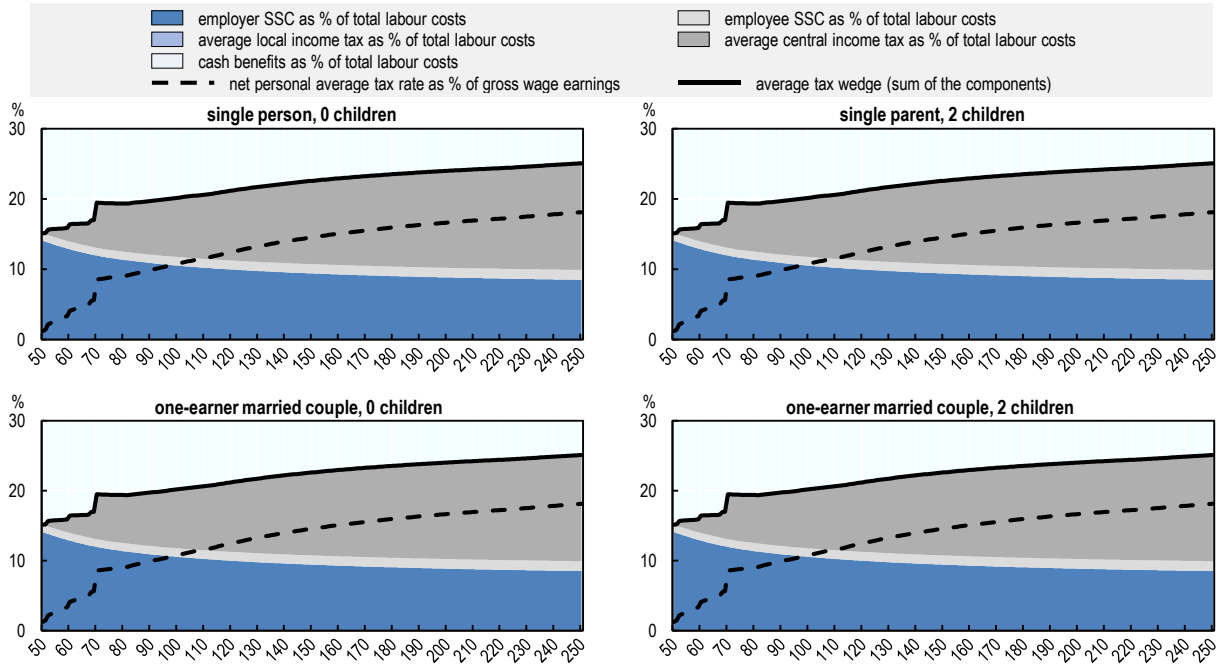
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/9yrj4x

## Mexico 2020: average tax wedge decomposition

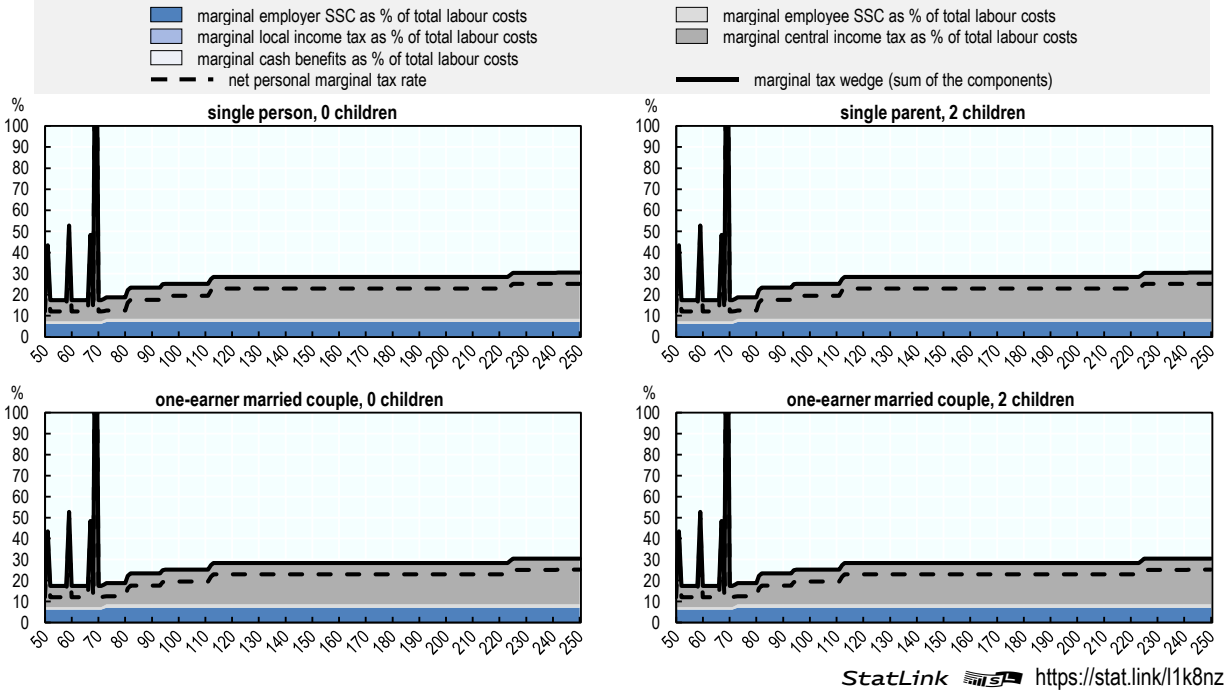
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/xm3q15

## Mexico 2020: marginal tax wedge decomposition

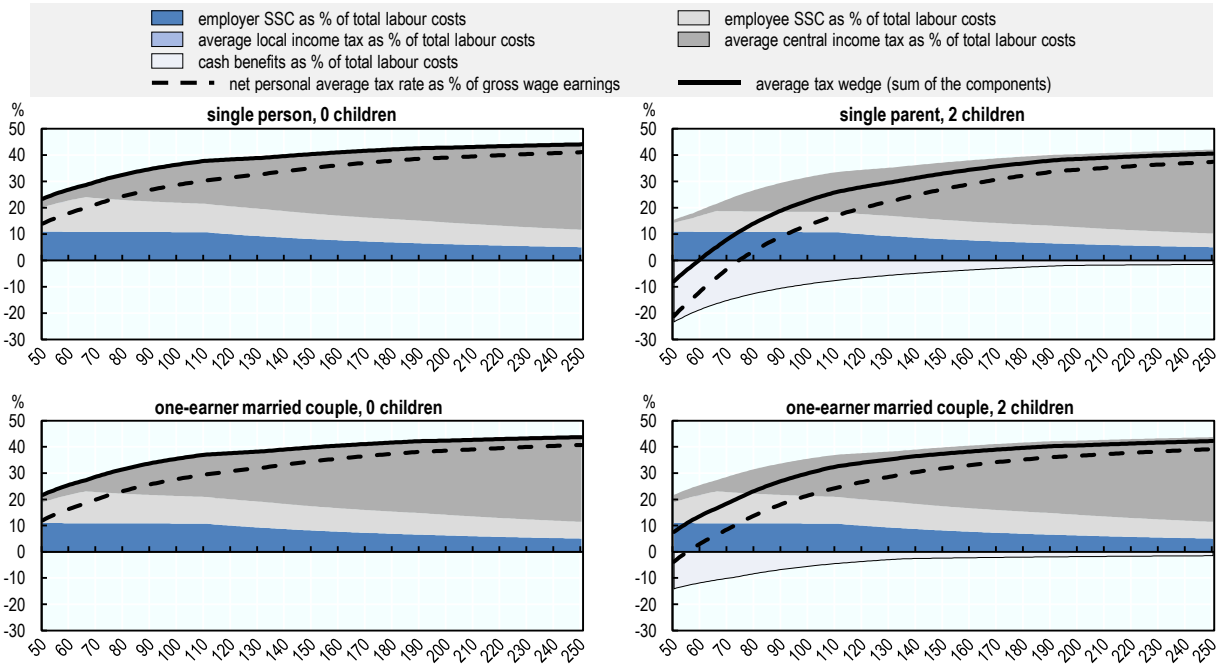
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/l1k8nz

## Netherlands 2020: average tax wedge decomposition

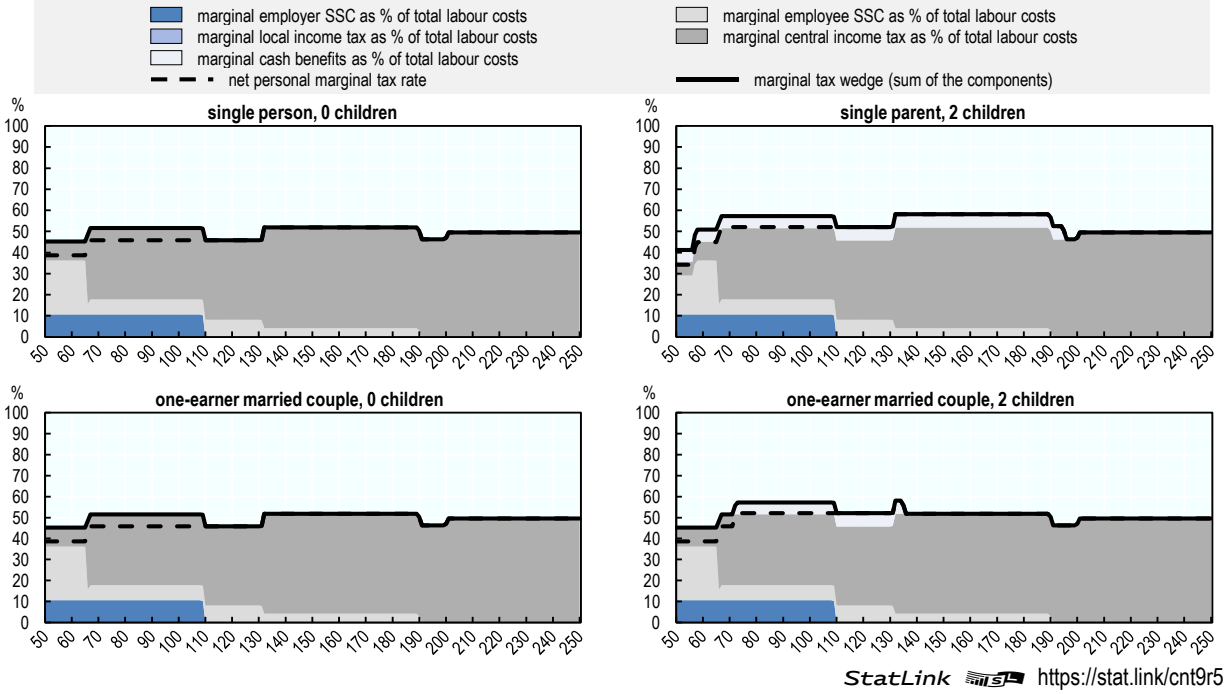
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/1doe59

## Netherlands 2020: marginal tax wedge decomposition

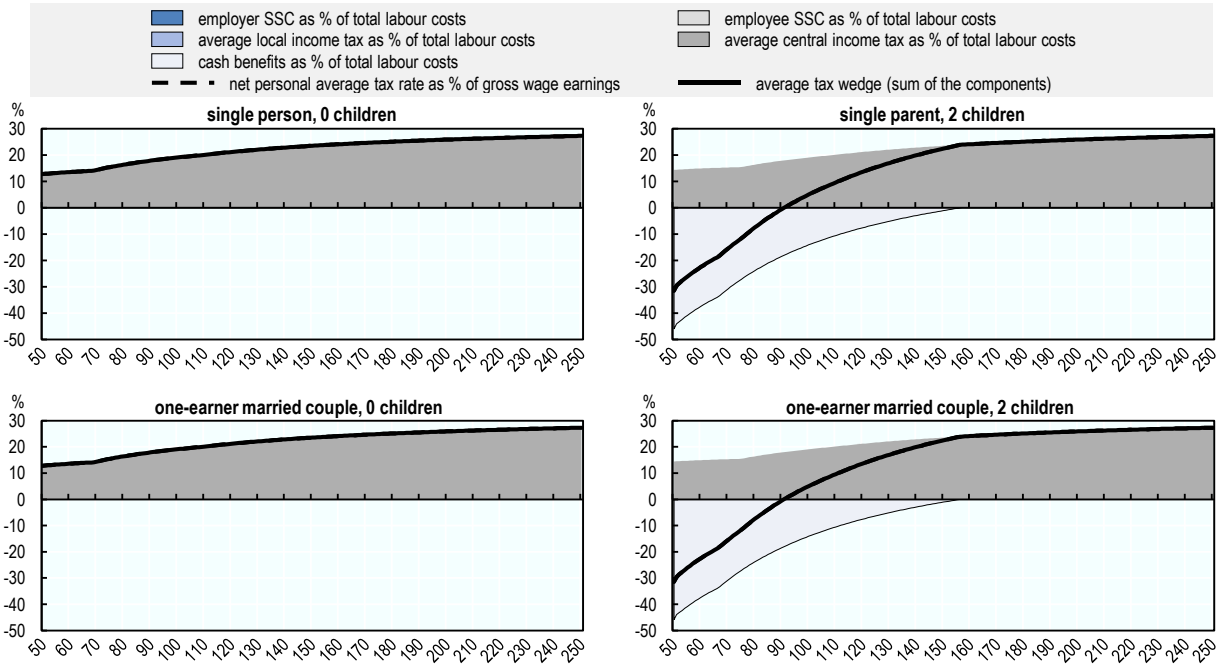
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/cnt9r5

## New Zealand 2020: average tax wedge decomposition

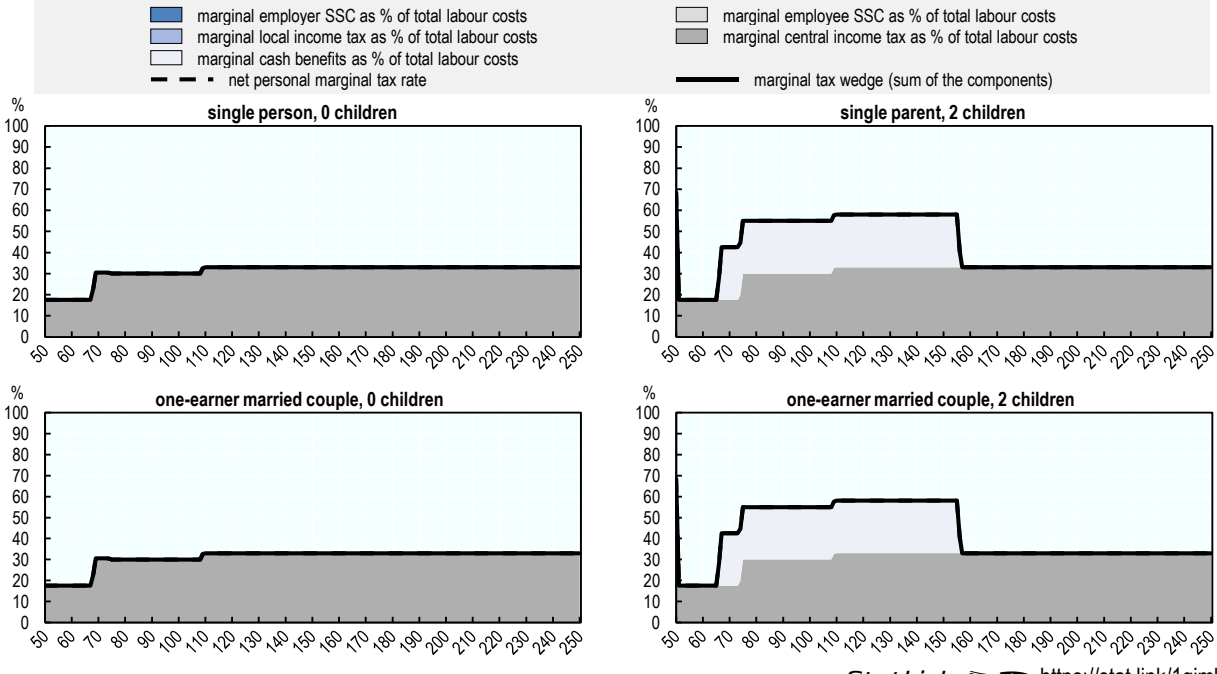
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/wl2ajy

## New Zealand 2020: marginal tax wedge decomposition

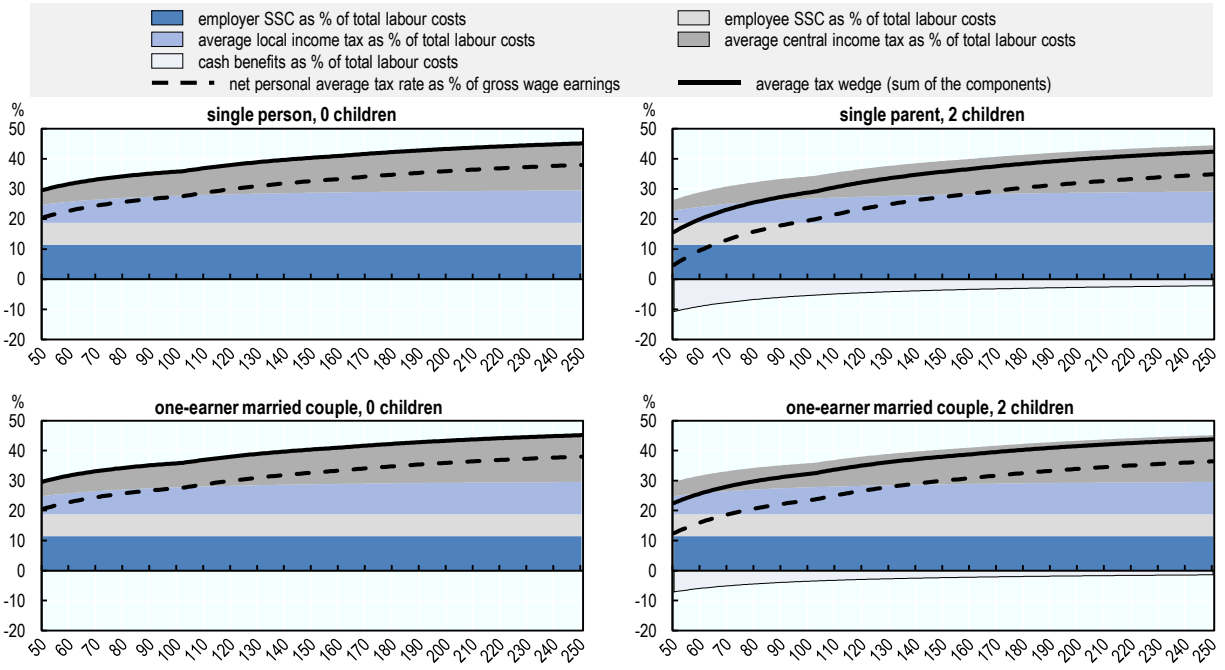
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/1gjmlf

## Norway 2020: average tax wedge decomposition

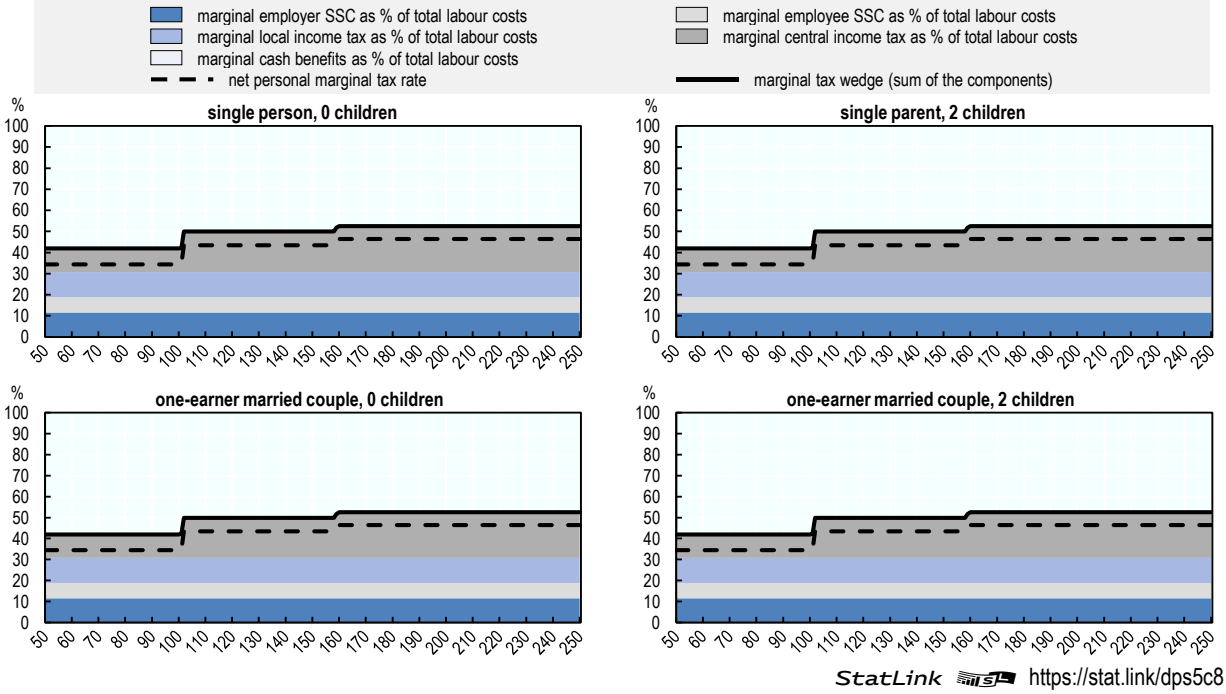
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/m7kqau

## Norway 2020: marginal tax wedge decomposition

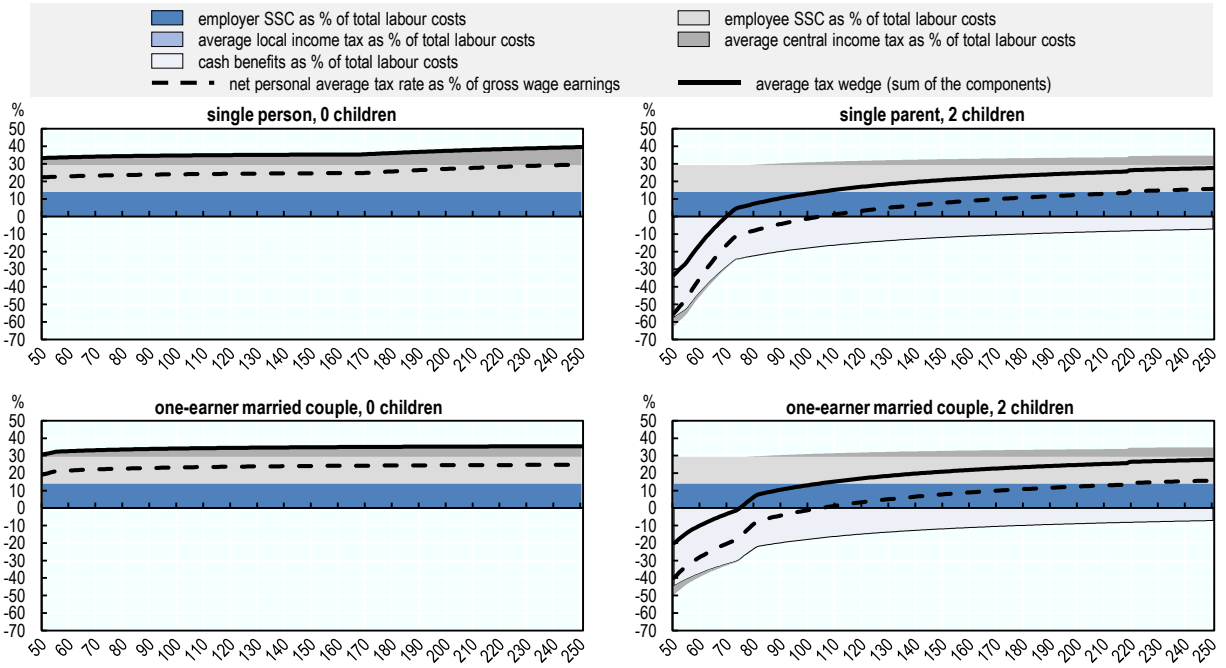
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/dps5c8

## Poland 2020: average tax wedge decomposition

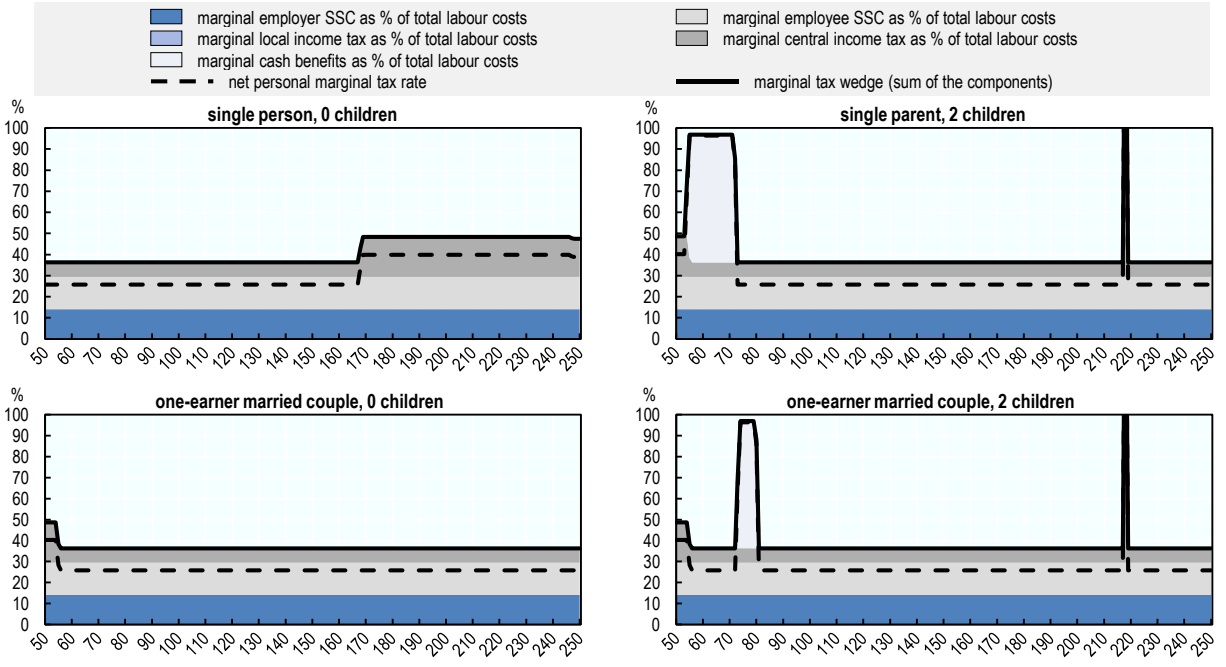
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/5lozy2

## Poland 2020: marginal tax wedge decomposition

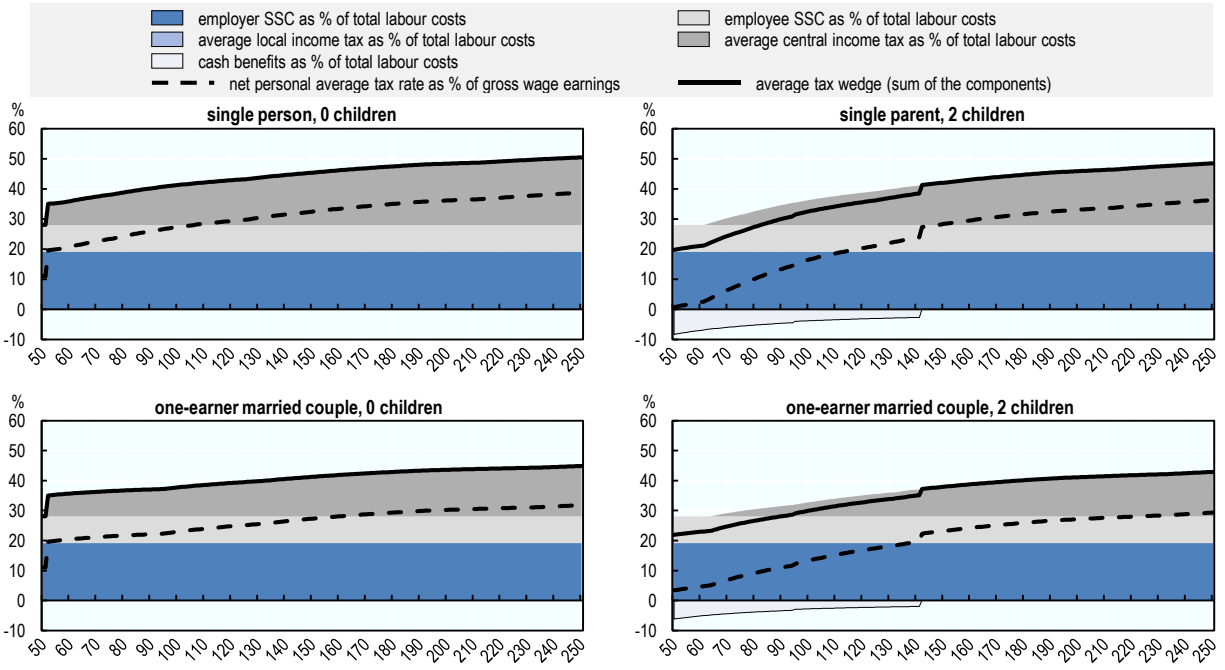
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/7edu6l

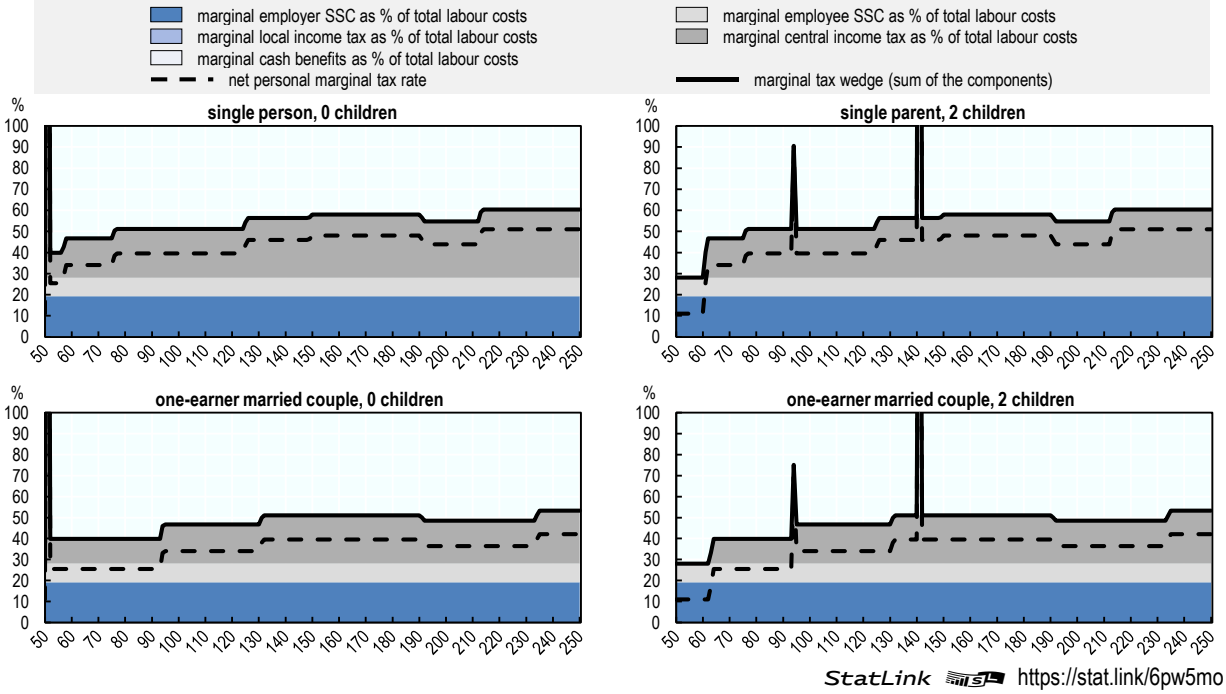
## Portugal 2020: average tax wedge decomposition

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



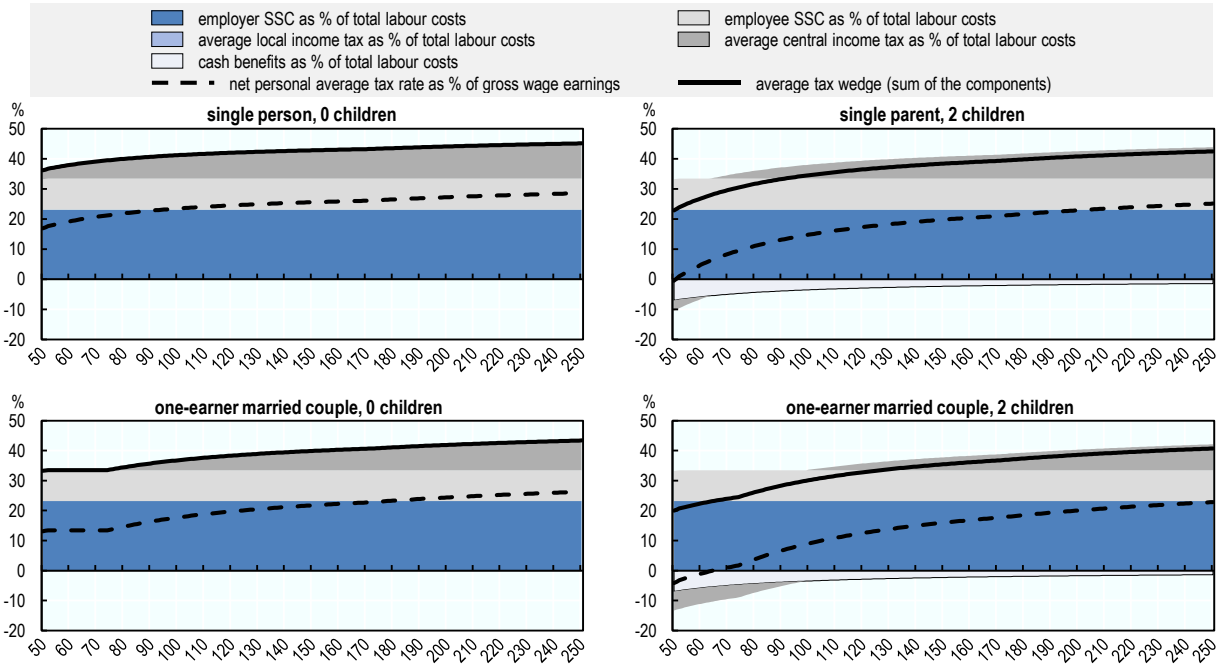

## Portugal 2020: marginal tax wedge decomposition

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



## Slovak Republic 2020: average tax wedge decomposition

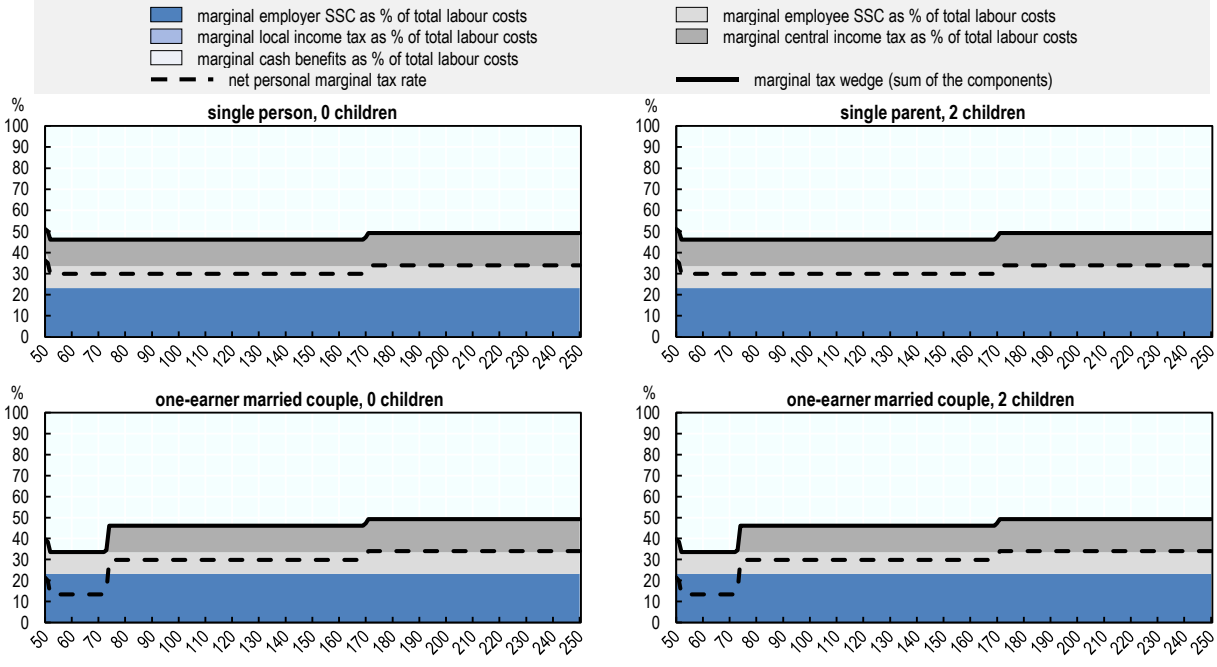
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/1xdet3

## Slovak Republic 2020: marginal tax wedge decomposition

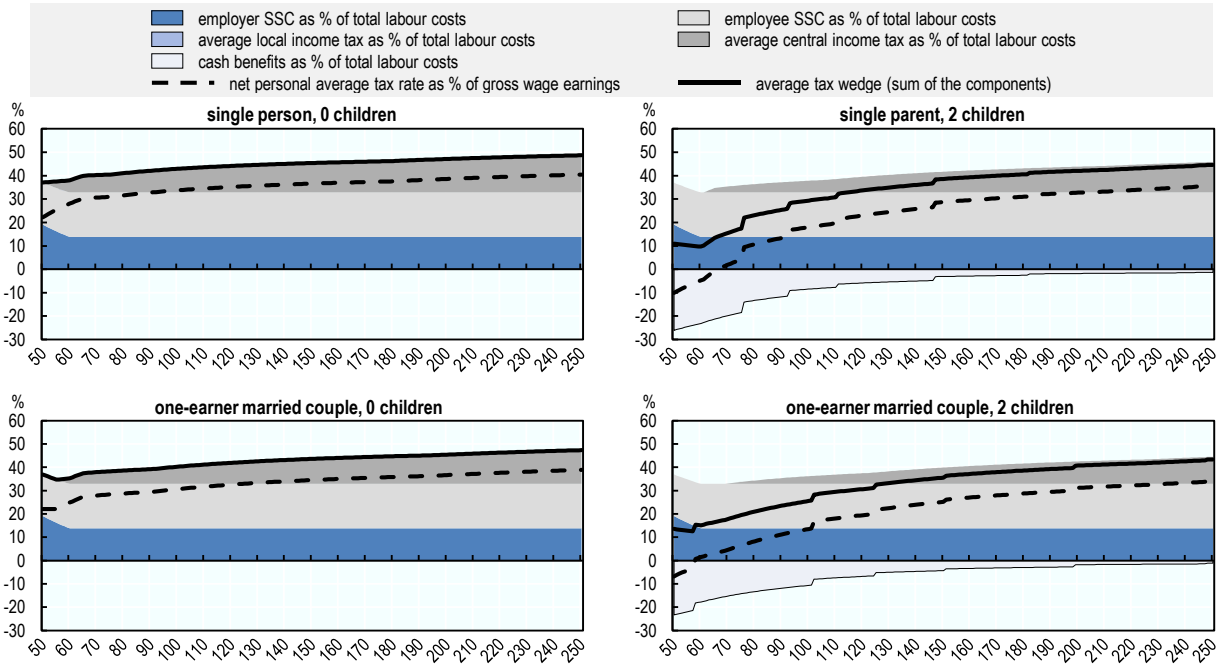
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/av0z9o

## Slovenia 2020: average tax wedge decomposition

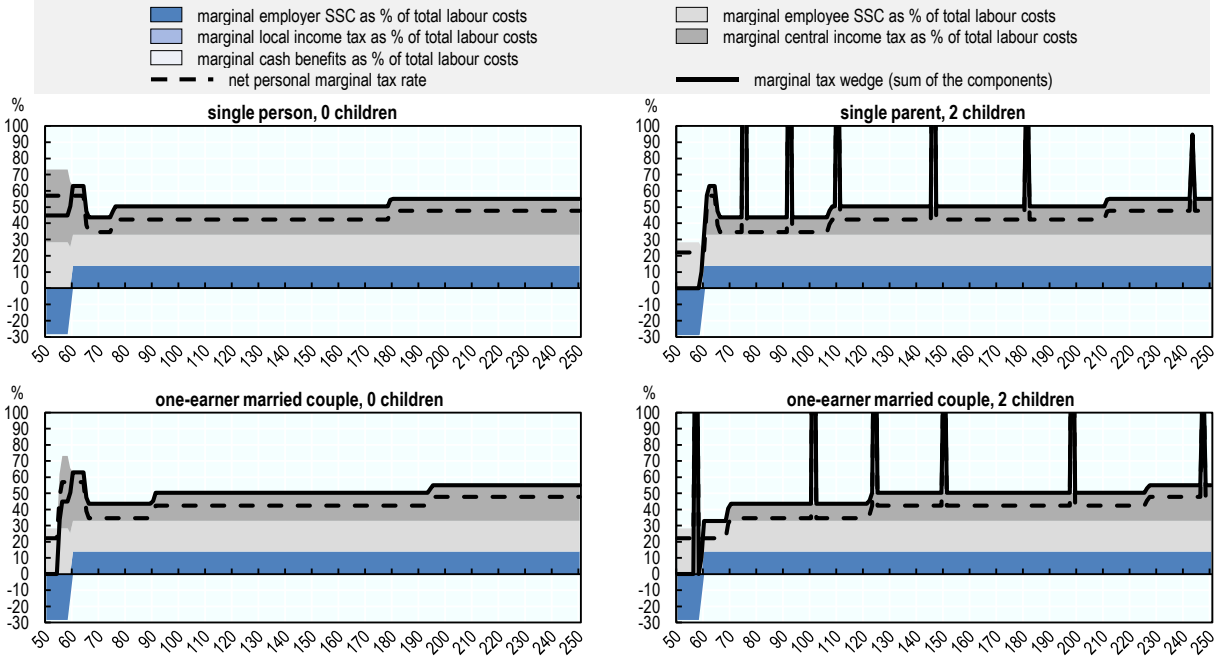
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/e2154l

## Slovenia 2020: marginal tax wedge decomposition

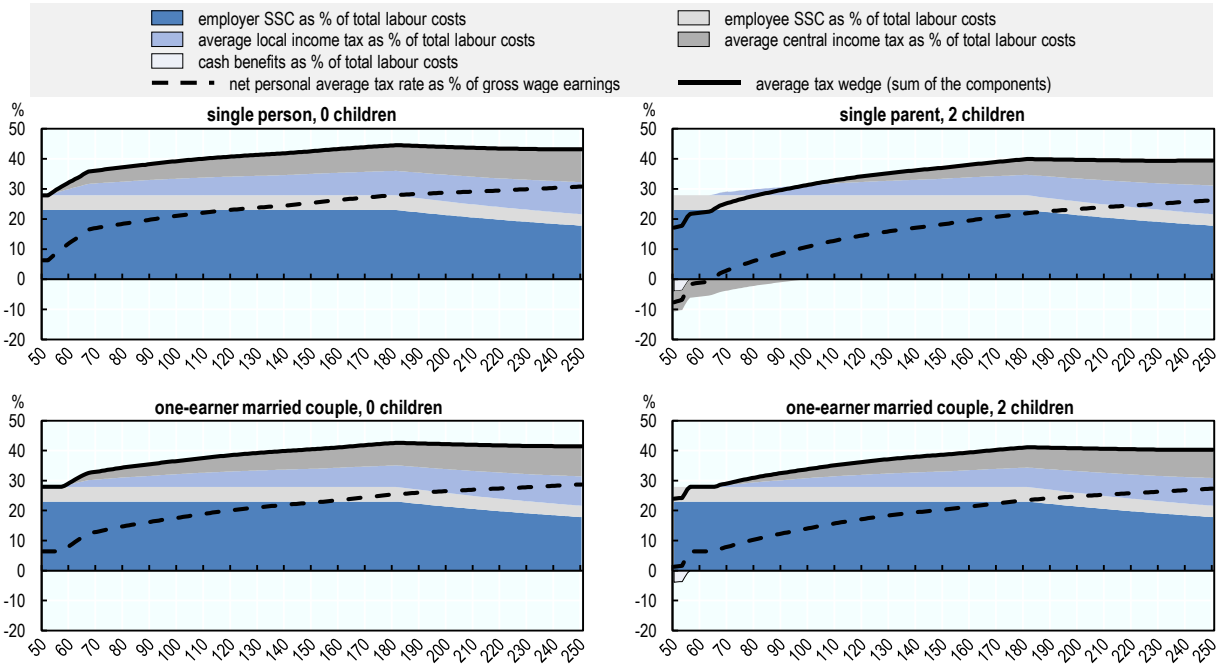
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/lb17sx

## Spain 2020: average tax wedge decomposition

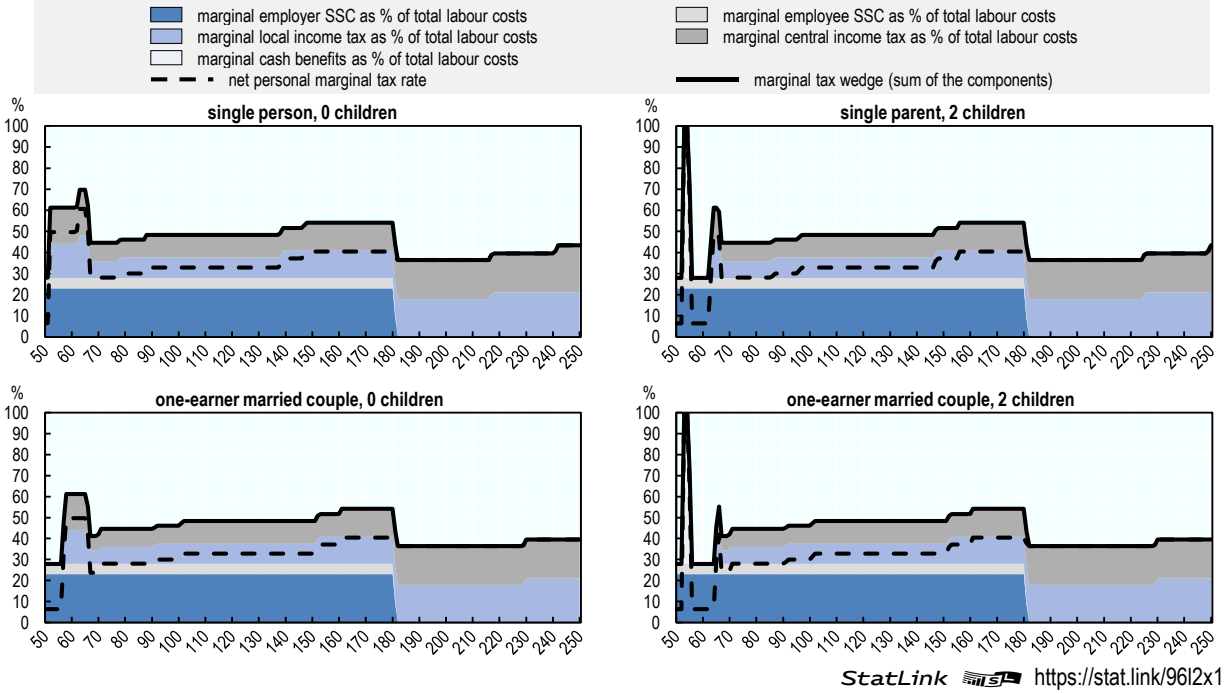
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/jufh87

## Spain 2020: marginal tax wedge decomposition

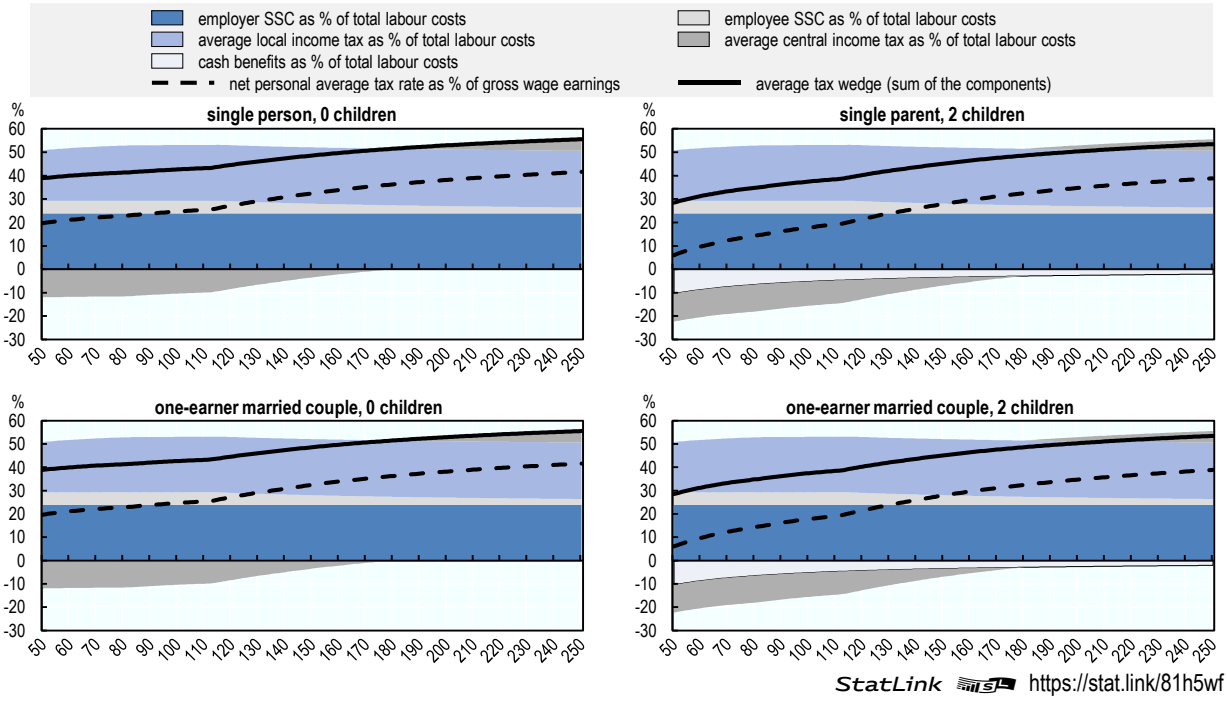
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/96l2x1

## Sweden 2020: average tax wedge decomposition

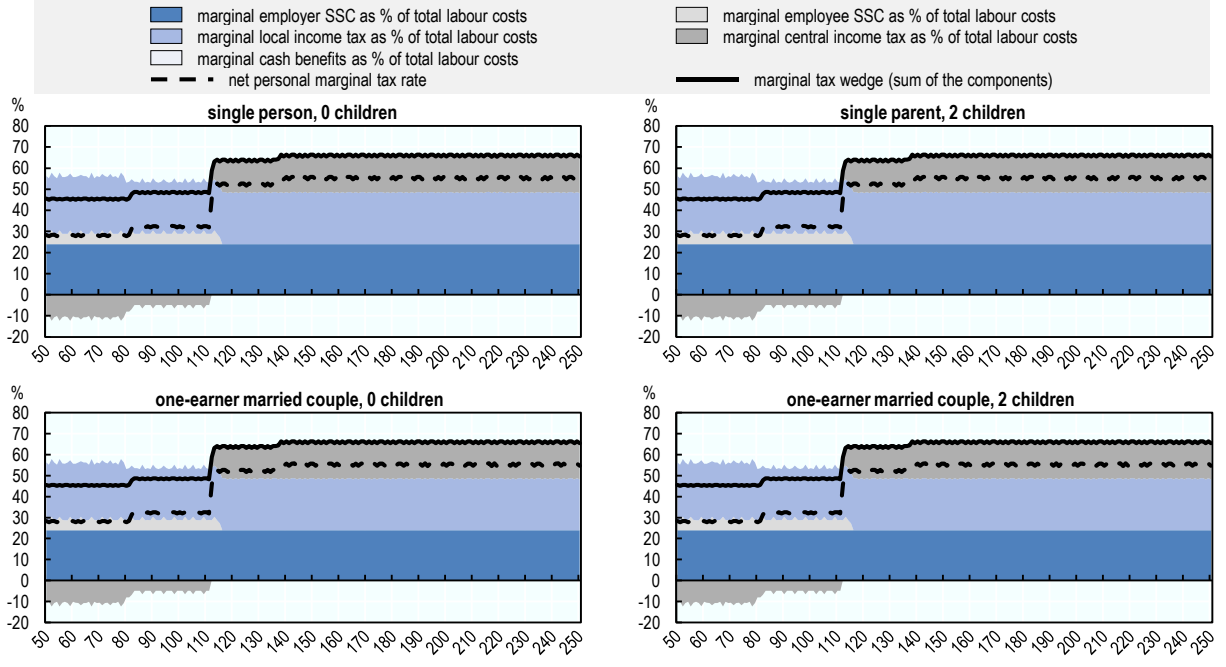
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/81h5wf

## Sweden 2020: marginal tax wedge decomposition

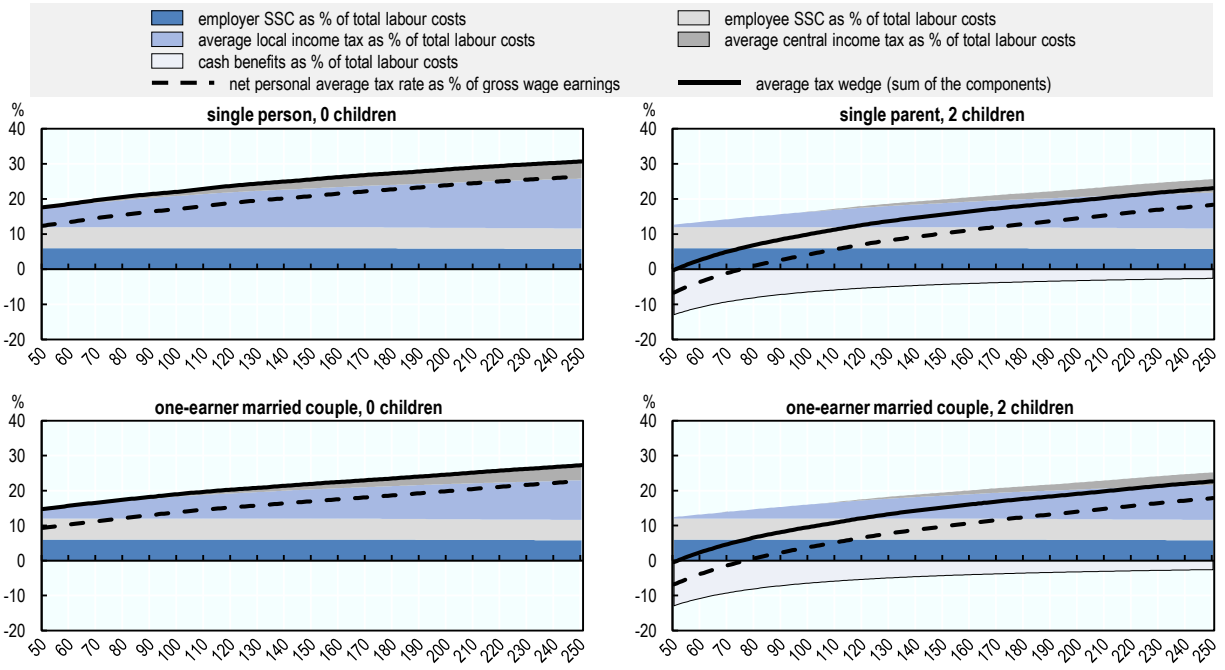
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/f61zd3

## Switzerland 2020: average tax wedge decomposition

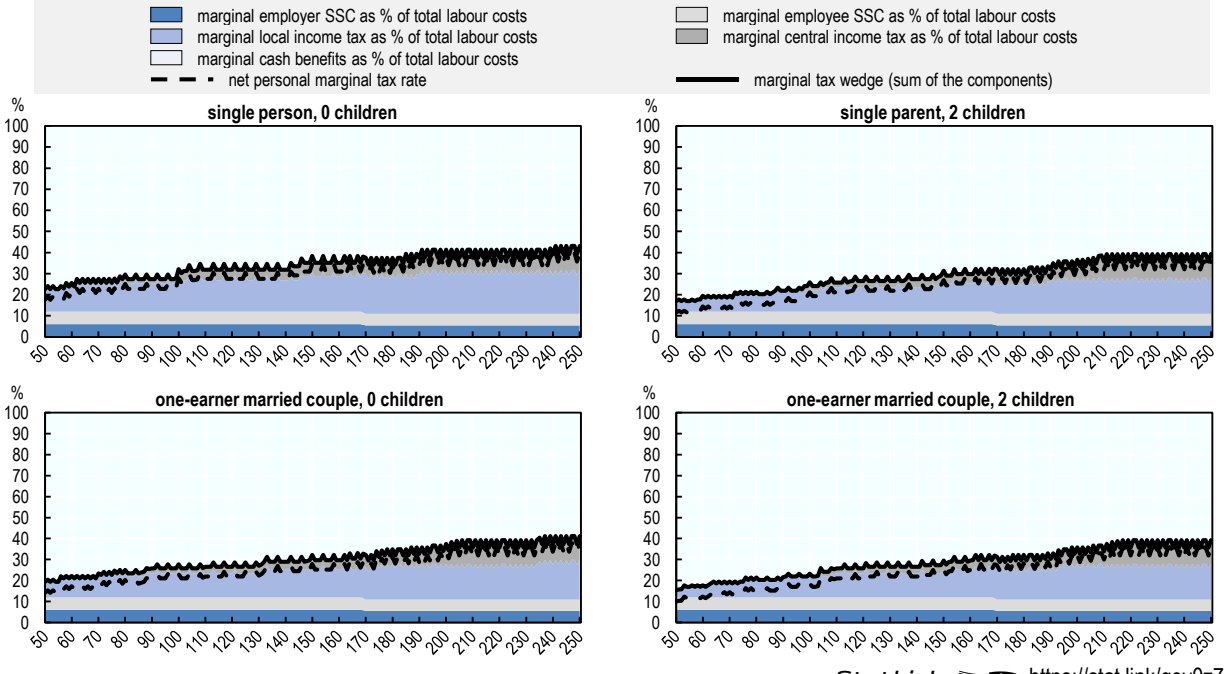
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/uiw8se

## Switzerland 2020: marginal tax wedge decomposition

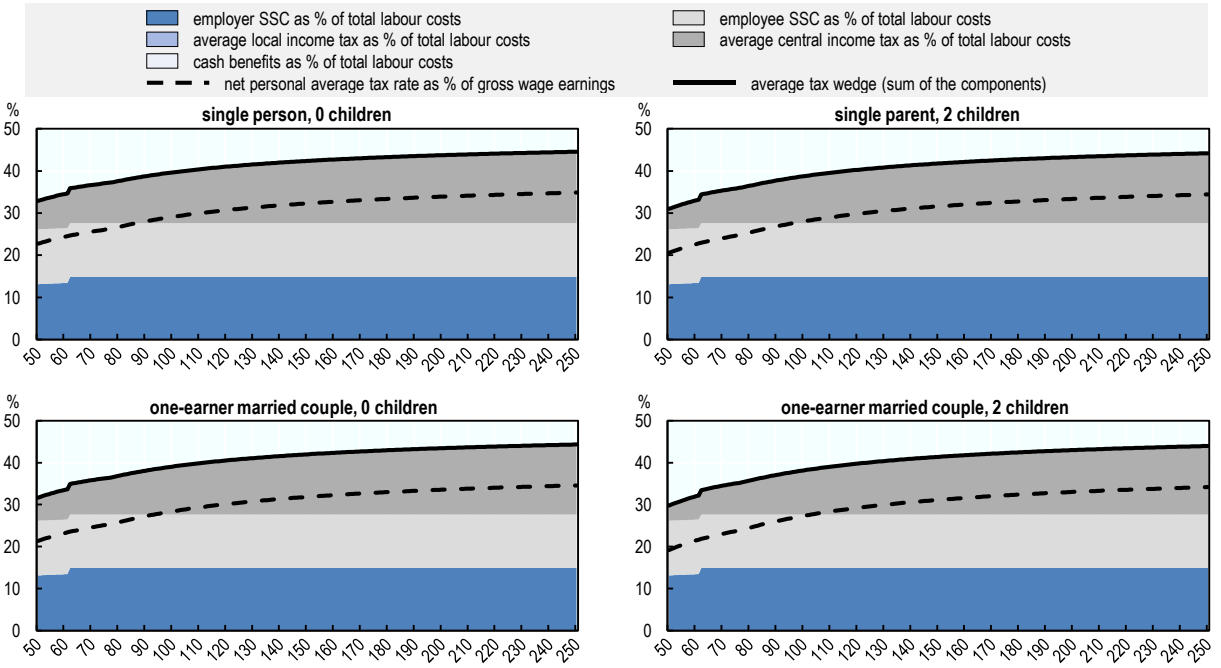
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/gov0z7

## Turkey 2020: average tax wedge decomposition

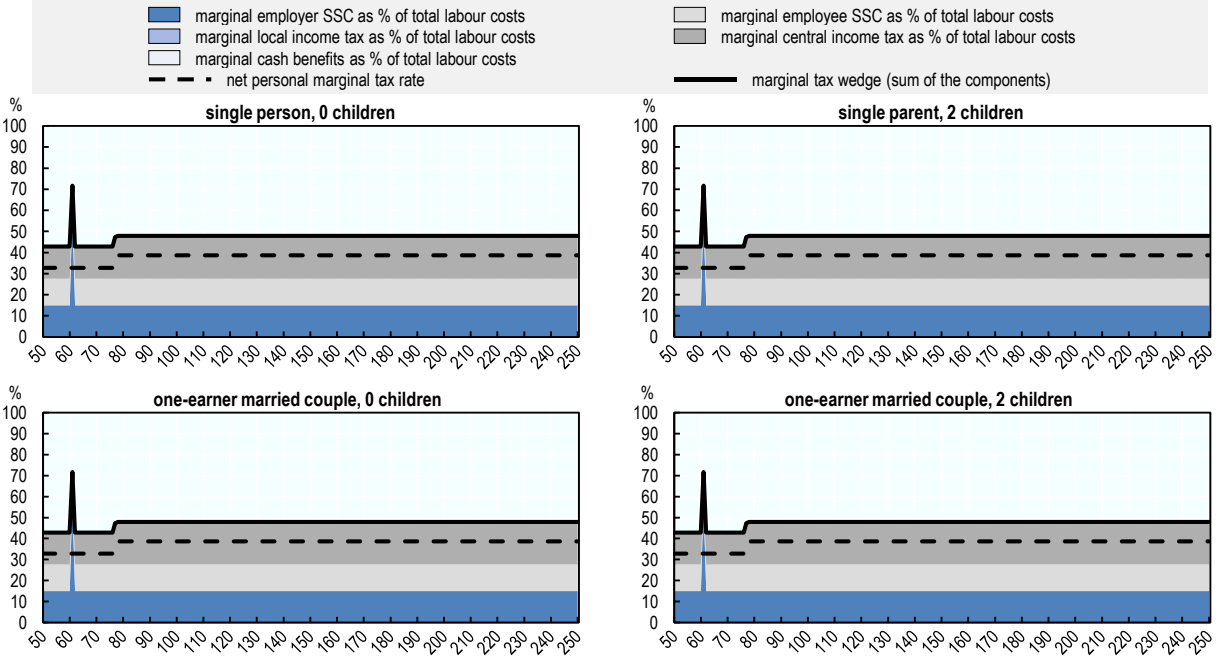
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/poh85c

## Turkey 2020: marginal tax wedge decomposition

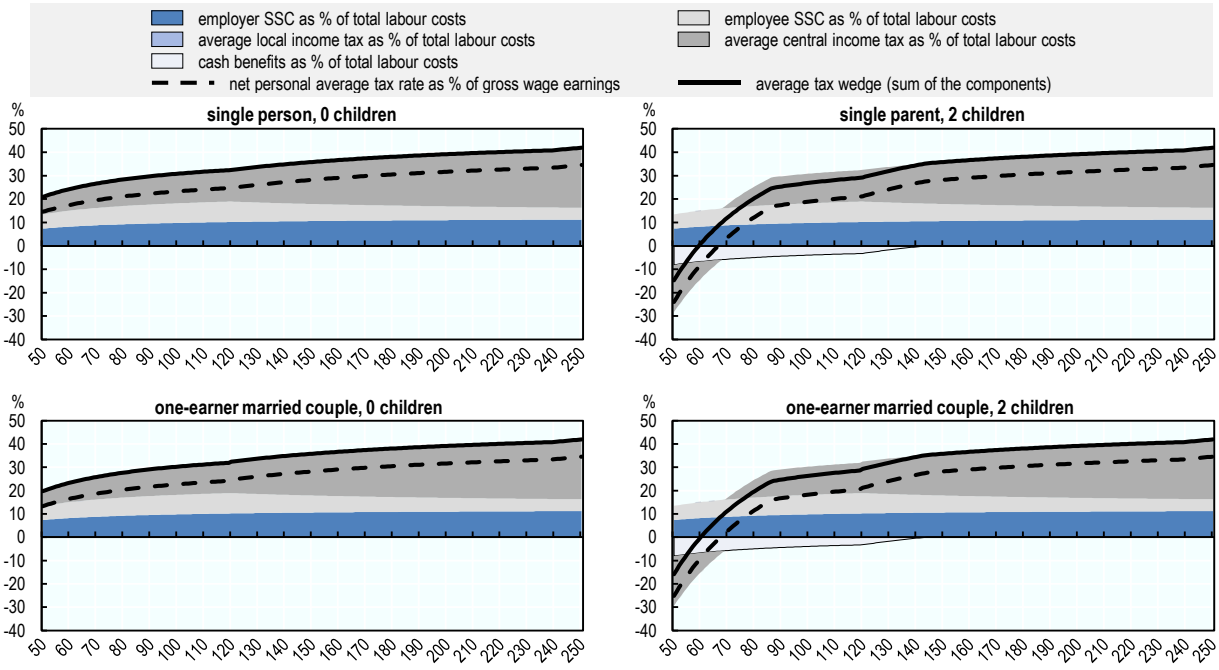
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/1qgy7r

## United Kingdom 2020: average tax wedge decomposition

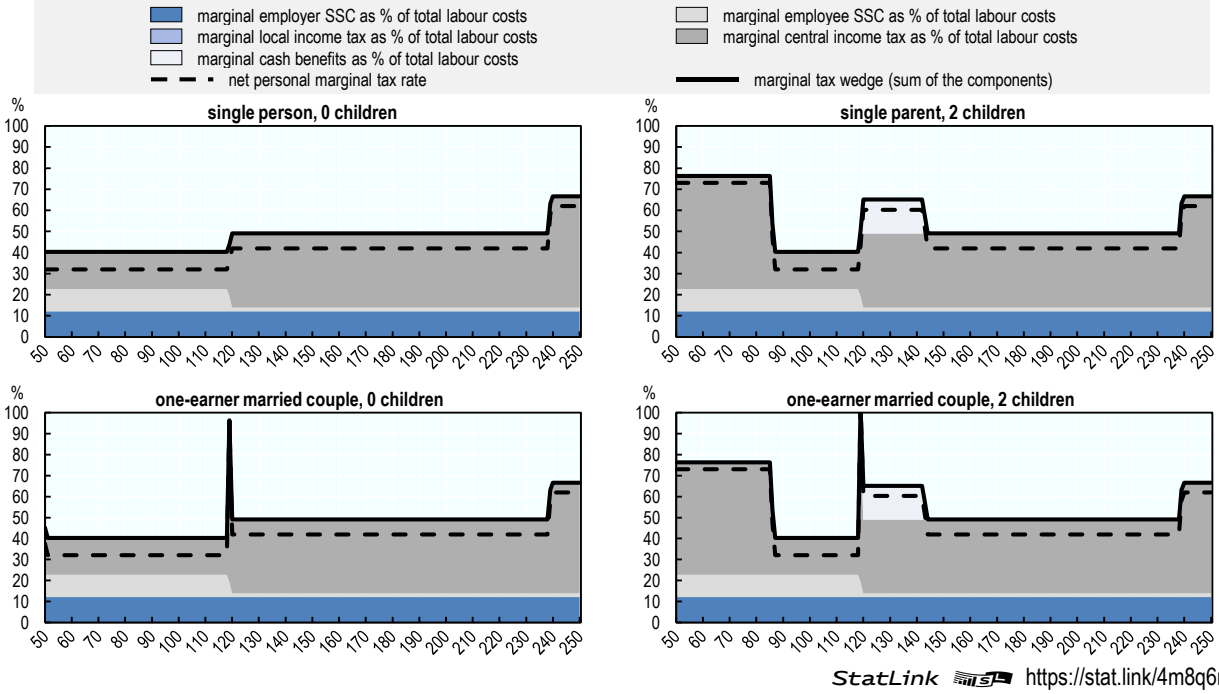
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/s1jv39

## United Kingdom 2020: marginal tax wedge decomposition

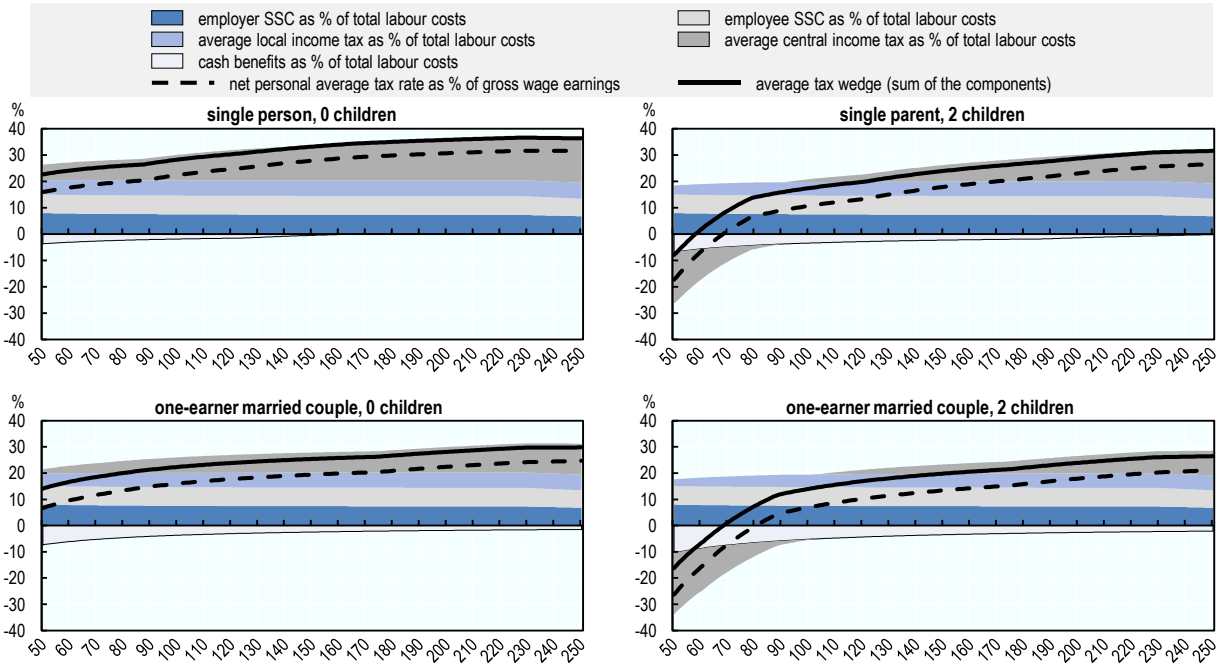
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/4m8q6r

## United States 2020: average tax wedge decomposition

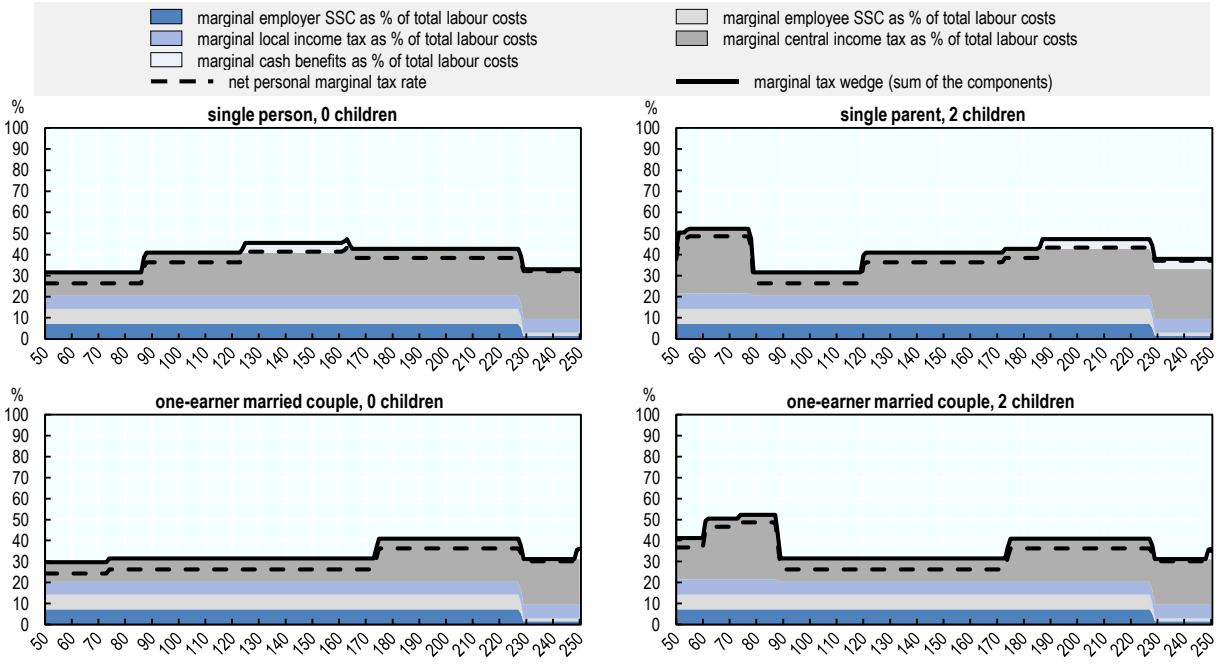
by level of gross earnings expressed as a % of the average wage




StatLink https://stat.link/kd4s62

## United States 2020: marginal tax wedge decomposition

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




StatLink https://stat.link/i1hgco

## Notes

[1] 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 67% 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.

[2] Although it is not visible on the charts, the central government income tax was negative for income levels below 58% of the AW for the single parent and the couple with or without children.

[3] In Colombia, the general social security system for healthcare is financed by public and private funds. The pension system is a hybrid of two different systems: a defined-contribution, fully-funded pension system; and a pay-as-you-go system. Each of those contributions are mandatory and more than 50% of total contributions are made to privately managed funds. Therefore, they are considered to be non-tax compulsory payments (NTCPs) (further information is available in the country details in Part II of the report). In addition, in Colombia, all payments for employment risk are made to privately managed funds and are considered to be NTCPs. Other countries also have NTCPs (please see http://www.oecd.org/tax/tax-policy/tax-database.htm#NTCP).

# 5 2019 tax burdens (and changes to 2020)

The chapter presents the results of tax burden measures on labour income for the eight model household types for 2019. The chapter includes Tables 5.1 to 5.13 that show a number of measures of the average tax burdens (tax wedge, personal tax rate, net personal tax rate, personal income tax rate and employee social security contribution rate) and the 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 3.13 which are discussed in Chapter 3 on tax burden results on labour income for 2020. This chapter compares the two sets of tables and analyses the changes in tax burden between 2019 and 2020.

The following commentary on the changes in tax burdens and marginal tax rates between 2019 and 2020 focuses on two of the eight household types – single employees, without children, at the average wage (column 2 of the tables) and one-earner married couples, with two children, at the average wage (column 5). Comparisons with the columns 1, 3-4 and 6-8 of the tables give corresponding results for the six other household types. Generally, only those changes exceeding 1 percentage point for average effective rates and 5 percentage points for marginal effective rates are flagged in this chapter. Most of these are due to tax reforms or changes in the tax systems. Further detailed information on the countries' tax systems is given in Part II of the Report that is entitled "Country details, 2020".

Table 5.1 presents the total tax wedge (described as personal income tax plus employee and employer's social security contributions less cash benefits) by household type as a percentage of labour costs (gross wage plus employers' social security contributions [including payroll taxes]) in 2019. In the majority of countries, changes in the gap between total labour costs and the corresponding net take-home pay in 2020 as compared with 2019 were within plus or minus one percentage point.

Comparing column 2 in Tables 3.1 and 5.1, the OECD average tax wedge decreased by 0.4 percentage point from 35.0% to 34.6% for a single average worker between 2019 and 2020. It fell by more than one percentage point in Italy (1.9 percentage points) and the United States (1.4 percentage points). In Italy, the change in the tax wedge was mainly driven by a reduction in income taxes due to a temporary additional PAYE tax credit that was introduced in 2020.[1] In the United States, the decrease in the tax wedge was mainly due to the Economic Impact Payment (EIP) that was part of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) in response to the COVID-19 pandemic. The EIP was a tax credit that could be claimed on the 2020 tax return to be filed in 2021. An advance payment of the credit was made in 2020 and is treated as a cash benefit in the *Taxing Wages* calculations (further information is given in the country details in Part II of the report). In contrast, there was no increase of more than one percentage point in the tax wedge for the single workers on the average wage level across OECD countries.

For one-earner married couples (comparing column 5 of Tables 3.1 and 5.1) the OECD average tax wedge decreased by 1.1 percentage point from 25.5% to 24.4% between 2019 and 2020. Decreases of more than one percentage point were observed in 15 countries – Austria, Belgium, Canada, Colombia, Germany, Iceland, Ireland, Italy, Korea, Latvia, Lithuania, Luxembourg, the Netherlands, Poland and the United States. For most of those countries, the changes in the tax wedge resulted from the introduction of, or changes in, tax provisions or cash benefits for dependent children. Several of these countries introduced measures related to the COVID-19 crisis in 2020. In Austria (1.7 percentage points), there was a change in the income tax schedule (reduced income tax rate) and an extra child benefit was paid, both in response to the COVID-19 crisis. In Lithuania (9.9 percentage points), in response to the COVID-19 crisis, the tax-exempt amount was increased and also a one-off child benefit payment was made to families. Extra or one-off cash benefit or tax provision payments in response to the COVID-19 crisis were also made in Canada (2.1 percentage points), Germany (1.4 percentage points), Iceland (1.3 percentage points), Korea (2.1 percentage points) and the United States (4.6 percentage points). Detailed explanations on COVID-19 related measures are given in the country details in Part II of the report. In contrast, there was an increase of more than one percentage point only in New Zealand (1.6 percentage points), resulting from a lower income related cash benefit payment in 2020.

Table 5.2 shows the combined burden of personal income tax and employee social security contributions in the form of personal average tax rates as a percentage of gross wage earnings in 2019. For single workers on average wage, it decreased by more than one percentage point between 2019 and 2020 in Luxembourg (1.01[2] percentage point), Ireland (1.02 percentage points) and Italy (2.5 percentage points). For one-earner couples with two children, personal average tax rates decreased by more than one percentage point for Latvia (1.4 percentage points), Belgium (1.6 percentage points), Ireland and Germany (both by 1.7 percentage points) and Italy (2.8 percentage points). In Latvia, the decline resulted from increases in the basic tax allowance and tax allowance for dependent children. In Germany, a one-time

bonus in the child tax credit was made in response to the COVID-19 crisis. In Belgium, the combined effect of increased tax reliefs and a decline in the average wage caused a decrease in the personal average tax rate. For Italy, the reason for the decreases in the personal average tax rates for the single average worker and the one-earner couple with two children is similar to the one previously mentioned for the change in the tax wedge. Finally, in Ireland and Luxembourg, the decreases in the personal average tax rates were mainly due to a reduction in the average wages between 2019 and 2020.[3] There was no increase of more than one percentage point in the personal average tax rates for the single workers or the one-earner couples with two children across OECD countries.

Table 5.3 provides the combined burden of personal income tax and employee social security contributions less the amount of cash benefits as a percentage of gross wage earnings in 2019. This is the measure of the net personal average tax rate. Comparing column 2 of Tables 3.3 and 5.3, for single workers on average wage, the net personal average tax rate decreased by more than one percentage point between 2019 and 2020 in Luxembourg (1.01 percentage point), Ireland (1.02 percentage points), the United States (1.5 percentage points) and Italy (2.5 percentage points). For one-earner couples with two children, the net personal average tax rates decreased by more than one percentage point for 16 countries - Colombia (1.02 percentage points), France (1.04 percentage points), Iceland (1.1 percentage point), Luxembourg (1.2 percentage points), Latvia (1.4 percentage points), Germany (1.7 percentage points), Austria and Ireland (both by 2.0 percentage points), Belgium and Canada (both by 2.2 percentage points), the Netherlands (2.3 percentage points), Korea (2.4 percentage points), Italy (3.5 percentage points), Poland and the United States (5.0 percentage points) and Lithuania (10.1 percentage points). For most of those countries, the changes in the net personal average tax rates resulted from the introduction of, or changes in, tax provisions or cash benefits for dependent children. Several of these countries introduced measures related to the COVID-19 crisis in 2020, as discussed in the previous paragraph on the changes in the tax wedge for Austria, Canada, Germany, Iceland, Korea, Lithuania and the United States. Detailed explanations on COVID-19 related measures are given in the country details in Part II of the report. In contrast, there was an increase of more than one percentage point for the one-earner couples with two children in New Zealand (1.6 percentage points) resulting from a lower income related cash benefit payment in 2020 and in Hungary (1.1 percentage point) where the cash benefit payment amount remained unchanged while the tax burden increased between 2019 and 2020. There was no increase of more than one percentage point in the net personal average tax rate for single average workers across the OECD.

Table 5.4 presents information on personal income tax due as a percentage of gross wage earnings in 2019. Comparing column 2 of Tables 3.4 and 5.4, in most OECD member countries, the average personal income tax rates for single workers on average wage changed only slightly between 2019 and 2020 for most OECD member countries. The OECD average personal income tax rate decreased by 0.3 percentage points to 15.1%. For the single average workers, the average personal income tax rate decreased by more than one percentage point in Ireland (1.02 percentage points) and Italy (2.5 percentage points). As previously mentioned, the declines in the tax burden were mainly driven by a decrease in the average wage in Luxembourg and the introduction of a temporary additional PAYE tax credit in Italy[4], in 2020. For the one-earner couples with two children, the changes were also minor in most OECD countries between 2019 and 2020 and the OECD average dropped by 0.4 percentage points to 9.8%. Nevertheless, there were decreases of more than one percentage point for the household in 5 countries – Latvia (1.4 percentage points), Belgium (1.6 percentage points), Germany and Ireland (both by 1.7 percentage points) and Italy (2.8 percentage points). As observed for the changes in the personal average tax rates, the declines in the average personal income tax rate resulted from higher tax reliefs in Latvia, an augmented child tax credit in response to the COVID-19 crisis in Germany and the combined effect of increased tax reliefs and a decreasing average wage in Belgium. In Ireland, the decrease in the average personal income tax rate was mainly due the decrease in the average wage in 2020. For Italy, the reason for the change for the one-earner couple with two children is the similar to the one for the single average worker.

Table 5.5 shows information on employee social security contributions as a percentage of gross wage earnings in 2019. Comparing columns 2 and 5 of Tables 3.5 and 5.5, there were no changes of more than one percentage point between 2019 and 2020 for either of these household types among the OECD countries. There were no changes for 29 out of the 37 OECD countries, and changes ranged from -0.6 to 0.4 percentage points for the eight remaining countries (Canada, Finland, Germany, Greece, Israel, Korea, the Netherlands, Switzerland and the United Kingdom).

Table 5.6 shows the marginal tax wedge (rate of personal income tax plus employee and employer social security contributions and payroll taxes where applicable minus cash benefits) as a percentage of labour costs, when the gross wage earnings of the principal earner rises by 1 currency unit in 2019. Comparing columns 2 and 5 respectively in Tables 3.6 and 5.6, changes between 2019 and 2020 in the marginal tax wedge were generally by less than 5 percentage points, the exceptions being Australia (by +7.1 percentage points for both household types), Greece (by -6.3 percentage points for the one-earner couple with two children), Italy (by -7.0 percentage points for both household types) and Norway (by -8.0 percentage points for both household types). In Australia, the taxable income at the average wage level moved into a higher income tax bracket, resulting in a higher marginal personal income tax rate in 2020. In contrast, in Greece, the decreasing marginal tax wedge was caused by a lower marginal personal income tax rate due to a combined effect of the introduction of a lower income tax bracket and the decrease of the average wage between 2019 and 2020. In Italy also, the decreasing marginal tax wedge was caused by a lower marginal personal income tax rate. In fact, the average wage decreased in 2020 and the taxable income moved to a lower income tax bracket compared to 2019. Finally, in Norway, the change in the marginal tax wedge derived from increases in the income thresholds within the income tax bracket at the central government level in 2020.

Table 5.7 presents the marginal rate of personal income tax plus employee social security contributions minus cash benefits (the net personal marginal tax rate) by household type and wage level, when the gross wage earnings of the principal earner rise by 1 currency unit in 2019. Comparing columns 2 and 5 respectively in Tables 3.7 and 5.7, the pattern of changes between 2019 and 2020 in the net personal marginal tax rates were similar to that for the marginal tax wedge discussed above. Changes outside the range of plus or minus 5 percentage points were observed in Australia (by +7.5 percentage points for both household types), Belgium (by -5.5 percentage points for the one-earner couple with two children), Canada (by +5.1 percentage points for the single worker), Greece (by -7.7 percentage points for the one-earner couple with two children), Italy (by -9.2 percentage points for both household types) and Norway (by -9.0 percentage points for both household types). The changes in the net personal marginal tax rates for Australia, Greece, Italy and Norway resulted from changes in the marginal personal income tax rates as explained in the previous paragraph. In Belgium, the maximum amount for the non-earning spouse allowance (i.e. *Quotient conjugal*) was increased in 2020, resulting in a decrease in the marginal personal income tax rate. Consequently, the household's net personal marginal tax rate decreased between 2019 and 2020. In contrast, in Canada, the net personal marginal tax rate increased for the single worker due to the withdrawal effect of an income tested federal cash benefit, i.e. the *Goods and Services Tax Credit*. In 2020, the single worker on the average wage received the income related cash benefit, which was augmented with a one-time supplement in response to the COVID-19 crisis. In 2019, the single average worker did not received the Goods and Services Tax Credit.

Table 5.8 shows the percentage increase in net income relative to the percentage increase in gross wages when the latter increases by 1 currency unit.[5] Table 5.9 provides the percentage increase in net income relative to the percentage increase in labour costs (i.e. gross wage earnings plus employer social security contributions and payroll taxes) when the latter rises by 1 currency unit.[6] 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. Table 5.10 to Table 5.13 report background information on levels of labour costs plus gross and net wages in 2019.

## Table 5.1. Income tax plus employee and employer contributions less cash benefits, 2019

As % of labour costs, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 22.7 | 27.9 | 34.4 | 1.1 | 20.8 | 25.8 | 27.9 | 25.8 |
| Austria | 43.6 | 47.9 | 51.0 | 22.3 | 33.7 | 38.3 | 41.3 | 46.2 |
| Belgium | 45.5 | 52.3 | 58.7 | 31.4 | 36.6 | 44.6 | 48.0 | 49.6 |
| Canada | 25.4 | 30.5 | 31.8 | -14.7 | 12.2 | 24.1 | 27.2 | 29.0 |
| Chile | 7.0 | 7.0 | 8.3 | 6.2 | 7.0 | 6.7 | 7.0 | 7.0 |
| Colombia | 0.0 | 0.0 | 0.0 | -6.5 | -4.3 | -5.2 | -4.3 | 0.0 |
| Czech Republic | 41.6 | 43.9 | 45.7 | 22.4 | 26.4 | 35.3 | 39.5 | 43.0 |
| Denmark | 32.7 | 35.5 | 41.2 | 4.5 | 25.3 | 30.8 | 32.5 | 34.4 |
| Estonia | 33.2 | 37.0 | 41.2 | 18.1 | 27.1 | 30.7 | 33.0 | 35.5 |
| Finland | 35.8 | 42.1 | 48.4 | 25.9 | 37.7 | 37.0 | 39.9 | 39.6 |
| France | 42.0 | 47.2 | 54.1 | 20.4 | 38.6 | 41.7 | 44.3 | 45.5 |
| Germany | 45.2 | 49.3 | 51.0 | 31.5 | 34.3 | 42.4 | 44.7 | 47.4 |
| Greece | 37.0 | 40.9 | 46.7 | 30.9 | 37.9 | 38.5 | 41.3 | 40.2 |
| Hungary | 44.6 | 44.6 | 44.6 | 22.4 | 30.3 | 36.1 | 37.5 | 44.6 |
| Iceland | 29.4 | 32.7 | 37.4 | 18.1 | 19.9 | 31.1 | 32.7 | 31.4 |
| Ireland | 24.6 | 33.2 | 41.8 | 5.1 | 17.8 | 25.4 | 30.1 | 29.1 |
| Israel | 16.0 | 22.9 | 32.6 | 3.8 | 20.5 | 16.5 | 19.8 | 19.7 |
| Italy | 41.0 | 48.0 | 54.0 | 25.9 | 39.1 | 41.8 | 45.5 | 45.2 |
| Japan | 31.2 | 32.7 | 35.1 | 16.9 | 27.5 | 29.7 | 30.7 | 32.1 |
| Korea | 19.7 | 22.9 | 25.6 | 17.0 | 20.4 | 20.4 | 21.9 | 21.7 |
| Latvia | 39.6 | 42.5 | 42.8 | 24.3 | 32.2 | 35.2 | 37.3 | 41.3 |
| Lithuania | 34.8 | 37.7 | 40.0 | 23.3 | 30.0 | 31.9 | 33.8 | 36.5 |
| Luxembourg | 30.7 | 38.5 | 45.6 | 8.3 | 17.4 | 26.8 | 31.6 | 33.3 |
| Mexico | 16.8 | 20.2 | 23.2 | 16.8 | 20.2 | 18.8 | 20.2 | 18.8 |
| Netherlands | 29.7 | 37.0 | 42.2 | 6.1 | 32.0 | 29.0 | 32.8 | 34.0 |
| New Zealand | 13.9 | 18.8 | 24.3 | -19.4 | 3.5 | 17.3 | 18.8 | 16.8 |
| Norway | 32.7 | 35.8 | 41.6 | 22.3 | 32.2 | 32.4 | 34.0 | 34.5 |
| Poland | 35.0 | 35.6 | 36.1 | -4.4 | 17.5 | 25.0 | 26.9 | 35.3 |
| Portugal | 37.0 | 41.2 | 46.6 | 23.3 | 29.9 | 36.3 | 38.7 | 39.3 |
| Slovak Republic | 39.7 | 41.9 | 43.6 | 30.0 | 31.0 | 37.1 | 38.6 | 41.0 |
| Slovenia | 40.3 | 43.5 | 47.0 | 14.8 | 25.8 | 35.7 | 39.0 | 42.2 |
| Spain | 35.9 | 39.4 | 43.9 | 24.8 | 34.0 | 36.4 | 38.1 | 38.0 |
| Sweden | 40.4 | 42.6 | 50.7 | 32.5 | 37.3 | 38.5 | 39.9 | 41.7 |
| Switzerland | 19.5 | 22.3 | 26.9 | 4.8 | 9.9 | 16.2 | 18.7 | 22.0 |
| Turkey | 36.2 | 39.6 | 42.9 | 34.8 | 38.0 | 37.7 | 39.1 | 38.2 |
| United Kingdom | 26.2 | 30.9 | 37.2 | 12.8 | 26.4 | 26.7 | 29.0 | 29.0 |
| United States | 27.5 | 29.7 | 34.1 | 10.1 | 18.6 | 24.0 | 26.1 | 28.3 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **31.2** | **35.0** | **39.3** | **15.3** | **25.5** | **29.6** | **32.0** | **33.4** |
| **OECD-EU 22** | **37.7** | **41.9** | **46.2** | **20.2** | **30.5** | **35.2** | **37.9** | **40.1** |

Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/g1pc0t

## Table 5.2. Income tax plus employee contributions, 2019

As % of gross wage earnings, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 18.1 | 23.6 | 30.5 | 18.1 | 23.6 | 21.4 | 23.6 | 21.4 |
| Austria | 27.7 | 33.2 | 38.1 | 16.3 | 25.6 | 27.3 | 30.1 | 31.0 |
| Belgium | 31.4 | 39.4 | 47.5 | 25.5 | 27.4 | 34.6 | 37.9 | 36.2 |
| Canada | 18.8 | 23.3 | 26.5 | 11.1 | 18.8 | 21.6 | 23.3 | 21.6 |
| Chile | 7.0 | 7.0 | 8.3 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 21.9 | 24.9 | 27.4 | 4.2 | 6.9 | 16.6 | 19.0 | 23.7 |
| Denmark | 32.9 | 35.6 | 41.2 | 31.1 | 31.6 | 34.5 | 35.6 | 34.5 |
| Estonia | 10.6 | 15.7 | 21.3 | 7.3 | 11.0 | 12.4 | 14.6 | 13.7 |
| Finland | 22.7 | 30.2 | 37.8 | 22.7 | 30.2 | 27.2 | 30.2 | 27.2 |
| France | 24.2 | 28.0 | 33.8 | 20.8 | 20.8 | 24.2 | 26.0 | 26.9 |
| Germany | 34.3 | 39.3 | 43.4 | 17.9 | 21.3 | 31.0 | 33.8 | 37.0 |
| Greece | 21.3 | 26.2 | 33.4 | 20.6 | 26.7 | 24.8 | 26.7 | 25.3 |
| Hungary | 33.5 | 33.5 | 33.5 | 18.2 | 23.2 | 27.4 | 28.4 | 33.5 |
| Iceland | 24.8 | 28.3 | 33.3 | 24.8 | 20.8 | 26.9 | 28.3 | 26.9 |
| Ireland | 16.3 | 25.8 | 35.4 | 11.3 | 15.7 | 21.4 | 25.8 | 21.4 |
| Israel | 11.9 | 18.5 | 28.2 | 4.8 | 18.5 | 13.6 | 16.5 | 15.4 |
| Italy | 22.4 | 31.5 | 39.5 | 14.9 | 24.9 | 25.0 | 29.3 | 27.8 |
| Japan | 20.6 | 22.4 | 26.1 | 20.6 | 21.0 | 21.7 | 22.4 | 21.7 |
| Korea | 11.2 | 14.8 | 18.6 | 9.5 | 12.8 | 12.5 | 14.1 | 13.4 |
| Latvia | 25.0 | 28.6 | 29.0 | 12.2 | 20.0 | 22.0 | 24.3 | 27.2 |
| Lithuania | 33.6 | 36.5 | 38.9 | 33.6 | 36.5 | 35.4 | 36.5 | 35.4 |
| Luxembourg | 21.1 | 30.0 | 38.1 | 14.3 | 18.5 | 24.1 | 28.4 | 24.1 |
| Mexico | 5.5 | 10.9 | 15.5 | 5.5 | 10.9 | 8.8 | 10.9 | 8.8 |
| Netherlands | 21.2 | 29.4 | 37.6 | 13.2 | 28.2 | 22.9 | 26.7 | 26.1 |
| New Zealand | 13.9 | 18.8 | 24.3 | 15.1 | 18.8 | 17.3 | 18.8 | 16.8 |
| Norway | 23.9 | 27.4 | 34.0 | 21.2 | 27.4 | 26.0 | 27.4 | 26.0 |
| Poland | 24.3 | 25.0 | 25.6 | 22.9 | 20.3 | 22.4 | 23.1 | 24.7 |
| Portugal | 22.1 | 27.3 | 34.0 | 12.8 | 16.7 | 21.2 | 24.2 | 24.9 |
| Slovak Republic | 21.4 | 24.2 | 26.4 | 15.3 | 14.4 | 20.6 | 22.1 | 23.0 |
| Slovenia | 30.7 | 34.4 | 38.4 | 24.7 | 26.0 | 29.0 | 31.2 | 32.9 |
| Spain | 16.7 | 21.3 | 27.1 | 2.3 | 14.3 | 17.4 | 19.6 | 19.5 |
| Sweden | 21.7 | 24.5 | 35.2 | 21.7 | 24.5 | 23.4 | 24.5 | 23.4 |
| Switzerland | 14.5 | 17.5 | 22.4 | 8.7 | 10.9 | 14.9 | 16.9 | 17.2 |
| Turkey | 25.0 | 29.0 | 32.9 | 23.4 | 27.1 | 26.7 | 28.4 | 27.4 |
| United Kingdom | 19.2 | 23.4 | 29.6 | 11.1 | 22.8 | 21.7 | 23.4 | 21.7 |
| United States | 21.4 | 23.9 | 28.9 | 2.4 | 11.9 | 17.7 | 20.0 | 22.4 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **20.9** | **25.2** | **30.3** | **15.3** | **19.9** | **21.7** | **23.8** | **23.4** |
| **OECD-EU 22** | **24.4** | **29.3** | **34.7** | **17.4** | **22.0** | **24.8** | **27.2** | **27.2** |

Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/ex25pn

## Table 5.3. Income tax plus employee contributions less cash benefits, 2019

As % of gross wage earnings, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 18.1 | 23.6 | 30.5 | -4.8 | 16.0 | 21.4 | 23.6 | 21.4 |
| Austria | 27.7 | 33.2 | 38.1 | 0.4 | 15.0 | 20.9 | 24.8 | 31.0 |
| Belgium | 31.4 | 39.4 | 47.5 | 13.6 | 19.4 | 29.8 | 33.9 | 36.2 |
| Canada | 17.6 | 23.3 | 26.5 | -26.6 | 3.0 | 16.2 | 19.6 | 21.6 |
| Chile | 7.0 | 7.0 | 8.3 | 6.2 | 7.0 | 6.7 | 7.0 | 7.0 |
| Colombia | 0.0 | 0.0 | 0.0 | -6.5 | -4.3 | -5.2 | -4.3 | 0.0 |
| Czech Republic | 21.9 | 24.9 | 27.4 | -3.8 | 1.6 | 13.4 | 19.0 | 23.7 |
| Denmark | 32.7 | 35.5 | 41.2 | 4.5 | 25.3 | 30.8 | 32.5 | 34.4 |
| Estonia | 10.6 | 15.7 | 21.3 | -9.5 | 2.4 | 7.2 | 10.4 | 13.7 |
| Finland | 22.7 | 30.2 | 37.8 | 10.7 | 25.0 | 24.1 | 27.6 | 27.2 |
| France | 24.2 | 28.0 | 33.8 | -4.1 | 16.4 | 21.8 | 24.0 | 26.9 |
| Germany | 34.3 | 39.3 | 43.4 | 17.9 | 21.3 | 31.0 | 33.8 | 37.0 |
| Greece | 21.3 | 26.2 | 33.4 | 13.6 | 22.5 | 23.1 | 26.7 | 25.3 |
| Hungary | 33.5 | 33.5 | 33.5 | 6.9 | 16.4 | 23.3 | 25.0 | 33.5 |
| Iceland | 24.8 | 28.3 | 33.3 | 12.7 | 14.6 | 26.5 | 28.3 | 26.9 |
| Ireland | 16.3 | 25.8 | 35.4 | -5.2 | 8.8 | 17.2 | 22.4 | 21.4 |
| Israel | 11.9 | 18.5 | 28.2 | -0.9 | 16.0 | 12.0 | 15.2 | 15.4 |
| Italy | 22.4 | 31.5 | 39.5 | 2.6 | 19.9 | 23.4 | 28.3 | 27.8 |
| Japan | 20.6 | 22.4 | 26.1 | 4.1 | 16.4 | 18.9 | 20.1 | 21.7 |
| Korea | 11.2 | 14.8 | 18.6 | 8.2 | 12.0 | 12.0 | 13.6 | 13.4 |
| Latvia | 25.0 | 28.6 | 29.0 | 6.0 | 15.8 | 19.5 | 22.2 | 27.2 |
| Lithuania | 33.6 | 36.5 | 38.9 | 22.0 | 28.7 | 30.7 | 32.6 | 35.4 |
| Luxembourg | 21.1 | 30.0 | 38.1 | -4.3 | 6.0 | 16.7 | 22.2 | 24.1 |
| Mexico | 5.5 | 10.9 | 15.5 | 5.5 | 10.9 | 8.8 | 10.9 | 8.8 |
| Netherlands | 21.2 | 29.4 | 37.6 | -5.2 | 23.8 | 20.5 | 24.7 | 26.1 |
| New Zealand | 13.9 | 18.8 | 24.3 | -19.4 | 3.5 | 17.3 | 18.8 | 16.8 |
| Norway | 23.9 | 27.4 | 34.0 | 12.2 | 23.4 | 23.6 | 25.4 | 26.0 |
| Poland | 24.3 | 25.0 | 25.6 | -21.5 | 3.9 | 12.7 | 14.9 | 24.7 |
| Portugal | 22.1 | 27.3 | 34.0 | 5.1 | 13.2 | 21.2 | 24.2 | 24.9 |
| Slovak Republic | 21.4 | 24.2 | 26.4 | 8.7 | 10.0 | 18.0 | 19.9 | 23.0 |
| Slovenia | 30.7 | 34.4 | 38.4 | 1.0 | 13.8 | 25.3 | 29.1 | 32.9 |
| Spain | 16.7 | 21.3 | 27.1 | 2.3 | 14.3 | 17.4 | 19.6 | 19.5 |
| Sweden | 21.7 | 24.5 | 35.2 | 11.3 | 17.6 | 19.2 | 21.1 | 23.4 |
| Switzerland | 14.5 | 17.5 | 22.4 | -1.1 | 4.3 | 11.0 | 13.6 | 17.2 |
| Turkey | 25.0 | 29.0 | 32.9 | 23.4 | 27.1 | 26.7 | 28.4 | 27.4 |
| United Kingdom | 19.2 | 23.4 | 29.6 | 4.5 | 18.4 | 19.1 | 21.2 | 21.7 |
| United States | 21.4 | 23.9 | 28.9 | 2.4 | 11.9 | 17.7 | 20.0 | 22.4 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **20.8** | **25.2** | **30.3** | **2.5** | **14.1** | **18.9** | **21.6** | **23.4** |
| **OECD-EU 22** | **24.4** | **29.3** | **34.7** | **3.3** | **15.5** | **21.2** | **24.5** | **27.2** |

Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/8nk4cs

## Table 5.4. Income tax, 2019

As % of gross wage earnings, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 18.1 | 23.6 | 30.5 | 18.1 | 23.6 | 21.4 | 23.6 | 21.4 |
| Austria | 9.7 | 15.2 | 21.9 | -1.6 | 7.7 | 9.3 | 12.1 | 13.0 |
| Belgium | 17.5 | 25.4 | 33.5 | 11.6 | 13.4 | 20.7 | 24.1 | 22.2 |
| Canada | 11.6 | 15.8 | 21.7 | 3.8 | 11.4 | 14.3 | 15.8 | 14.3 |
| Chile | 0.0 | 0.0 | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 10.9 | 13.9 | 16.4 | -6.8 | -4.1 | 5.6 | 8.0 | 12.7 |
| Denmark | 32.9 | 35.6 | 41.2 | 31.1 | 31.6 | 34.5 | 35.6 | 34.5 |
| Estonia | 9.0 | 14.1 | 19.7 | 5.7 | 9.4 | 10.8 | 13.0 | 12.1 |
| Finland | 12.9 | 20.4 | 28.0 | 12.9 | 20.4 | 17.4 | 20.4 | 17.4 |
| France | 12.9 | 16.7 | 22.8 | 9.5 | 9.5 | 12.9 | 14.7 | 15.6 |
| Germany | 14.3 | 19.2 | 27.7 | -1.9 | 1.4 | 11.2 | 13.9 | 16.9 |
| Greece | 5.4 | 10.4 | 17.6 | 4.7 | 10.8 | 9.0 | 10.8 | 9.5 |
| Hungary | 15.0 | 15.0 | 15.0 | 0.0 | 4.7 | 8.9 | 9.9 | 15.0 |
| Iceland | 24.3 | 28.0 | 33.1 | 24.3 | 20.5 | 26.5 | 28.0 | 26.5 |
| Ireland | 12.3 | 21.8 | 31.4 | 7.3 | 11.7 | 17.4 | 21.8 | 17.4 |
| Israel | 5.7 | 10.4 | 18.5 | -1.3 | 10.4 | 6.2 | 8.4 | 8.1 |
| Italy | 12.9 | 22.0 | 29.9 | 5.4 | 15.4 | 15.5 | 19.8 | 18.4 |
| Japan | 6.2 | 7.9 | 13.0 | 6.2 | 6.5 | 7.2 | 7.9 | 7.2 |
| Korea | 2.5 | 6.1 | 11.1 | 0.8 | 4.1 | 3.8 | 5.4 | 4.7 |
| Latvia | 14.0 | 17.6 | 18.0 | 1.2 | 9.0 | 11.0 | 13.3 | 16.2 |
| Lithuania | 14.1 | 17.0 | 19.4 | 14.1 | 17.0 | 15.9 | 17.0 | 15.9 |
| Luxembourg | 8.9 | 17.7 | 25.7 | 2.1 | 6.2 | 11.9 | 16.1 | 11.9 |
| Mexico | 4.3 | 9.6 | 14.0 | 4.3 | 9.6 | 7.5 | 9.6 | 7.5 |
| Netherlands | 5.6 | 16.3 | 27.2 | 3.6 | 16.0 | 11.2 | 15.6 | 12.0 |
| New Zealand | 13.9 | 18.8 | 24.3 | 15.1 | 18.8 | 17.3 | 18.8 | 16.8 |
| Norway | 15.7 | 19.2 | 25.8 | 13.0 | 19.2 | 17.8 | 19.2 | 17.8 |
| Poland | 6.4 | 7.2 | 7.8 | 5.1 | 2.5 | 4.6 | 5.3 | 6.9 |
| Portugal | 11.1 | 16.3 | 23.0 | 1.8 | 5.7 | 10.2 | 13.2 | 13.9 |
| Slovak Republic | 8.0 | 10.8 | 13.0 | 1.9 | 1.0 | 7.2 | 8.7 | 9.6 |
| Slovenia | 8.6 | 12.3 | 16.3 | 2.6 | 3.9 | 6.9 | 9.1 | 10.8 |
| Spain | 10.4 | 14.9 | 20.8 | -4.1 | 8.0 | 11.0 | 13.2 | 13.1 |
| Sweden | 14.8 | 17.6 | 30.4 | 14.8 | 17.6 | 16.4 | 17.6 | 16.4 |
| Switzerland | 8.2 | 11.2 | 16.2 | 2.5 | 4.7 | 8.6 | 10.7 | 11.0 |
| Turkey | 10.0 | 14.0 | 17.9 | 8.4 | 12.1 | 11.7 | 13.4 | 12.4 |
| United Kingdom | 10.9 | 13.9 | 21.8 | 2.8 | 13.3 | 12.7 | 13.9 | 12.7 |
| United States | 13.7 | 16.2 | 21.2 | -5.2 | 4.3 | 10.1 | 12.3 | 14.7 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **11.2** | **15.5** | **21.0** | **5.8** | **10.2** | **12.0** | **14.1** | **13.7** |
| **OECD-EU 22** | **12.2** | **17.2** | **23.0** | **5.5** | **9.9** | **12.7** | **15.2** | **15.1** |

Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/eoni7l

## Table 5.5. Employee contributions, 2019

As % of gross wage earnings, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Austria | 18.0 | 18.0 | 16.3 | 18.0 | 18.0 | 18.0 | 18.0 | 18.0 |
| Belgium | 13.9 | 14.0 | 13.9 | 13.9 | 14.0 | 13.9 | 13.8 | 13.9 |
| Canada | 7.2 | 7.4 | 4.7 | 7.2 | 7.4 | 7.3 | 7.4 | 7.3 |
| Chile | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 |
| Denmark | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Estonia | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| Finland | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 |
| France | 11.3 | 11.3 | 11.0 | 11.3 | 11.3 | 11.3 | 11.3 | 11.3 |
| Germany | 20.1 | 20.1 | 15.7 | 19.8 | 19.8 | 19.8 | 19.8 | 20.1 |
| Greece | 15.9 | 15.9 | 15.9 | 15.9 | 15.9 | 15.9 | 15.9 | 15.9 |
| Hungary | 18.5 | 18.5 | 18.5 | 18.2 | 18.5 | 18.5 | 18.5 | 18.5 |
| Iceland | 0.5 | 0.3 | 0.2 | 0.5 | 0.3 | 0.4 | 0.3 | 0.4 |
| Ireland | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Israel | 6.2 | 8.1 | 9.7 | 6.2 | 8.1 | 7.3 | 8.1 | 7.3 |
| Italy | 9.5 | 9.5 | 9.6 | 9.5 | 9.5 | 9.5 | 9.5 | 9.5 |
| Japan | 14.5 | 14.5 | 13.1 | 14.5 | 14.5 | 14.5 | 14.5 | 14.5 |
| Korea | 8.7 | 8.7 | 7.5 | 8.7 | 8.7 | 8.7 | 8.7 | 8.7 |
| Latvia | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 |
| Lithuania | 19.5 | 19.5 | 19.5 | 19.5 | 19.5 | 19.5 | 19.5 | 19.5 |
| Luxembourg | 12.2 | 12.3 | 12.4 | 12.2 | 12.3 | 12.3 | 12.3 | 12.3 |
| Mexico | 1.3 | 1.4 | 1.5 | 1.3 | 1.4 | 1.3 | 1.4 | 1.3 |
| Netherlands | 15.6 | 13.1 | 10.3 | 9.6 | 12.2 | 11.7 | 11.1 | 14.1 |
| 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 | 6.4 | 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 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 |
| Turkey | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| United Kingdom | 8.2 | 9.5 | 7.8 | 8.2 | 9.5 | 9.0 | 9.5 | 9.0 |
| United States | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **9.7** | **9.8** | **9.3** | **9.6** | **9.7** | **9.7** | **9.7** | **9.7** |
| **OECD-EU 22** | **12.2** | **12.1** | **11.6** | **11.9** | **12.1** | **12.1** | **12.0** | **12.2** |

Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/zj0y18

## Table 5.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, 2019

As % of labour costs, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 39.6 | 38.2 | 42.4 | 58.5 | 38.2 | 38.2 | 38.2 | 38.2 |
| Austria | 55.7 | 59.6 | 40.9 | 55.7 | 59.6 | 59.6 | 59.6 | 59.6 |
| Belgium | 68.5 | 65.1 | 67.8 | 68.5 | 65.1 | 64.2 | 64.2 | 64.2 |
| Canada | 47.2 | 39.0 | 35.2 | 56.9 | 75.2 | 44.2 | 44.2 | 39.0 |
| Chile | 7.0 | 10.2 | 10.2 | 7.0 | 7.0 | 7.0 | 7.0 | 10.2 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 48.5 | 48.5 | 48.5 | 48.5 | 48.5 | 48.5 | 48.5 | 48.5 |
| Denmark | 39.0 | 41.8 | 55.6 | 37.2 | 41.8 | 41.8 | 41.8 | 41.8 |
| Estonia | 41.2 | 49.5 | 41.2 | 41.2 | 49.5 | 49.5 | 49.5 | 49.5 |
| Finland | 53.7 | 55.1 | 58.1 | 53.7 | 55.1 | 55.1 | 55.1 | 55.1 |
| France | 69.4 | 58.2 | 60.0 | 73.9 | 64.5 | 60.4 | 58.2 | 49.5 |
| Germany | 55.4 | 60.0 | 44.3 | 53.5 | 52.0 | 55.1 | 57.4 | 57.7 |
| Greece | 48.9 | 48.9 | 62.6 | 48.9 | 56.2 | 56.2 | 56.2 | 56.2 |
| Hungary | 44.6 | 44.6 | 44.6 | 44.6 | 44.6 | 44.6 | 44.6 | 44.6 |
| Iceland | 39.5 | 39.5 | 47.8 | 49.8 | 48.5 | 46.2 | 39.5 | 39.5 |
| Ireland | 35.6 | 53.6 | 56.7 | 74.2 | 53.6 | 53.6 | 53.6 | 53.6 |
| Israel | 31.2 | 36.8 | 50.7 | 34.4 | 36.8 | 36.8 | 36.8 | 36.8 |
| Italy | 54.7 | 61.7 | 62.9 | 55.9 | 62.8 | 62.2 | 62.2 | 61.7 |
| Japan | 33.1 | 37.3 | 35.1 | 52.3 | 37.3 | 37.3 | 37.3 | 37.3 |
| Korea | 28.8 | 30.3 | 32.3 | 22.6 | 30.3 | 30.3 | 30.3 | 30.3 |
| Latvia | 48.2 | 48.2 | 45.0 | 48.2 | 48.2 | 48.2 | 48.2 | 48.2 |
| Lithuania | 43.5 | 43.5 | 43.5 | 43.5 | 43.5 | 43.5 | 43.5 | 43.5 |
| Luxembourg | 47.8 | 57.0 | 55.7 | 55.4 | 41.1 | 52.8 | 57.0 | 52.8 |
| Mexico | 17.5 | 25.2 | 28.4 | 17.5 | 25.2 | 25.2 | 25.2 | 25.2 |
| Netherlands | 51.7 | 51.7 | 54.0 | 57.4 | 57.4 | 51.7 | 51.7 | 51.7 |
| New Zealand | 17.5 | 30.0 | 33.0 | 17.5 | 55.0 | 30.0 | 30.0 | 30.0 |
| Norway | 41.9 | 49.9 | 52.6 | 41.9 | 49.9 | 49.9 | 49.9 | 49.9 |
| Poland | 36.8 | 36.8 | 36.8 | 96.9 | 36.8 | 36.8 | 36.8 | 36.8 |
| Portugal | 46.7 | 51.1 | 58.0 | 46.7 | 46.7 | 51.1 | 51.1 | 51.1 |
| Slovak Republic | 46.2 | 46.2 | 46.2 | 46.2 | 46.2 | 46.2 | 46.2 | 46.2 |
| Slovenia | 43.6 | 51.0 | 55.7 | 43.6 | 43.6 | 43.6 | 43.6 | 51.0 |
| Spain | 44.6 | 48.3 | 54.1 | 44.6 | 46.1 | 48.3 | 48.3 | 48.3 |
| Sweden | 45.3 | 48.4 | 69.7 | 45.3 | 48.4 | 48.4 | 48.4 | 48.4 |
| Switzerland | 26.2 | 31.8 | 35.8 | 18.8 | 24.3 | 29.3 | 33.4 | 30.1 |
| Turkey | 42.8 | 47.8 | 47.8 | 42.8 | 47.8 | 47.8 | 47.8 | 47.8 |
| United Kingdom | 40.2 | 40.2 | 49.0 | 76.3 | 40.2 | 40.2 | 40.2 | 40.2 |
| United States | 31.5 | 40.8 | 40.8 | 52.3 | 31.5 | 31.5 | 40.8 | 31.5 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **40.9** | **43.9** | **46.0** | **46.8** | **44.8** | **43.7** | **44.0** | **43.4** |
| **OECD-EU 22** | **48.6** | **51.3** | **52.8** | **53.8** | **50.5** | **51.0** | **51.2** | **50.9** |

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. Two-earner couple.

StatLink https://stat.link/4gy69d

## Table 5.7. Marginal rate of income tax plus employee contributions less cash benefits, 2019

As % of gross wage earnings, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 36.0 | 34.5 | 39.0 | 56.0 | 34.5 | 34.5 | 34.5 | 34.5 |
| Austria | 43.3 | 48.2 | 36.9 | 43.3 | 48.2 | 48.2 | 48.2 | 48.2 |
| Belgium | 55.6 | 55.6 | 59.1 | 55.6 | 55.6 | 54.5 | 54.5 | 54.5 |
| Canada | 41.4 | 33.7 | 33.9 | 52.2 | 73.1 | 39.4 | 39.4 | 33.7 |
| Chile | 7.0 | 10.2 | 10.2 | 7.0 | 7.0 | 7.0 | 7.0 | 10.2 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 | 31.1 |
| Denmark | 39.0 | 41.8 | 55.6 | 37.2 | 41.8 | 41.8 | 41.8 | 41.8 |
| Estonia | 21.3 | 32.4 | 21.3 | 21.3 | 32.4 | 32.4 | 32.4 | 32.4 |
| Finland | 44.2 | 45.9 | 49.5 | 44.2 | 45.9 | 45.9 | 45.9 | 45.9 |
| France | 43.3 | 43.0 | 42.2 | 51.6 | 51.6 | 46.0 | 43.0 | 31.2 |
| Germany | 46.5 | 52.0 | 44.3 | 44.2 | 42.5 | 46.2 | 49.0 | 49.3 |
| Greece | 36.2 | 36.2 | 53.3 | 36.2 | 45.3 | 45.3 | 45.3 | 45.3 |
| Hungary | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 |
| Iceland | 35.5 | 35.5 | 44.4 | 46.5 | 45.1 | 42.7 | 35.5 | 35.5 |
| Ireland | 28.5 | 48.5 | 52.0 | 71.4 | 48.5 | 48.5 | 48.5 | 48.5 |
| Israel | 26.0 | 32.0 | 47.0 | 29.4 | 32.0 | 32.0 | 32.0 | 32.0 |
| Italy | 40.4 | 49.5 | 51.2 | 42.0 | 51.1 | 50.3 | 50.3 | 49.5 |
| Japan | 22.8 | 27.7 | 31.1 | 45.0 | 27.7 | 27.7 | 27.7 | 27.7 |
| Korea | 21.3 | 22.9 | 28.2 | 14.4 | 22.9 | 22.9 | 22.9 | 22.9 |
| Latvia | 35.8 | 35.8 | 31.8 | 35.8 | 35.8 | 35.8 | 35.8 | 35.8 |
| Lithuania | 42.5 | 42.5 | 42.5 | 42.5 | 42.5 | 42.5 | 42.5 | 42.5 |
| Luxembourg | 40.6 | 51.1 | 49.6 | 49.3 | 33.0 | 46.3 | 51.1 | 46.3 |
| Mexico | 12.1 | 19.5 | 22.9 | 12.1 | 19.5 | 19.5 | 19.5 | 19.5 |
| Netherlands | 46.1 | 46.1 | 54.0 | 52.4 | 52.4 | 46.1 | 46.1 | 46.1 |
| New Zealand | 17.5 | 30.0 | 33.0 | 17.5 | 55.0 | 30.0 | 30.0 | 30.0 |
| Norway | 34.4 | 43.4 | 46.4 | 34.4 | 43.4 | 43.4 | 43.4 | 43.4 |
| Poland | 26.5 | 26.5 | 26.5 | 96.3 | 26.5 | 26.5 | 26.5 | 26.5 |
| Portugal | 34.0 | 39.5 | 48.0 | 34.0 | 34.0 | 39.5 | 39.5 | 39.5 |
| Slovak Republic | 29.9 | 29.9 | 29.9 | 29.9 | 29.9 | 29.9 | 29.9 | 29.9 |
| Slovenia | 34.6 | 43.1 | 48.6 | 34.6 | 34.6 | 34.6 | 34.6 | 43.1 |
| Spain | 28.1 | 32.9 | 40.4 | 28.1 | 30.0 | 32.9 | 32.9 | 32.9 |
| Sweden | 28.1 | 32.2 | 60.2 | 28.1 | 32.2 | 32.2 | 32.2 | 32.2 |
| Switzerland | 21.7 | 27.5 | 32.2 | 13.7 | 19.6 | 24.9 | 29.2 | 25.8 |
| Turkey | 32.8 | 38.7 | 38.7 | 32.8 | 38.7 | 38.7 | 38.7 | 38.7 |
| United Kingdom | 32.0 | 32.0 | 42.0 | 73.0 | 32.0 | 32.0 | 32.0 | 32.0 |
| United States | 26.3 | 36.3 | 36.3 | 48.6 | 26.3 | 26.3 | 36.3 | 26.3 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **31.8** | **35.7** | **39.1** | **38.5** | **36.6** | **35.4** | **35.7** | **35.1** |
| **OECD-EU 22** | **36.8** | **40.8** | **43.7** | **42.8** | **39.9** | **40.4** | **40.6** | **40.3** |

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. Two-earner couple.

StatLink https://stat.link/8jdxew

## Table 5.8. Percentage increase in net income relative to percentage increase in gross wages, 2019

After an increase of 1 currency unit in gross wages, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 0.78 | 0.86 | 0.88 | 0.42 | 0.78 | 0.83 | 0.86 | 0.83 |
| Austria | 0.78 | 0.78 | 1.02 | 0.57 | 0.61 | 0.66 | 0.69 | 0.75 |
| Belgium | 0.65 | 0.73 | 0.78 | 0.51 | 0.55 | 0.65 | 0.69 | 0.71 |
| Canada | 0.71 | 0.86 | 0.90 | 0.38 | 0.28 | 0.72 | 0.75 | 0.85 |
| Chile | 1.00 | 0.97 | 0.98 | 0.99 | 1.00 | 1.00 | 1.00 | 0.97 |
| Colombia | 1.00 | 1.00 | 1.00 | 0.94 | 0.96 | 0.95 | 0.96 | 1.00 |
| Czech Republic | 0.88 | 0.92 | 0.95 | 0.66 | 0.70 | 0.80 | 0.85 | 0.90 |
| Denmark | 0.91 | 0.90 | 0.76 | 0.66 | 0.78 | 0.84 | 0.86 | 0.89 |
| Estonia | 0.88 | 0.80 | 1.00 | 0.72 | 0.69 | 0.73 | 0.75 | 0.78 |
| Finland | 0.72 | 0.78 | 0.81 | 0.62 | 0.72 | 0.71 | 0.75 | 0.74 |
| France | 0.75 | 0.79 | 0.87 | 0.47 | 0.58 | 0.69 | 0.75 | 0.94 |
| Germany | 0.81 | 0.79 | 0.98 | 0.68 | 0.73 | 0.78 | 0.77 | 0.81 |
| Greece | 0.81 | 0.86 | 0.70 | 0.74 | 0.71 | 0.71 | 0.75 | 0.73 |
| Hungary | 1.00 | 1.00 | 1.00 | 0.71 | 0.80 | 0.87 | 0.89 | 1.00 |
| Iceland | 0.86 | 0.90 | 0.83 | 0.61 | 0.64 | 0.78 | 0.90 | 0.88 |
| Ireland | 0.85 | 0.69 | 0.74 | 0.27 | 0.56 | 0.62 | 0.66 | 0.65 |
| Israel | 0.84 | 0.83 | 0.74 | 0.70 | 0.81 | 0.77 | 0.80 | 0.80 |
| Italy | 0.77 | 0.74 | 0.81 | 0.60 | 0.61 | 0.65 | 0.69 | 0.70 |
| Japan | 0.97 | 0.93 | 0.93 | 0.57 | 0.86 | 0.89 | 0.90 | 0.92 |
| Korea | 0.89 | 0.90 | 0.88 | 0.93 | 0.88 | 0.88 | 0.89 | 0.89 |
| Latvia | 0.86 | 0.90 | 0.96 | 0.68 | 0.76 | 0.80 | 0.83 | 0.88 |
| Lithuania | 0.87 | 0.91 | 0.94 | 0.74 | 0.81 | 0.83 | 0.85 | 0.89 |
| Luxembourg | 0.75 | 0.70 | 0.81 | 0.49 | 0.71 | 0.64 | 0.63 | 0.71 |
| Mexico | 0.93 | 0.90 | 0.91 | 0.93 | 0.90 | 0.88 | 0.90 | 0.88 |
| Netherlands | 0.68 | 0.76 | 0.74 | 0.45 | 0.62 | 0.68 | 0.72 | 0.73 |
| New Zealand | 0.96 | 0.86 | 0.88 | 0.69 | 0.47 | 0.85 | 0.86 | 0.84 |
| Norway | 0.86 | 0.78 | 0.81 | 0.75 | 0.74 | 0.74 | 0.76 | 0.76 |
| Poland | 0.97 | 0.98 | 0.99 | 0.03 | 0.77 | 0.84 | 0.86 | 0.98 |
| Portugal | 0.85 | 0.83 | 0.79 | 0.70 | 0.76 | 0.77 | 0.80 | 0.81 |
| Slovak Republic | 0.89 | 0.93 | 0.95 | 0.77 | 0.78 | 0.86 | 0.88 | 0.91 |
| Slovenia | 0.94 | 0.87 | 0.84 | 0.66 | 0.76 | 0.88 | 0.92 | 0.85 |
| Spain | 0.86 | 0.85 | 0.82 | 0.74 | 0.82 | 0.81 | 0.83 | 0.83 |
| Sweden | 0.92 | 0.90 | 0.61 | 0.81 | 0.82 | 0.84 | 0.86 | 0.89 |
| Switzerland | 0.92 | 0.88 | 0.87 | 0.85 | 0.84 | 0.84 | 0.82 | 0.90 |
| Turkey | 0.90 | 0.86 | 0.91 | 0.88 | 0.84 | 0.84 | 0.86 | 0.84 |
| United Kingdom | 0.84 | 0.89 | 0.82 | 0.28 | 0.83 | 0.84 | 0.86 | 0.87 |
| United States | 0.94 | 0.84 | 0.90 | 0.53 | 0.84 | 0.90 | 0.80 | 0.95 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **0.86** | **0.86** | **0.87** | **0.64** | **0.74** | **0.79** | **0.82** | **0.85** |
| **OECD-EU 22** | **0.84** | **0.84** | **0.86** | **0.60** | **0.71** | **0.76** | **0.79** | **0.82** |

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. The reported elasticities in Table 5.8 are calculated as (100 - METR) / (100 - AETR), where METR is the marginal rate of income tax plus employee social security contributions less cash benefits reported in Table 5.7 and AETR is the average rate plus employee social security contributions less cash benefits reported in Table 5.3.

1. Two-earner couple. Assumes a rise in the labour costs associated with the principal earner in the household.

StatLink https://stat.link/cmifbk

## Table 5.9. Percentage increase in net income relative to percentage increase in gross labour cost, 2019

After an increase of 1 currency unit in gross labour cost, by household 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 100-67 (% AW)[1] | Married 2 ch 100-100 (% AW)[1] | Married no ch 100-67 (% AW)[1] |
|---|---|---|---|---|---|---|---|---|
| Australia | 0.78 | 0.86 | 0.88 | 0.42 | 0.78 | 0.83 | 0.86 | 0.83 |
| Austria | 0.78 | 0.78 | 1.20 | 0.57 | 0.61 | 0.66 | 0.69 | 0.75 |
| Belgium | 0.58 | 0.73 | 0.78 | 0.46 | 0.55 | 0.65 | 0.69 | 0.71 |
| Canada | 0.71 | 0.88 | 0.95 | 0.38 | 0.28 | 0.73 | 0.77 | 0.86 |
| Chile | 1.00 | 0.97 | 0.98 | 0.99 | 1.00 | 1.00 | 1.00 | 0.97 |
| Colombia | 1.00 | 1.00 | 1.00 | 0.94 | 0.96 | 0.95 | 0.96 | 1.00 |
| Czech Republic | 0.88 | 0.92 | 0.95 | 0.66 | 0.70 | 0.80 | 0.85 | 0.90 |
| Denmark | 0.91 | 0.90 | 0.76 | 0.66 | 0.78 | 0.84 | 0.86 | 0.89 |
| Estonia | 0.88 | 0.80 | 1.00 | 0.72 | 0.69 | 0.73 | 0.75 | 0.78 |
| Finland | 0.72 | 0.78 | 0.81 | 0.62 | 0.72 | 0.71 | 0.75 | 0.74 |
| France | 0.53 | 0.79 | 0.87 | 0.33 | 0.58 | 0.68 | 0.75 | 0.93 |
| Germany | 0.81 | 0.79 | 1.14 | 0.68 | 0.73 | 0.78 | 0.77 | 0.81 |
| Greece | 0.81 | 0.86 | 0.70 | 0.74 | 0.71 | 0.71 | 0.75 | 0.73 |
| Hungary | 1.00 | 1.00 | 1.00 | 0.71 | 0.80 | 0.87 | 0.89 | 1.00 |
| Iceland | 0.86 | 0.90 | 0.83 | 0.61 | 0.64 | 0.78 | 0.90 | 0.88 |
| Ireland | 0.85 | 0.69 | 0.74 | 0.27 | 0.56 | 0.62 | 0.66 | 0.65 |
| Israel | 0.82 | 0.82 | 0.73 | 0.68 | 0.80 | 0.76 | 0.79 | 0.79 |
| Italy | 0.77 | 0.74 | 0.81 | 0.60 | 0.61 | 0.65 | 0.69 | 0.70 |
| Japan | 0.97 | 0.93 | 1.00 | 0.57 | 0.86 | 0.89 | 0.90 | 0.92 |
| Korea | 0.89 | 0.90 | 0.91 | 0.93 | 0.88 | 0.88 | 0.89 | 0.89 |
| Latvia | 0.86 | 0.90 | 0.96 | 0.68 | 0.76 | 0.80 | 0.83 | 0.88 |
| Lithuania | 0.87 | 0.91 | 0.94 | 0.74 | 0.81 | 0.83 | 0.85 | 0.89 |
| Luxembourg | 0.75 | 0.70 | 0.81 | 0.49 | 0.71 | 0.64 | 0.63 | 0.71 |
| Mexico | 0.99 | 0.94 | 0.93 | 0.99 | 0.94 | 0.92 | 0.94 | 0.92 |
| Netherlands | 0.69 | 0.77 | 0.79 | 0.45 | 0.63 | 0.68 | 0.72 | 0.73 |
| New Zealand | 0.96 | 0.86 | 0.88 | 0.69 | 0.47 | 0.85 | 0.86 | 0.84 |
| Norway | 0.86 | 0.78 | 0.81 | 0.75 | 0.74 | 0.74 | 0.76 | 0.76 |
| Poland | 0.97 | 0.98 | 0.99 | 0.03 | 0.77 | 0.84 | 0.86 | 0.98 |
| Portugal | 0.85 | 0.83 | 0.79 | 0.70 | 0.76 | 0.77 | 0.80 | 0.81 |
| Slovak Republic | 0.89 | 0.93 | 0.95 | 0.77 | 0.78 | 0.86 | 0.88 | 0.91 |
| Slovenia | 0.94 | 0.87 | 0.84 | 0.66 | 0.76 | 0.88 | 0.92 | 0.85 |
| Spain | 0.86 | 0.85 | 0.82 | 0.74 | 0.82 | 0.81 | 0.83 | 0.83 |
| Sweden | 0.92 | 0.90 | 0.61 | 0.81 | 0.82 | 0.84 | 0.86 | 0.89 |
| Switzerland | 0.92 | 0.88 | 0.88 | 0.85 | 0.84 | 0.84 | 0.82 | 0.90 |
| Turkey | 0.90 | 0.86 | 0.91 | 0.88 | 0.84 | 0.84 | 0.86 | 0.84 |
| United Kingdom | 0.81 | 0.87 | 0.81 | 0.27 | 0.81 | 0.81 | 0.84 | 0.84 |
| United States | 0.94 | 0.84 | 0.90 | 0.53 | 0.84 | 0.90 | 0.80 | 0.96 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **0.85** | **0.86** | **0.88** | **0.64** | **0.74** | **0.79** | **0.82** | **0.85** |
| **OECD-EU 22** | **0.82** | **0.84** | **0.88** | **0.59** | **0.71** | **0.76** | **0.79** | **0.82** |

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. The reported elasticities in Table 5.9 are calculated as (100 - METR) / (100 - AETR), where METR is the marginal rate of income tax plus employee and employer social security contributions less cash benefits reported in Table 5.6 and AETR is the average rate plus employee and employer social security contributions less cash benefits reported in Table 5.1.

1. Two-earner couple. Assumes a rise in the labour costs associated with the principal earner in the household.

StatLink https://stat.link/0kedyj

## Table 5.10. Annual gross wage and net income, single person, 2019

In US dollars using PPP, by household 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 | 40 841 | 33 454 | 60 957 | 46 548 | 101 798 | 70 780 | 40 841 | 42 798 |
| Austria | 42 678 | 30 872 | 63 699 | 42 545 | 106 377 | 65 820 | 42 678 | 42 503 |
| Belgium | 44 164 | 30 317 | 65 916 | 39 972 | 110 080 | 57 809 | 44 164 | 38 177 |
| Canada | 31 126 | 25 638 | 46 457 | 35 655 | 77 582 | 57 062 | 31 126 | 39 403 |
| Chile | 16 164 | 15 033 | 24 126 | 22 426 | 40 290 | 36 934 | 16 164 | 15 166 |
| Colombia | 9 188 | 9 188 | 13 713 | 13 713 | 22 901 | 22 901 | 9 188 | 9 784 |
| Czech Republic | 21 794 | 17 019 | 32 529 | 24 419 | 54 323 | 39 441 | 21 794 | 22 629 |
| Denmark | 43 494 | 29 273 | 64 917 | 41 882 | 108 411 | 63 696 | 43 494 | 41 548 |
| Estonia | 20 691 | 18 491 | 30 882 | 26 021 | 51 572 | 40 598 | 20 691 | 22 660 |
| Finland | 36 224 | 28 015 | 54 065 | 37 730 | 90 289 | 56 158 | 36 224 | 32 353 |
| France | 35 891 | 27 206 | 53 568 | 38 546 | 89 459 | 59 216 | 35 891 | 37 354 |
| Germany | 47 260 | 31 035 | 70 537 | 42 840 | 117 797 | 66 681 | 47 260 | 38 809 |
| Greece | 26 003 | 20 470 | 38 810 | 28 638 | 64 812 | 43 145 | 26 003 | 22 458 |
| Hungary | 22 237 | 14 787 | 33 189 | 22 071 | 55 426 | 36 858 | 22 237 | 20 713 |
| Iceland | 44 360 | 33 369 | 66 209 | 47 469 | 110 569 | 73 798 | 44 360 | 38 745 |
| Ireland | 40 994 | 34 305 | 61 185 | 45 371 | 102 179 | 65 985 | 40 994 | 43 141 |
| Israel | 29 263 | 25 778 | 43 677 | 35 591 | 72 940 | 52 381 | 29 263 | 29 513 |
| Italy | 31 434 | 24 404 | 46 917 | 32 129 | 78 351 | 47 402 | 31 434 | 30 630 |
| Japan | 34 477 | 27 362 | 51 459 | 39 945 | 85 936 | 63 535 | 34 477 | 33 052 |
| Korea | 36 050 | 32 000 | 53 807 | 45 850 | 89 857 | 73 112 | 36 050 | 33 080 |
| Latvia | 17 340 | 12 997 | 25 880 | 18 483 | 43 220 | 30 689 | 17 340 | 16 299 |
| Lithuania | 22 740 | 15 098 | 33 941 | 21 538 | 56 681 | 34 614 | 22 740 | 17 745 |
| Luxembourg | 48 298 | 38 092 | 72 087 | 50 489 | 120 385 | 74 503 | 48 298 | 50 398 |
| Mexico | 9 582 | 9 051 | 14 302 | 12 737 | 23 884 | 20 174 | 9 582 | 9 051 |
| Netherlands | 45 285 | 35 680 | 67 590 | 47 707 | 112 875 | 70 475 | 45 285 | 47 639 |
| New Zealand | 28 666 | 24 681 | 42 784 | 34 752 | 71 450 | 54 119 | 28 666 | 34 227 |
| Norway | 41 832 | 31 830 | 62 436 | 45 323 | 104 268 | 68 787 | 41 832 | 36 748 |
| Poland | 22 506 | 17 043 | 33 591 | 25 195 | 56 097 | 41 747 | 22 506 | 27 351 |
| Portugal | 22 847 | 17 808 | 34 101 | 24 795 | 56 948 | 37 598 | 22 847 | 21 678 |
| Slovak Republic | 17 445 | 13 718 | 26 038 | 19 745 | 43 483 | 31 982 | 17 445 | 15 928 |
| Slovenia | 24 009 | 16 645 | 35 834 | 23 515 | 59 843 | 36 839 | 24 009 | 23 760 |
| Spain | 29 181 | 24 301 | 43 553 | 34 281 | 72 734 | 53 005 | 29 181 | 28 517 |
| Sweden | 34 862 | 27 284 | 52 033 | 39 262 | 86 895 | 56 287 | 34 862 | 30 920 |
| Switzerland | 53 485 | 45 744 | 79 828 | 65 898 | 133 312 | 103 438 | 53 485 | 54 070 |
| Turkey | 22 512 | 16 877 | 33 600 | 23 855 | 56 111 | 37 652 | 22 512 | 17 252 |
| United Kingdom | 40 502 | 32 738 | 60 451 | 46 304 | 100 953 | 71 099 | 40 502 | 38 660 |
| United States | 37 907 | 29 797 | 56 577 | 43 066 | 94 484 | 67 213 | 37 907 | 36 984 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **31 712** | **24 795** | **47 331** | **34 765** | **79 043** | **53 609** | **31 712** | **30 858** |
| **OECD-EU 22** | **31 699** | **23 857** | **47 312** | **33 053** | **79 011** | **50 480** | **31 699** | **30 600** |

Note: ch = children

StatLink https://stat.link/d3je6t

## Table 5.11. Annual gross wage and net income, married couple, 2019

In US dollars using PPP, by household type and wage level

| | Married 2 ch 100-0 (% AW) | | Married 2 ch 100-67 (% AW)[1] | | Married 2 ch 100-100 (% AW)[1] | | Married no ch 100-67 (% AW)[1] | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 60 957 | 51 187 | 101 798 | 80 001 | 121 913 | 93 095 | 101 798 | 80 001 |
| Austria | 63 699 | 54 176 | 106 377 | 84 167 | 127 398 | 95 840 | 106 377 | 73 417 |
| Belgium | 65 916 | 53 135 | 110 080 | 77 256 | 131 833 | 87 157 | 110 080 | 70 265 |
| Canada | 46 457 | 45 080 | 77 582 | 65 042 | 92 913 | 74 681 | 77 582 | 60 798 |
| Chile | 24 126 | 22 437 | 40 290 | 37 603 | 48 252 | 44 874 | 40 290 | 37 459 |
| Colombia | 13 713 | 14 309 | 22 901 | 24 092 | 27 426 | 28 618 | 22 901 | 22 901 |
| Czech Republic | 32 529 | 32 024 | 54 323 | 47 047 | 65 058 | 52 691 | 54 323 | 41 438 |
| Denmark | 64 917 | 48 473 | 108 411 | 75 058 | 129 833 | 87 667 | 108 411 | 71 155 |
| Estonia | 30 882 | 30 137 | 51 572 | 47 835 | 61 763 | 55 364 | 51 572 | 44 512 |
| Finland | 54 065 | 40 558 | 90 289 | 68 573 | 108 131 | 78 288 | 90 289 | 65 745 |
| France | 53 568 | 44 795 | 89 459 | 69 922 | 107 137 | 81 390 | 89 459 | 65 423 |
| Germany | 70 537 | 55 544 | 117 797 | 81 252 | 141 074 | 93 443 | 117 797 | 74 194 |
| Greece | 42 691 | 33 100 | 71 294 | 54 805 | 85 382 | 62 582 | 71 294 | 53 239 |
| Hungary | 33 189 | 27 741 | 55 426 | 42 529 | 66 378 | 49 812 | 55 426 | 36 858 |
| Iceland | 66 209 | 56 561 | 110 569 | 81 268 | 132 418 | 94 939 | 110 569 | 80 838 |
| Ireland | 61 185 | 55 807 | 102 179 | 84 563 | 122 370 | 94 961 | 102 179 | 80 343 |
| Israel | 43 677 | 36 707 | 72 940 | 64 164 | 87 353 | 74 072 | 72 940 | 61 724 |
| Italy | 46 917 | 37 591 | 78 351 | 60 005 | 93 833 | 67 240 | 78 351 | 56 533 |
| Japan | 51 459 | 43 018 | 85 936 | 69 672 | 102 917 | 82 255 | 85 936 | 67 307 |
| Korea | 53 807 | 47 370 | 89 857 | 79 082 | 107 613 | 92 932 | 89 857 | 77 850 |
| Latvia | 25 880 | 21 785 | 43 220 | 34 782 | 51 761 | 40 267 | 43 220 | 31 480 |
| Lithuania | 33 941 | 24 185 | 56 681 | 39 284 | 67 881 | 45 724 | 56 681 | 36 637 |
| Luxembourg | 72 087 | 67 786 | 120 385 | 100 332 | 144 174 | 112 189 | 120 385 | 91 319 |
| Mexico | 14 302 | 12 737 | 23 884 | 21 788 | 28 603 | 25 473 | 23 884 | 21 788 |
| Netherlands | 67 590 | 51 490 | 112 875 | 89 736 | 135 180 | 101 763 | 112 875 | 83 387 |
| New Zealand | 42 784 | 41 304 | 71 450 | 59 075 | 85 569 | 69 503 | 71 450 | 59 433 |
| Norway | 62 436 | 47 837 | 104 268 | 79 667 | 124 871 | 93 160 | 104 268 | 77 154 |
| Poland | 33 591 | 32 266 | 56 097 | 48 996 | 67 182 | 57 148 | 56 097 | 42 238 |
| Portugal | 34 101 | 29 588 | 56 948 | 44 900 | 68 201 | 51 708 | 56 948 | 42 783 |
| Slovak Republic | 26 038 | 23 436 | 43 483 | 35 673 | 52 075 | 41 700 | 43 483 | 33 463 |
| Slovenia | 35 834 | 30 878 | 59 843 | 44 676 | 71 668 | 50 791 | 59 843 | 40 160 |
| Spain | 43 553 | 37 320 | 72 734 | 60 087 | 87 107 | 70 067 | 72 734 | 58 581 |
| Sweden | 52 033 | 42 898 | 86 895 | 70 182 | 104 066 | 82 160 | 86 895 | 66 546 |
| Switzerland | 79 828 | 76 372 | 133 312 | 118 714 | 159 655 | 137 923 | 133 312 | 110 387 |
| Turkey | 33 600 | 24 480 | 56 111 | 41 107 | 67 199 | 48 085 | 56 111 | 40 732 |
| United Kingdom | 60 451 | 49 315 | 100 953 | 81 686 | 120 901 | 95 251 | 100 953 | 79 042 |
| United States | 56 577 | 49 819 | 94 484 | 77 756 | 113 154 | 90 536 | 94 484 | 73 353 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **47 436** | **40 358** | **79 218** | **63 307** | **94 871** | **73 118** | **79 218** | **59 743** |
| **OECD-EU 22** | **47 488** | **39 760** | **79 305** | **61 893** | **94 977** | **70 907** | **79 305** | **57 260** |

Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/6nia7u

## Table 5.12. Annual labour costs and net income, single person, 2019

In US dollars using PPP, by household 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 | 43 278 | 33 454 | 64 594 | 46 548 | 107 873 | 70 780 | 43 278 | 42 798 |
| Austria | 54 717 | 30 872 | 81 668 | 42 545 | 134 213 | 65 820 | 54 717 | 42 503 |
| Belgium | 55 627 | 30 317 | 83 796 | 39 972 | 139 940 | 57 809 | 55 627 | 38 177 |
| Canada | 34 365 | 25 638 | 51 320 | 35 655 | 83 625 | 57 062 | 34 365 | 39 403 |
| Chile | 16 164 | 15 033 | 24 126 | 22 426 | 40 290 | 36 934 | 16 164 | 15 166 |
| Colombia | 9 188 | 9 188 | 13 713 | 13 713 | 22 901 | 22 901 | 9 188 | 9 784 |
| Czech Republic | 29 161 | 17 019 | 43 524 | 24 419 | 72 685 | 39 441 | 29 161 | 22 629 |
| Denmark | 43 494 | 29 273 | 64 917 | 41 882 | 108 411 | 63 696 | 43 494 | 41 548 |
| Estonia | 27 684 | 18 491 | 41 320 | 26 021 | 69 004 | 40 598 | 27 684 | 22 660 |
| Finland | 43 646 | 28 015 | 65 143 | 37 730 | 108 789 | 56 158 | 43 646 | 32 353 |
| France | 46 933 | 27 206 | 73 003 | 38 546 | 129 084 | 59 216 | 46 933 | 37 354 |
| Germany | 56 629 | 31 035 | 84 521 | 42 840 | 136 153 | 66 681 | 56 629 | 38 809 |
| Greece | 32 481 | 20 470 | 48 479 | 28 638 | 80 960 | 43 145 | 32 481 | 22 458 |
| Hungary | 26 684 | 14 787 | 39 827 | 22 071 | 66 511 | 36 858 | 26 684 | 20 713 |
| Iceland | 47 288 | 33 369 | 70 579 | 47 469 | 117 866 | 73 798 | 47 288 | 38 745 |
| Ireland | 45 483 | 34 305 | 67 885 | 45 371 | 113 368 | 65 985 | 45 483 | 43 141 |
| Israel | 30 675 | 25 778 | 46 184 | 35 591 | 77 671 | 52 381 | 30 675 | 29 513 |
| Italy | 41 361 | 24 404 | 61 733 | 32 129 | 103 094 | 47 402 | 41 361 | 30 630 |
| Japan | 39 766 | 27 362 | 59 352 | 39 945 | 97 964 | 63 535 | 39 766 | 33 052 |
| Korea | 39 869 | 32 000 | 59 506 | 45 850 | 98 326 | 73 112 | 39 869 | 33 080 |
| Latvia | 21 526 | 12 997 | 32 124 | 18 483 | 53 641 | 30 689 | 21 526 | 16 299 |
| Lithuania | 23 147 | 15 098 | 34 548 | 21 538 | 57 696 | 34 614 | 23 147 | 17 745 |
| Luxembourg | 54 968 | 38 092 | 82 042 | 50 489 | 137 011 | 74 503 | 54 968 | 50 398 |
| Mexico | 10 884 | 9 051 | 15 960 | 12 737 | 26 274 | 20 174 | 10 884 | 9 051 |
| Netherlands | 50 749 | 35 680 | 75 677 | 47 707 | 121 831 | 70 475 | 50 749 | 47 639 |
| New Zealand | 28 666 | 24 681 | 42 784 | 34 752 | 71 450 | 54 119 | 28 666 | 34 227 |
| Norway | 47 270 | 31 830 | 70 552 | 45 323 | 117 822 | 68 787 | 47 270 | 36 748 |
| Poland | 26 204 | 17 043 | 39 110 | 25 195 | 65 313 | 41 747 | 26 204 | 27 351 |
| Portugal | 28 274 | 17 808 | 42 200 | 24 795 | 70 473 | 37 598 | 28 274 | 21 678 |
| Slovak Republic | 22 757 | 13 718 | 33 966 | 19 745 | 56 724 | 31 982 | 22 757 | 15 928 |
| Slovenia | 27 874 | 16 645 | 41 603 | 23 515 | 69 478 | 36 839 | 27 874 | 23 760 |
| Spain | 37 906 | 24 301 | 56 576 | 34 281 | 94 482 | 53 005 | 37 906 | 28 517 |
| Sweden | 45 816 | 27 284 | 68 381 | 39 262 | 114 197 | 56 287 | 45 816 | 30 920 |
| Switzerland | 56 814 | 45 744 | 84 797 | 65 898 | 141 586 | 103 438 | 56 814 | 54 070 |
| Turkey | 26 451 | 16 877 | 39 480 | 23 855 | 65 931 | 37 652 | 26 451 | 17 252 |
| United Kingdom | 44 340 | 32 738 | 67 042 | 46 304 | 113 133 | 71 099 | 44 340 | 38 660 |
| United States | 41 124 | 29 797 | 61 223 | 43 066 | 102 029 | 67 213 | 41 124 | 36 984 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **36 737** | **24 795** | **54 953** | **34 765** | **91 562** | **53 609** | **36 737** | **30 858** |
| **OECD-EU 22** | **38 324** | **23 857** | **57 366** | **33 053** | **95 593** | **50 480** | **38 324** | **30 600** |

Note: ch = children

StatLink https://stat.link/67uv3q

## Table 5.13. Annual labour costs and net income, married couple, 2019

In US dollars using PPP, by household type and wage level

| | Married 2 ch 100-0 (% AW) | | Married 2 ch 100-67 (% AW)[1] | | Married 2 ch 100-100 (% AW)[1] | | Married no ch 100-67 (% AW)[1] | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 64 594 | 51 187 | 107 873 | 80 001 | 129 189 | 93 095 | 107 873 | 80 001 |
| Austria | 81 668 | 54 176 | 136 385 | 84 167 | 163 335 | 95 840 | 136 385 | 73 417 |
| Belgium | 83 796 | 53 135 | 139 423 | 77 256 | 167 592 | 87 157 | 139 423 | 70 265 |
| Canada | 51 320 | 45 080 | 85 686 | 65 042 | 102 641 | 74 681 | 85 686 | 60 798 |
| Chile | 24 126 | 22 437 | 40 290 | 37 603 | 48 252 | 44 874 | 40 290 | 37 459 |
| Colombia | 13 713 | 14 309 | 22 901 | 24 092 | 27 426 | 28 618 | 22 901 | 22 901 |
| Czech Republic | 43 524 | 32 024 | 72 685 | 47 047 | 87 048 | 52 691 | 72 685 | 41 438 |
| Denmark | 64 917 | 48 473 | 108 411 | 75 058 | 129 833 | 87 667 | 108 411 | 71 155 |
| Estonia | 41 320 | 30 137 | 69 004 | 47 835 | 82 639 | 55 364 | 69 004 | 44 512 |
| Finland | 65 143 | 40 558 | 108 789 | 68 573 | 130 287 | 78 288 | 108 789 | 65 745 |
| France | 73 003 | 44 795 | 119 936 | 69 922 | 146 006 | 81 390 | 119 936 | 65 423 |
| Germany | 84 521 | 55 544 | 141 150 | 81 252 | 169 042 | 93 443 | 141 150 | 74 194 |
| Greece | 53 327 | 33 100 | 89 056 | 54 805 | 106 654 | 62 582 | 89 056 | 53 239 |
| Hungary | 39 827 | 27 741 | 66 511 | 42 529 | 79 654 | 49 812 | 66 511 | 36 858 |
| Iceland | 70 579 | 56 561 | 117 866 | 81 268 | 141 157 | 94 939 | 117 866 | 80 838 |
| Ireland | 67 885 | 55 807 | 113 368 | 84 563 | 135 770 | 94 961 | 113 368 | 80 343 |
| Israel | 46 184 | 36 707 | 76 858 | 64 164 | 92 367 | 74 072 | 76 858 | 61 724 |
| Italy | 61 733 | 37 591 | 103 094 | 60 005 | 123 466 | 67 240 | 103 094 | 56 533 |
| Japan | 59 352 | 43 018 | 99 118 | 69 672 | 118 705 | 82 255 | 99 118 | 67 307 |
| Korea | 59 506 | 47 370 | 99 375 | 79 082 | 119 012 | 92 932 | 99 375 | 77 850 |
| Latvia | 32 124 | 21 785 | 53 649 | 34 782 | 64 247 | 40 267 | 53 649 | 31 480 |
| Lithuania | 34 548 | 24 185 | 57 696 | 39 284 | 69 096 | 45 724 | 57 696 | 36 637 |
| Luxembourg | 82 042 | 67 786 | 137 011 | 100 332 | 164 084 | 112 189 | 137 011 | 91 319 |
| Mexico | 15 960 | 12 737 | 26 845 | 21 788 | 31 921 | 25 473 | 26 845 | 21 788 |
| Netherlands | 75 677 | 51 490 | 126 427 | 89 736 | 151 354 | 101 763 | 126 427 | 83 387 |
| New Zealand | 42 784 | 41 304 | 71 450 | 59 075 | 85 569 | 69 503 | 71 450 | 59 433 |
| Norway | 70 552 | 47 837 | 117 822 | 79 667 | 141 105 | 93 160 | 117 822 | 77 154 |
| Poland | 39 110 | 32 266 | 65 313 | 48 996 | 78 219 | 57 148 | 65 313 | 42 238 |
| Portugal | 42 200 | 29 588 | 70 473 | 44 900 | 84 399 | 51 708 | 70 473 | 42 783 |
| Slovak Republic | 33 966 | 23 436 | 56 724 | 35 673 | 67 932 | 41 700 | 56 724 | 33 463 |
| Slovenia | 41 603 | 30 878 | 69 478 | 44 676 | 83 207 | 50 791 | 69 478 | 40 160 |
| Spain | 56 576 | 37 320 | 94 482 | 60 087 | 113 152 | 70 067 | 94 482 | 58 581 |
| Sweden | 68 381 | 42 898 | 114 197 | 70 182 | 136 763 | 82 160 | 114 197 | 66 546 |
| Switzerland | 84 797 | 76 372 | 141 611 | 118 714 | 169 594 | 137 923 | 141 611 | 110 387 |
| Turkey | 39 480 | 24 480 | 65 931 | 41 107 | 78 959 | 48 085 | 65 931 | 40 732 |
| United Kingdom | 67 042 | 49 315 | 111 382 | 81 686 | 134 084 | 95 251 | 111 382 | 79 042 |
| United States | 61 223 | 49 819 | 102 346 | 77 756 | 122 445 | 90 536 | 102 346 | 73 353 |
| *Unweighted average* | | | | | | | | |
| **OECD-Average** | **55 084** | **40 358** | **91 909** | **63 307** | **110 168** | **73 118** | **91 909** | **59 743** |
| **OECD-EU 22** | **57 586** | **39 760** | **96 057** | **61 893** | **115 172** | **70 907** | **96 057** | **57 260** |

Note: ch = children

1. Two-earner couple.

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## Notes

[1] The additional PAYE tax credit was included in the draft budget law for 2021 as a measure introduced on a permanent basis in the Italian PIT system.

[2] Tables 5.1 to 5.7 show figures rounded to the first decimal. The text may present figures rounded to two decimal points for accuracy purposes.

[3] Further analysis on the impact of average wage changes in the tax burden indicators is available in Chapter 2.

[4] See note 1.

[5] The reported elasticities in Table 5.8 are calculated as (100 - METR) / (100 - AETR), where METR is the marginal rate of income tax plus employee social security contributions less cash benefits reported in Table 5.7 and AETR is the average rate of income tax plus employee social security contributions less cash benefits reported in Table 5.3.

[6] The reported elasticities in Table 5.9 are calculated as (100 - METR) / (100 - AETR), where METR is the marginal rate of income tax plus employee and employer social security contributions less cash benefits reported in Table 5.6 and AETR is the average rate of income tax plus employee and employer social security contributions less cash benefits reported in Table 5.1.

# 6 Evolution of the tax burden (2000-20)

The chapter presents the evolution of the tax burdens on labour income between 2000 and 2020. The chapter contains Tables 6.1 to 6.24 that are grouped by tax measures for the eight household types: Tables 6.1 to 6.8 containing the (average) tax wedge comprising income taxes plus employee and employer social security contributions (including any applicable payroll taxes) less cash benefits; Tables 6.9 to 6.16 providing the (average) burden of personal income taxes; and the Table 6.17 to 6.24 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 household types over the period 2000 to 2020 is presented in Tables 6.1 to 6.24 in the last section of this chapter titled "Tables showing income taxes, social security contributions and cash benefits". Each of the Tables 6.1 to 6.24 corresponds to a tax burden measure for a particular household type.

The discussion focuses on the main observable trends over the period and highlights selected important year-to-year changes[1].

## Important trends

The OECD average tax wedge, the personal income tax burden and the net tax burden (personal income tax plus social security contributions less cash benefits) have all declined between 2000 and 2020 for each of the selected household types.

- The reductions over the period in the OECD average tax wedge ranged from 1.6 percentage points (for single workers earning 167% of the AW) to 5.4 percentage points (for single parents earning 67% of the AW).
- The decrease in the OECD average personal income tax burden ranged from 1.0 percentage point (for single workers earning the AW) to 2.6 percentage points (for single parents earning 67% of the AW).
- The OECD net personal average tax burden has also declined for all household types in the period considered. The reduction ranged from 0.7 percentage points (for single workers earning 167% of the AW) to 4.3 percentage points (for single parents earning 67% of the AW).

## Tax wedge

Focusing on the overall (average) tax wedge (Table 6.1 to Table 6.8), twenty-one OECD countries had a reduction of more than 5 percentage points between 2000 and 2020 for at least one household type – Austria, Belgium, Canada, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Lithuania, the Netherlands, New Zealand, Poland, Slovenia, Sweden, the United Kingdom and the United States.

The largest decline is observed in Poland where the single parent benefited from a reduction in the tax wedge of 33.2 percentage points. In Poland, the one-earner couple on the AW and the two-earner couples with total wage earnings at 167% of the AW and at 200% of the AW (with each of these three household types having two children), also experienced large decreases in the tax wedge that exceeded 10 percentage points (i.e. 20.1 percentage points, 13.8 percentage points and 12.2 percentage points respectively). In Lithuania, large decreases in the tax wedge are also observed for the household types with children – 30.2 percentage points for the single parent, 25.6 percentage points for the one-earner couple on the AW, 15.2 percentage points for the two-earner couple with total wage earnings at 167% of the AW and 13.8 percentage points for the two-earner couple with total wage earnings at 200% of the AW. In Lithuania, those declines derive from measures in response to the COVID-19 crisis; i.e. the tax-exempt amount was increased and a one-off child benefit payment was made to families in 2020. Reductions of more than 10 percentage points in the tax wedge for at least one household type are also observed in Belgium, Canada, France, Hungary, Ireland, the Netherlands and New Zealand.

In Belgium, the tax wedge decreased by 10.9 percentage points for the single parent on 67% of the AW. In Canada, the tax wedge decreased by 17.6 percentage points for the single parent earning 67% of the

AW and by 13.0 percentage points for the one-earner married couple on the AW with two children. In France, the tax wedge declined by 17.2 percentage points for the single parent at 67% of the AW. In Hungary, there were reductions of more than 10 percentage points for six out of the eight household types. The largest decreases were for the single worker earning 167% of the AW (15.5 percentage points) and the one-earner married couple, with two children, earning the AW (13.8 percentage points). In Ireland, the tax wedge decreased by 15.3 percentage points for the single parent on 67% of the AW. In the Netherlands, the tax wedge decreased by more than 10 percentage points for the single worker earning 67% of the AW with or without children, by 20.4 percentage points and by 13.3 percentage points respectively. In New Zealand, only the single parent earning 67% of the AW benefited from a reduction in the tax wedge exceeding 10 percentage points (15.1 percentage points).

In contrast, between 2000 and 2020, there were increases in the tax wedge of more than 5 percentage points for at least one household type in six countries – the Czech Republic, Iceland, Korea, Mexico, Norway and Turkey. The largest increase was in Iceland where the tax wedge raised by 10.2 percentage points for the single parent on 67% of the AW and also by 5.5 for the one-earner couple on the AW with two children.. In the Czech Republic, it increased by 9.2 percentage points for the single parent on 67% of the AW. In Mexico, seven of the household types experienced increases between 7.5 and 8.9 percentage points. Only the single worker on 167% of the AW had a tax wedge increased by less than 5 percentage points (3.7 percentage points). In Turkey, the single worker earning 167% of the AW had the tax wedge increased by 8.0 percentage points. In Korea, there were increases by between 5.0 and 6.9 percentage points for the household types without children. In Norway, it increased by 6.0 percentage points for the single parent on 67% of the AW.

The tax wedge has decreased for all household types in sixteen OECD countries (Australia, Belgium, Canada, Denmark, Estonia, Finland, Germany, Hungary, Ireland, Israel, Latvia, Lithuania, Poland, Sweden, Switzerland and the United States), while it has increased across all household types in three countries (Japan, Luxembourg and Mexico).

## Average personal income tax rate

Between 2000 and 2020, the average personal income tax burden (Table 6.9 to Table 6.16) decreased for the eight household types in fifteen of the OECD countries: Belgium, Canada, Estonia, Finland, Germany, Hungary, Ireland, Israel, Latvia, Lithuania, Slovenia, Sweden, Switzerland, Turkey and the United Kingdom. Among those countries, there were decreases of more than 5 percentage points in the personal income tax rates. The most significant reductions affecting most of the household types are noted in Hungary where there were decreases exceeding 10 percentage points for three of the household types; i.e. by 15.3 percentage points for the single worker earning 167% of the AW, 12.9 percentage points for the one-earner married couple earning the AW with children and 10.6 percentage points for the two-earner couple with total wage earnings at 200% of the AW with two children. . In Estonia, the average personal income tax rate decreased by between 8.0 and 14.3 percentage points for seven of the household types. The largest decrease was observed for the single parent on 67% of the AW. The only household type with a decrease that was lower than 5 percentage points was the single worker on 167% of the AW (3.9 percentage points). In Sweden, most of the household types had decreases of between 9.1 and 9.8 percentage points, the exception being the single taxpayer earning 167% of the AW (reduction of 6.4 percentage points). In Lithuania, the average personal income tax rates decreased by between 9.4 and 9.6 percentage points for most of the household types, the exception being the single parent on 67% of the AW (3.7 percentage points). In the United Kingdom, the single parent on 67% of the AW experienced the largest decrease (9.4 percentage points). In Finland, it decreased by between 6.2 and 8.5 percentage points over the eight household types. In Israel, the average personal income tax rate decreased by 6.4 to 8.2 percentage points for most of the household types, the exception being the single parent at 67% of the AW who experienced a reduction of 2.9 percentage points. Other decreases of more than 5 percentage

points are observed in Belgium for six of the household types (up to 7.0 percentage points) and Latvia for the single parent earning 67% of the AW (5.4 percentage points).

At the other extreme, the average personal income tax rate increased across all the eight household types in six OECD countries: Denmark, Greece, Japan, Korea, Mexico and the Netherlands. Among those countries, there were increases of more than 5 percentage points. In the Netherlands, there were increases of 11.2 percentage points for the one-earner married couple on the AW with two children, 6.7 percentage points for the single worker earning the AW and 6.0 percentage points for the two-earner couple with total earnings at 200% of the AW with two children. In Mexico the increases ranged from 5.9 to 9.4 percentage points over the eight household types. The average personal income tax rate increased by more than 5 percentage points in Denmark for the one-earner married couple on the AW with two children (5.5 percentage points).

There were fifteen other OECD member countries with both reductions and increases in the average personal income tax among the household types: Australia, Austria, Chile, the Czech Republic, France, Iceland, Italy, Luxembourg, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain and the United States. Significant changes of more than 5 percentage points are observed among those countries. In the Czech Republic, there were reductions of 9.7 percentage points for the single parent on 67% of the AW and 8.5 percentage points for the one-earner married couple on the AW with children. In Austria and Italy, the personal income tax rate decreased by more than 5 percentage points for the single parent on 67% of the AW (8.3 percentage points and 6.2 percentage points respectively). In contrast, in Portugal, it increased by 5.4 percentage for the single worker on 167% of the AW.

In Chile, the average income tax rates stayed constant for most of the household types as they did not pay personal income taxes between 2000 and 2020. There were small changes of 0.03[2] percentage points or less for the household types that paid income taxes ; i.e. the single worker on the AW (+0.03 percentage points), the two-earner couple with total earnings at 167% of the AW without children (+0.02 percentage points) and the single worker on 167% of the AW (-0.03 percentage points). In Colombia, there were no changes for the eight household types between 2000 and 2020 as no personal income taxes were levied at their levels of earnings.

## Net personal average tax rate

The net personal average tax rate takes into account personal income taxes and employee social security contributions as well as cash benefits (Table 6.17 to Table 6.24). It decreased between 2000 and 2020 for the eight household types in thirteen OECD countries: Australia, Belgium, Canada, Denmark, Estonia, Germany, Ireland, Israel, the Netherlands, Poland, Sweden, Switzerland and the United States. Among those countries, there were decreases of more than 5 percentage points. The most significant reductions are observed in Poland, where the net personal average tax rate fell by 38.5 percentage points for the single parent earning 67% of the AW, followed by the one-earner couple on the AW with two children (23.2 percentage points). In the Netherlands, the decline in the net personal average tax rate exceeded 10 percentage points for the single worker on 67% of the AW, with or without children (by 20.0 percentage points and 12.6 percentage points respectively) and for the two-earner couple with total earnings at 167% of the AW with two children (10.2 percentage points). There were decreases exceeding 10 percentage points also in Canada for the single parent on 67% of the AW (18.3 percentage points) and the one-earner married couple on the AW with children (13.4 percentage points) and in Ireland for the single parent on 67% of the AW (16.1 percentage points). In Sweden, reductions of more than 5 percentage points in net personal average tax rates are observed over the eight household types. Furthermore, seven of them had reductions exceeding 8 percentage points. It decreased the most for the single worker earning 67% of the AW without children (9.8 percentage points), for the two-earner couple with total earnings at 167% of the AW without children (9.4 percentage points) and for the single average worker (9.1 percentage points). In

Estonia, the net personal average tax rate decreased the most for the two-earner couple with total earnings at 167% of the AW with two children (9.7 percentage points), the second largest decrease was observed for the single worker on 67% of the AW without children (9.4 percentage points). In Belgium, it declined by more than 5 percentage points for six out of the eight household types; the largest decrease being for the single parent on 67% of the AW (9.2 percentage points). In Denmark, there were decreases exceeding 5 percentage points for seven out of the eight household types. The single worker on 167% of the AW experienced the largest decrease (8.5 percentage points). In Israel reductions ranging from 6.1 to 8.1 percentage points are observed for all but one household type, the exception being the single parent on 67% of the AW (reduction of 0.3 percentage point). In the United States, the net personal average tax rate decreased by more than 5 percentage points for the one-earner couple on the AW with two children (7.4 percentage points) and the two-earner couples on 167% of the AW with two children (5.8 percentage points). Finally, in Germany, a decrease of more than 5 percentage points was observed for the single worker on 167% of the AW (5.4 percentage points).

In contrast, the net personal average tax rate increased across all household types in three OECD countries: Japan, Mexico and the Slovak Republic. Two of those countries experienced increases of more than 5 percentage points. The largest change was in the Slovak Republic where it increased by 9.5 percentage points for the single parent on 67% of the AW. In Mexico, net personal average tax rates increased by between 5.3 and 9.4 percentage points over the eight household types.

There were twenty-one other OECD member countries with both reductions or increases in the net personal average tax rate among the household types: Austria, Chile, Colombia, the Czech Republic, Finland, France, Greece, Hungary, Iceland, Italy, Korea, Latvia, Lithuania, Luxembourg, New Zealand, Norway, Portugal, Slovenia, Spain, Turkey and the United Kingdom. Among those countries, changes of more than 5 percentage points are observed. There was a significant decrease in France where the net personal average tax rate fell by 19.2 percentage points for the single parent on 67% of the AW. For the latter household type, there were also decreases exceeding 10 percentage points in New Zealand (15.1 percentage points) and in Lithuania (12.7 percentage points). It also declined by 10.1 percentage points for the one-earner couple on AW with two children in Lithuania. In Hungary, the net personal average tax rate decreased by 9.3 percentage points for the single worker on 167% of the AW. Reductions of more than 5 percentage points are observed for single parents on 67% of the AW in the United Kingdom (7.0 percentage points), Greece and Italy (both by 5.6 percentage points). In Finland, the net personal average tax rate decreased by 5.5 percentage points for the single worker on 67% of the AW without children. In contrast, there were significant increases in the net personal average tax rate in the Czech Republic and in Iceland for the single parent on 67% of the AW (by 13.4 and 9.3 respectively). In Lithuania, the increases were between 6.9 and 7.1 percentage points for the household types without children. There were increases of more than 5 percentage points for the single parent on 67% of the AW in Norway (6.6 percentage points), for the single worker on 167% of the AW in Korea (5.5 percentage points), Portugal (5.4 percentage points) and Turkey (6.0 percentage points). In Korea, the net personal average tax rate also increased by more than 5 percentage points for the single average worker (6.0 percentage points).

## Progressivity

The degree of progressivity of the personal income tax system can be assessed by comparing the burden faced by single workers earning 67% of the AW with that faced by their counterparts earning 167% of the AW. Hence Table 6.9 is compared with Table 6.11. For all OECD countries (except Hungary) and for all years between 2000 and 2020 the higher paid worker always pays a higher percentage of income in personal income tax than the lower paid worker. In Hungary, the exceptions are that the levels of tax burden are the same for both workers from 2013 onwards. In Mexico, from 2000 to 2010, the personal income tax was negative for the single persons earning 67% of the AW due to non-wastable tax credits.

On average, the progressivity of personal income taxes has increased in OECD countries. On average (excluding Mexico), the single person earning 67% of the AW paid 52% of the tax burden of the person earning 167% of the AW in 2000 and 49% in 2020.

Comparing the situation in each OECD country, personal income taxes have become more progressive in nineteen countries: Belgium, Canada, Estonia, Finland, France, Germany, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, New Zealand, Norway, Sweden, Switzerland, Turkey and the United Kingdom. The most significant changes were in Estonia where the tax burden on lower paid worker as a share of the tax burden of the higher paid worker fell from 86% in 2017 to 42% in 2018 and in Italy where the corresponding measure decreased gradually from 60% in 2000 to 39% in 2020.

Between 2000 and 2020, personal income taxes became slightly less progressive (using this measure) in sixteen OECD countries: Australia, Austria, the Czech Republic, Denmark, Greece, Hungary, Iceland, Korea, Mexico, the Netherlands, Poland, Portugal, the Slovak Republic, Slovenia, Spain and the United States. The most significant changes occurred in Hungary where the ratio rose from about 58% of the higher-paid person's tax burden in 2000 to 100% from 2013 onwards and in Iceland where it rose from 55% in 2000 to 72% in 2020.

The tax burden ratio remained at the same level in Chile and Colombia between 2000 and 2020. In Chile, the lower paid worker on 67% of the AW did not pay personal income tax between 2000 and 2020. In Colombia, no personal income taxes were levied on earnings at either 67% or 167% of the AW between 2000 and 2020.

## Families

The results presented in Table 6.21 and Table 6.18 can be used to compare the net tax burdens (personal income tax plus employee social security contributions less cash benefits) faced by a one-earner married couple earning the AW with two children, and the single worker without children at the same income level. The OECD average tax savings for the married couple compared with the single person represented 10.5% of gross income in 2000 and 12.0% in 2020.

Between 2000 and 2020, the savings for the one-earner married couple increased in eighteen countries and declined in eighteen others. No tax savings are observed for Mexico, as the tax burden is the same for the two household types. There were five countries where the tax savings have increased by more than 5 percentage points: in Poland increasing by 19.5 percentage points from 5.7% to 25.2% of gross income, in Lithuania increasing by 17.1 percentage points from 0% to 17.1% of gross income, in Canada increasing by 11.5 percentage points from 10.9% to 22.4% of gross income, in New Zealand increasing by 8.3 percentage points from 5.8% to 14.1% of gross income and in Portugal increasing by 5.2 percentage points from 8.8% to 14.0% of gross income. There were corresponding reductions of more than 5 percentage points in Norway with a reduction in the tax savings by 7.4 percentage points from 11.4% to 4.0% and in Slovenia where the tax savings decreased by 5.2 percentage points from 25.4% to 20.2% of gross income.

## 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 household types across the OECD over the period 2000 to 2020 is presented in Tables 6.1 to 6.24.

- Tables 6.1 to 6.8 contain the (average) tax wedge comprising income taxes plus employee and employer social security contributions (including any applicable payroll taxes) less cash benefits,
- Tables 6.9 to 6.16 provide the (average) burden of personal income taxes, and the

- Tables 6.17 to 6.24 depict the (average) burden of income taxes plus employee social security contributions less cash benefits (net personal average tax rates).

Tables 6.25 and 6.26 show the average gross and net earnings of a single individual between 2000 and 2020 in US dollar using purchasing power parities of national currencies and in national currencies.

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

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 25.9 | 21.0 | 21.9 | 22.4 | 23.1 | 23.4 | 23.6 | 24.1 | 22.7 | 23.3 |
| Austria | 43.2 | 43.5 | 44.6 | 44.8 | 45.1 | 43.0 | 43.1 | 43.3 | 43.6 | 42.7 |
| Belgium | 51.4 | 50.4 | 50.0 | 49.9 | 49.4 | 47.5 | 47.3 | 46.1 | 45.5 | 44.1 |
| Canada | 27.7 | 25.8 | 26.3 | 26.5 | 26.5 | 26.5 | 25.7 | 25.9 | 25.4 | 24.5 |
| Chile | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 41.3 | 39.0 | 39.4 | 39.7 | 40.0 | 40.3 | 40.8 | 41.4 | 41.6 | 41.6 |
| Denmark | 37.4 | 33.5 | 33.3 | 33.1 | 33.4 | 33.4 | 33.3 | 32.6 | 32.7 | 32.4 |
| Estonia | 39.8 | 38.7 | 38.8 | 38.9 | 38.0 | 37.9 | 38.0 | 32.7 | 33.2 | 33.1 |
| Finland | 42.7 | 36.8 | 37.6 | 38.0 | 37.9 | 38.3 | 36.9 | 36.5 | 35.8 | 34.6 |
| France | 43.9 | 46.8 | 45.5 | 45.0 | 43.6 | 42.9 | 42.8 | 42.9 | 42.0 | 40.0 |
| Germany | 47.6 | 44.9 | 45.1 | 45.1 | 45.3 | 45.4 | 45.4 | 45.4 | 45.2 | 44.9 |
| Greece | 35.9 | 35.8 | 37.0 | 36.1 | 34.8 | 36.2 | 36.5 | 37.0 | 37.0 | 35.3 |
| Hungary | 51.4 | 43.8 | 49.0 | 49.0 | 49.0 | 48.2 | 46.2 | 45.0 | 44.6 | 43.6 |
| Iceland | 23.8 | 28.4 | 29.7 | 29.7 | 30.2 | 30.3 | 29.5 | 29.6 | 29.4 | 28.7 |
| Ireland | 27.5 | 24.2 | 25.2 | 25.3 | 24.9 | 24.3 | 24.0 | 24.3 | 24.6 | 24.1 |
| Israel | 23.2 | 14.1 | 13.6 | 14.2 | 14.8 | 15.2 | 15.1 | 15.7 | 16.0 | 15.3 |
| Italy | 43.6 | 44.0 | 44.9 | 41.9 | 40.8 | 40.8 | 40.7 | 40.8 | 41.0 | 40.0 |
| Japan | 28.7 | 28.9 | 30.2 | 30.6 | 30.9 | 31.0 | 31.0 | 31.2 | 31.2 | 31.2 |
| Korea | 15.0 | 17.4 | 18.1 | 18.2 | 18.4 | 18.6 | 18.9 | 19.2 | 19.7 | 20.0 |
| Latvia | 41.7 | 43.2 | 42.8 | 42.1 | 41.7 | 41.2 | 41.3 | 39.7 | 39.6 | 38.1 |
| Lithuania | 43.0 | 38.8 | 39.5 | 39.0 | 39.3 | 39.0 | 37.8 | 37.2 | 34.8 | 33.3 |
| Luxembourg | 29.8 | 28.8 | 31.2 | 31.6 | 32.4 | 32.5 | 30.2 | 30.5 | 30.7 | 29.9 |
| Mexico | 7.6 | 12.9 | 14.4 | 14.7 | 15.0 | 15.3 | 16.1 | 16.1 | 16.8 | 16.5 |
| Netherlands | 42.3 | 33.6 | 32.7 | 31.8 | 32.0 | 30.4 | 30.4 | 30.8 | 29.7 | 29.0 |
| New Zealand | 18.6 | 14.3 | 13.3 | 13.4 | 13.5 | 13.6 | 13.7 | 13.8 | 13.9 | 14.0 |
| Norway | 35.1 | 34.1 | 34.1 | 33.8 | 33.7 | 33.2 | 32.9 | 32.8 | 32.7 | 32.8 |
| Poland | 37.0 | 33.3 | 34.8 | 34.9 | 35.0 | 34.9 | 35.0 | 35.1 | 35.0 | 34.1 |
| Portugal | 33.2 | 32.2 | 35.2 | 34.8 | 36.3 | 36.4 | 36.6 | 36.7 | 37.0 | 37.1 |
| Slovak Republic | 40.7 | 35.0 | 38.7 | 38.9 | 39.1 | 39.3 | 39.4 | 39.7 | 39.7 | 38.8 |
| Slovenia | 42.6 | 38.6 | 38.5 | 38.6 | 38.6 | 38.7 | 40.0 | 39.8 | 40.3 | 40.1 |
| Spain | 34.9 | 36.5 | 37.2 | 37.3 | 35.8 | 35.8 | 35.8 | 35.9 | 35.9 | 35.8 |
| Sweden | 48.6 | 40.7 | 40.9 | 40.5 | 40.6 | 40.8 | 40.9 | 41.0 | 40.4 | 40.5 |
| Switzerland | 20.2 | 19.3 | 19.4 | 19.2 | 19.1 | 19.3 | 19.4 | 19.4 | 19.5 | 19.4 |
| Turkey[1] | 39.1 | 34.4 | 34.9 | 35.8 | 35.9 | 32.9 | 33.4 | 34.6 | 36.2 | 36.4 |
| United Kingdom | 29.1 | 29.4 | 26.8 | 26.2 | 26.0 | 26.1 | 26.3 | 26.2 | 26.2 | 26.0 |
| United States | 29.0 | 28.3 | 29.4 | 29.5 | 29.2 | 29.2 | 29.2 | 27.6 | 27.5 | 24.9 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **33.2** | **31.3** | **31.9** | **31.8** | **31.8** | **31.6** | **31.5** | **31.3** | **31.2** | **30.6** |
| **OECD-EU 22** | **40.9** | **38.3** | **39.2** | **38.9** | **38.8** | **38.5** | **38.3** | **37.9** | **37.7** | **37.0** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/vrt7qc

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

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 31.0 | 26.8 | 27.4 | 27.7 | 28.3 | 28.6 | 28.6 | 28.9 | 27.9 | 28.4 |
| Austria | 47.3 | 48.2 | 49.2 | 49.4 | 49.6 | 47.3 | 47.4 | 47.6 | 47.9 | 47.3 |
| Belgium | 57.1 | 55.9 | 55.7 | 55.6 | 55.3 | 53.9 | 53.8 | 52.7 | 52.3 | 51.5 |
| Canada | 32.9 | 30.4 | 31.0 | 31.6 | 31.5 | 31.4 | 30.6 | 30.8 | 30.5 | 30.4 |
| Chile | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 42.6 | 42.1 | 42.4 | 42.6 | 42.8 | 43.0 | 43.4 | 43.7 | 43.9 | 43.9 |
| Denmark | 41.5 | 35.9 | 35.8 | 35.6 | 35.9 | 35.9 | 35.8 | 35.4 | 35.5 | 35.2 |
| Estonia | 41.3 | 40.1 | 39.9 | 40.0 | 39.0 | 39.0 | 39.0 | 36.2 | 37.0 | 36.9 |
| Finland | 47.5 | 42.3 | 43.1 | 43.6 | 43.5 | 44.1 | 43.0 | 42.6 | 42.1 | 41.2 |
| France | 50.4 | 49.9 | 48.8 | 48.4 | 48.5 | 48.0 | 47.6 | 47.6 | 47.2 | 46.6 |
| Germany | 52.9 | 49.0 | 49.3 | 49.3 | 49.4 | 49.5 | 49.6 | 49.5 | 49.3 | 49.0 |
| Greece | 38.7 | 40.0 | 41.1 | 40.2 | 38.9 | 40.3 | 40.6 | 41.0 | 40.9 | 40.1 |
| Hungary | 54.7 | 46.6 | 49.0 | 49.0 | 49.0 | 48.2 | 46.2 | 45.0 | 44.6 | 43.6 |
| Iceland | 28.8 | 33.4 | 34.1 | 33.9 | 34.3 | 33.9 | 32.8 | 32.9 | 32.7 | 32.3 |
| Ireland | 35.3 | 30.9 | 33.9 | 34.0 | 33.2 | 32.7 | 32.6 | 32.9 | 33.2 | 32.3 |
| Israel | 29.6 | 20.7 | 20.4 | 21.1 | 21.8 | 22.3 | 22.1 | 22.7 | 22.9 | 22.4 |
| Italy | 47.1 | 47.2 | 47.8 | 47.8 | 47.8 | 47.8 | 47.7 | 47.7 | 48.0 | 46.0 |
| Japan | 29.8 | 30.2 | 31.6 | 32.0 | 32.3 | 32.4 | 32.5 | 32.7 | 32.7 | 32.7 |
| Korea | 16.4 | 20.1 | 21.0 | 21.2 | 21.4 | 21.8 | 22.0 | 22.4 | 22.9 | 23.3 |
| Latvia | 43.2 | 44.0 | 43.7 | 43.0 | 42.5 | 42.5 | 42.7 | 42.6 | 42.5 | 41.8 |
| Lithuania | 45.7 | 40.6 | 41.1 | 41.0 | 41.2 | 41.3 | 41.1 | 40.7 | 37.7 | 36.9 |
| Luxembourg | 35.8 | 35.3 | 38.2 | 38.6 | 39.5 | 39.6 | 37.8 | 38.2 | 38.5 | 37.5 |
| Mexico | 12.7 | 16.0 | 19.3 | 19.5 | 19.8 | 20.1 | 20.4 | 19.7 | 20.2 | 20.2 |
| Netherlands | 40.0 | 38.1 | 40.6 | 39.0 | 37.0 | 37.2 | 37.4 | 37.8 | 37.0 | 36.4 |
| New Zealand | 19.4 | 17.0 | 16.9 | 17.2 | 17.6 | 17.9 | 18.1 | 18.4 | 18.8 | 19.1 |
| Norway | 38.6 | 37.3 | 37.4 | 36.9 | 36.7 | 36.3 | 36.0 | 35.8 | 35.8 | 35.8 |
| Poland | 38.2 | 34.2 | 35.6 | 35.7 | 35.7 | 35.6 | 35.7 | 35.8 | 35.6 | 34.8 |
| Portugal | 37.3 | 37.1 | 41.4 | 41.1 | 42.1 | 41.5 | 41.4 | 40.9 | 41.2 | 41.3 |
| Slovak Republic | 42.1 | 38.1 | 41.3 | 41.4 | 41.5 | 41.7 | 41.7 | 41.9 | 41.9 | 41.2 |
| Slovenia | 46.3 | 42.5 | 42.4 | 42.5 | 42.6 | 42.7 | 42.9 | 43.2 | 43.5 | 42.9 |
| Spain | 38.6 | 39.7 | 40.7 | 40.7 | 39.4 | 39.4 | 39.3 | 39.4 | 39.4 | 39.3 |
| Sweden | 50.1 | 42.8 | 43.0 | 42.5 | 42.6 | 42.8 | 42.9 | 43.0 | 42.6 | 42.7 |
| Switzerland | 22.9 | 22.1 | 22.2 | 21.9 | 21.9 | 22.1 | 22.1 | 22.2 | 22.3 | 22.1 |
| Turkey[1] | 40.4 | 37.0 | 37.4 | 38.1 | 38.2 | 38.2 | 38.9 | 39.2 | 39.6 | 39.7 |
| United Kingdom | 32.6 | 32.6 | 31.4 | 31.0 | 30.8 | 30.9 | 31.0 | 31.0 | 30.9 | 30.8 |
| United States | 30.8 | 30.7 | 31.5 | 31.6 | 31.4 | 31.6 | 31.8 | 29.6 | 29.7 | 28.3 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **36.4** | **34.6** | **35.5** | **35.5** | **35.4** | **35.4** | **35.2** | **35.1** | **35.0** | **34.6** |
| **OECD-EU 22** | **44.3** | **41.8** | **42.9** | **42.8** | **42.6** | **42.5** | **42.2** | **42.1** | **41.9** | **41.3** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/sgu9ym

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

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 38.8 | 32.4 | 33.2 | 33.4 | 34.0 | 34.1 | 34.0 | 34.3 | 34.4 | 34.7 |
| Austria | 50.4 | 51.4 | 51.9 | 52.0 | 52.1 | 50.7 | 50.8 | 51.0 | 51.0 | 51.0 |
| Belgium | 62.6 | 61.0 | 60.8 | 60.8 | 60.7 | 59.9 | 59.6 | 59.0 | 58.7 | 58.1 |
| Canada | 35.2 | 32.7 | 33.1 | 33.3 | 33.3 | 32.7 | 32.0 | 32.1 | 31.8 | 31.7 |
| Chile | 8.3 | 8.0 | 8.1 | 8.1 | 8.2 | 8.3 | 8.3 | 8.3 | 8.3 | 8.3 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 44.8 | 44.7 | 44.9 | 45.0 | 45.1 | 45.3 | 45.5 | 45.7 | 45.7 | 45.7 |
| Denmark | 49.3 | 42.9 | 42.6 | 41.9 | 42.1 | 42.0 | 41.8 | 41.2 | 41.2 | 40.8 |
| Estonia | 42.5 | 41.2 | 40.8 | 40.9 | 39.9 | 39.9 | 39.9 | 41.2 | 41.2 | 41.2 |
| Finland | 53.2 | 48.2 | 48.9 | 49.4 | 49.4 | 50.1 | 49.1 | 48.8 | 48.4 | 47.8 |
| France | 52.5 | 53.6 | 54.1 | 54.3 | 54.3 | 54.4 | 54.4 | 54.1 | 54.1 | 53.2 |
| Germany | 56.2 | 51.5 | 51.2 | 51.3 | 51.3 | 51.3 | 51.5 | 51.2 | 51.0 | 51.2 |
| Greece | 44.7 | 45.5 | 48.7 | 47.9 | 45.4 | 45.9 | 46.2 | 46.6 | 46.7 | 46.0 |
| Hungary | 59.2 | 53.1 | 49.0 | 49.0 | 49.0 | 48.2 | 46.2 | 45.0 | 44.6 | 43.6 |
| Iceland | 39.6 | 37.8 | 38.6 | 38.4 | 38.6 | 38.5 | 37.7 | 37.5 | 37.4 | 37.1 |
| Ireland | 42.2 | 40.7 | 43.0 | 43.1 | 42.3 | 41.5 | 41.4 | 41.6 | 41.8 | 41.2 |
| Israel | 38.1 | 29.5 | 29.2 | 30.0 | 30.8 | 31.4 | 31.3 | 32.1 | 32.6 | 32.0 |
| Italy | 51.1 | 52.5 | 53.3 | 53.6 | 54.2 | 54.1 | 53.8 | 53.9 | 54.0 | 53.7 |
| Japan | 31.6 | 33.3 | 34.5 | 34.7 | 34.9 | 35.0 | 35.0 | 35.1 | 35.1 | 35.2 |
| Korea | 20.5 | 21.7 | 22.8 | 22.9 | 23.3 | 23.8 | 24.4 | 25.0 | 25.6 | 26.1 |
| Latvia | 44.4 | 44.7 | 44.4 | 43.8 | 43.2 | 43.3 | 43.5 | 42.6 | 42.8 | 42.8 |
| Lithuania | 47.9 | 42.0 | 42.1 | 42.1 | 42.1 | 42.1 | 42.1 | 42.1 | 40.0 | 39.9 |
| Luxembourg | 44.1 | 42.5 | 45.3 | 45.5 | 46.2 | 46.3 | 45.3 | 45.5 | 45.6 | 45.1 |
| Mexico | 19.5 | 21.4 | 22.2 | 22.6 | 22.8 | 23.1 | 23.4 | 22.8 | 23.2 | 23.2 |
| Netherlands | 44.9 | 41.8 | 42.1 | 50.4 | 42.2 | 42.0 | 42.0 | 42.3 | 42.2 | 41.5 |
| New Zealand | 24.2 | 23.3 | 22.8 | 23.1 | 23.3 | 23.6 | 23.8 | 24.0 | 24.3 | 24.5 |
| Norway | 45.2 | 43.0 | 43.0 | 42.5 | 42.4 | 42.0 | 41.7 | 41.7 | 41.6 | 41.5 |
| Poland | 39.1 | 35.0 | 36.2 | 36.3 | 36.3 | 36.2 | 36.2 | 36.3 | 36.1 | 35.4 |
| Portugal | 42.3 | 43.1 | 47.7 | 47.4 | 48.0 | 47.0 | 46.7 | 46.3 | 46.6 | 46.7 |
| Slovak Republic | 45.5 | 40.3 | 43.4 | 43.5 | 43.5 | 43.6 | 43.6 | 43.7 | 43.6 | 43.2 |
| Slovenia | 51.0 | 47.6 | 46.1 | 46.4 | 46.5 | 46.1 | 46.3 | 46.7 | 47.0 | 45.9 |
| Spain | 41.0 | 42.4 | 44.3 | 45.0 | 43.8 | 43.8 | 43.7 | 43.8 | 43.9 | 43.8 |
| Sweden | 55.7 | 51.0 | 50.8 | 50.6 | 50.7 | 51.5 | 51.6 | 51.6 | 50.7 | 50.4 |
| Switzerland | 27.4 | 26.6 | 26.8 | 26.4 | 26.4 | 26.7 | 26.8 | 26.9 | 26.9 | 26.7 |
| Turkey[1] | 35.0 | 39.8 | 40.6 | 41.5 | 41.8 | 42.1 | 42.5 | 42.7 | 42.9 | 42.9 |
| United Kingdom | 35.8 | 37.2 | 37.6 | 37.3 | 37.3 | 37.5 | 37.4 | 37.4 | 37.2 | 37.2 |
| United States | 37.1 | 35.9 | 36.3 | 36.4 | 36.3 | 36.4 | 36.5 | 34.1 | 34.1 | 34.5 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **40.6** | **38.9** | **39.5** | **39.8** | **39.5** | **39.5** | **39.4** | **39.3** | **39.3** | **39.0** |
| **OECD-EU 22** | **48.4** | **46.2** | **46.9** | **47.3** | **46.7** | **46.6** | **46.4** | **46.4** | **46.2** | **45.8** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/om8ecw

## Table 6.4. Income tax plus employee and employer contributions less cash benefits, single parent at 67% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 4.0 | -6.5 | -2.6 | -1.8 | -1.4 | -1.1 | 0.6 | 1.9 | 1.1 | 1.2 |
| Austria | 25.2 | 26.1 | 28.8 | 29.2 | 29.6 | 27.4 | 27.7 | 28.1 | 22.3 | 19.8 |
| Belgium | 36.4 | 36.8 | 36.2 | 36.1 | 35.6 | 33.5 | 33.4 | 32.3 | 31.4 | 25.5 |
| Canada | -0.4 | -7.5 | -6.1 | -4.7 | -15.4 | -15.2 | -16.3 | -14.8 | -14.7 | -17.9 |
| Chile | 5.9 | 6.1 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.1 |
| Colombia | -6.9 | -5.6 | -5.9 | -5.8 | -6.6 | -6.7 | -6.6 | -6.4 | -6.5 | -8.0 |
| Czech Republic | 12.7 | 15.8 | 24.1 | 24.8 | 24.7 | 22.0 | 22.6 | 21.4 | 22.4 | 21.9 |
| Denmark | 11.5 | 8.0 | 7.9 | 5.8 | 6.3 | 6.2 | 4.8 | 4.0 | 4.5 | 4.0 |
| Estonia | 18.5 | 24.1 | 26.6 | 27.4 | 21.7 | 21.8 | 22.8 | 17.4 | 18.1 | 17.9 |
| Finland | 28.3 | 25.5 | 26.8 | 27.3 | 27.2 | 27.9 | 26.5 | 26.5 | 25.9 | 23.8 |
| France | 34.5 | 38.8 | 37.1 | 36.6 | 36.0 | 24.3 | 24.6 | 24.9 | 20.4 | 17.3 |
| Germany | 31.8 | 29.8 | 31.0 | 31.3 | 30.9 | 31.2 | 31.4 | 31.6 | 31.5 | 28.1 |
| Greece | 35.2 | 34.4 | 33.5 | 32.6 | 31.1 | 31.9 | 32.3 | 30.7 | 30.9 | 28.9 |
| Hungary | 34.0 | 27.4 | 25.5 | 26.4 | 27.2 | 25.5 | 23.0 | 21.8 | 22.4 | 22.6 |
| Iceland | 5.9 | 16.7 | 19.0 | 19.1 | 20.5 | 21.0 | 19.1 | 17.9 | 18.1 | 16.1 |
| Ireland | 16.6 | -4.5 | -0.5 | 0.0 | 0.1 | 0.0 | 1.2 | 3.8 | 5.1 | 1.3 |
| Israel | 3.3 | 1.6 | 1.2 | 2.9 | 2.9 | 0.9 | 1.7 | 3.0 | 3.8 | 2.7 |
| Italy | 29.5 | 28.1 | 29.0 | 26.2 | 25.3 | 25.2 | 25.1 | 25.3 | 25.9 | 23.9 |
| Japan | 15.9 | 9.5 | 15.1 | 16.2 | 17.0 | 17.2 | 17.0 | 17.3 | 16.9 | 17.4 |
| Korea | 14.4 | 16.7 | 17.3 | 16.9 | 17.0 | 17.0 | 17.0 | 17.3 | 17.0 | 13.9 |
| Latvia | 24.0 | 29.5 | 29.9 | 25.5 | 25.0 | 24.9 | 26.2 | 24.9 | 24.3 | 23.4 |
| Lithuania | 38.4 | 30.0 | 31.9 | 31.0 | 31.7 | 29.3 | 30.6 | 26.1 | 23.3 | 8.2 |
| Luxembourg | 4.4 | 2.0 | 6.6 | 7.6 | 9.0 | 9.3 | 6.6 | 7.6 | 8.3 | 6.1 |
| Mexico | 7.6 | 12.9 | 14.4 | 14.7 | 15.0 | 15.3 | 16.1 | 16.1 | 16.8 | 16.5 |
| Netherlands | 26.4 | 12.2 | 11.8 | 11.3 | 10.2 | 7.0 | 6.8 | 7.2 | 6.1 | 6.0 |
| New Zealand | -3.0 | -17.7 | -16.9 | -15.8 | -14.4 | -14.6 | -13.5 | -20.5 | -19.4 | -18.1 |
| Norway | 16.4 | 20.9 | 22.0 | 22.0 | 22.2 | 22.0 | 22.1 | 22.4 | 22.3 | 22.4 |
| Poland | 29.8 | 28.4 | 29.6 | 26.9 | 23.9 | -16.3 | -18.5 | -11.0 | -4.4 | -3.5 |
| Portugal | 26.6 | 20.6 | 25.5 | 25.0 | 25.3 | 21.4 | 22.0 | 22.5 | 23.3 | 23.4 |
| Slovak Republic | 26.1 | 22.6 | 27.0 | 27.4 | 27.9 | 28.4 | 29.0 | 29.7 | 30.0 | 28.9 |
| Slovenia | 13.4 | 12.4 | 13.1 | 9.9 | 10.1 | 10.5 | 12.6 | 13.4 | 14.8 | 14.3 |
| Spain | 28.6 | 29.2 | 30.4 | 30.6 | 24.2 | 24.2 | 24.3 | 24.5 | 24.8 | 24.5 |
| Sweden | 39.9 | 32.3 | 33.2 | 33.0 | 33.2 | 33.6 | 33.9 | 33.1 | 32.5 | 32.8 |
| Switzerland | 6.5 | 4.7 | 4.7 | 4.1 | 4.1 | 4.5 | 4.5 | 4.7 | 4.8 | 4.4 |
| Turkey[1] | 39.1 | 33.0 | 33.6 | 34.4 | 34.6 | 31.3 | 31.9 | 33.1 | 34.8 | 35.1 |
| United Kingdom | 15.3 | 9.3 | 5.7 | 4.6 | 5.3 | 7.3 | 9.5 | 11.0 | 12.8 | 9.2 |
| United States | 10.7 | 8.9 | 11.3 | 12.0 | 11.7 | 12.2 | 13.0 | 9.7 | 10.1 | 7.0 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **19.1** | **16.5** | **17.9** | **17.8** | **17.2** | **15.3** | **15.4** | **15.3** | **15.3** | **13.7** |
| **OECD-EU 22** | **26.0** | **23.2** | **24.8** | **24.2** | **23.5** | **20.4** | **20.4** | **20.3** | **20.2** | **18.2** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/ztwf42

## Table 6.5. Income tax plus employee and employer contributions less cash benefits, married couple at 100% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 23.4 | 14.6 | 16.9 | 17.4 | 17.8 | 18.0 | 20.7 | 21.5 | 20.8 | 20.8 |
| Austria | 35.2 | 36.4 | 38.6 | 38.9 | 39.2 | 36.8 | 37.0 | 37.3 | 33.7 | 32.0 |
| Belgium | 42.6 | 41.2 | 40.7 | 40.6 | 40.3 | 38.5 | 38.4 | 37.4 | 36.6 | 34.9 |
| Canada | 23.1 | 17.6 | 18.6 | 19.3 | 11.0 | 11.6 | 10.7 | 12.1 | 12.2 | 10.1 |
| Chile | 6.3 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Colombia | -4.6 | -3.8 | -3.9 | -3.9 | -4.4 | -4.5 | -4.4 | -4.3 | -4.3 | -5.4 |
| Czech Republic | 22.0 | 21.1 | 26.1 | 26.7 | 26.8 | 25.3 | 26.0 | 25.5 | 26.4 | 26.1 |
| Denmark | 28.2 | 24.9 | 25.1 | 24.9 | 25.3 | 25.2 | 25.2 | 24.9 | 25.3 | 25.1 |
| Estonia | 32.8 | 31.0 | 32.4 | 32.9 | 28.6 | 28.5 | 29.0 | 26.1 | 27.1 | 26.8 |
| Finland | 40.3 | 37.0 | 38.1 | 38.6 | 38.9 | 39.6 | 38.5 | 38.2 | 37.7 | 36.7 |
| France | 41.3 | 42.9 | 41.1 | 40.5 | 40.5 | 40.0 | 39.4 | 39.3 | 38.6 | 37.9 |
| Germany | 35.3 | 32.6 | 33.6 | 33.8 | 34.0 | 34.2 | 34.3 | 34.4 | 34.3 | 32.9 |
| Greece | 40.3 | 40.3 | 40.3 | 39.5 | 37.4 | 38.4 | 38.8 | 37.9 | 37.9 | 37.1 |
| Hungary | 43.9 | 36.7 | 34.2 | 34.8 | 35.3 | 33.8 | 31.4 | 30.2 | 30.3 | 30.1 |
| Iceland | 13.1 | 19.2 | 21.3 | 21.8 | 23.2 | 23.3 | 21.6 | 20.2 | 19.9 | 18.6 |
| Ireland | 20.4 | 14.7 | 18.2 | 18.5 | 17.7 | 16.9 | 16.9 | 17.6 | 17.8 | 16.1 |
| Israel | 25.5 | 17.5 | 17.0 | 18.7 | 19.2 | 19.6 | 19.5 | 20.2 | 20.5 | 19.9 |
| Italy | 39.3 | 37.8 | 38.4 | 38.5 | 38.6 | 38.6 | 38.4 | 38.6 | 39.1 | 36.4 |
| Japan | 26.4 | 22.1 | 26.0 | 26.5 | 27.0 | 27.2 | 27.3 | 27.5 | 27.5 | 27.5 |
| Korea | 15.7 | 17.8 | 18.5 | 18.6 | 19.0 | 19.5 | 19.7 | 20.3 | 20.4 | 18.3 |
| Latvia | 31.4 | 34.8 | 35.1 | 31.9 | 31.4 | 31.5 | 32.6 | 32.6 | 32.2 | 31.1 |
| Lithuania | 45.7 | 34.7 | 36.0 | 35.6 | 36.1 | 37.8 | 35.7 | 33.3 | 30.0 | 20.1 |
| Luxembourg | 11.7 | 12.9 | 16.0 | 16.5 | 17.5 | 17.7 | 16.6 | 17.1 | 17.4 | 16.3 |
| Mexico | 12.7 | 16.0 | 19.3 | 19.5 | 19.8 | 20.1 | 20.4 | 19.7 | 20.2 | 20.2 |
| Netherlands | 29.9 | 30.8 | 34.5 | 33.0 | 31.4 | 31.9 | 32.2 | 32.7 | 32.0 | 30.0 |
| New Zealand | 13.6 | -0.9 | 2.4 | 3.8 | 4.9 | 5.5 | 6.4 | 1.9 | 3.5 | 5.0 |
| Norway | 28.4 | 30.7 | 31.2 | 32.0 | 31.9 | 31.7 | 31.5 | 32.4 | 32.2 | 32.2 |
| Poland | 33.3 | 28.4 | 29.9 | 30.3 | 30.6 | 14.4 | 10.5 | 15.1 | 17.5 | 13.2 |
| Portugal | 30.2 | 26.3 | 30.2 | 29.8 | 30.7 | 28.2 | 28.8 | 29.3 | 29.9 | 30.0 |
| Slovak Republic | 31.3 | 23.5 | 28.2 | 28.6 | 29.0 | 29.5 | 30.0 | 30.7 | 31.0 | 30.1 |
| Slovenia | 25.0 | 22.9 | 23.2 | 23.5 | 23.6 | 23.9 | 24.4 | 25.1 | 25.8 | 25.5 |
| Spain | 32.3 | 34.0 | 34.8 | 34.9 | 33.7 | 33.7 | 33.7 | 33.9 | 34.0 | 33.9 |
| Sweden | 44.3 | 37.2 | 37.9 | 37.4 | 37.7 | 38.0 | 38.2 | 37.7 | 37.3 | 37.5 |
| Switzerland | 11.7 | 10.3 | 9.8 | 9.3 | 9.3 | 9.6 | 9.6 | 9.8 | 9.9 | 9.6 |
| Turkey[1] | 40.4 | 35.4 | 35.8 | 36.6 | 36.7 | 36.6 | 37.3 | 37.7 | 38.0 | 38.2 |
| United Kingdom | 27.8 | 26.5 | 26.8 | 26.4 | 25.8 | 26.0 | 26.3 | 26.3 | 26.4 | 26.4 |
| United States | 21.2 | 18.5 | 20.3 | 20.6 | 20.4 | 20.6 | 20.9 | 18.5 | 18.6 | 14.0 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **27.6** | **25.2** | **26.5** | **26.6** | **26.3** | **25.8** | **25.7** | **25.6** | **25.5** | **24.4** |
| **OECD-EU 22** | **33.5** | **31.0** | **32.4** | **32.3** | **32.0** | **31.0** | **30.7** | **30.7** | **30.5** | **29.1** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/g6qevu

## Table 6.6. Income tax plus employee and employer contributions less cash benefits, married couple with two children, at 100% and 67% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 26.7 | 23.8 | 25.2 | 25.5 | 26.2 | 26.5 | 26.6 | 27.0 | 25.8 | 26.3 |
| Austria | 39.0 | 40.1 | 41.7 | 42.0 | 42.2 | 39.9 | 40.0 | 40.3 | 38.3 | 37.0 |
| Belgium | 50.9 | 48.9 | 48.5 | 48.4 | 48.1 | 46.4 | 46.3 | 45.1 | 44.6 | 43.4 |
| Canada | 29.7 | 26.5 | 27.2 | 27.3 | 24.3 | 24.7 | 23.9 | 24.3 | 24.1 | 23.5 |
| Chile | 6.6 | 6.6 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.6 |
| Colombia | -5.5 | -4.5 | -4.7 | -4.7 | -5.3 | -5.4 | -5.3 | -5.2 | -5.2 | -6.4 |
| Czech Republic | 36.3 | 34.3 | 35.1 | 35.5 | 35.5 | 34.6 | 35.1 | 34.8 | 35.3 | 35.1 |
| Denmark | 35.8 | 31.0 | 31.0 | 30.8 | 31.1 | 31.1 | 31.0 | 30.6 | 30.8 | 30.5 |
| Estonia | 37.4 | 35.8 | 36.3 | 36.6 | 33.7 | 33.6 | 33.9 | 30.0 | 30.7 | 30.5 |
| Finland | 41.3 | 37.0 | 37.9 | 38.4 | 38.4 | 39.0 | 37.8 | 37.5 | 37.0 | 35.9 |
| France | 43.3 | 45.3 | 44.1 | 43.6 | 43.2 | 42.5 | 42.2 | 42.3 | 41.7 | 40.2 |
| Germany | 45.4 | 41.4 | 42.0 | 42.2 | 42.3 | 42.5 | 42.6 | 42.6 | 42.4 | 41.5 |
| Greece | 39.1 | 39.2 | 40.1 | 39.2 | 37.5 | 38.4 | 38.8 | 38.4 | 38.5 | 37.4 |
| Hungary | 47.0 | 39.6 | 40.1 | 40.5 | 40.8 | 39.6 | 37.3 | 36.2 | 36.1 | 35.6 |
| Iceland | 25.4 | 30.4 | 31.8 | 32.1 | 32.7 | 32.5 | 31.4 | 31.2 | 31.1 | 29.9 |
| Ireland | 29.3 | 22.1 | 25.4 | 25.7 | 24.8 | 24.3 | 24.4 | 24.9 | 25.4 | 24.2 |
| Israel | 21.6 | 14.4 | 14.1 | 15.1 | 15.5 | 15.8 | 15.8 | 16.3 | 16.5 | 16.0 |
| Italy | 44.2 | 42.5 | 43.1 | 41.9 | 41.5 | 41.5 | 41.4 | 41.5 | 41.8 | 40.0 |
| Japan | 28.2 | 25.4 | 28.5 | 28.9 | 29.3 | 29.4 | 29.5 | 29.7 | 29.7 | 29.7 |
| Korea | 15.5 | 17.9 | 18.6 | 18.7 | 19.0 | 19.4 | 19.7 | 20.1 | 20.4 | 19.3 |
| Latvia | 35.5 | 38.2 | 38.2 | 36.0 | 35.5 | 35.4 | 36.1 | 35.5 | 35.2 | 33.9 |
| Lithuania | 44.6 | 38.8 | 39.5 | 39.0 | 39.3 | 38.3 | 36.5 | 36.3 | 31.9 | 29.4 |
| Luxembourg | 21.4 | 22.5 | 25.9 | 26.5 | 27.5 | 27.7 | 25.8 | 26.4 | 26.8 | 25.5 |
| Mexico | 10.6 | 14.7 | 17.3 | 17.6 | 17.9 | 18.2 | 18.7 | 18.3 | 18.8 | 18.7 |
| Netherlands | 38.1 | 31.9 | 33.0 | 31.7 | 30.6 | 29.5 | 29.6 | 30.0 | 29.0 | 28.5 |
| New Zealand | 19.0 | 13.9 | 15.9 | 16.3 | 16.5 | 16.7 | 16.9 | 17.1 | 17.3 | 17.6 |
| Norway | 33.0 | 33.4 | 33.7 | 33.4 | 33.2 | 32.9 | 32.6 | 32.5 | 32.4 | 32.5 |
| Poland | 35.8 | 30.7 | 32.5 | 32.8 | 33.0 | 28.0 | 27.0 | 27.2 | 25.0 | 22.0 |
| Portugal | 33.0 | 32.5 | 37.0 | 36.7 | 35.7 | 35.9 | 36.2 | 35.8 | 36.3 | 36.4 |
| Slovak Republic | 37.2 | 31.9 | 35.5 | 35.8 | 36.0 | 36.3 | 36.6 | 37.0 | 37.1 | 36.3 |
| Slovenia | 37.1 | 34.0 | 34.4 | 34.5 | 34.6 | 34.4 | 35.1 | 35.3 | 35.7 | 35.5 |
| Spain | 35.4 | 36.7 | 37.6 | 37.6 | 36.3 | 36.3 | 36.2 | 36.3 | 36.4 | 36.3 |
| Sweden | 46.0 | 38.6 | 39.1 | 38.7 | 38.8 | 39.1 | 39.3 | 39.0 | 38.5 | 38.7 |
| Switzerland | 17.7 | 16.4 | 16.0 | 15.5 | 15.4 | 15.8 | 15.9 | 16.0 | 16.2 | 15.7 |
| Turkey[1] | 39.9 | 35.4 | 35.8 | 36.6 | 36.7 | 35.5 | 36.2 | 36.8 | 37.7 | 37.8 |
| United Kingdom | 28.4 | 28.4 | 26.8 | 26.3 | 26.2 | 26.4 | 26.6 | 26.6 | 26.7 | 26.5 |
| United States | 26.9 | 25.3 | 26.3 | 26.6 | 26.3 | 26.4 | 26.5 | 24.0 | 24.0 | 21.3 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **31.8** | **29.7** | **30.7** | **30.7** | **30.5** | **30.2** | **30.0** | **29.8** | **29.6** | **28.9** |
| **OECD-EU 22** | **38.8** | **36.0** | **37.2** | **37.0** | **36.7** | **36.1** | **35.9** | **35.6** | **35.2** | **34.3** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/5cmboa

## Table 6.7. Income tax plus employee and employer contributions less cash benefits, married couple, both at 100% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 29.6 | 26.8 | 27.4 | 27.7 | 28.3 | 28.6 | 28.6 | 28.9 | 27.9 | 28.4 |
| Austria | 41.7 | 42.9 | 44.5 | 44.7 | 45.0 | 42.5 | 42.7 | 42.9 | 41.3 | 40.2 |
| Belgium | 53.7 | 51.8 | 51.5 | 51.4 | 51.1 | 49.7 | 49.5 | 48.4 | 48.0 | 47.1 |
| Canada | 32.3 | 28.9 | 29.6 | 30.3 | 28.0 | 27.9 | 27.1 | 27.5 | 27.2 | 26.8 |
| Chile | 6.6 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Colombia | -4.6 | -1.9 | -2.0 | -2.0 | -4.4 | -4.5 | -4.4 | -4.3 | -4.3 | -5.4 |
| Czech Republic | 39.4 | 37.2 | 37.3 | 37.6 | 37.7 | 36.9 | 38.8 | 37.1 | 39.5 | 37.3 |
| Denmark | 38.1 | 32.7 | 32.6 | 32.4 | 32.7 | 32.7 | 32.7 | 32.3 | 32.5 | 32.2 |
| Estonia | 38.6 | 36.9 | 37.3 | 37.5 | 34.9 | 34.8 | 35.1 | 32.2 | 33.0 | 32.8 |
| Finland | 43.9 | 39.7 | 40.6 | 41.1 | 41.2 | 41.8 | 40.7 | 40.4 | 39.9 | 38.9 |
| France | 46.5 | 47.1 | 46.0 | 45.5 | 45.6 | 45.1 | 44.6 | 44.7 | 44.3 | 43.6 |
| Germany | 48.3 | 44.1 | 44.5 | 44.6 | 44.7 | 44.9 | 44.9 | 44.9 | 44.7 | 44.3 |
| Greece | 40.8 | 41.0 | 42.5 | 41.6 | 39.7 | 40.7 | 41.0 | 41.4 | 41.3 | 40.6 |
| Hungary | 49.3 | 41.7 | 41.6 | 41.9 | 42.2 | 41.0 | 38.8 | 37.6 | 37.5 | 36.9 |
| Iceland | 28.8 | 33.3 | 34.1 | 33.9 | 34.3 | 33.9 | 32.8 | 32.9 | 32.7 | 32.0 |
| Ireland | 33.7 | 27.0 | 30.6 | 30.8 | 29.9 | 29.3 | 29.2 | 29.7 | 30.1 | 29.1 |
| Israel | 25.0 | 16.7 | 16.3 | 17.6 | 18.2 | 18.8 | 18.7 | 19.5 | 19.8 | 19.2 |
| Italy | 45.9 | 44.7 | 45.3 | 45.2 | 45.3 | 45.3 | 45.1 | 45.2 | 45.5 | 43.4 |
| Japan | 28.9 | 26.6 | 29.4 | 29.9 | 30.2 | 30.4 | 30.5 | 30.7 | 30.7 | 30.7 |
| Korea | 16.1 | 19.1 | 19.9 | 20.2 | 20.5 | 20.9 | 21.1 | 21.6 | 21.9 | 21.0 |
| Latvia | 37.3 | 39.4 | 39.4 | 37.5 | 36.9 | 37.0 | 37.7 | 37.6 | 37.3 | 36.4 |
| Lithuania | 45.7 | 39.7 | 40.3 | 40.0 | 40.3 | 39.5 | 38.4 | 38.2 | 33.8 | 31.9 |
| Luxembourg | 25.9 | 27.0 | 30.6 | 31.1 | 32.1 | 32.3 | 30.7 | 31.3 | 31.6 | 30.4 |
| Mexico | 12.7 | 16.0 | 19.3 | 19.5 | 19.8 | 20.1 | 20.4 | 19.7 | 20.2 | 20.2 |
| Netherlands | 37.6 | 34.3 | 36.9 | 35.2 | 33.3 | 33.0 | 33.2 | 33.6 | 32.8 | 32.3 |
| New Zealand | 19.4 | 17.0 | 16.9 | 17.2 | 17.6 | 17.9 | 18.1 | 18.4 | 18.8 | 19.1 |
| Norway | 35.1 | 35.1 | 35.4 | 35.0 | 34.8 | 34.4 | 34.2 | 34.1 | 34.0 | 34.0 |
| Poland | 36.6 | 31.6 | 33.3 | 33.5 | 33.7 | 29.5 | 28.7 | 28.8 | 26.9 | 24.4 |
| Portugal | 35.5 | 35.0 | 39.6 | 39.3 | 38.4 | 38.4 | 38.7 | 38.3 | 38.7 | 38.8 |
| Slovak Republic | 41.3 | 33.9 | 37.3 | 37.6 | 37.8 | 38.0 | 38.2 | 38.5 | 38.6 | 37.9 |
| Slovenia | 41.1 | 37.8 | 37.0 | 37.2 | 37.2 | 37.1 | 37.3 | 38.7 | 39.0 | 38.6 |
| Spain | 37.2 | 38.3 | 39.2 | 39.3 | 38.0 | 38.0 | 37.9 | 38.0 | 38.1 | 37.9 |
| Sweden | 47.2 | 40.0 | 40.4 | 39.9 | 40.1 | 40.4 | 40.6 | 40.4 | 39.9 | 40.1 |
| Switzerland | 20.1 | 18.9 | 18.5 | 18.0 | 17.9 | 18.3 | 18.3 | 18.5 | 18.7 | 18.2 |
| Turkey[1] | 40.4 | 36.5 | 36.9 | 37.6 | 37.7 | 37.7 | 38.4 | 38.8 | 39.1 | 39.2 |
| United Kingdom | 30.2 | 30.3 | 29.1 | 28.7 | 28.6 | 28.7 | 28.9 | 28.9 | 29.0 | 28.9 |
| United States | 28.8 | 26.8 | 27.6 | 27.8 | 27.6 | 27.7 | 28.0 | 25.9 | 26.1 | 24.1 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **33.9** | **31.9** | **32.8** | **32.8** | **32.5** | **32.3** | **32.2** | **32.1** | **32.0** | **31.3** |
| **OECD-EU 22** | **41.1** | **38.4** | **39.5** | **39.3** | **39.0** | **38.5** | **38.4** | **38.2** | **37.9** | **37.1** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/ijqeov

## Table 6.8. Income tax plus employee and employer contributions less cash benefits, married couple at 100% and 67% of average wage

Tax burden as a % of labour costs, two-earner married couple without children

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 29.0 | 24.5 | 25.2 | 25.5 | 26.2 | 26.5 | 26.6 | 27.0 | 25.8 | 26.3 |
| Austria | 45.7 | 46.3 | 47.3 | 47.6 | 47.8 | 45.6 | 45.7 | 45.9 | 46.2 | 45.5 |
| Belgium | 56.2 | 53.8 | 53.4 | 53.4 | 53.0 | 51.4 | 51.2 | 50.1 | 49.6 | 48.6 |
| Canada | 31.3 | 29.0 | 29.6 | 30.0 | 30.0 | 29.9 | 29.1 | 29.3 | 29.0 | 29.0 |
| Chile | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 42.1 | 40.9 | 41.2 | 41.4 | 41.7 | 41.9 | 42.4 | 42.8 | 43.0 | 43.0 |
| Denmark | 39.8 | 35.0 | 34.8 | 34.6 | 34.9 | 34.9 | 34.8 | 34.2 | 34.4 | 34.1 |
| Estonia | 40.7 | 39.5 | 39.5 | 39.6 | 38.6 | 38.6 | 38.6 | 34.8 | 35.5 | 35.4 |
| Finland | 45.6 | 40.1 | 40.9 | 41.4 | 41.3 | 41.8 | 40.6 | 40.2 | 39.6 | 38.5 |
| France | 47.7 | 48.7 | 47.5 | 47.0 | 46.7 | 46.4 | 46.0 | 46.0 | 45.5 | 43.9 |
| Germany | 50.5 | 47.2 | 47.4 | 47.4 | 47.6 | 47.7 | 47.7 | 47.6 | 47.4 | 47.2 |
| Greece | 38.7 | 39.2 | 40.8 | 39.9 | 38.2 | 39.5 | 39.9 | 40.2 | 40.2 | 39.3 |
| Hungary | 53.4 | 45.5 | 49.0 | 49.0 | 49.0 | 48.2 | 46.2 | 45.0 | 44.6 | 43.6 |
| Iceland | 26.8 | 31.4 | 32.4 | 32.2 | 32.7 | 32.5 | 31.5 | 31.6 | 31.4 | 30.9 |
| Ireland | 31.3 | 26.7 | 29.4 | 29.6 | 28.8 | 28.4 | 28.4 | 28.8 | 29.1 | 28.1 |
| Israel | 26.4 | 17.5 | 17.1 | 17.8 | 18.5 | 19.0 | 18.8 | 19.4 | 19.7 | 19.1 |
| Italy | 45.7 | 45.9 | 46.6 | 45.4 | 45.0 | 45.0 | 44.9 | 44.9 | 45.2 | 43.6 |
| Japan | 29.3 | 29.7 | 31.0 | 31.4 | 31.7 | 31.9 | 31.9 | 32.1 | 32.1 | 32.1 |
| Korea | 15.7 | 19.0 | 19.8 | 19.9 | 20.2 | 20.5 | 20.7 | 21.1 | 21.7 | 22.0 |
| Latvia | 42.6 | 43.7 | 43.4 | 42.6 | 42.2 | 42.0 | 42.2 | 41.4 | 41.3 | 40.3 |
| Lithuania | 44.6 | 39.9 | 40.5 | 40.2 | 40.4 | 40.4 | 39.7 | 39.3 | 36.5 | 35.4 |
| Luxembourg | 30.7 | 30.6 | 33.2 | 33.7 | 34.5 | 34.7 | 32.7 | 33.1 | 33.3 | 32.4 |
| Mexico | 10.6 | 14.7 | 17.3 | 17.6 | 17.9 | 18.2 | 18.7 | 18.3 | 18.8 | 18.7 |
| Netherlands | 41.0 | 36.3 | 37.5 | 36.1 | 35.0 | 34.5 | 34.6 | 35.0 | 34.0 | 33.4 |
| New Zealand | 19.0 | 15.9 | 15.4 | 15.7 | 15.9 | 16.2 | 16.4 | 16.6 | 16.8 | 17.1 |
| Norway | 37.2 | 36.0 | 36.1 | 35.7 | 35.5 | 35.0 | 34.7 | 34.6 | 34.5 | 34.6 |
| Poland | 37.7 | 33.8 | 35.2 | 35.4 | 35.4 | 35.3 | 35.4 | 35.5 | 35.3 | 34.5 |
| Portugal | 35.6 | 35.1 | 38.9 | 38.6 | 39.8 | 39.4 | 39.5 | 38.9 | 39.3 | 39.4 |
| Slovak Republic | 41.6 | 36.8 | 40.2 | 40.4 | 40.5 | 40.7 | 40.8 | 41.0 | 41.0 | 40.3 |
| Slovenia | 44.8 | 41.0 | 40.8 | 40.9 | 41.0 | 41.1 | 41.8 | 41.9 | 42.2 | 41.8 |
| Spain | 37.1 | 38.5 | 39.3 | 39.3 | 38.0 | 38.0 | 37.9 | 38.0 | 38.0 | 37.9 |
| Sweden | 49.5 | 41.9 | 42.2 | 41.7 | 41.8 | 42.0 | 42.1 | 42.2 | 41.7 | 41.8 |
| Switzerland | 22.9 | 21.8 | 22.0 | 21.6 | 21.6 | 21.8 | 21.9 | 22.0 | 22.0 | 21.9 |
| Turkey[1] | 39.9 | 35.9 | 36.4 | 37.2 | 37.3 | 36.1 | 36.7 | 37.4 | 38.2 | 38.4 |
| United Kingdom | 31.2 | 31.3 | 29.5 | 29.1 | 28.9 | 29.0 | 29.1 | 29.1 | 29.0 | 28.9 |
| United States | 30.5 | 29.5 | 30.3 | 30.4 | 30.2 | 30.2 | 30.2 | 28.3 | 28.3 | 26.2 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **35.1** | **33.2** | **34.0** | **34.0** | **33.9** | **33.8** | **33.7** | **33.5** | **33.4** | **33.0** |
| **OECD-EU 22** | **42.8** | **40.3** | **41.3** | **41.1** | **41.0** | **40.8** | **40.6** | **40.3** | **40.1** | **39.5** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/sdy418

## Table 6.9. Income tax, single persons at 67% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 21.1 | 16.0 | 17.3 | 17.7 | 18.5 | 18.8 | 19.1 | 19.6 | 18.1 | 18.7 |
| Austria | 7.6 | 9.0 | 10.4 | 10.7 | 11.1 | 8.5 | 8.9 | 9.3 | 9.7 | 8.7 |
| Belgium | 22.8 | 22.5 | 22.1 | 22.0 | 21.5 | 19.5 | 19.4 | 18.3 | 17.5 | 16.2 |
| Canada | 15.0 | 11.5 | 11.6 | 11.8 | 11.8 | 11.7 | 11.8 | 12.0 | 11.6 | 11.6 |
| Chile | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 8.3 | 7.2 | 7.8 | 8.2 | 8.5 | 9.0 | 9.7 | 10.4 | 10.9 | 10.9 |
| Denmark | 28.4 | 34.0 | 33.8 | 33.6 | 33.8 | 33.7 | 33.6 | 32.8 | 32.9 | 32.6 |
| Estonia | 19.9 | 14.8 | 16.0 | 16.2 | 15.5 | 15.3 | 15.4 | 8.3 | 9.0 | 8.9 |
| Finland | 20.9 | 15.7 | 15.9 | 15.8 | 15.8 | 15.0 | 13.5 | 13.1 | 12.9 | 12.4 |
| France | 12.5 | 12.2 | 12.6 | 12.6 | 11.8 | 10.9 | 11.0 | 12.9 | 12.9 | 12.0 |
| Germany | 16.3 | 13.8 | 14.1 | 14.2 | 14.2 | 14.2 | 14.1 | 14.2 | 14.3 | 13.9 |
| Greece | 2.1 | 1.7 | 3.2 | 3.5 | 3.3 | 4.6 | 4.6 | 5.2 | 5.4 | 3.9 |
| Hungary | 17.6 | 10.8 | 16.0 | 16.0 | 16.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Iceland | 20.0 | 21.5 | 23.7 | 23.8 | 24.5 | 24.7 | 24.3 | 24.4 | 24.3 | 23.7 |
| Ireland | 15.8 | 13.0 | 13.2 | 13.3 | 12.8 | 12.1 | 11.8 | 12.1 | 12.3 | 11.7 |
| Israel | 12.1 | 4.4 | 4.2 | 4.7 | 5.0 | 5.3 | 5.1 | 5.5 | 5.7 | 5.5 |
| Italy | 15.2 | 16.6 | 17.7 | 13.8 | 12.3 | 12.4 | 12.4 | 12.6 | 12.9 | 11.5 |
| Japan | 5.1 | 6.1 | 6.1 | 6.1 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 |
| Korea | 0.8 | 1.4 | 1.5 | 1.4 | 1.5 | 1.7 | 2.1 | 2.3 | 2.5 | 2.4 |
| Latvia | 17.0 | 20.5 | 18.0 | 17.9 | 17.4 | 16.8 | 16.9 | 14.2 | 14.0 | 12.1 |
| Lithuania | 22.2 | 10.7 | 11.6 | 10.9 | 11.4 | 11.0 | 9.4 | 8.5 | 14.1 | 12.6 |
| Luxembourg | 10.3 | 7.3 | 9.3 | 9.7 | 10.0 | 10.2 | 8.1 | 8.5 | 8.9 | 8.0 |
| Mexico | -5.7 | -0.4 | 1.4 | 1.8 | 2.1 | 2.4 | 3.4 | 3.3 | 4.3 | 3.7 |
| Netherlands | 5.3 | 5.3 | 5.6 | 5.2 | 7.2 | 6.3 | 6.7 | 6.8 | 5.6 | 5.7 |
| New Zealand | 18.6 | 14.3 | 13.3 | 13.4 | 13.5 | 13.6 | 13.7 | 13.8 | 13.9 | 14.0 |
| Norway | 19.0 | 17.8 | 17.8 | 17.0 | 16.9 | 16.3 | 16.0 | 15.8 | 15.7 | 15.8 |
| Poland | 5.3 | 5.6 | 6.0 | 6.2 | 6.3 | 6.4 | 6.5 | 6.7 | 6.4 | 5.4 |
| Portugal | 6.4 | 5.1 | 8.8 | 8.3 | 10.2 | 10.3 | 10.6 | 10.6 | 11.1 | 11.1 |
| Slovak Republic | 6.2 | 4.6 | 6.2 | 6.4 | 6.6 | 6.9 | 7.3 | 7.7 | 8.0 | 7.0 |
| Slovenia | 10.2 | 6.6 | 6.5 | 6.6 | 6.6 | 6.7 | 8.3 | 8.1 | 8.6 | 8.4 |
| Spain | 8.6 | 11.2 | 12.1 | 12.2 | 10.3 | 10.3 | 10.3 | 10.4 | 10.4 | 10.2 |
| Sweden | 24.7 | 15.0 | 15.3 | 14.8 | 15.0 | 15.3 | 15.4 | 15.4 | 14.8 | 14.9 |
| Switzerland | 8.4 | 8.3 | 8.2 | 7.9 | 7.8 | 8.1 | 8.1 | 8.2 | 8.2 | 7.9 |
| Turkey[1] | 13.2 | 8.6 | 9.2 | 9.5 | 9.7 | 9.3 | 9.7 | 9.9 | 10.0 | 10.3 |
| United Kingdom | 15.1 | 14.4 | 12.0 | 11.5 | 11.2 | 11.1 | 11.1 | 11.1 | 10.9 | 11.1 |
| United States | 15.0 | 13.8 | 15.1 | 15.2 | 15.2 | 15.3 | 15.5 | 13.7 | 13.7 | 13.9 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **12.5** | **10.8** | **11.4** | **11.3** | **11.4** | **11.2** | **11.2** | **11.0** | **11.2** | **10.8** |
| **OECD-EU 22** | **13.8** | **12.0** | **12.8** | **12.6** | **12.6** | **12.3** | **12.2** | **11.9** | **12.2** | **11.5** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/f7emkx

## Table 6.10. Income tax, single persons at 100% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 26.6 | 22.3 | 23.1 | 23.4 | 24.1 | 24.3 | 24.4 | 24.6 | 23.6 | 24.1 |
| Austria | 12.9 | 15.0 | 16.3 | 16.6 | 17.0 | 14.1 | 14.5 | 14.8 | 15.2 | 14.6 |
| Belgium | 29.0 | 28.7 | 28.4 | 28.4 | 28.0 | 26.8 | 26.6 | 25.9 | 25.4 | 24.5 |
| Canada | 19.2 | 15.1 | 15.3 | 15.7 | 15.6 | 15.4 | 15.4 | 15.8 | 15.8 | 15.7 |
| Chile | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 10.0 | 11.5 | 11.9 | 12.1 | 12.4 | 12.7 | 13.1 | 13.6 | 13.9 | 13.9 |
| Denmark | 32.5 | 36.3 | 36.1 | 36.0 | 36.1 | 36.1 | 36.0 | 35.6 | 35.6 | 35.3 |
| Estonia | 21.9 | 16.7 | 17.5 | 17.6 | 16.8 | 16.8 | 16.8 | 13.0 | 14.1 | 14.0 |
| Finland | 26.9 | 22.3 | 22.5 | 22.6 | 22.6 | 22.0 | 20.9 | 20.6 | 20.4 | 20.0 |
| France | 15.7 | 14.2 | 14.5 | 14.6 | 14.8 | 14.7 | 14.8 | 16.7 | 16.7 | 16.0 |
| Germany | 22.7 | 18.7 | 19.1 | 19.1 | 19.2 | 19.1 | 19.0 | 19.1 | 19.2 | 18.8 |
| Greece | 5.7 | 7.1 | 8.4 | 8.6 | 8.4 | 9.6 | 9.7 | 10.2 | 10.4 | 9.9 |
| Hungary | 23.2 | 14.4 | 16.0 | 16.0 | 16.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Iceland | 25.3 | 27.1 | 28.6 | 28.5 | 29.0 | 28.7 | 28.0 | 28.0 | 28.0 | 27.7 |
| Ireland | 24.1 | 20.1 | 22.7 | 22.9 | 22.0 | 21.4 | 21.3 | 21.6 | 21.8 | 20.8 |
| Israel | 18.0 | 9.0 | 8.6 | 9.1 | 9.6 | 10.0 | 9.7 | 10.2 | 10.4 | 10.1 |
| Italy | 19.9 | 20.7 | 21.6 | 21.5 | 21.6 | 21.6 | 21.6 | 21.7 | 22.0 | 19.5 |
| Japan | 6.4 | 7.6 | 7.6 | 7.7 | 7.8 | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 |
| Korea | 2.2 | 4.5 | 4.6 | 4.7 | 4.9 | 5.3 | 5.5 | 5.9 | 6.1 | 6.0 |
| Latvia | 18.9 | 21.5 | 19.1 | 19.1 | 18.4 | 18.4 | 18.7 | 17.7 | 17.6 | 16.8 |
| Lithuania | 25.8 | 13.1 | 13.7 | 13.6 | 13.9 | 14.0 | 13.7 | 13.1 | 17.0 | 16.3 |
| Luxembourg | 17.0 | 14.6 | 17.2 | 17.7 | 18.0 | 18.2 | 16.7 | 17.3 | 17.7 | 16.7 |
| Mexico | 1.0 | 4.8 | 8.5 | 8.8 | 9.1 | 9.4 | 9.8 | 9.0 | 9.6 | 9.4 |
| Netherlands | 9.6 | 16.2 | 16.2 | 15.3 | 17.1 | 16.6 | 17.2 | 17.5 | 16.3 | 16.2 |
| New Zealand | 19.4 | 17.0 | 16.9 | 17.2 | 17.6 | 17.9 | 18.1 | 18.4 | 18.8 | 19.1 |
| Norway | 22.9 | 21.5 | 21.4 | 20.5 | 20.3 | 19.8 | 19.4 | 19.3 | 19.2 | 19.3 |
| Poland | 6.6 | 6.7 | 6.9 | 7.1 | 7.1 | 7.2 | 7.3 | 7.4 | 7.2 | 6.3 |
| Portugal | 11.4 | 11.2 | 16.4 | 16.1 | 17.4 | 16.6 | 16.5 | 15.9 | 16.3 | 16.4 |
| Slovak Republic | 8.2 | 8.5 | 9.6 | 9.7 | 9.9 | 10.1 | 10.3 | 10.6 | 10.8 | 10.1 |
| Slovenia | 13.5 | 11.2 | 11.0 | 11.1 | 11.2 | 11.4 | 11.6 | 12.0 | 12.3 | 11.6 |
| Spain | 13.5 | 15.4 | 16.6 | 16.6 | 14.9 | 14.9 | 14.7 | 14.9 | 14.9 | 14.8 |
| Sweden | 26.7 | 17.8 | 18.1 | 17.4 | 17.6 | 17.9 | 18.0 | 18.1 | 17.6 | 17.7 |
| Switzerland | 11.3 | 11.3 | 11.1 | 10.7 | 10.7 | 11.0 | 11.0 | 11.2 | 11.2 | 10.7 |
| Turkey[1] | 14.7 | 11.6 | 12.0 | 12.3 | 12.4 | 12.4 | 13.2 | 13.6 | 14.0 | 14.1 |
| United Kingdom | 17.4 | 16.2 | 14.6 | 14.3 | 14.1 | 14.1 | 14.0 | 14.0 | 13.9 | 14.0 |
| United States | 17.3 | 17.0 | 17.8 | 18.0 | 18.0 | 18.2 | 18.4 | 16.1 | 16.2 | 16.8 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **16.1** | **14.8** | **15.4** | **15.4** | **15.5** | **15.4** | **15.4** | **15.3** | **15.5** | **15.1** |
| **OECD-EU 22** | **18.0** | **16.4** | **17.3** | **17.3** | **17.3** | **17.1** | **17.0** | **16.9** | **17.2** | **16.6** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/4u1brw

## Table 6.11. Income tax, single persons at 167% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 34.9 | 28.2 | 29.2 | 29.4 | 30.1 | 30.2 | 30.1 | 30.4 | 30.5 | 30.8 |
| Austria | 20.4 | 22.2 | 23.0 | 23.2 | 23.4 | 21.2 | 21.4 | 21.6 | 21.9 | 21.3 |
| Belgium | 36.0 | 35.5 | 35.2 | 35.2 | 35.1 | 34.5 | 34.3 | 33.9 | 33.5 | 32.8 |
| Canada | 25.6 | 21.7 | 21.8 | 22.2 | 22.1 | 21.3 | 21.4 | 21.7 | 21.7 | 21.8 |
| Chile | 1.3 | 1.0 | 1.1 | 1.1 | 1.2 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 13.0 | 14.9 | 15.2 | 15.3 | 15.5 | 15.7 | 15.9 | 16.2 | 16.4 | 16.4 |
| Denmark | 40.3 | 42.9 | 42.6 | 41.9 | 42.1 | 42.0 | 41.8 | 41.2 | 41.2 | 40.8 |
| Estonia | 23.6 | 18.2 | 18.7 | 18.8 | 18.0 | 17.9 | 18.0 | 19.7 | 19.7 | 19.7 |
| Finland | 34.0 | 29.5 | 29.6 | 29.7 | 29.7 | 29.4 | 28.5 | 28.1 | 28.0 | 27.8 |
| France | 21.2 | 20.3 | 20.8 | 20.8 | 21.0 | 20.9 | 21.0 | 22.9 | 22.8 | 22.4 |
| Germany | 31.7 | 27.1 | 27.6 | 27.6 | 27.8 | 27.7 | 27.5 | 27.7 | 27.7 | 27.1 |
| Greece | 13.3 | 14.2 | 18.1 | 18.4 | 16.5 | 16.7 | 16.7 | 17.2 | 17.6 | 17.3 |
| Hungary | 30.3 | 22.8 | 16.0 | 16.0 | 16.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Iceland | 36.6 | 32.1 | 33.6 | 33.5 | 33.8 | 33.8 | 33.3 | 33.1 | 33.1 | 32.9 |
| Ireland | 32.9 | 30.9 | 32.9 | 33.0 | 32.1 | 31.2 | 31.1 | 31.3 | 31.4 | 30.7 |
| Israel | 26.3 | 16.4 | 15.7 | 16.4 | 17.0 | 17.5 | 17.3 | 18.1 | 18.5 | 18.1 |
| Italy | 25.3 | 27.7 | 28.7 | 29.2 | 29.9 | 29.9 | 29.6 | 29.7 | 29.9 | 29.5 |
| Japan | 10.6 | 12.0 | 12.1 | 12.4 | 12.6 | 12.8 | 12.8 | 12.9 | 13.0 | 12.9 |
| Korea | 6.7 | 8.6 | 8.6 | 8.6 | 8.9 | 9.5 | 10.1 | 10.8 | 11.1 | 10.9 |
| Latvia | 20.4 | 22.4 | 20.0 | 20.0 | 19.3 | 19.4 | 19.7 | 17.8 | 18.0 | 18.0 |
| Lithuania | 28.7 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 19.4 | 19.3 |
| Luxembourg | 26.2 | 22.6 | 25.2 | 25.5 | 25.7 | 25.8 | 25.2 | 25.5 | 25.7 | 25.2 |
| Mexico | 8.0 | 11.9 | 13.0 | 13.3 | 13.6 | 13.9 | 14.2 | 13.5 | 14.0 | 13.9 |
| Netherlands | 25.4 | 28.4 | 28.1 | 28.5 | 28.9 | 27.6 | 28.0 | 28.3 | 27.2 | 26.9 |
| New Zealand | 24.2 | 23.3 | 22.8 | 23.1 | 23.3 | 23.6 | 23.8 | 24.0 | 24.3 | 24.5 |
| Norway | 30.4 | 27.9 | 27.8 | 26.9 | 26.7 | 26.3 | 26.0 | 25.9 | 25.8 | 25.7 |
| Poland | 7.7 | 7.5 | 7.7 | 7.8 | 7.8 | 7.8 | 7.9 | 8.0 | 7.8 | 7.0 |
| Portugal | 17.6 | 18.5 | 24.2 | 23.9 | 24.7 | 23.4 | 23.1 | 22.5 | 23.0 | 23.1 |
| Slovak Republic | 12.8 | 11.7 | 12.3 | 12.4 | 12.5 | 12.6 | 12.8 | 13.0 | 13.0 | 12.6 |
| Slovenia | 19.1 | 17.0 | 15.4 | 15.6 | 15.8 | 15.3 | 15.6 | 16.0 | 16.3 | 15.1 |
| Spain | 18.5 | 20.6 | 22.5 | 22.5 | 21.1 | 20.9 | 20.5 | 20.7 | 20.8 | 20.6 |
| Sweden | 36.3 | 30.9 | 30.6 | 30.4 | 30.4 | 31.5 | 31.7 | 31.6 | 30.4 | 29.9 |
| Switzerland | 16.2 | 16.3 | 16.1 | 15.7 | 15.6 | 16.0 | 16.0 | 16.1 | 16.2 | 15.6 |
| Turkey[1] | 18.0 | 14.9 | 15.9 | 16.3 | 16.6 | 17.0 | 17.4 | 17.7 | 17.9 | 18.0 |
| United Kingdom | 23.1 | 22.4 | 22.6 | 22.3 | 22.4 | 22.6 | 22.4 | 22.4 | 21.8 | 22.1 |
| United States | 24.3 | 22.9 | 23.4 | 23.4 | 23.5 | 23.6 | 23.7 | 21.2 | 21.2 | 21.6 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **22.2** | **20.5** | **20.9** | **21.0** | **21.0** | **20.8** | **20.8** | **20.9** | **21.0** | **20.8** |
| **OECD-EU 22** | **24.3** | **22.8** | **23.2** | **23.2** | **23.1** | **22.8** | **22.7** | **22.9** | **23.0** | **22.7** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/fpahve

## Table 6.12. Income tax, single parent at 67% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 15.5 | 14.3 | 17.3 | 17.7 | 18.5 | 18.8 | 19.1 | 19.6 | 18.1 | 18.7 |
| Austria | 5.8 | 5.8 | 7.5 | 7.8 | 8.3 | 5.3 | 5.7 | 6.2 | -1.6 | -2.6 |
| Belgium | 16.7 | 17.2 | 16.6 | 16.5 | 16.0 | 14.0 | 14.0 | 12.9 | 11.6 | 10.0 |
| Canada | 6.6 | 0.9 | 1.2 | 1.5 | 3.5 | 3.4 | 3.5 | 3.8 | 3.8 | 3.2 |
| Chile | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 2.3 | -4.9 | -5.4 | -4.7 | -5.1 | -9.0 | -8.6 | -7.8 | -6.8 | -7.4 |
| Denmark | 28.4 | 34.0 | 33.8 | 32.0 | 32.2 | 32.2 | 32.1 | 31.1 | 31.1 | 30.8 |
| Estonia | 19.9 | 9.3 | 11.3 | 11.8 | 11.2 | 11.4 | 11.7 | 4.8 | 5.7 | 5.6 |
| Finland | 20.9 | 15.7 | 15.9 | 15.8 | 15.2 | 14.3 | 12.9 | 13.1 | 12.9 | 12.4 |
| France | 7.1 | 7.5 | 7.6 | 7.6 | 7.9 | 7.9 | 7.9 | 9.5 | 9.5 | 9.5 |
| Germany | -2.6 | -4.0 | -2.5 | -2.1 | -2.7 | -2.5 | -2.5 | -2.1 | -1.9 | -6.0 |
| Greece | 1.2 | 0.0 | 3.2 | 3.5 | 3.3 | 3.8 | 3.9 | 4.5 | 4.7 | 3.1 |
| Hungary | 10.3 | 10.8 | 3.8 | 4.3 | 4.7 | 1.6 | 0.6 | 0.0 | 0.0 | 0.7 |
| Iceland | 20.0 | 21.5 | 23.7 | 23.8 | 24.5 | 24.7 | 24.3 | 24.4 | 24.3 | 23.7 |
| Ireland | 9.0 | 6.5 | 7.5 | 7.6 | 7.2 | 6.6 | 6.4 | 6.9 | 7.3 | 6.5 |
| Israel | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | -3.4 | -2.8 | -1.9 | -1.3 | -1.8 |
| Italy | 10.0 | 9.3 | 9.8 | 6.0 | 4.6 | 4.7 | 4.7 | 5.0 | 5.4 | 3.7 |
| Japan | 2.4 | 2.7 | 6.1 | 6.1 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 |
| Korea | 0.1 | 0.7 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.8 | 0.8 |
| Latvia | 5.4 | 9.0 | 6.9 | 1.9 | 3.2 | 2.6 | 3.8 | 2.1 | 1.2 | 0.0 |
| Lithuania | 16.2 | 7.3 | 8.6 | 7.1 | 7.6 | 4.1 | 0.0 | 8.5 | 14.1 | 12.6 |
| Luxembourg | 0.0 | -0.3 | 2.2 | 2.8 | 3.3 | 3.6 | 0.7 | 1.5 | 2.1 | 0.6 |
| Mexico | -5.7 | -0.4 | 1.4 | 1.8 | 2.1 | 2.4 | 3.4 | 3.3 | 4.3 | 3.7 |
| Netherlands | 3.0 | 3.5 | 3.3 | 2.9 | 5.7 | 4.4 | 4.6 | 4.7 | 3.6 | 3.6 |
| New Zealand | 18.6 | 15.9 | 14.8 | 14.8 | 14.9 | 15.0 | 15.0 | 15.1 | 15.1 | 15.2 |
| Norway | 13.3 | 14.1 | 14.0 | 13.4 | 13.3 | 12.9 | 12.8 | 12.9 | 13.0 | 13.1 |
| Poland | 2.5 | 0.0 | 0.0 | -3.1 | -2.7 | -2.3 | -1.7 | -0.9 | 5.1 | -1.3 |
| Portugal | 3.4 | 0.6 | 3.9 | 3.4 | 3.8 | 0.0 | 0.6 | 1.1 | 1.8 | 1.9 |
| Slovak Republic | 3.6 | -2.9 | -1.2 | -0.7 | -0.3 | 0.1 | 0.7 | 1.5 | 1.9 | 0.8 |
| Slovenia | 3.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 1.8 | 1.9 | 2.6 | 2.4 |
| Spain | 0.4 | 1.7 | 3.3 | 3.5 | -4.8 | -4.8 | -4.7 | -4.4 | -4.1 | -4.4 |
| Sweden | 24.7 | 15.0 | 15.3 | 14.8 | 15.0 | 15.3 | 15.4 | 15.4 | 14.8 | 14.9 |
| Switzerland | 4.0 | 3.4 | 2.4 | 2.2 | 2.2 | 2.3 | 2.4 | 2.4 | 2.5 | 2.2 |
| Turkey[1] | 13.2 | 7.0 | 7.6 | 8.0 | 8.2 | 7.5 | 7.9 | 8.3 | 8.4 | 8.7 |
| United Kingdom | 8.6 | 0.0 | -3.7 | -4.5 | -3.9 | -2.3 | -0.3 | 1.1 | 2.8 | -0.8 |
| United States | -5.0 | -7.4 | -4.5 | -4.0 | -3.8 | -3.1 | -2.1 | -5.7 | -5.2 | -3.0 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **7.7** | **5.8** | **6.3** | **5.9** | **5.9** | **5.3** | **5.4** | **5.5** | **5.8** | **5.1** |
| **OECD-EU 22** | **8.7** | **6.4** | **6.9** | **6.3** | **6.1** | **5.2** | **5.0** | **5.2** | **5.5** | **4.4** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/oel2sw

## Table 6.13. Income tax, married couple at 100% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 25.6 | 21.1 | 23.1 | 23.4 | 24.1 | 24.3 | 24.4 | 24.6 | 23.6 | 24.1 |
| Austria | 11.7 | 12.8 | 14.3 | 14.6 | 15.0 | 11.9 | 12.2 | 12.6 | 7.7 | 7.1 |
| Belgium | 18.9 | 17.7 | 17.2 | 17.1 | 16.7 | 15.1 | 15.0 | 14.6 | 13.4 | 11.8 |
| Canada | 15.0 | 8.4 | 8.8 | 8.8 | 10.0 | 10.5 | 10.6 | 11.3 | 11.4 | 11.2 |
| Chile | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 4.0 | -5.3 | -5.2 | -4.5 | -4.5 | -6.8 | -6.1 | -5.1 | -4.1 | -4.5 |
| Denmark | 25.9 | 32.1 | 32.2 | 32.0 | 32.2 | 32.1 | 32.0 | 31.5 | 31.6 | 31.4 |
| Estonia | 17.9 | 9.2 | 11.3 | 11.8 | 11.2 | 11.2 | 11.5 | 7.9 | 9.4 | 9.1 |
| Finland | 26.9 | 22.3 | 22.5 | 22.6 | 22.5 | 21.9 | 20.9 | 20.6 | 20.4 | 20.0 |
| France | 7.3 | 8.3 | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 | 9.5 | 9.5 | 9.5 |
| Germany | 1.5 | -0.6 | 0.7 | 0.9 | 1.0 | 1.1 | 1.1 | 1.4 | 1.4 | -0.3 |
| Greece | 7.7 | 7.6 | 10.2 | 10.4 | 9.4 | 10.2 | 10.2 | 10.7 | 10.8 | 10.5 |
| Hungary | 18.4 | 14.4 | 7.8 | 8.1 | 8.4 | 6.0 | 5.4 | 4.8 | 4.7 | 5.4 |
| Iceland | 16.1 | 17.0 | 19.9 | 20.1 | 21.0 | 21.2 | 20.5 | 20.6 | 20.5 | 20.6 |
| Ireland | 11.1 | 10.8 | 12.6 | 12.9 | 12.3 | 11.5 | 11.3 | 11.8 | 11.7 | 10.0 |
| Israel | 18.0 | 9.0 | 8.6 | 9.1 | 9.6 | 10.0 | 9.7 | 10.2 | 10.4 | 10.1 |
| Italy | 15.6 | 13.9 | 14.5 | 14.6 | 14.7 | 14.7 | 14.8 | 14.9 | 15.4 | 12.5 |
| Japan | 2.5 | 3.9 | 6.1 | 6.3 | 6.4 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| Korea | 1.5 | 1.9 | 1.9 | 1.9 | 2.2 | 2.7 | 3.0 | 3.5 | 4.1 | 4.0 |
| Latvia | 11.1 | 13.9 | 11.7 | 8.4 | 8.9 | 8.8 | 9.9 | 9.7 | 9.0 | 7.5 |
| Lithuania | 25.8 | 10.8 | 11.7 | 11.0 | 11.4 | 9.4 | 6.6 | 13.1 | 17.0 | 16.3 |
| Luxembourg | 2.3 | 4.5 | 5.9 | 6.2 | 6.4 | 6.5 | 5.6 | 5.9 | 6.2 | 5.6 |
| Mexico | 1.0 | 4.8 | 8.5 | 8.8 | 9.1 | 9.4 | 9.8 | 9.0 | 9.6 | 9.4 |
| Netherlands | 4.8 | 15.9 | 15.7 | 14.9 | 16.5 | 16.1 | 16.8 | 17.2 | 16.0 | 16.0 |
| New Zealand | 19.4 | 17.0 | 16.9 | 17.2 | 17.6 | 17.9 | 18.1 | 18.4 | 18.8 | 19.1 |
| Norway | 18.1 | 19.0 | 18.9 | 19.3 | 19.1 | 18.7 | 18.4 | 19.3 | 19.2 | 19.3 |
| Poland | 4.8 | 0.0 | 0.3 | 0.8 | 1.1 | 1.3 | 1.8 | 6.4 | 2.5 | 1.8 |
| Portugal | 6.2 | 3.3 | 6.3 | 6.1 | 7.3 | 4.3 | 4.5 | 5.1 | 5.7 | 5.8 |
| Slovak Republic | 5.0 | -4.5 | -2.3 | -1.8 | -1.4 | -0.9 | -0.2 | 0.6 | 1.0 | 0.2 |
| Slovenia | 4.8 | 2.9 | 2.7 | 2.8 | 2.9 | 3.0 | 3.3 | 3.6 | 3.9 | 3.8 |
| Spain | 5.2 | 7.9 | 9.0 | 9.1 | 7.6 | 7.6 | 7.6 | 7.8 | 8.0 | 7.8 |
| Sweden | 26.7 | 17.8 | 18.1 | 17.4 | 17.6 | 17.9 | 18.0 | 18.1 | 17.6 | 17.7 |
| Switzerland | 6.2 | 5.9 | 4.5 | 4.3 | 4.3 | 4.5 | 4.5 | 4.6 | 4.7 | 4.3 |
| Turkey[1] | 14.7 | 9.8 | 10.2 | 10.5 | 10.6 | 10.4 | 11.3 | 11.8 | 12.1 | 12.3 |
| United Kingdom | 17.4 | 14.6 | 14.6 | 14.3 | 13.5 | 13.5 | 13.4 | 13.4 | 13.3 | 13.4 |
| United States | 6.8 | 3.6 | 5.7 | 5.9 | 6.1 | 6.3 | 6.7 | 4.1 | 4.3 | 5.0 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **11.5** | **9.5** | **10.1** | **10.1** | **10.2** | **9.9** | **9.9** | **10.3** | **10.2** | **9.8** |
| **OECD-EU 22** | **12.0** | **9.8** | **10.2** | **10.1** | **10.2** | **9.6** | **9.5** | **10.1** | **9.9** | **9.3** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/tn0wv6

## Table 6.14. Income tax, married couple with two children, at 100% and 67% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 23.8 | 19.1 | 20.8 | 21.1 | 21.8 | 22.1 | 22.2 | 22.6 | 21.4 | 21.9 |
| Austria | 10.8 | 12.3 | 13.6 | 14.0 | 14.3 | 11.3 | 11.6 | 12.0 | 9.3 | 8.5 |
| Belgium | 26.4 | 24.8 | 24.4 | 24.3 | 23.9 | 22.4 | 22.2 | 21.4 | 20.7 | 19.5 |
| Canada | 17.5 | 12.8 | 13.0 | 12.8 | 13.6 | 13.9 | 14.0 | 14.2 | 14.3 | 14.1 |
| Chile | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 6.8 | 4.9 | 4.9 | 5.4 | 5.4 | 4.0 | 4.4 | 5.0 | 5.6 | 5.3 |
| Denmark | 30.8 | 35.4 | 35.2 | 35.0 | 35.2 | 35.2 | 35.1 | 34.5 | 34.5 | 34.2 |
| Estonia | 21.1 | 13.7 | 15.0 | 15.3 | 14.6 | 14.6 | 14.8 | 9.7 | 10.8 | 10.6 |
| Finland | 24.5 | 19.7 | 19.9 | 19.9 | 19.7 | 19.0 | 17.8 | 17.6 | 17.4 | 16.9 |
| France | 10.8 | 11.1 | 11.5 | 11.5 | 11.4 | 10.9 | 11.1 | 13.0 | 12.9 | 11.7 |
| Germany | 13.8 | 9.9 | 10.7 | 10.9 | 11.0 | 11.0 | 10.9 | 11.1 | 11.2 | 10.0 |
| Greece | 6.1 | 6.2 | 8.0 | 8.2 | 7.5 | 8.2 | 8.3 | 8.7 | 9.0 | 8.2 |
| Hungary | 18.0 | 13.0 | 11.1 | 11.3 | 11.5 | 9.6 | 9.2 | 8.9 | 8.9 | 9.3 |
| Iceland | 23.2 | 24.8 | 26.6 | 26.6 | 27.2 | 27.1 | 26.5 | 26.6 | 26.5 | 26.1 |
| Ireland | 19.7 | 15.6 | 17.8 | 18.0 | 17.1 | 16.7 | 16.7 | 17.1 | 17.4 | 16.1 |
| Israel | 12.5 | 5.4 | 5.1 | 5.5 | 5.7 | 6.0 | 5.8 | 6.1 | 6.2 | 6.1 |
| Italy | 16.8 | 16.3 | 17.0 | 15.5 | 14.9 | 15.0 | 15.0 | 15.2 | 15.5 | 13.3 |
| Japan | 4.5 | 5.5 | 7.0 | 7.1 | 7.1 | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 |
| Korea | 1.3 | 2.0 | 2.0 | 2.0 | 2.3 | 2.6 | 2.9 | 3.3 | 3.8 | 3.7 |
| Latvia | 13.5 | 16.5 | 14.2 | 12.2 | 12.3 | 12.0 | 12.7 | 11.5 | 11.0 | 9.4 |
| Lithuania | 24.3 | 10.8 | 11.7 | 11.0 | 11.4 | 10.0 | 7.7 | 11.3 | 15.9 | 14.8 |
| Luxembourg | 8.2 | 9.3 | 11.6 | 12.1 | 12.4 | 12.6 | 10.9 | 11.4 | 11.9 | 10.8 |
| Mexico | -1.7 | 2.7 | 5.6 | 6.0 | 6.3 | 6.6 | 7.2 | 6.7 | 7.5 | 7.1 |
| Netherlands | 7.9 | 11.7 | 11.5 | 10.8 | 12.5 | 11.7 | 12.2 | 12.4 | 11.2 | 11.2 |
| New Zealand | 19.0 | 16.5 | 16.0 | 16.3 | 16.5 | 16.7 | 16.9 | 17.1 | 17.3 | 17.6 |
| Norway | 20.6 | 20.0 | 20.0 | 19.1 | 18.9 | 18.4 | 18.0 | 17.9 | 17.8 | 17.9 |
| Poland | 6.1 | 2.6 | 3.4 | 3.7 | 3.9 | 4.1 | 4.3 | 4.7 | 4.6 | 3.8 |
| Portugal | 8.1 | 7.3 | 11.0 | 10.7 | 9.4 | 9.7 | 10.1 | 9.5 | 10.2 | 10.3 |
| Slovak Republic | 6.0 | 3.9 | 5.2 | 5.5 | 5.8 | 6.1 | 6.5 | 7.0 | 7.2 | 6.4 |
| Slovenia | 8.1 | 5.7 | 5.5 | 5.6 | 5.7 | 5.8 | 6.5 | 6.6 | 6.9 | 6.8 |
| Spain | 9.3 | 11.5 | 12.6 | 12.7 | 10.9 | 10.9 | 10.8 | 10.9 | 11.0 | 10.9 |
| Sweden | 25.9 | 16.7 | 17.0 | 16.4 | 16.5 | 16.8 | 16.9 | 17.0 | 16.4 | 16.5 |
| Switzerland | 9.8 | 9.5 | 8.5 | 8.1 | 8.1 | 8.4 | 8.4 | 8.6 | 8.6 | 8.1 |
| Turkey[1] | 14.1 | 9.7 | 10.2 | 10.5 | 10.7 | 10.5 | 11.1 | 11.5 | 11.7 | 11.9 |
| United Kingdom | 16.5 | 15.4 | 13.6 | 13.2 | 12.9 | 12.9 | 12.8 | 12.8 | 12.7 | 12.8 |
| United States | 12.8 | 10.9 | 12.1 | 12.2 | 12.3 | 12.4 | 12.7 | 9.9 | 10.1 | 10.5 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **13.4** | **11.7** | **12.3** | **12.2** | **12.2** | **12.0** | **11.9** | **11.9** | **12.0** | **11.6** |
| **OECD-EU 22** | **14.7** | **12.7** | **13.3** | **13.2** | **13.1** | **12.6** | **12.5** | **12.6** | **12.7** | **12.0** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/4wi6s9

## Table 6.15. Income tax, married couple, both at 100% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 26.6 | 22.3 | 23.1 | 23.4 | 24.1 | 24.3 | 24.4 | 24.6 | 23.6 | 24.1 |
| Austria | 12.9 | 14.7 | 16.1 | 16.4 | 16.7 | 13.6 | 13.9 | 14.3 | 12.1 | 11.5 |
| Belgium | 29.0 | 27.5 | 27.2 | 27.1 | 26.8 | 25.5 | 25.4 | 24.7 | 24.1 | 23.1 |
| Canada | 19.2 | 14.4 | 14.6 | 15.0 | 15.6 | 15.4 | 15.4 | 15.8 | 15.8 | 15.7 |
| Chile | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 7.9 | 7.4 | 7.4 | 7.8 | 7.8 | 6.7 | 7.0 | 7.5 | 8.0 | 7.8 |
| Denmark | 32.5 | 36.3 | 36.1 | 36.0 | 36.1 | 36.1 | 36.0 | 35.6 | 35.6 | 35.3 |
| Estonia | 21.9 | 14.8 | 15.9 | 16.2 | 15.4 | 15.5 | 15.6 | 11.8 | 13.0 | 12.9 |
| Finland | 26.9 | 22.3 | 22.5 | 22.6 | 22.5 | 21.9 | 20.9 | 20.6 | 20.4 | 20.0 |
| France | 12.5 | 12.2 | 12.6 | 12.6 | 12.8 | 12.7 | 12.9 | 14.8 | 14.7 | 13.9 |
| Germany | 17.2 | 13.1 | 13.6 | 13.8 | 13.8 | 13.8 | 13.7 | 13.9 | 13.9 | 13.3 |
| Greece | 8.3 | 8.5 | 10.2 | 10.4 | 9.4 | 10.2 | 10.2 | 10.7 | 10.8 | 10.5 |
| Hungary | 20.8 | 14.4 | 11.9 | 12.1 | 12.2 | 10.5 | 10.2 | 9.9 | 9.9 | 10.2 |
| Iceland | 25.3 | 27.1 | 28.6 | 28.5 | 29.0 | 28.7 | 28.0 | 28.0 | 28.0 | 27.7 |
| Ireland | 24.1 | 20.1 | 22.7 | 22.9 | 22.0 | 21.4 | 21.3 | 21.6 | 21.8 | 20.8 |
| Israel | 15.4 | 6.5 | 6.0 | 6.7 | 7.2 | 7.7 | 7.5 | 8.1 | 8.4 | 8.0 |
| Italy | 18.9 | 18.6 | 19.2 | 19.2 | 19.3 | 19.3 | 19.3 | 19.4 | 19.8 | 17.2 |
| Japan | 5.3 | 6.3 | 7.6 | 7.7 | 7.8 | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 |
| Korea | 2.0 | 3.4 | 3.4 | 3.6 | 3.9 | 4.3 | 4.6 | 5.0 | 5.4 | 5.3 |
| Latvia | 15.0 | 17.7 | 15.4 | 13.7 | 13.7 | 13.6 | 14.3 | 13.7 | 13.3 | 12.2 |
| Lithuania | 25.8 | 12.0 | 12.7 | 12.3 | 12.6 | 11.7 | 10.2 | 13.1 | 17.0 | 16.3 |
| Luxembourg | 12.0 | 12.8 | 15.5 | 16.0 | 16.4 | 16.6 | 15.1 | 15.7 | 16.1 | 15.0 |
| Mexico | 1.0 | 4.8 | 8.5 | 8.8 | 9.1 | 9.4 | 9.8 | 9.0 | 9.6 | 9.4 |
| Netherlands | 9.6 | 16.1 | 15.8 | 14.9 | 16.6 | 15.9 | 16.5 | 16.9 | 15.6 | 15.6 |
| New Zealand | 19.4 | 17.0 | 16.9 | 17.2 | 17.6 | 17.9 | 18.1 | 18.4 | 18.8 | 19.1 |
| Norway | 22.3 | 21.5 | 21.4 | 20.5 | 20.3 | 19.8 | 19.4 | 19.3 | 19.2 | 19.3 |
| Poland | 6.6 | 3.6 | 4.3 | 4.6 | 4.7 | 4.8 | 5.1 | 5.4 | 5.3 | 4.5 |
| Portugal | 10.9 | 10.1 | 14.3 | 13.9 | 12.8 | 12.8 | 13.1 | 12.6 | 13.2 | 13.3 |
| Slovak Republic | 7.0 | 6.0 | 7.1 | 7.3 | 7.5 | 7.8 | 8.1 | 8.5 | 8.7 | 8.0 |
| Slovenia | 10.0 | 8.1 | 7.9 | 8.1 | 8.1 | 8.3 | 8.5 | 8.8 | 9.1 | 8.7 |
| Spain | 11.6 | 13.5 | 14.7 | 14.8 | 13.1 | 13.1 | 12.9 | 13.1 | 13.2 | 13.0 |
| Sweden | 26.7 | 17.8 | 18.1 | 17.4 | 17.6 | 17.9 | 18.0 | 18.1 | 17.6 | 17.7 |
| Switzerland | 11.7 | 11.5 | 10.5 | 10.0 | 10.0 | 10.4 | 10.4 | 10.6 | 10.7 | 10.0 |
| Turkey[1] | 14.7 | 11.0 | 11.5 | 11.7 | 11.8 | 11.8 | 12.6 | 13.1 | 13.4 | 13.6 |
| United Kingdom | 17.4 | 16.2 | 14.6 | 14.3 | 14.1 | 14.1 | 14.0 | 14.0 | 13.9 | 14.0 |
| United States | 15.1 | 12.6 | 13.7 | 13.8 | 13.9 | 14.0 | 14.3 | 12.2 | 12.3 | 13.1 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **15.2** | **13.6** | **14.1** | **14.1** | **14.1** | **13.9** | **13.9** | **14.0** | **14.1** | **13.7** |
| **OECD-EU 22** | **16.7** | **14.9** | **15.5** | **15.5** | **15.4** | **15.0** | **14.9** | **15.0** | **15.2** | **14.6** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/f5a89p

## Table 6.16. Income tax, married couple at 100% and 67% of average wage

Tax burden as a % of gross wage earnings, two-earner married couple without children

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 24.4 | 19.8 | 20.8 | 21.1 | 21.8 | 22.1 | 22.2 | 22.6 | 21.4 | 21.9 |
| Austria | 10.8 | 12.6 | 13.9 | 14.3 | 14.6 | 11.9 | 12.2 | 12.6 | 13.0 | 12.2 |
| Belgium | 28.0 | 26.2 | 25.9 | 25.8 | 25.4 | 23.9 | 23.7 | 22.9 | 22.2 | 21.2 |
| Canada | 17.5 | 13.7 | 13.8 | 14.1 | 14.1 | 13.9 | 14.0 | 14.2 | 14.3 | 14.1 |
| Chile | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 9.3 | 9.7 | 10.2 | 10.5 | 10.8 | 11.2 | 11.8 | 12.3 | 12.7 | 12.7 |
| Denmark | 30.8 | 35.4 | 35.2 | 35.0 | 35.2 | 35.2 | 35.1 | 34.5 | 34.5 | 34.2 |
| Estonia | 21.1 | 15.9 | 16.9 | 17.1 | 16.3 | 16.2 | 16.2 | 11.1 | 12.1 | 11.9 |
| Finland | 24.5 | 19.7 | 19.9 | 19.9 | 19.9 | 19.2 | 18.0 | 17.6 | 17.4 | 16.9 |
| France | 14.1 | 13.4 | 13.7 | 13.7 | 13.8 | 13.7 | 13.8 | 15.5 | 15.6 | 14.2 |
| Germany | 19.8 | 16.5 | 16.8 | 16.9 | 16.9 | 16.9 | 16.8 | 16.9 | 16.9 | 16.6 |
| Greece | 5.6 | 6.2 | 8.0 | 8.2 | 7.5 | 8.7 | 8.8 | 9.3 | 9.5 | 8.8 |
| Hungary | 21.0 | 13.0 | 16.0 | 16.0 | 16.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Iceland | 23.2 | 24.8 | 26.6 | 26.6 | 27.2 | 27.1 | 26.5 | 26.6 | 26.5 | 26.1 |
| Ireland | 19.7 | 15.6 | 17.8 | 18.0 | 17.1 | 16.7 | 16.7 | 17.1 | 17.4 | 16.1 |
| Israel | 15.0 | 6.6 | 6.2 | 6.8 | 7.2 | 7.6 | 7.4 | 7.8 | 8.1 | 7.8 |
| Italy | 18.0 | 19.1 | 20.0 | 18.4 | 17.9 | 17.9 | 17.9 | 18.1 | 18.4 | 16.3 |
| Japan | 5.8 | 7.0 | 7.0 | 7.1 | 7.1 | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 |
| Korea | 1.6 | 3.2 | 3.3 | 3.3 | 3.5 | 3.8 | 4.1 | 4.4 | 4.7 | 4.6 |
| Latvia | 18.1 | 21.1 | 18.7 | 18.6 | 18.0 | 17.8 | 18.0 | 16.3 | 16.2 | 14.9 |
| Lithuania | 24.3 | 12.2 | 12.9 | 12.5 | 12.9 | 12.8 | 11.9 | 11.3 | 15.9 | 14.8 |
| Luxembourg | 11.3 | 9.3 | 11.6 | 12.1 | 12.4 | 12.6 | 10.9 | 11.4 | 11.9 | 10.8 |
| Mexico | -1.7 | 2.7 | 5.6 | 6.0 | 6.3 | 6.6 | 7.2 | 6.7 | 7.5 | 7.1 |
| Netherlands | 7.9 | 11.8 | 11.9 | 11.2 | 13.1 | 12.4 | 13.0 | 13.2 | 12.0 | 12.0 |
| New Zealand | 19.0 | 15.9 | 15.4 | 15.7 | 15.9 | 16.2 | 16.4 | 16.6 | 16.8 | 17.1 |
| Norway | 21.3 | 20.0 | 20.0 | 19.1 | 18.9 | 18.4 | 18.0 | 17.9 | 17.8 | 17.9 |
| Poland | 6.1 | 6.2 | 6.6 | 6.7 | 6.8 | 6.8 | 7.0 | 7.1 | 6.9 | 5.9 |
| Portugal | 9.2 | 8.7 | 13.4 | 13.0 | 14.5 | 14.1 | 14.1 | 13.4 | 13.9 | 14.0 |
| Slovak Republic | 7.4 | 6.9 | 8.2 | 8.4 | 8.6 | 8.8 | 9.1 | 9.5 | 9.6 | 8.8 |
| Slovenia | 12.2 | 9.4 | 9.2 | 9.3 | 9.4 | 9.5 | 10.3 | 10.4 | 10.8 | 10.3 |
| Spain | 11.5 | 13.7 | 14.8 | 14.8 | 13.1 | 13.1 | 12.9 | 13.1 | 13.1 | 13.0 |
| Sweden | 25.9 | 16.7 | 17.0 | 16.4 | 16.5 | 16.8 | 16.9 | 17.0 | 16.4 | 16.5 |
| Switzerland | 11.3 | 11.0 | 10.9 | 10.5 | 10.5 | 10.8 | 10.8 | 10.9 | 11.0 | 10.5 |
| Turkey[1] | 14.1 | 10.4 | 10.9 | 11.2 | 11.3 | 11.2 | 11.8 | 12.1 | 12.4 | 12.6 |
| United Kingdom | 16.5 | 15.5 | 13.6 | 13.2 | 12.9 | 12.9 | 12.8 | 12.8 | 12.7 | 12.8 |
| United States | 16.8 | 15.4 | 16.4 | 16.5 | 16.5 | 16.6 | 16.7 | 14.7 | 14.7 | 14.9 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **14.6** | **13.1** | **13.8** | **13.7** | **13.8** | **13.7** | **13.6** | **13.5** | **13.7** | **13.3** |
| **OECD-EU 22** | **16.2** | **14.5** | **15.4** | **15.3** | **15.3** | **15.0** | **15.0** | **14.8** | **15.1** | **14.4** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/i0jnbq

## Table 6.17. Income tax plus employee contributions less cash benefits, single persons at 67% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 21.1 | 16.0 | 17.3 | 17.7 | 18.5 | 18.8 | 19.1 | 19.6 | 18.1 | 18.7 |
| Austria | 25.6 | 27.0 | 28.5 | 28.8 | 29.2 | 26.5 | 26.9 | 27.2 | 27.7 | 26.7 |
| Belgium | 35.8 | 36.4 | 36.0 | 35.9 | 35.4 | 33.4 | 33.3 | 32.1 | 31.4 | 30.1 |
| Canada | 19.5 | 17.3 | 17.6 | 17.8 | 17.7 | 17.7 | 17.5 | 17.7 | 17.6 | 16.7 |
| Chile | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 20.8 | 18.2 | 18.8 | 19.2 | 19.5 | 20.0 | 20.7 | 21.4 | 21.9 | 21.9 |
| Denmark | 37.4 | 33.5 | 33.3 | 33.1 | 33.4 | 33.4 | 33.3 | 32.6 | 32.7 | 32.4 |
| Estonia | 19.9 | 17.6 | 18.0 | 18.2 | 17.1 | 16.9 | 17.0 | 9.9 | 10.6 | 10.5 |
| Finland | 27.8 | 22.7 | 23.4 | 23.7 | 24.0 | 23.6 | 22.9 | 22.9 | 22.7 | 22.3 |
| France | 25.9 | 25.9 | 26.4 | 26.7 | 26.0 | 25.2 | 25.4 | 24.9 | 24.2 | 23.3 |
| Germany | 36.8 | 34.3 | 34.6 | 34.6 | 34.7 | 34.8 | 34.8 | 34.8 | 34.3 | 34.0 |
| Greece | 18.0 | 17.7 | 19.7 | 19.5 | 18.8 | 20.3 | 20.6 | 21.2 | 21.3 | 19.4 |
| Hungary | 30.1 | 27.8 | 34.5 | 34.5 | 34.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 |
| Iceland | 20.2 | 22.2 | 24.3 | 24.4 | 25.0 | 25.2 | 24.8 | 24.9 | 24.8 | 24.2 |
| Ireland | 18.8 | 16.0 | 17.2 | 17.3 | 16.8 | 16.1 | 15.8 | 16.1 | 16.3 | 15.7 |
| Israel | 19.4 | 10.4 | 10.0 | 10.5 | 11.0 | 11.3 | 11.2 | 11.7 | 11.9 | 11.4 |
| Italy | 24.4 | 26.1 | 27.2 | 23.3 | 21.8 | 21.9 | 21.9 | 22.1 | 22.4 | 21.0 |
| Japan | 18.4 | 19.1 | 20.0 | 20.2 | 20.4 | 20.5 | 20.6 | 20.6 | 20.6 | 20.6 |
| Korea | 7.5 | 9.2 | 9.8 | 9.8 | 9.9 | 10.1 | 10.5 | 10.8 | 11.2 | 11.4 |
| Latvia | 26.0 | 29.5 | 29.0 | 28.4 | 27.9 | 27.3 | 27.4 | 25.2 | 25.0 | 23.1 |
| Lithuania | 25.2 | 19.7 | 20.6 | 19.9 | 20.4 | 20.0 | 18.4 | 17.5 | 33.6 | 32.1 |
| Luxembourg | 21.8 | 19.4 | 21.5 | 22.0 | 22.7 | 22.9 | 20.3 | 20.8 | 21.1 | 20.3 |
| Mexico | -4.4 | 0.8 | 2.6 | 3.0 | 3.4 | 3.7 | 4.7 | 4.6 | 5.5 | 4.9 |
| Netherlands | 32.9 | 27.1 | 26.1 | 24.5 | 24.7 | 22.5 | 22.5 | 22.8 | 21.2 | 20.3 |
| New Zealand | 18.6 | 14.3 | 13.3 | 13.4 | 13.5 | 13.6 | 13.7 | 13.8 | 13.9 | 14.0 |
| Norway | 26.8 | 25.6 | 25.6 | 25.2 | 25.1 | 24.5 | 24.2 | 24.0 | 23.9 | 24.0 |
| Poland | 26.5 | 23.4 | 23.8 | 24.0 | 24.1 | 24.2 | 24.3 | 24.5 | 24.3 | 23.3 |
| Portugal | 17.4 | 16.1 | 19.8 | 19.3 | 21.2 | 21.3 | 21.6 | 21.6 | 22.1 | 22.1 |
| Slovak Republic | 18.2 | 18.0 | 19.6 | 19.8 | 20.0 | 20.3 | 20.7 | 21.1 | 21.4 | 20.4 |
| Slovenia | 32.3 | 28.7 | 28.6 | 28.7 | 28.7 | 28.8 | 30.4 | 30.2 | 30.7 | 30.5 |
| Spain | 15.0 | 17.5 | 18.5 | 18.5 | 16.7 | 16.7 | 16.6 | 16.8 | 16.7 | 16.6 |
| Sweden | 31.7 | 22.0 | 22.4 | 21.8 | 22.0 | 22.3 | 22.4 | 22.4 | 21.7 | 21.8 |
| Switzerland | 14.9 | 14.4 | 14.4 | 14.1 | 14.1 | 14.3 | 14.3 | 14.4 | 14.5 | 14.3 |
| Turkey[1] | 27.2 | 23.6 | 24.2 | 24.5 | 24.7 | 24.3 | 24.7 | 24.9 | 25.0 | 25.3 |
| United Kingdom | 22.8 | 22.6 | 20.0 | 19.4 | 19.2 | 19.3 | 19.3 | 19.3 | 19.2 | 19.0 |
| United States | 22.6 | 21.5 | 22.8 | 22.9 | 22.9 | 23.0 | 23.1 | 21.4 | 21.4 | 18.6 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **21.9** | **20.2** | **21.0** | **20.9** | **20.9** | **20.7** | **20.7** | **20.4** | **20.8** | **20.3** |
| **OECD-EU 22** | **25.8** | **23.9** | **24.9** | **24.6** | **24.5** | **24.2** | **24.1** | **23.7** | **24.4** | **23.7** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/2otbec

## Table 6.18. Income tax plus employee contributions less cash benefits, single persons at 100% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 26.6 | 22.3 | 23.1 | 23.4 | 24.1 | 24.3 | 24.4 | 24.6 | 23.6 | 24.1 |
| Austria | 31.0 | 33.1 | 34.4 | 34.7 | 35.0 | 32.1 | 32.4 | 32.8 | 33.2 | 32.6 |
| Belgium | 43.0 | 42.7 | 42.4 | 42.4 | 42.0 | 40.7 | 40.6 | 39.9 | 39.4 | 38.4 |
| Canada | 25.1 | 22.4 | 22.7 | 23.4 | 23.3 | 23.0 | 22.8 | 23.1 | 23.3 | 23.2 |
| Chile | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 22.5 | 22.5 | 22.9 | 23.1 | 23.4 | 23.7 | 24.1 | 24.6 | 24.9 | 24.9 |
| Denmark | 41.5 | 35.9 | 35.8 | 35.6 | 35.9 | 35.9 | 35.8 | 35.4 | 35.5 | 35.2 |
| Estonia | 21.9 | 19.5 | 19.5 | 19.6 | 18.4 | 18.4 | 18.4 | 14.6 | 15.7 | 15.6 |
| Finland | 33.9 | 29.4 | 30.1 | 30.6 | 30.9 | 30.8 | 30.2 | 30.3 | 30.2 | 30.2 |
| France | 29.2 | 27.8 | 28.3 | 28.6 | 29.0 | 29.0 | 29.2 | 28.7 | 28.0 | 27.3 |
| Germany | 43.2 | 39.2 | 39.5 | 39.5 | 39.7 | 39.8 | 39.8 | 39.7 | 39.3 | 38.9 |
| Greece | 21.6 | 23.1 | 24.9 | 24.6 | 23.9 | 25.4 | 25.7 | 26.2 | 26.2 | 25.4 |
| Hungary | 35.7 | 31.4 | 34.5 | 34.5 | 34.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 |
| Iceland | 25.4 | 27.6 | 29.1 | 28.9 | 29.4 | 29.0 | 28.3 | 28.4 | 28.3 | 28.0 |
| Ireland | 27.5 | 23.4 | 26.7 | 26.9 | 26.0 | 25.4 | 25.3 | 25.6 | 25.8 | 24.8 |
| Israel | 26.1 | 17.0 | 16.4 | 17.0 | 17.5 | 17.9 | 17.7 | 18.3 | 18.5 | 18.0 |
| Italy | 29.0 | 30.2 | 31.1 | 31.0 | 31.1 | 31.1 | 31.1 | 31.2 | 31.5 | 29.0 |
| Japan | 19.7 | 20.6 | 21.5 | 21.8 | 22.1 | 22.2 | 22.3 | 22.4 | 22.4 | 22.3 |
| Korea | 8.9 | 12.3 | 12.9 | 13.0 | 13.3 | 13.7 | 13.9 | 14.4 | 14.8 | 15.0 |
| Latvia | 27.9 | 30.5 | 30.1 | 29.6 | 28.9 | 28.9 | 29.2 | 28.7 | 28.6 | 27.8 |
| Lithuania | 28.8 | 22.1 | 22.7 | 22.6 | 22.9 | 23.0 | 22.7 | 22.1 | 36.5 | 35.8 |
| Luxembourg | 28.7 | 26.8 | 29.5 | 30.0 | 30.8 | 31.0 | 29.0 | 29.6 | 30.0 | 28.9 |
| Mexico | 2.5 | 6.1 | 9.8 | 10.1 | 10.4 | 10.8 | 11.1 | 10.4 | 10.9 | 10.8 |
| Netherlands | 33.6 | 31.7 | 34.8 | 32.4 | 30.3 | 30.2 | 30.3 | 30.5 | 29.4 | 28.7 |
| New Zealand | 19.4 | 17.0 | 16.9 | 17.2 | 17.6 | 17.9 | 18.1 | 18.4 | 18.8 | 19.1 |
| Norway | 30.7 | 29.3 | 29.2 | 28.7 | 28.5 | 28.0 | 27.6 | 27.5 | 27.4 | 27.5 |
| Poland | 27.8 | 24.5 | 24.8 | 24.9 | 24.9 | 25.0 | 25.1 | 25.2 | 25.0 | 24.1 |
| Portugal | 22.4 | 22.2 | 27.4 | 27.1 | 28.4 | 27.6 | 27.5 | 26.9 | 27.3 | 27.4 |
| Slovak Republic | 20.2 | 21.9 | 23.0 | 23.1 | 23.3 | 23.5 | 23.7 | 24.0 | 24.2 | 23.5 |
| Slovenia | 35.6 | 33.3 | 33.1 | 33.2 | 33.3 | 33.5 | 33.7 | 34.1 | 34.4 | 33.7 |
| Spain | 19.8 | 21.7 | 22.9 | 23.0 | 21.3 | 21.3 | 21.1 | 21.3 | 21.3 | 21.1 |
| Sweden | 33.7 | 24.8 | 25.1 | 24.4 | 24.6 | 24.9 | 25.0 | 25.1 | 24.5 | 24.7 |
| Switzerland | 17.8 | 17.4 | 17.3 | 17.0 | 17.0 | 17.2 | 17.2 | 17.4 | 17.5 | 17.1 |
| Turkey[1] | 28.7 | 26.6 | 27.0 | 27.3 | 27.4 | 27.4 | 28.2 | 28.6 | 29.0 | 29.1 |
| United Kingdom | 25.8 | 25.4 | 24.0 | 23.6 | 23.4 | 23.5 | 23.5 | 23.5 | 23.4 | 23.3 |
| United States | 24.9 | 24.6 | 25.5 | 25.6 | 25.6 | 25.8 | 26.1 | 23.8 | 23.9 | 22.4 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **25.6** | **24.1** | **25.0** | **25.0** | **25.0** | **24.9** | **24.9** | **24.8** | **25.2** | **24.8** |
| **OECD-EU 22** | **29.9** | **28.1** | **29.3** | **29.2** | **29.0** | **28.8** | **28.8** | **28.6** | **29.3** | **28.7** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/sacuhr

## Table 6.19. Income tax plus employee contributions less cash benefits, single persons at 167% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 34.9 | 28.2 | 29.2 | 29.4 | 30.1 | 30.2 | 30.1 | 30.4 | 30.5 | 30.8 |
| Austria | 36.3 | 38.3 | 39.0 | 39.2 | 39.4 | 37.5 | 37.7 | 38.0 | 38.1 | 38.0 |
| Belgium | 50.1 | 49.5 | 49.2 | 49.2 | 49.1 | 48.5 | 48.3 | 47.9 | 47.5 | 46.8 |
| Canada | 29.3 | 26.6 | 26.8 | 27.1 | 27.0 | 26.3 | 26.2 | 26.4 | 26.5 | 26.5 |
| Chile | 8.3 | 8.0 | 8.1 | 8.1 | 8.2 | 8.3 | 8.3 | 8.3 | 8.3 | 8.3 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 25.5 | 25.9 | 26.2 | 26.3 | 26.5 | 26.7 | 26.9 | 27.2 | 27.4 | 27.4 |
| Denmark | 49.3 | 42.9 | 42.6 | 41.9 | 42.1 | 42.0 | 41.8 | 41.2 | 41.2 | 40.8 |
| Estonia | 23.6 | 21.0 | 20.7 | 20.8 | 19.6 | 19.5 | 19.6 | 21.3 | 21.3 | 21.3 |
| Finland | 41.1 | 36.6 | 37.3 | 37.8 | 38.1 | 38.2 | 37.8 | 37.9 | 37.8 | 38.0 |
| France | 33.1 | 33.4 | 33.9 | 34.2 | 34.5 | 34.5 | 34.6 | 34.1 | 33.8 | 33.4 |
| Germany | 48.8 | 43.8 | 43.7 | 43.8 | 43.8 | 43.9 | 43.9 | 43.8 | 43.4 | 43.3 |
| Greece | 29.2 | 30.2 | 34.6 | 34.4 | 32.0 | 32.5 | 32.7 | 33.2 | 33.4 | 32.8 |
| Hungary | 42.8 | 39.8 | 34.5 | 34.5 | 34.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 |
| Iceland | 36.7 | 32.4 | 33.9 | 33.8 | 34.0 | 34.0 | 33.5 | 33.3 | 33.3 | 33.1 |
| Ireland | 35.6 | 34.4 | 36.9 | 37.0 | 36.1 | 35.2 | 35.1 | 35.3 | 35.4 | 34.7 |
| Israel | 35.0 | 26.0 | 25.2 | 26.0 | 26.5 | 27.1 | 26.9 | 27.8 | 28.2 | 27.6 |
| Italy | 34.5 | 37.3 | 38.3 | 38.8 | 39.5 | 39.5 | 39.2 | 39.3 | 39.5 | 39.0 |
| Japan | 22.6 | 24.5 | 25.3 | 25.6 | 25.9 | 25.9 | 26.0 | 26.1 | 26.1 | 26.1 |
| Korea | 13.4 | 15.0 | 15.7 | 15.8 | 16.2 | 16.8 | 17.4 | 18.1 | 18.6 | 18.9 |
| Latvia | 29.4 | 31.4 | 31.0 | 30.5 | 29.8 | 29.9 | 30.2 | 28.8 | 29.0 | 29.0 |
| Lithuania | 31.7 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | 38.9 | 38.8 |
| Luxembourg | 37.9 | 34.9 | 37.6 | 37.9 | 38.6 | 38.7 | 37.6 | 37.9 | 38.1 | 37.5 |
| Mexico | 10.1 | 13.4 | 14.4 | 14.8 | 15.1 | 15.4 | 15.7 | 15.0 | 15.5 | 15.4 |
| Netherlands | 40.6 | 37.7 | 38.4 | 46.8 | 38.2 | 37.7 | 37.7 | 37.9 | 37.6 | 36.8 |
| New Zealand | 24.2 | 23.3 | 22.8 | 23.1 | 23.3 | 23.6 | 23.8 | 24.0 | 24.3 | 24.5 |
| Norway | 38.2 | 35.7 | 35.6 | 35.1 | 34.9 | 34.5 | 34.2 | 34.1 | 34.0 | 33.9 |
| Poland | 28.9 | 25.4 | 25.5 | 25.6 | 25.6 | 25.7 | 25.7 | 25.8 | 25.6 | 24.8 |
| Portugal | 28.6 | 29.5 | 35.2 | 34.9 | 35.7 | 34.4 | 34.1 | 33.5 | 34.0 | 34.1 |
| Slovak Republic | 24.8 | 24.9 | 25.7 | 25.8 | 25.9 | 26.0 | 26.2 | 26.4 | 26.4 | 26.0 |
| Slovenia | 41.2 | 39.1 | 37.5 | 37.7 | 37.9 | 37.4 | 37.7 | 38.1 | 38.4 | 37.2 |
| Spain | 24.4 | 26.5 | 28.5 | 28.7 | 27.3 | 27.2 | 26.8 | 27.0 | 27.1 | 26.9 |
| Sweden | 41.1 | 35.6 | 35.4 | 35.1 | 35.2 | 36.2 | 36.5 | 36.4 | 35.2 | 34.8 |
| Switzerland | 22.7 | 22.2 | 22.3 | 21.9 | 21.8 | 22.2 | 22.2 | 22.3 | 22.4 | 22.0 |
| Turkey[1] | 26.9 | 29.9 | 30.9 | 31.3 | 31.6 | 32.0 | 32.4 | 32.7 | 32.9 | 33.0 |
| United Kingdom | 28.8 | 30.0 | 30.1 | 29.8 | 29.8 | 29.9 | 29.9 | 29.9 | 29.6 | 29.6 |
| United States | 31.9 | 30.6 | 31.0 | 31.1 | 31.1 | 31.2 | 31.4 | 28.8 | 28.9 | 29.2 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **30.9** | **29.4** | **29.9** | **30.2** | **30.0** | **29.9** | **29.9** | **29.9** | **30.3** | **30.1** |
| **OECD-EU 22** | **35.4** | **33.7** | **34.4** | **34.8** | **34.2** | **34.0** | **34.0** | **34.0** | **34.7** | **34.3** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/ekhn1c

## Table 6.20. Income tax plus employee contributions less cash benefits, single parent at 67% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | -2.1 | -13.2 | -8.6 | -7.9 | -7.5 | -7.2 | -5.3 | -3.9 | -4.8 | -4.7 |
| Austria | 2.0 | 4.6 | 8.1 | 8.6 | 9.3 | 6.4 | 7.1 | 7.7 | 0.4 | -2.6 |
| Belgium | 16.1 | 18.9 | 18.4 | 18.3 | 17.8 | 15.7 | 15.7 | 14.7 | 13.6 | 6.9 |
| Canada | -11.8 | -19.8 | -18.7 | -17.1 | -29.2 | -29.0 | -29.2 | -27.5 | -26.6 | -30.1 |
| Chile | 5.9 | 6.1 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.1 |
| Colombia | -6.9 | -5.6 | -5.9 | -5.8 | -6.6 | -6.7 | -6.6 | -6.4 | -6.5 | -8.0 |
| Czech Republic | -17.9 | -12.9 | -1.7 | -0.8 | -0.9 | -4.5 | -3.7 | -5.3 | -3.8 | -4.5 |
| Denmark | 11.5 | 8.0 | 7.9 | 5.8 | 6.3 | 6.2 | 4.8 | 4.0 | 4.5 | 4.0 |
| Estonia | -8.5 | -2.1 | 1.6 | 2.7 | -4.8 | -4.6 | -3.2 | -10.5 | -9.5 | -9.8 |
| Finland | 9.7 | 8.9 | 10.1 | 10.5 | 10.9 | 10.7 | 10.2 | 10.8 | 10.7 | 9.6 |
| France | 13.5 | 14.8 | 15.1 | 15.4 | 16.0 | 0.9 | 1.7 | 1.2 | -4.1 | -5.7 |
| Germany | 17.9 | 16.2 | 17.7 | 18.1 | 17.5 | 17.9 | 18.0 | 18.3 | 17.9 | 13.9 |
| Greece | 17.1 | 16.0 | 15.2 | 15.0 | 14.2 | 15.0 | 15.4 | 13.4 | 13.6 | 11.4 |
| Hungary | 5.0 | 6.7 | 4.2 | 5.4 | 6.5 | 4.3 | 4.9 | 5.4 | 6.9 | 8.6 |
| Iceland | 1.4 | 9.5 | 12.8 | 12.9 | 14.5 | 15.2 | 13.7 | 12.4 | 12.7 | 10.7 |
| Ireland | 6.6 | -15.8 | -11.4 | -10.7 | -10.7 | -10.7 | -9.5 | -6.6 | -5.2 | -9.6 |
| Israel | -1.5 | -2.6 | -3.0 | -1.3 | -1.5 | -3.7 | -2.9 | -1.5 | -0.9 | -1.8 |
| Italy | 5.5 | 5.1 | 6.2 | 2.5 | 1.3 | 1.4 | 1.4 | 1.7 | 2.6 | -0.1 |
| Japan | 3.8 | -3.0 | 2.6 | 3.8 | 4.6 | 4.7 | 4.4 | 4.7 | 4.1 | 4.7 |
| Korea | 6.8 | 8.5 | 8.9 | 8.3 | 8.4 | 8.4 | 8.4 | 8.7 | 8.2 | 4.6 |
| Latvia | 3.5 | 12.4 | 13.0 | 7.8 | 7.3 | 7.1 | 8.7 | 6.7 | 6.0 | 4.9 |
| Lithuania | 19.2 | 8.2 | 10.6 | 9.5 | 10.3 | 7.3 | 9.0 | 3.0 | 22.0 | 6.6 |
| Luxembourg | -6.4 | -10.9 | -6.5 | -5.4 | -4.1 | -3.5 | -6.6 | -5.3 | -4.3 | -6.8 |
| Mexico | -4.4 | 0.8 | 2.6 | 3.0 | 3.4 | 3.7 | 4.7 | 4.6 | 5.5 | 4.9 |
| Netherlands | 14.5 | 3.6 | 3.2 | 1.7 | 0.6 | -3.5 | -3.8 | -3.6 | -5.2 | -5.5 |
| New Zealand | -3.0 | -17.7 | -16.9 | -15.8 | -14.4 | -14.6 | -13.5 | -20.5 | -19.4 | -18.1 |
| Norway | 5.7 | 10.8 | 11.9 | 11.9 | 12.1 | 11.9 | 12.0 | 12.4 | 12.2 | 12.3 |
| Poland | 18.0 | 17.8 | 17.8 | 14.7 | 11.2 | -35.4 | -37.9 | -29.2 | -21.5 | -20.5 |
| Portugal | 9.1 | 1.7 | 7.8 | 7.2 | 7.6 | 2.8 | 3.5 | 4.1 | 5.1 | 5.3 |
| Slovak Republic | -2.0 | 2.3 | 4.2 | 4.8 | 5.4 | 6.1 | 7.0 | 8.1 | 8.7 | 7.4 |
| Slovenia | -2.0 | -1.7 | -0.8 | -4.6 | -4.4 | -3.9 | -1.5 | -0.5 | 1.0 | 0.5 |
| Spain | 6.8 | 8.1 | 9.6 | 9.8 | 1.5 | 1.5 | 1.6 | 2.0 | 2.3 | 1.9 |
| Sweden | 20.1 | 11.1 | 12.2 | 11.9 | 12.2 | 12.8 | 13.1 | 12.1 | 11.3 | 11.6 |
| Switzerland | 0.3 | -1.1 | -1.3 | -1.9 | -1.9 | -1.5 | -1.4 | -1.2 | -1.1 | -1.7 |
| Turkey[1] | 27.2 | 22.0 | 22.6 | 23.0 | 23.2 | 22.5 | 22.9 | 23.3 | 23.4 | 23.7 |
| United Kingdom | 7.7 | 0.6 | -3.1 | -4.1 | -3.4 | -1.4 | 0.9 | 2.6 | 4.5 | 0.6 |
| United States | 2.6 | 0.2 | 3.1 | 3.7 | 3.9 | 4.5 | 5.5 | 2.0 | 2.4 | -0.8 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **5.2** | **3.2** | **4.7** | **4.5** | **3.9** | **1.7** | **2.0** | **1.8** | **2.5** | **0.8** |
| **OECD-EU 22** | **7.2** | **5.5** | **7.4** | **6.7** | **6.0** | **2.3** | **2.5** | **2.4** | **3.3** | **1.3** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/4p8367

## Table 6.21. Income tax plus employee contributions less cash benefits, married couple at 100% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 18.4 | 9.3 | 12.0 | 12.4 | 12.9 | 13.1 | 16.0 | 16.9 | 16.0 | 16.1 |
| Austria | 15.1 | 17.9 | 20.7 | 21.1 | 21.6 | 18.6 | 19.1 | 19.6 | 15.0 | 12.9 |
| Belgium | 23.7 | 23.6 | 23.0 | 22.9 | 22.6 | 20.9 | 20.9 | 20.4 | 19.4 | 17.2 |
| Canada | 14.2 | 8.1 | 8.8 | 9.6 | 0.2 | 0.9 | 0.7 | 2.3 | 3.0 | 0.7 |
| Chile | 6.3 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Colombia | -4.6 | -3.8 | -3.9 | -3.9 | -4.4 | -4.5 | -4.4 | -4.3 | -4.3 | -5.4 |
| Czech Republic | -5.3 | -5.7 | 0.9 | 1.8 | 1.9 | -0.2 | 0.8 | 0.2 | 1.6 | 1.1 |
| Denmark | 28.2 | 24.9 | 25.1 | 24.9 | 25.3 | 25.2 | 25.2 | 24.9 | 25.3 | 25.1 |
| Estonia | 10.6 | 7.3 | 9.4 | 10.0 | 4.5 | 4.3 | 5.0 | 1.1 | 2.4 | 2.1 |
| Finland | 24.8 | 23.0 | 23.9 | 24.4 | 25.2 | 25.2 | 24.8 | 25.0 | 25.0 | 24.9 |
| France | 16.1 | 17.7 | 17.5 | 17.7 | 18.0 | 18.1 | 18.2 | 17.4 | 16.4 | 15.3 |
| Germany | 22.0 | 19.6 | 20.9 | 21.1 | 21.2 | 21.5 | 21.6 | 21.7 | 21.3 | 19.6 |
| Greece | 23.6 | 23.6 | 24.0 | 23.7 | 22.1 | 23.1 | 23.4 | 22.3 | 22.5 | 21.7 |
| Hungary | 20.5 | 18.7 | 15.4 | 16.2 | 16.9 | 15.0 | 15.3 | 15.5 | 16.4 | 17.6 |
| Iceland | 8.9 | 12.2 | 15.2 | 15.8 | 17.5 | 17.7 | 16.3 | 14.8 | 14.6 | 13.4 |
| Ireland | 10.9 | 5.6 | 9.4 | 9.7 | 8.9 | 8.0 | 7.9 | 8.7 | 8.8 | 6.8 |
| Israel | 21.8 | 13.6 | 12.9 | 14.5 | 14.8 | 15.1 | 15.0 | 15.7 | 16.0 | 15.4 |
| Italy | 18.6 | 17.8 | 18.6 | 18.8 | 19.0 | 19.0 | 19.0 | 19.2 | 19.9 | 16.4 |
| Japan | 15.8 | 11.3 | 15.1 | 15.6 | 16.0 | 16.2 | 16.2 | 16.4 | 16.4 | 16.3 |
| Korea | 8.2 | 9.7 | 10.2 | 10.3 | 10.6 | 11.1 | 11.4 | 12.0 | 12.0 | 9.5 |
| Latvia | 12.8 | 19.1 | 19.4 | 15.8 | 15.2 | 15.3 | 16.7 | 16.4 | 15.8 | 14.4 |
| Lithuania | 28.8 | 14.4 | 16.0 | 15.5 | 16.1 | 18.4 | 15.6 | 12.4 | 28.7 | 18.7 |
| Luxembourg | 1.9 | 1.5 | 4.1 | 4.8 | 5.7 | 6.0 | 4.8 | 5.5 | 6.0 | 4.7 |
| Mexico | 2.5 | 6.1 | 9.8 | 10.1 | 10.4 | 10.8 | 11.1 | 10.4 | 10.9 | 10.8 |
| Netherlands | 22.4 | 23.6 | 28.1 | 25.9 | 24.1 | 24.3 | 24.5 | 24.9 | 23.8 | 21.6 |
| New Zealand | 13.6 | -0.9 | 2.4 | 3.8 | 4.9 | 5.5 | 6.4 | 1.9 | 3.5 | 5.0 |
| Norway | 19.3 | 21.8 | 22.3 | 23.2 | 23.1 | 22.8 | 22.6 | 23.6 | 23.4 | 23.4 |
| Poland | 22.1 | 17.8 | 18.1 | 18.6 | 18.9 | 0.3 | -4.2 | 1.2 | 3.9 | -1.1 |
| Portugal | 13.6 | 8.8 | 13.7 | 13.1 | 14.3 | 11.2 | 11.9 | 12.5 | 13.2 | 13.3 |
| Slovak Republic | 5.2 | 3.4 | 5.7 | 6.3 | 6.9 | 7.5 | 8.4 | 9.5 | 10.0 | 9.0 |
| Slovenia | 10.1 | 10.4 | 10.8 | 11.2 | 11.3 | 11.7 | 12.3 | 13.1 | 13.8 | 13.5 |
| Spain | 11.5 | 14.2 | 15.3 | 15.4 | 13.9 | 13.9 | 13.9 | 14.1 | 14.3 | 14.1 |
| Sweden | 26.0 | 17.4 | 18.3 | 17.8 | 18.1 | 18.5 | 18.8 | 18.2 | 17.6 | 17.8 |
| Switzerland | 5.9 | 4.9 | 4.2 | 3.6 | 3.6 | 4.0 | 4.0 | 4.2 | 4.3 | 3.8 |
| Turkey[1] | 28.7 | 24.8 | 25.2 | 25.5 | 25.6 | 25.4 | 26.3 | 26.8 | 27.1 | 27.3 |
| United Kingdom | 20.6 | 18.7 | 19.0 | 18.5 | 17.8 | 18.0 | 18.2 | 18.3 | 18.4 | 18.3 |
| United States | 14.4 | 11.2 | 13.3 | 13.6 | 13.7 | 13.9 | 14.3 | 11.8 | 11.9 | 7.0 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **15.1** | **12.9** | **14.4** | **14.5** | **14.2** | **13.6** | **13.6** | **13.6** | **14.1** | **12.9** |
| **OECD-EU 22** | **16.5** | **14.8** | **16.3** | **16.2** | **16.0** | **14.8** | **14.7** | **14.7** | **15.5** | **13.9** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/h1l0rz

## Table 6.22. Income tax plus employee contributions less cash benefits, married couple with two children, at 100% and 67% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 22.0 | 19.0 | 20.8 | 21.1 | 21.8 | 22.1 | 22.2 | 22.6 | 21.4 | 21.9 |
| Austria | 20.1 | 22.6 | 24.7 | 25.1 | 25.5 | 22.5 | 23.0 | 23.4 | 20.9 | 19.3 |
| Belgium | 35.0 | 33.9 | 33.5 | 33.5 | 33.1 | 31.5 | 31.3 | 30.5 | 29.8 | 28.5 |
| Canada | 21.6 | 18.1 | 18.5 | 18.6 | 15.1 | 15.6 | 15.4 | 15.9 | 16.2 | 15.6 |
| Chile | 6.6 | 6.6 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.6 |
| Colombia | -5.5 | -4.5 | -4.7 | -4.7 | -5.3 | -5.4 | -5.3 | -5.2 | -5.2 | -6.4 |
| Czech Republic | 14.0 | 12.0 | 13.0 | 13.5 | 13.6 | 12.4 | 13.0 | 12.6 | 13.4 | 13.1 |
| Denmark | 35.8 | 31.0 | 31.0 | 30.8 | 31.1 | 31.1 | 31.0 | 30.6 | 30.8 | 30.5 |
| Estonia | 16.8 | 13.7 | 14.7 | 15.1 | 11.2 | 11.1 | 11.6 | 6.3 | 7.2 | 7.0 |
| Finland | 26.0 | 22.9 | 23.7 | 24.2 | 24.6 | 24.4 | 23.9 | 24.2 | 24.1 | 23.9 |
| France | 21.4 | 22.2 | 22.8 | 23.1 | 23.2 | 22.7 | 23.0 | 22.5 | 21.8 | 20.6 |
| Germany | 34.3 | 30.1 | 30.9 | 31.1 | 31.2 | 31.4 | 31.4 | 31.5 | 31.0 | 29.9 |
| Greece | 22.0 | 22.2 | 23.7 | 23.4 | 22.2 | 23.1 | 23.4 | 23.0 | 23.1 | 22.0 |
| Hungary | 24.3 | 22.3 | 23.1 | 23.5 | 23.9 | 22.4 | 22.6 | 22.8 | 23.3 | 24.0 |
| Iceland | 21.9 | 24.4 | 26.5 | 26.9 | 27.6 | 27.5 | 26.8 | 26.5 | 26.5 | 25.5 |
| Ireland | 20.8 | 13.7 | 17.4 | 17.7 | 16.7 | 16.2 | 16.2 | 16.8 | 17.2 | 15.8 |
| Israel | 17.7 | 10.5 | 10.0 | 11.0 | 11.2 | 11.5 | 11.4 | 11.9 | 12.0 | 11.6 |
| Italy | 25.1 | 24.0 | 24.8 | 23.3 | 22.8 | 22.8 | 22.8 | 23.0 | 23.4 | 21.1 |
| Japan | 17.9 | 15.1 | 17.9 | 18.3 | 18.6 | 18.8 | 18.8 | 18.9 | 18.9 | 18.9 |
| Korea | 8.0 | 9.8 | 10.3 | 10.4 | 10.7 | 11.0 | 11.3 | 11.8 | 12.0 | 10.6 |
| Latvia | 18.1 | 23.3 | 23.3 | 20.8 | 20.3 | 20.1 | 21.0 | 19.9 | 19.5 | 17.9 |
| Lithuania | 27.3 | 19.8 | 20.7 | 20.0 | 20.4 | 19.0 | 16.7 | 16.4 | 30.7 | 28.2 |
| Luxembourg | 12.6 | 12.3 | 15.5 | 16.1 | 17.1 | 17.4 | 15.3 | 16.1 | 16.7 | 15.2 |
| Mexico | -0.3 | 4.0 | 6.9 | 7.3 | 7.6 | 7.9 | 8.5 | 8.0 | 8.8 | 8.4 |
| Netherlands | 30.1 | 24.9 | 26.4 | 24.4 | 23.2 | 21.6 | 21.7 | 21.9 | 20.5 | 19.9 |
| New Zealand | 19.0 | 13.9 | 15.9 | 16.3 | 16.5 | 16.7 | 16.9 | 17.1 | 17.3 | 17.6 |
| Norway | 24.4 | 24.8 | 25.1 | 24.7 | 24.6 | 24.1 | 23.8 | 23.8 | 23.6 | 23.7 |
| Poland | 25.0 | 20.4 | 21.2 | 21.5 | 21.7 | 16.2 | 15.0 | 15.3 | 12.7 | 9.2 |
| Portugal | 17.0 | 16.5 | 22.0 | 21.7 | 20.4 | 20.7 | 21.1 | 20.5 | 21.2 | 21.3 |
| Slovak Republic | 13.3 | 14.0 | 15.4 | 15.8 | 16.1 | 16.5 | 17.0 | 17.6 | 18.0 | 17.1 |
| Slovenia | 25.1 | 23.4 | 23.8 | 24.0 | 24.1 | 23.8 | 24.6 | 24.9 | 25.3 | 25.1 |
| Spain | 15.6 | 17.8 | 18.9 | 19.0 | 17.2 | 17.2 | 17.1 | 17.3 | 17.4 | 17.2 |
| Sweden | 28.3 | 19.3 | 19.9 | 19.4 | 19.6 | 20.0 | 20.2 | 19.9 | 19.2 | 19.4 |
| Switzerland | 12.3 | 11.3 | 10.8 | 10.2 | 10.2 | 10.6 | 10.6 | 10.8 | 11.0 | 10.4 |
| Turkey[1] | 28.1 | 24.7 | 25.2 | 25.5 | 25.7 | 25.5 | 26.1 | 26.5 | 26.7 | 26.9 |
| United Kingdom | 21.5 | 21.1 | 19.4 | 18.9 | 18.7 | 18.9 | 19.0 | 19.1 | 19.1 | 19.0 |
| United States | 20.5 | 18.5 | 19.7 | 19.9 | 20.0 | 20.1 | 20.3 | 17.6 | 17.7 | 14.7 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **20.1** | **18.4** | **19.4** | **19.4** | **19.2** | **18.8** | **18.8** | **18.6** | **18.9** | **18.1** |
| **OECD-EU 22** | **23.1** | **21.0** | **22.3** | **22.1** | **21.8** | **21.1** | **21.1** | **20.8** | **21.2** | **20.3** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/dgpxjf

## Table 6.23. Income tax plus employee contributions less cash benefits, married couple, both at 100% of average wage

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

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 25.1 | 22.3 | 23.1 | 23.4 | 24.1 | 24.3 | 24.4 | 24.6 | 23.6 | 24.1 |
| Austria | 23.7 | 26.3 | 28.3 | 28.6 | 29.1 | 25.9 | 26.3 | 26.8 | 24.8 | 23.4 |
| Belgium | 38.4 | 37.4 | 36.9 | 36.9 | 36.6 | 35.3 | 35.1 | 34.4 | 33.9 | 32.7 |
| Canada | 24.5 | 20.7 | 21.1 | 21.9 | 19.2 | 19.1 | 18.9 | 19.4 | 19.6 | 19.2 |
| Chile | 6.6 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Colombia | -4.6 | -1.9 | -2.0 | -2.0 | -4.4 | -4.5 | -4.4 | -4.3 | -4.3 | -5.4 |
| Czech Republic | 18.2 | 15.9 | 16.0 | 16.4 | 16.5 | 15.5 | 18.0 | 15.7 | 19.0 | 16.1 |
| Denmark | 38.1 | 32.7 | 32.6 | 32.4 | 32.7 | 32.7 | 32.7 | 32.3 | 32.5 | 32.2 |
| Estonia | 18.3 | 15.2 | 16.0 | 16.3 | 12.9 | 12.8 | 13.2 | 9.2 | 10.4 | 10.1 |
| Finland | 29.3 | 26.2 | 27.0 | 27.5 | 28.0 | 28.0 | 27.5 | 27.7 | 27.6 | 27.5 |
| France | 23.5 | 23.8 | 24.3 | 24.6 | 25.0 | 25.0 | 25.2 | 24.7 | 24.0 | 23.2 |
| Germany | 37.7 | 33.3 | 33.8 | 34.0 | 34.1 | 34.2 | 34.2 | 34.3 | 33.8 | 33.2 |
| Greece | 24.2 | 24.5 | 26.7 | 26.4 | 24.9 | 26.0 | 26.2 | 26.7 | 26.7 | 26.0 |
| Hungary | 28.1 | 25.0 | 25.0 | 25.3 | 25.7 | 24.2 | 24.4 | 24.5 | 25.0 | 25.5 |
| Iceland | 25.4 | 27.5 | 29.1 | 28.9 | 29.4 | 29.0 | 28.3 | 28.4 | 28.3 | 27.7 |
| Ireland | 25.7 | 19.2 | 23.1 | 23.3 | 22.3 | 21.7 | 21.6 | 22.1 | 22.4 | 21.2 |
| Israel | 21.3 | 12.8 | 12.1 | 13.3 | 13.8 | 14.3 | 14.2 | 14.9 | 15.2 | 14.6 |
| Italy | 27.4 | 27.0 | 27.7 | 27.7 | 27.8 | 27.8 | 27.8 | 27.9 | 28.3 | 25.6 |
| Japan | 18.6 | 16.5 | 19.0 | 19.4 | 19.7 | 19.9 | 19.9 | 20.1 | 20.1 | 20.0 |
| Korea | 8.7 | 11.2 | 11.7 | 12.0 | 12.3 | 12.7 | 13.0 | 13.5 | 13.6 | 12.5 |
| Latvia | 20.4 | 24.8 | 24.8 | 22.7 | 22.0 | 22.1 | 22.9 | 22.6 | 22.2 | 21.1 |
| Lithuania | 28.8 | 21.0 | 21.7 | 21.3 | 21.6 | 20.7 | 19.2 | 18.9 | 32.6 | 30.7 |
| Luxembourg | 17.6 | 17.4 | 20.8 | 21.5 | 22.4 | 22.7 | 20.9 | 21.6 | 22.2 | 20.8 |
| Mexico | 2.5 | 6.1 | 9.8 | 10.1 | 10.4 | 10.8 | 11.1 | 10.4 | 10.9 | 10.8 |
| Netherlands | 30.9 | 27.5 | 30.7 | 28.3 | 26.2 | 25.5 | 25.7 | 25.9 | 24.7 | 24.1 |
| New Zealand | 19.4 | 17.0 | 16.9 | 17.2 | 17.6 | 17.9 | 18.1 | 18.4 | 18.8 | 19.1 |
| Norway | 26.8 | 26.8 | 27.0 | 26.5 | 26.3 | 25.9 | 25.6 | 25.5 | 25.4 | 25.4 |
| Poland | 25.9 | 21.4 | 22.1 | 22.4 | 22.5 | 18.0 | 16.9 | 17.1 | 14.9 | 11.9 |
| Portugal | 20.2 | 19.5 | 25.3 | 24.9 | 23.8 | 23.8 | 24.1 | 23.6 | 24.2 | 24.3 |
| Slovak Republic | 19.0 | 16.6 | 17.8 | 18.1 | 18.4 | 18.7 | 19.1 | 19.7 | 19.9 | 19.2 |
| Slovenia | 29.4 | 27.8 | 26.9 | 27.0 | 27.1 | 26.9 | 27.3 | 28.8 | 29.1 | 28.7 |
| Spain | 18.0 | 19.9 | 21.1 | 21.2 | 19.4 | 19.4 | 19.3 | 19.5 | 19.6 | 19.4 |
| Sweden | 29.9 | 21.1 | 21.7 | 21.1 | 21.3 | 21.7 | 21.9 | 21.6 | 21.1 | 21.2 |
| Switzerland | 14.8 | 14.0 | 13.4 | 12.8 | 12.8 | 13.2 | 13.3 | 13.5 | 13.6 | 13.0 |
| Turkey[1] | 28.7 | 26.0 | 26.5 | 26.7 | 26.8 | 26.8 | 27.6 | 28.1 | 28.4 | 28.6 |
| United Kingdom | 23.2 | 22.8 | 21.5 | 21.1 | 20.9 | 21.0 | 21.2 | 21.2 | 21.2 | 21.1 |
| United States | 22.7 | 20.3 | 21.3 | 21.4 | 21.5 | 21.6 | 22.0 | 19.8 | 20.0 | 17.9 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **22.6** | **20.9** | **21.8** | **21.8** | **21.6** | **21.3** | **21.3** | **21.2** | **21.6** | **20.9** |
| **OECD-EU 22** | **26.0** | **23.8** | **25.0** | **24.9** | **24.6** | **24.0** | **24.1** | **23.9** | **24.5** | **23.6** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/whctge

## Table 6.24. Income tax plus employee contributions less cash benefits, married couple at 100% and 67% of average wage

Tax burden as a % of gross wage earnings, two-earner married couple without children

| | 2000 | 2010 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 24.4 | 19.8 | 20.8 | 21.1 | 21.8 | 22.1 | 22.2 | 22.6 | 21.4 | 21.9 |
| Austria | 28.8 | 30.7 | 32.0 | 32.3 | 32.7 | 29.9 | 30.2 | 30.6 | 31.0 | 30.2 |
| Belgium | 42.0 | 40.2 | 39.9 | 39.8 | 39.4 | 37.8 | 37.7 | 36.8 | 36.2 | 35.1 |
| Canada | 23.4 | 20.9 | 21.1 | 21.6 | 21.5 | 21.4 | 21.2 | 21.4 | 21.6 | 21.6 |
| Chile | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Colombia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Czech Republic | 21.8 | 20.7 | 21.2 | 21.5 | 21.8 | 22.2 | 22.8 | 23.3 | 23.7 | 23.7 |
| Denmark | 39.8 | 35.0 | 34.8 | 34.6 | 34.9 | 34.9 | 34.8 | 34.2 | 34.4 | 34.1 |
| Estonia | 21.1 | 18.7 | 18.9 | 19.1 | 17.9 | 17.8 | 17.8 | 12.7 | 13.7 | 13.5 |
| Finland | 31.5 | 26.7 | 27.4 | 27.8 | 28.1 | 27.9 | 27.3 | 27.4 | 27.2 | 27.0 |
| France | 27.5 | 27.1 | 27.5 | 27.7 | 28.0 | 28.0 | 28.1 | 27.4 | 26.9 | 25.5 |
| Germany | 40.3 | 37.0 | 37.2 | 37.3 | 37.4 | 37.5 | 37.5 | 37.5 | 37.0 | 36.7 |
| Greece | 21.5 | 22.2 | 24.5 | 24.2 | 23.0 | 24.5 | 24.8 | 25.3 | 25.3 | 24.3 |
| Hungary | 33.5 | 30.0 | 34.5 | 34.5 | 34.5 | 33.5 | 33.5 | 33.5 | 33.5 | 33.5 |
| Iceland | 23.3 | 25.4 | 27.2 | 27.1 | 27.6 | 27.5 | 26.9 | 27.0 | 26.9 | 26.5 |
| Ireland | 23.0 | 18.8 | 21.8 | 22.0 | 21.1 | 20.7 | 20.7 | 21.1 | 21.4 | 20.1 |
| Israel | 22.8 | 13.7 | 13.2 | 13.8 | 14.3 | 14.7 | 14.6 | 15.2 | 15.4 | 14.9 |
| Italy | 27.2 | 28.6 | 29.5 | 27.9 | 27.4 | 27.4 | 27.4 | 27.5 | 27.8 | 25.8 |
| Japan | 19.2 | 20.0 | 20.9 | 21.2 | 21.4 | 21.5 | 21.6 | 21.7 | 21.7 | 21.6 |
| Korea | 8.3 | 11.0 | 11.6 | 11.7 | 11.9 | 12.2 | 12.5 | 12.9 | 13.4 | 13.5 |
| Latvia | 27.1 | 30.1 | 29.7 | 29.1 | 28.5 | 28.3 | 28.5 | 27.3 | 27.2 | 25.9 |
| Lithuania | 27.3 | 21.2 | 21.9 | 21.5 | 21.9 | 21.8 | 20.9 | 20.3 | 35.4 | 34.3 |
| Luxembourg | 22.9 | 21.4 | 23.8 | 24.3 | 25.2 | 25.4 | 23.2 | 23.7 | 24.1 | 23.1 |
| Mexico | -0.3 | 4.0 | 6.9 | 7.3 | 7.6 | 7.9 | 8.5 | 8.0 | 8.8 | 8.4 |
| Netherlands | 33.3 | 29.8 | 31.3 | 29.2 | 28.0 | 27.1 | 27.2 | 27.4 | 26.1 | 25.4 |
| New Zealand | 19.0 | 15.9 | 15.4 | 15.7 | 15.9 | 16.2 | 16.4 | 16.6 | 16.8 | 17.1 |
| Norway | 29.1 | 27.8 | 27.8 | 27.3 | 27.1 | 26.6 | 26.2 | 26.1 | 26.0 | 26.1 |
| Poland | 27.3 | 24.1 | 24.4 | 24.5 | 24.6 | 24.7 | 24.8 | 24.9 | 24.7 | 23.8 |
| Portugal | 20.2 | 19.7 | 24.4 | 24.0 | 25.5 | 25.1 | 25.1 | 24.4 | 24.9 | 25.0 |
| Slovak Republic | 19.4 | 20.3 | 21.6 | 21.8 | 22.0 | 22.2 | 22.5 | 22.9 | 23.0 | 22.2 |
| Slovenia | 34.3 | 31.5 | 31.3 | 31.4 | 31.5 | 31.6 | 32.4 | 32.5 | 32.9 | 32.4 |
| Spain | 17.9 | 20.1 | 21.1 | 21.2 | 19.4 | 19.4 | 19.3 | 19.5 | 19.5 | 19.3 |
| Sweden | 32.9 | 23.7 | 24.0 | 23.4 | 23.5 | 23.8 | 23.9 | 24.0 | 23.4 | 23.5 |
| Switzerland | 17.8 | 17.1 | 17.1 | 16.7 | 16.7 | 17.0 | 17.0 | 17.1 | 17.2 | 16.9 |
| Turkey[1] | 28.1 | 25.4 | 25.9 | 26.2 | 26.3 | 26.2 | 26.8 | 27.1 | 27.4 | 27.6 |
| United Kingdom | 24.6 | 24.3 | 22.4 | 21.9 | 21.7 | 21.8 | 21.8 | 21.8 | 21.7 | 21.6 |
| United States | 24.4 | 23.1 | 24.1 | 24.1 | 24.2 | 24.2 | 24.3 | 22.3 | 22.4 | 20.1 |
| *Unweighted average* | | | | | | | | | | |
| **OECD-Average** | **24.1** | **22.5** | **23.4** | **23.3** | **23.3** | **23.2** | **23.2** | **23.0** | **23.4** | **23.0** |
| **OECD-EU 22** | **28.2** | **26.2** | **27.4** | **27.2** | **27.1** | **26.9** | **26.8** | **26.6** | **27.2** | **26.6** |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/v1odyw

## Table 6.25. Annual average gross and net wage earnings, single individual no children, 2000-2020

In US dollars using PPP

| | 2000 | | 2010 | | 2015 | | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross | Net | Gross | Net | Gross | Net | Gross | Net | Gross | Net | Gross | Net |
| Australia | 31 504 | 23 125 | 44 401 | 34 507 | 54 760 | 41 580 | 59 122 | 44 551 | 60 957 | 46 548 | 63 415 | 48 145 |
| Austria | 32 770 | 22 624 | 45 749 | 30 619 | 54 985 | 35 718 | 61 365 | 41 244 | 63 699 | 42 545 | 63 956 | 43 126 |
| Belgium | 35 169 | 20 044 | 51 941 | 29 752 | 58 114 | 33 701 | 63 203 | 37 992 | 65 916 | 39 972 | 63 704 | 39 233 |
| Canada | 29 358 | 21 989 | 36 261 | 28 154 | 40 359 | 30 974 | 44 943 | 34 554 | 46 457 | 35 655 | 48 536 | 37 296 |
| Chile | 12 878 | 11 977 | 17 179 | 15 977 | 21 672 | 20 155 | 23 449 | 21 805 | 24 126 | 22 426 | 24 050 | 22 358 |
| Colombia | 7 189 | 7 189 | 11 046 | 11 046 | 11 836 | 11 836 | 13 253 | 13 253 | 13 713 | 13 713 | 11 961 | 11 961 |
| Czech Republic | 11 232 | 8 706 | 21 029 | 16 307 | 24 788 | 19 000 | 30 884 | 23 282 | 32 529 | 24 419 | 31 616 | 23 745 |
| Denmark | 32 499 | 19 026 | 49 576 | 31 759 | 55 262 | 35 427 | 62 154 | 40 171 | 64 917 | 41 882 | 64 948 | 42 067 |
| Estonia | 8 385 | 6 545 | 18 978 | 15 281 | 24 272 | 19 795 | 29 047 | 24 807 | 30 882 | 26 021 | 31 492 | 26 592 |
| Finland | 26 797 | 17 718 | 43 778 | 30 897 | 47 678 | 32 968 | 52 549 | 36 602 | 54 065 | 37 730 | 53 680 | 37 490 |
| France | 28 722 | 20 347 | 40 621 | 29 309 | 46 971 | 33 345 | 51 891 | 37 024 | 53 568 | 38 546 | 51 985 | 37 801 |
| Germany | 36 485 | 20 723 | 51 878 | 31 540 | 60 547 | 36 522 | 68 443 | 41 238 | 70 537 | 42 840 | 70 454 | 43 041 |
| Greece | 23 089 | 18 103 | 33 480 | 25 735 | 34 214 | 26 030 | 37 531 | 27 713 | 38 810 | 28 638 | 38 755 | 28 898 |
| Hungary | 9 871 | 6 344 | 19 885 | 13 644 | 23 942 | 15 682 | 29 796 | 19 814 | 33 189 | 22 071 | 34 107 | 22 681 |
| Iceland | 32 018 | 23 873 | 39 581 | 28 657 | 54 024 | 38 166 | 63 657 | 45 597 | 66 209 | 47 469 | 65 930 | 47 469 |
| Ireland | 30 653 | 22 208 | 49 451 | 37 858 | 54 027 | 39 958 | 59 914 | 44 563 | 61 185 | 45 371 | 57 709 | 43 383 |
| Israel | 27 795 | 20 539 | 30 537 | 25 344 | 35 607 | 29 372 | 41 870 | 34 206 | 43 677 | 35 591 | 42 703 | 35 004 |
| Italy | 26 768 | 18 993 | 36 555 | 25 505 | 41 368 | 28 506 | 45 352 | 31 192 | 46 917 | 32 129 | 44 755 | 31 772 |
| Japan | 32 234 | 25 870 | 42 744 | 33 926 | 49 144 | 38 280 | 49 775 | 38 646 | 51 459 | 39 945 | 51 288 | 39 832 |
| Korea | 26 564 | 24 187 | 43 854 | 38 469 | 46 299 | 40 130 | 51 556 | 44 143 | 53 807 | 45 850 | 53 284 | 45 303 |
| Latvia | 6 420 | 4 630 | 14 991 | 10 415 | 19 275 | 13 699 | 24 171 | 17 225 | 25 880 | 18 483 | 26 427 | 19 077 |
| Lithuania | 7 057 | 5 028 | 14 964 | 11 654 | 19 346 | 14 923 | 24 758 | 19 275 | 33 941 | 21 538 | 36 456 | 23 416 |
| Luxembourg | 37 546 | 26 783 | 53 390 | 39 099 | 63 401 | 43 848 | 70 622 | 49 731 | 72 087 | 50 489 | 66 993 | 47 600 |
| Mexico | 7 964 | 7 767 | 11 420 | 10 721 | 12 918 | 11 569 | 13 606 | 12 197 | 14 302 | 12 737 | 13 917 | 12 414 |
| Netherlands | 35 835 | 23 788 | 52 978 | 36 207 | 61 179 | 42 669 | 66 113 | 45 927 | 67 590 | 47 707 | 69 213 | 49 331 |
| New Zealand | 24 192 | 19 506 | 32 089 | 26 636 | 38 029 | 31 351 | 41 629 | 33 954 | 42 784 | 34 752 | 43 493 | 35 177 |
| Norway | 32 850 | 22 766 | 51 579 | 36 485 | 55 758 | 39 895 | 60 867 | 44 134 | 62 436 | 45 323 | 63 236 | 45 873 |
| Poland | 12 585 | 9 086 | 20 227 | 15 274 | 26 145 | 19 623 | 31 176 | 23 315 | 33 591 | 25 195 | 33 939 | 25 757 |
| Portugal | 16 526 | 12 816 | 26 565 | 20 667 | 29 701 | 21 275 | 32 290 | 23 617 | 34 101 | 24 795 | 33 539 | 24 362 |
| Slovak Republic | 10 181 | 8 129 | 19 118 | 14 935 | 22 350 | 17 148 | 24 663 | 18 741 | 26 038 | 19 745 | 25 948 | 19 850 |
| Slovenia | 16 897 | 10 889 | 26 534 | 17 701 | 30 400 | 20 268 | 34 370 | 22 661 | 35 834 | 23 515 | 35 781 | 23 709 |
| Spain | 23 417 | 18 769 | 34 120 | 26 705 | 39 839 | 31 366 | 42 425 | 33 406 | 43 553 | 34 281 | 43 062 | 33 960 |
| Sweden | 28 773 | 19 069 | 40 828 | 30 714 | 46 781 | 35 281 | 50 695 | 37 981 | 52 033 | 39 262 | 53 173 | 40 060 |
| Switzerland | 40 772 | 33 507 | 58 064 | 47 970 | 70 061 | 58 171 | 77 591 | 64 106 | 79 828 | 65 898 | 76 918 | 63 770 |
| Turkey[1] | 19 696 | 14 037 | 19 600 | 14 390 | 26 839 | 19 494 | 30 480 | 21 758 | 33 600 | 23 855 | 36 976 | 26 214 |
| United Kingdom | 35 366 | 26 239 | 48 872 | 36 463 | 51 964 | 39 794 | 57 670 | 44 136 | 60 451 | 46 304 | 57 855 | 44 379 |
| United States | 33 129 | 24 877 | 45 665 | 34 429 | 50 963 | 37 900 | 55 058 | 41 959 | 56 577 | 43 066 | 60 220 | 46 715 |
| OECD average | 24 086 | 17 509 | 35 122 | 26 074 | 40 671 | 29 876 | 45 350 | 33 419 | 47 331 | 34 765 | 47 175 | 34 834 |

1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.

StatLink https://stat.link/j6nzlh

## Table 6.26. Annual average gross and net wage earnings, single individual no children, 2000-2020 (national currency)

| | 2000 | | 2010 | | 2015 | | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gross | Net | Gross | Net | Gross | Net | Gross | Net | Gross | Net | Gross | Net |
| Australia | 41 322 | 30 332 | 66 724 | 51 856 | 80 720 | 61 292 | 85 778 | 64 638 | 87 766 | 67 020 | 90 861 | 68 982 |
| Austria | 29 732 | 20 526 | 38 504 | 25 770 | 43 911 | 28 524 | 47 078 | 31 641 | 48 398 | 32 325 | 48 658 | 32 810 |
| Belgium | 31 644 | 18 035 | 43 423 | 24 873 | 46 479 | 26 954 | 48 645 | 29 241 | 49 783 | 30 189 | 47 720 | 29 389 |
| Canada | 36 038 | 26 992 | 44 290 | 34 387 | 50 368 | 38 655 | 53 857 | 41 407 | 55 459 | 42 564 | 57 292 | 44 024 |
| Chile | 3 690 623 | 3 432 280 | 6 181 738 | 5 749 016 | 8 481 551 | 7 887 842 | 9 669 328 | 8 991 704 | 10 042 281 | 9 334 826 | 10 279 535 | 9 556 633 |
| Colombia | 5 283 845 | 5 283 845 | 12 382 986 | 12 382 986 | 15 107 886 | 15 107 886 | 17 585 619 | 17 585 619 | 18 499 302 | 18 499 302 | 16 033 240 | 16 033 240 |
| Czech Republic | 160 922 | 124 729 | 287 320 | 222 803 | 320 624 | 245 750 | 382 948 | 288 691 | 404 764 | 303 844 | 402 261 | 302 119 |
| Denmark | 281 700 | 164 922 | 376 073 | 240 914 | 403 600 | 258 738 | 421 100 | 272 158 | 432 900 | 279 291 | 437 094 | 283 108 |
| Estonia | 3 931 | 3 068 | 9 712 | 7 820 | 13 045 | 10 638 | 15 734 | 13 438 | 16 817 | 14 170 | 16 637 | 14 048 |
| Finland | 26 362 | 17 431 | 39 395 | 27 804 | 43 268 | 29 918 | 45 081 | 31 400 | 45 813 | 31 971 | 45 719 | 31 930 |
| France | 26 712 | 18 923 | 34 693 | 25 032 | 37 975 | 26 959 | 39 251 | 28 005 | 39 196 | 28 205 | 38 188 | 27 768 |
| Germany | 34 400 | 19 539 | 41 736 | 25 374 | 47 100 | 28 411 | 50 700 | 30 548 | 52 000 | 31 582 | 52 104 | 31 831 |
| Greece | 15 459 | 12 120 | 24 156 | 18 567 | 20 833 | 15 850 | 21 279 | 15 713 | 21 621 | 15 954 | 21 139 | 15 763 |
| Hungary | 1 086 240 | 698 166 | 2 512 020 | 1 723 560 | 3 172 680 | 2 078 105 | 4 117 728 | 2 738 289 | 4 677 521 | 3 110 551 | 5 011 590 | 3 332 707 |
| Iceland | 2 712 000 | 2 022 102 | 5 256 000 | 3 805 407 | 7 668 000 | 5 417 104 | 8 712 000 | 6 240 301 | 9 048 000 | 6 487 080 | 9 247 101 | 6 657 793 |
| Ireland | 28 924 | 20 956 | 41 981 | 32 139 | 43 733 | 32 345 | 47 227 | 35 127 | 48 722 | 36 129 | 46 685 | 35 095 |
| Israel | 95 664 | 70 691 | 121 581 | 100 905 | 139 728 | 115 260 | 155 784 | 127 267 | 161 028 | 131 217 | 157 093 | 128 770 |
| Italy | 21 550 | 15 291 | 28 243 | 19 705 | 30 550 | 21 052 | 30 962 | 21 295 | 31 472 | 21 552 | 30 233 | 21 463 |
| Japan | 4 987 116 | 4 002 481 | 4 773 076 | 3 788 423 | 5 083 906 | 3 960 010 | 5 206 931 | 4 042 713 | 5 221 704 | 4 053 394 | 5 185 181 | 4 026 987 |
| Korea | 19 849 729 | 18 073 190 | 36 876 204 | 32 348 478 | 39 695 196 | 34 405 928 | 44 893 176 | 38 438 269 | 46 285 248 | 39 440 841 | 46 020 316 | 39 127 355 |
| Latvia | 2 316 | 1 670 | 7 296 | 5 069 | 9 588 | 6 815 | 11 892 | 8 475 | 12 804 | 9 144 | 12 913 | 9 321 |
| Lithuania | 3 187 | 2 270 | 6 735 | 5 245 | 8 623 | 6 652 | 11 164 | 8 691 | 15 436 | 9 795 | 16 426 | 10 550 |
| Luxembourg | 35 875 | 25 591 | 49 387 | 36 167 | 55 858 | 38 631 | 59 733 | 42 063 | 60 896 | 42 651 | 58 040 | 41 239 |
| Mexico | 48 607 | 47 400 | 87 672 | 82 301 | 107 551 | 96 320 | 124 185 | 111 323 | 133 131 | 118 563 | 131 163 | 117 003 |
| Netherlands | 31 901 | 21 176 | 45 215 | 30 901 | 49 540 | 34 552 | 51 590 | 35 838 | 53 054 | 37 447 | 54 843 | 39 089 |
| New Zealand | 34 923 | 28 159 | 48 007 | 39 850 | 56 110 | 46 257 | 60 360 | 49 232 | 62 181 | 50 507 | 64 150 | 51 885 |
| Norway | 298 385 | 206 788 | 471 696 | 333 655 | 553 670 | 396 149 | 598 146 | 433 706 | 620 035 | 450 097 | 627 370 | 455 108 |
| Poland | 23 061 | 16 649 | 36 482 | 27 548 | 46 136 | 34 628 | 54 684 | 40 896 | 58 779 | 44 089 | 60 915 | 46 229 |
| Portugal | 10 922 | 8 470 | 16 542 | 12 870 | 17 369 | 12 441 | 18 680 | 13 663 | 19 331 | 14 056 | 19 478 | 14 148 |
| Slovak Republic | 5 256 | 4 197 | 9 593 | 7 494 | 10 983 | 8 427 | 12 455 | 9 465 | 13 154 | 9 975 | 13 200 | 10 098 |
| Slovenia | 8 894 | 5 732 | 16 915 | 11 284 | 18 092 | 12 062 | 19 569 | 12 902 | 20 265 | 13 298 | 20 424 | 13 534 |
| Spain | 17 319 | 13 882 | 24 786 | 19 400 | 26 475 | 20 845 | 26 922 | 21 198 | 27 292 | 21 482 | 26 934 | 21 241 |
| Sweden | 263 581 | 174 686 | 368 208 | 277 001 | 414 105 | 312 312 | 447 569 | 335 327 | 455 072 | 343 379 | 465 767 | 350 907 |
| Switzerland | 72 910 | 59 918 | 85 068 | 70 280 | 86 558 | 71 868 | 90 600 | 74 854 | 91 628 | 75 639 | 87 363 | 72 429 |
| Turkey[1] | 5 545 | 3 952 | 18 026 | 13 235 | 31 191 | 22 654 | 49 007 | 34 983 | 61 841 | 43 906 | 74 751 | 52 994 |
| United Kingdom | 24 910 | 18 481 | 34 297 | 25 589 | 35 978 | 27 552 | 39 626 | 30 327 | 41 128 | 31 503 | 41 807 | 32 069 |
| United States | 33 129 | 24 877 | 45 665 | 34 429 | 50 963 | 37 900 | 55 058 | 41 959 | 56 577 | 43 066 | 60 220 | 46 715 |

Note: The annual average gross wage earnings in euro area countries are expressed in euros for all years.
1. Wage figures are based on the old definition of average worker (ISIC D, rev3.) for years 2000 to 2006.Notes

StatLink https://stat.link/j5n7im

## Notes

[1] Tables 6.1 to 6.24 show figures rounded to the first decimal. Due to rounding, changes in percentage points that are presented in the text may differ by one-tenth of a percentage point relative to those in the tables.

[2] Tables 6.1 to 6.24 show figures rounded to the first decimal. The text may present figures rounded to two decimal points for accuracy purposes.

# Part II Country details, 2020

# Australia
# (2019-2020 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 2020

### 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** | 60 877 | 90 861 | 151 738 | 60 877 |
| | Principal Gross wage earnings | 60 877 | 90 861 | 151 738 | 60 877 |
| | 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)** | 60 877 | 90 861 | 151 738 | 60 877 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | | | |
| | Income tax | 11 332 | 21 116 | 43 640 | 11 332 |
| | Medicare Levy | 1 218 | 1 817 | 3 035 | 1 218 |
| | Total | 12 550 | 22 933 | 46 675 | 12 550 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | 1 167 | 1 054 | 0 | 1 167 |
| | Married or head of family | 0 | 0 | 0 | 0 |
| | Children | | | | |
| | Other | | | | |
| | Total | 1 167 | 1 054 | 0 | 1 167 |
| **7.** | **Central government income tax finally paid (5-6)** | 11 383 | 21 879 | 46 675 | 11 383 |
| **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)** | 11 383 | 21 879 | 46 675 | 11 383 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | 0 | 0 | 0 | 0 |
| | For two children | 0 | 0 | 0 | 14 241 |
| | Total | 0 | 0 | 0 | 14 241 |
| **12.** | **Take-home pay (1-10+11)** | 49 494 | 68 982 | 105 063 | 63 736 |
| **13.** | **Employers' payroll tax (assumes NSW-based employer with more than $** | 3 633 | 5 422 | 9 055 | 3 633 |
| **14.** | **Average rates** | | | | |
| | Income tax | 18.7% | 24.1% | 30.8% | 18.7% |
| | Employees' social security contributions | 0.0% | 0.0% | 0.0% | 0.0% |
| | Total payments less cash transfers | 18.7% | 24.1% | 30.8% | -4.7% |
| | Total tax wedge including employer payroll taxes | 23.3% | 28.4% | 34.7% | 1.2% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 36.0% | 42.0% | 39.0% | 56.0% |
| | Total payments less cash transfers: Spouse | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | 39.6% | 45.3% | 42.4% | 58.5% |
| | Total tax wedge: Spouse | n.a. | n.a. | n.a. | n.a. |

## Australia 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 90 861 | 151 738 | 181 722 | 151 738 |
| | Principal Gross wage earnings | 90 861 | 90 861 | 90 861 | 90 861 |
| | Spouse Gross wage earnings | 0 | 60 877 | 90 861 | 60 877 |
| **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)** | 90 861 | 151 738 | 181 722 | 151 738 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | | | |
| | Income tax | 21 116 | 32 448 | 42 231 | 32 448 |
| | Medicare Levy | 1 817 | 3 035 | 3 634 | 3 035 |
| | Total | 22 933 | 35 482 | 45 866 | 35 482 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | 1 054 | 2 221 | 2 108 | 2 221 |
| | Married or head of family | | | | |
| | Children | | | | |
| | Other | 0 | 0 | 0 | 0 |
| | Total | 1 054 | 2 221 | 2 108 | 2 221 |
| **7.** | **Central government income tax finally paid (5-6)** | 21 879 | 33 261 | 43 757 | 33 261 |
| **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)** | 21 879 | 33 261 | 43 757 | 33 261 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | 0 | 0 | 0 | 0 |
| | For two children | 7 247 | 0 | 0 | 0 |
| | Total | 7 247 | 0 | 0 | 0 |
| **12.** | **Take-home pay (1-10+11)** | 76 229 | 118 477 | 137 965 | 118 477 |
| **13.** | **Employers' payroll tax (assumes NSW-based employer with more than $** | 5 422 | 9 055 | 10 845 | 9 055 |
| **14.** | **Average rates** | | | | |
| | Income tax | 24.1% | 21.9% | 24.1% | 21.9% |
| | Employees' social security contributions | 0.0% | 0.0% | 0.0% | 0.0% |
| | Total payments less cash transfers | 16.1% | 21.9% | 24.1% | 21.9% |
| | Total tax wedge including employer payroll taxes | 20.8% | 26.3% | 28.4% | 26.3% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 42.0% | 42.0% | 42.0% | 42.0% |
| | Total payments less cash transfers: Spouse | 30.6% | 36.0% | 42.0% | 36.0% |
| | Total tax wedge: Principal earner | 45.3% | 45.3% | 45.3% | 45.3% |
| | Total tax wedge: Spouse | 34.5% | 39.6% | 45.3% | 39.6% |

The national currency is the Australian dollar (AUD). For the 2019-2020 income tax year AUD 1.47 was equal to USD 1. The average full time worker earned AUD 90 861 in 2019-2020.

# 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: No relief available.
- Relief(s) for children: See Section 4.2 for more detail on transfers related to dependent children.
- 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 called the Low Income Tax Offset. Taxpayers whose taxable income was less than AUD 37 000 in 2019-2020 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.
- Reliefs for Low and Middle Income Earners: A tax offset worth a maximum of AUD 1080 is available for taxpayers with earnings up to AUD 126 000 called the Low and Middle Income Tax Offset. Taxpayers whose taxable income was less than AUD 37 000 in 2019-2020 are eligible to receive AUD 255. The offset is increased by AUD 0.075 for every AUD 1 by which a taxpayer's taxable income exceeds AUD 37 000 up to a maximum of AUD 1 080 when the taxpayer's earnings are between AUD 48 000 and AUD 90 000. The offset is then reduced by AUD 0.03 for every AUD 1 by which a taxpayers earnings exceed AUD 90 000 and is no longer available once a taxpayer's taxable income exceeds AUD 126 000.
- Relief for mature age workers: No relief available.
- Relief for recipients of certain social security benefits: The Beneficiary Tax Offset is available for those who receive certain taxable social security benefits called 'rebatable benefits'. It ensures that a person who is wholly or mainly dependent on rebatable benefits, and does not have any other taxable income, is not liable for income tax. The amount of the Beneficiary Tax Offset available to an individual is determined by the total amount of the rebatable 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 2 766 in 2019-2020. To qualify for the offset in 2019-2020, the combined adjusted taxable income of the taxpayer and their spouse (where one exists) should not exceed AUD 100 000. 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 11 346. This offset is not included in the Taxing Wages model.

- Relief for pensioners and seniors. The Seniors and Pensioners Tax Offset (SAPTO) is available to recipients of taxable Government Pensions, including Parenting Payment Single. SAPTO is also available to Australians who meet all of the Age Pension eligibility criteria except the income and/or asset tests. SAPTO 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 AUD 1 that a recipient's income exceeds their relevant shade out threshold dependent on their circumstances. 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% rebate up to a maximum rebate of AUD 540. In 2019-2020, the Low Income Superannuation Tax Offset matches AUD 0.15 for each AUD 1 of concessional contributions from at least AUD 10 up to AUD 500 a year for eligible individuals with annual incomes up to AUD 37 000. In addition in 2019-2020, eligible individuals with incomes not exceeding AUD 53 564 can make non-concessional contributions and receive a co-contribution of 50%, up to a maximum of AUD 500.
- Relief for private health insurance: For the 2019-2020 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 90 000 the rebate is 25.059% 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 180 000, the rebate is 25.059% 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.

- 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) | | |
|---|---|---|
| Not less than | Not more than | Tax at general rates on total taxable income |
| 0 | 18 200 | NIL |
| 18 201 | 37 000 | NIL + 19c for each AUD in excess of AUD 18 200 |
| 37 001 | 90 000 | AUD 3 572 + 32.50c for each AUD in excess of AUD 37 000 |
| 90 001 | 180 000 | AUD 20 797 + 37c for each AUD in excess of AUD 90 000 |
| 180 001 and over | | AUD 54 097 + 45c 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 2019-2020 the levy applied at the rate of 2.0% of the taxable income of an individual.

Certain thresholds are applied before the levy is imposed. For taxpayers aged under Age Pension age in 2019-2020, an individual was not liable for the levy where their taxable income did not exceed AUD 22 801. 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 38 474. The threshold is increased by AUD 3 533 for each dependent child. Where an individual's taxable income exceeds AUD 22 801, or a family's income exceeds AUD 38 474 (plus AUD 3 533 for each dependent child), the levy shades in at a rate of 10% of the excess of taxable income over the threshold, until the levy is equal to 2.0% of the individual's or family's taxable income.

For 2019-2020, individual senior Australians of Age Pension age were not liable to pay the levy where their taxable income did not exceed AUD 36 056. Where taxable income exceeded AUD 36 056 but did not exceed AUD 45 070, the levy liability was equal to 10% of the excess of taxable income over AUD 36 056. 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 2019-2020 exceeded AUD 50 191 (plus AUD 3 533 for each dependent child).

Individual taxpayers who had income for surcharge purposes greater than AUD 90 000 in 2019-2020 (or if a couple had a combined income greater than AUD 180 000) but who did not have a complying private health insurance policy, were liable for the Medicare levy surcharge, which is applied as a flat rate on their taxable income and reportable fringe benefits. The surcharge rates are 1%, 1.25% and 1.5% depending on the taxpayer's income for surcharge purposes 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 2019-2020 the Superannuation Guarantee required employers to pay 9.5% 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 2019-2020 tax year this threshold was AUD 55 270 per quarter. The Superannuation Guarantee rate will remain at 9.5% until 2020-2021, then increase by 0.5 percentage points each year until it reaches 12% in 2025-26.

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, 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 2019-2020 was 5.45% for employers with total Australian wages in excess of AUD 900 000. 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 900 000. 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 2019-2020, the base rate of FTB(A) is payable where the combined adjusted taxable income of the family does not exceed AUD 98 988. The payment shades out at the rate of AUD 0.30 per AUD 1 of income over the ceiling until the payment is nil. The base rate of payment is AUD 1 558.55 per annum for dependent children aged under 18 and for dependent full time students aged 16 to 19. 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. For 2019-2020 families may receive a maximum payment of AUD 4 854.50 for each child aged under 13 years and AUD 6 314.50 for each child aged 13 to 15 years and for each child aged 16 to 19 in full time secondary school. For 2019-2020 an end of year supplement of AUD 766.50 per child is also available for families with a combined adjusted taxable income of less than AUD 80 000. For 2019-2020, the higher benefit tapers out at the rate of AUD 0.20 for each dollar of income over AUD 54 677 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 child under the age of 16 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 have an adjusted taxable income less than AUD 100 000 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 2019-2020, this threshold is AUD 5 694, 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 2019-2020, the maximum payment is AUD 3 255.80 if the youngest dependent child is aged between 5 and 15 (or up to the end of the calendar year they turn 18 years if the dependent child is a full-time student), and AUD 4 500.45 if there is at least one 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 Newborn Supplement and Newborn Upfront Payment may be paid to families for each baby born from 1 March 2014. To be eligible families will need to be eligible for FTB(A) and not be accessing Parental Leave Pay for that child. For multiple births, Parental Leave Pay may be payable for one child and Newborn Supplement for the other child or children. The total value of the Newborn Supplement and Newborn Upfront Payment in 2019-2020 is up to AUD 2 239.86 for the first child (and all multiple births) and up to AUD 1 120.56 for subsequent children. This supplement and upfront payment replace the previous Baby Bonus.
- On 1 January 2011 Australia's first Paid Parental Leave scheme commenced. The scheme provides two government-funded payments: Parental Leave Pay and Dad and Partner Pay. Parental Leave Pay (PLP) provides the primary carer of a child with 18 weeks' pay at the national minimum wage (AUD 740.80 per week before tax in 2019-2020), 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 with no more than an eight week gap between two working days. 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, whichever is earlier. PLP and Newborn Supplement 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 PLP.
- Dad and Partner Pay (DAPP) provides the father or partner of the primary carer of a child with two weeks' pay at the national minimum wage (AUD 740.80 per week before tax in 2019-20), in the year following the child's birth or adoption. The father or partner 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 with no more than an eight week gap between two working days. The father or partner'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, whichever is earlier. DAPP and PLP may be paid for the same child.

- Child Care Subsidy (CCS) replaced the previous Child Care Benefit (CCB) and Child Care Rebate (CCR) from 2 July 2018. CCS is a means-tested payment which assists families with the cost of approved child care. CCS is payable to eligible families with incomes up to AUD 352 453. A percentage of the cost of childcare is subsidised, with the applicable percentage varying from 85 per cent for families with income less than AUD 68 163 to 20 per cent for families with income between AUD 342 453 and AUD 352 453. CCS to families with income above AUD 188 163 are capped at AUD 10 373 per child. The attached calculations assume no child care usage.
- Parenting Payment is a taxable payment payable to low income families with responsibility for the care of a young child. Partnered persons are eligible if they have a qualifying child under six years of age, and sole parents are eligible if they have a qualifying child under eight years of age. In 2019-2020 the maximum annual amount of Parenting Payment (Partnered) (PP(P)) was AUD 13 146.90. Only one parent in a couple can be entitled to PP(P). The maximum annual amount of Parenting Payment (Single) (PP(S)) was AUD 20 336.40. These payments are subject to income and assets tests. The PP(P) tapers out at a rate of AUD 0.50 per AUD 1 of income over AUD 2,704 up to AUD 6,604 and reduces at a rate of AUD 0.60 per AUD 1 for income over AUD 6,604. 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 25 674. If the spouse has little or no income (less than AUD 2,704 per annum), he or she would not receive any Parenting Payment when the higher earning partner's income exceeds AUD 45 296. PP(S) reduces by AUD 0.40 for each AUD 1 of income above AUD 4 903.60 plus AUD 639.60 for each child other than the first. The attached calculations assume dependants are aged six and seven.

  JobSeeker Payment replaced the Newstart Allowance on 20 March 2020 as the primary taxable payment payable to people aged from 22 years to Age Pension age (currently 66 years) who are unemployed or are regarded as unemployed, combining seven other payments. JobSeeker Payment is also payable to a member of a couple if their youngest child is aged 6 years or more and to single parents if their youngest child is aged 8 years or more. It is conditional on recipients fulfilling a personal Job Plan, which typically involves taking part in activities such as job seeking and training. In 2019-2020 the annual JobSeeker (or Newstart prior to 20 March 2020) amount for singles without dependants was AUD 14 561.10 and for partnered individuals was AUD 13 146.90. These payments taper out at a rate of AUD 0.50 per AUD 1 for incomes between AUD 2,704 and AUD 6,604, and reduce at a rate of AUD 0.60 per AUD for incomes over AUD 6,604. Under the thresholds and taper rates that applied in 2019-2020, the JobSeeker payment may be available to some full time workers under the OECD definition of 30 or more hours per week. The JobSeeker Payment for partnered individuals reduced by AUD 0.60 for each AUD 1 of their partner's income above AUD 25 674. For single principal carers with dependent child or children, it reduced at a rate of AUD 0.40 per AUD 1 for incomes over AUD 2,704.
- A non-taxable supplementary payment called Pharmaceutical Allowance (PA) is payable to eligible persons to help with medicine costs; 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 2019-2020, the payment is AUD 161.20.
- A non-taxable Telephone Allowance is available on a quarterly basis to eligible individuals, including individuals who receive PP(S). The basic rate of the Telephone Allowance is AUD 120.20 for 2019-2020.

### *4.3. Other transfers*

*Energy Supplement*

- The Energy Supplement (ES) is an extra payment to help with energy costs, paid alongside certain income support payments. The ES is not indexed. The amount of the supplement varies depending on the main income support payment. FTB(A) and FTB(B) recipients are only eligible for the ES if they have been continuously eligible for their payment since 19 September 2016.
  - For eligible FTB(A) recipients, the maximum amount of ES is AUD 91.25 per year for each child under 13 years and AUD 116.80 for each child aged 13 to 19 years.
  - For eligible FTB(B) recipients, the amount of ES is AUD 73.00 per year for each child under 5 years, and AUD 51.10 per year for each child aged 5 to 18 years.
  - Recipients of PP(P) receive AUD 205.40 annually, and recipients of PP(S) receive AUD 312.
  - For JobSeeker Payment/Newstart Allowance recipients, the ES is AUD 228.80 annually for singles without dependents, and AUD 205.40 for partnered individuals.
- The calculations assume families and individuals are eligible for the energy supplement as a significant proportion of FTB(A) and FTB(B) recipients were eligible for the supplement in 2019-2020.

*Single Income Family Supplement*

- The Single Income Family Supplement (SIFS) is a non-taxable annual payment of up to AUD 300 for households with one main income earner with taxable income between AUD 68 000 and AUD 150 000 and who receive FTB for at least one child. This payment is being phased out from 1 July 2017.
- The SIFS phases in at a rate of AUD 0.025 for every AUD 1 above AUD 68,000 until it reaches AUD 300 at AUD 80,000 where it remains constant at AUD 300. Once the main earner's income exceeds AUD 120,000 the SIFS reduces by AUD 0.01 for every AUD 1 until it is reduced to nil at AUD 150,000. If there is a secondary earner, every AUD of their income above AUD 16,000, reduces the SIFS by AUD 0.15.
- The attached calculations assume families are not eligible for the SIFS as the majority of single income families were not eligible for the supplement in 2019-2020.

## 5. Recent changes in the tax/benefit system

There were no material changes to the personal income tax system. The Net Medical Expenses Tax Offset, previously available on a grandfathered basis, was abolished from 1 July 2019.

### *5.1. Changes to labour taxation due to the covid-19 pandemic*

A number of temporary changes to income transfers were made by the Australian Government in response to the COVID-19 pandemic during the 2019-2020 year. No changes were made to the personal income tax system during 2019-2020 due to the COVID-19 pandemic.

From 27 April 2020, recipients of a range of income support payments including JobSeeker and Parenting Payment received a taxable supplement of AUD 550 per fortnight (14 day period) for the remainder of the financial year. This supplement is in addition to the standard means-tested income support payment, and the full AUD 550 was paid in each fortnight the recipient qualified for a non-zero amount of income support. This payment was made to eligible recipients for a maximum of 5 fortnights during the 2019-20 financial year, however some continuously eligible recipients received the payment in 4 fortnights depending on their payment date.

Simultaneously, the taper rate for the partner income test for the JobSeeker Payment was temporarily reduced from AUD 0.60 to AUD 0.25 per AUD 1 of income over the income test threshold from 27 April

2020. A number of means tests and waiting periods, including the assets test, were also suspended for most income support payments over this period, and payment eligibility was expanded.

Recipients of a range of income support and income supplement payments, including JobSeeker Payment, Parenting Payment and Family Tax Benefit received a non-taxable one-off Economic Support Payment of AUD 750 in 2019-2020. These one-off payments were predominantly made in April 2020. The Economic Support Payment is included in the Taxing Wages calculations.

From 30 March 2020, the Australian Government also introduced the temporary JobKeeper Payment, a wage subsidy of AUD 1 500 per fortnight. The benefit is paid to employers whose revenue had fallen by 30 per cent (for employers with annual turnover of less than $1 billion), 50 per cent (for employers with annual turnover of more than $1 billion), or 15 per cent (for certain charities). Self-employed individuals were also eligible to receive the JobKeeper payment. While this benefit is paid to employers, it is only paid for employees who had been paid at least AUD 1 500 per fortnight, so it operates in a way that is similar to an income support payment.

## 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 2019-2020 income tax year have been calculated as the average of the two biannual figures (November 2019 and May 2020 (released in August 2020)).

In August 2009 the Australian Bureau of Statistics (ABS) 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 Parental Leave Pay 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. 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.

Employer contributions to pension schemes are primarily through the superannuation system. This is described in section 2.2.

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 90 861 | |
|---|---|---|---|
| Low Income Tax Offset | low_inc_cr | 445 | |
| | low_inc_lim | 37 000 | |
| | low_inc_redn | 0.015 | |
| Low and Middle Tax Offset | Lmito_cr_low | 255 | |
| | Lmito_inc_incr | 37 000 | |
| | Lmito_inc_decr | 90 000 | |
| | Lmito_up | 0.075 | |
| | Lmito_dwn | 0.03 | |
| | Lmito_max | 1080 | |
| Tax schedule | tax_sch | 0.000 | 18 200 |
| | | 0.190 | 37 000 |
| | | 0.325 | 90 000 |
| | | 0.370 | 180 000 |
| | | 0.450 | |
| Medicare levy | medic_rate | 0.02 | |
| exemption limits | sing_lim | 22 801 | |
| married | m_lim | 38 474 | |
| sing parent receiving PPS | SAPTO_lim | 50 191 | |
| + per child | ch_lim | 3 533 | |
| shading-in rate | shade_rate | 0.1 | |
| Part A FTB max | FTB_A_max | 4 854.50 | |
| Part A FTB basic | FTB_A_base | 1 558.55 | |
| part A income limit 1 | FTB_A_lim1 | 54 677 | |
| part A income limit 2 | FTB_A_lim2 | 98 988 | |
| reduction rate 1 | FTB_A_taper1 | 0.2 | |
| reduction rate 2 | FTB_A_taper2 | 0.3 | |
| Part A FTB Energy Supplement (ES) max | FTB_A_CES_max | 91.25 | |
| Part A FTB ES basic | FTB_A_CES_basic | 36.5 | |
| Part A FTB max end of year supplement | FTB_A_supp | 766.50 | |
| Part A FTB max end of year supplement threshold | FTB_A_supp_lim | 80 000 | |
| Part B FTB | FTB_B | 3 255.80 | |
| part B partner income limit | FTB_B_lim | 5 694 | |
| reduction rate | FTB_B_taper | 0.2 | |
| Income limit (primary earner) | FTB_B_lim_p | 100 000 | |
| Part B FTB ES no child <5 years old | FTB_B_CES_5 | 51.1 | |
| Economic Supplement (COVID-19 support payment) | Eco_supp | 750 | |
| Parenting payment single | PPS | 20 336.40 | |
| reduction rate | PPS_taper | 0.4 | |
| income limit | PPS_lim | 4 903.6 | |
| additional limit per child | PPS_ch_lim | 639.6 | |
| Parenting payment single Energy Supplement (ES) | PPS_CES | 312 | |
| Pharmaceutical allowance | PA | 161.2 | |
| State pay-roll tax rate (NSW) | Pay_roll_rate | 0.0545 | |
| Additional parameters | | | |
| Newstart allowance single rate | NSAS | 14 561.1 | |
| JobSeeker Payment single ES | NSAS_CES | 229 | |
| Newstart allowance partnered rate | NSAP | 13 146.90 | |
| JobSeeker Payment partnered ES | NSAP_CES | 205.4 | |
| reduction rate 1 | NSA_taper1 | 0.5 | |
| reduction rate 2 | NSA_taper2 | 0.6 | |
| income limit 1 | NSA_lim1 | 2 704 | |

| | | | |
|---|---|---|---|
| income limit 2 | NSA_lim2 | 6 604 | |
| 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 | |
| Telephone allowance | Tele_A | 120.20 | |

## 2020 Tax Equations

The equations for the Australian system in 2020 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, NSAP_CES),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 : | | | |
| | 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) |
| | Low and Middle Income Tax Offset | lmito_cr | B | MAX(0,IF(Tax_Inc<LMITO_Thr1,LMITO_Base,MAX(IF(Tax_Inc<LMITO_Thr2,MIN(LMITO_Max,LMITO_Base+(Tax_Inc-LMITO_Thr1)*LMITO_Taper1),LMITO_Max-(Tax_Inc-LMITO_Thr2)*LMITO_Taper2)))) |
| | 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 | low_cr+sap_cr+ben_cr+lmito_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+IF(princ_earn+spouse_earn<FTB_A_supp_lim,FTB_A_supp,0))*Children+IF(Children>2,(Children-2)*FTB_A_large,0)),MAX(((FTB_A_max+FTB_A_CES_max+IF(princ_earn+spouse_earn<FTB_A_supp_lim,FTB_A_supp,0))*Children-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-Positive((princ_earn+taxbl_cr+spouse_earn+taxbl_cr_spouse)-(FTB_A_lim2+(Positive(Children-1))*FTB_A_child))*FTB_A_taper2))) |
| | Family Tax Benefit (Part B) | ftbB | J | IF(earn_princ<FTB_B_lim_p,IF(Children>0,Taper(FTB_B+FTB_B_CES_5, earn_spouse+taxbl_cr_spouse,FTB_B_lim,FTB_B_taper),0),0) |
| | Economic Supplement | | J | IF(OR(ftbA>0,ftbB>0),Eco_supp) |
| | 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) |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | 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+Eco_supp |
| 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 2020

### 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** | | 32 601 | 48 658 | 81 259 | 32 601 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | 60 | 60 | 60 | 60 |
| | Married or head of family | | | | | |
| | Dependent children | | 0 | 0 | 0 | 0 |
| | Deduction for social security contributions and income taxes | | 5 861 | 8 747 | 13 515 | 5 861 |
| | Work-related expenses | | 132 | 132 | 132 | 132 |
| | Other | | 0 | 0 | 0 | 0 |
| | | Total | 6 053 | 8 939 | 13 707 | 6 053 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 26 548 | 39 719 | 67 552 | 26 548 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 3 235 | 7 501 | 17 747 | 3 235 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 0 | 0 | 0 | 0 |
| | Married or head of family | | 0 | 0 | 0 | 669 |
| | Children | | 0 | 0 | 0 | 3 000 |
| | Other | | 400 | 400 | 400 | 400 |
| | | Total | 400 | 400 | 400 | 4 069 |
| **7.** | **Central government income tax finally paid (5 - 6)** | | 2 835 | 7 101 | 17 347 | - 834 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 5 861 | 8 747 | 13 515 | 5 861 |
| | Taxable income | | | | | |
| | | Total | 5 861 | 8 747 | 13 515 | 5 861 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 8 696 | 15 848 | 30 863 | 5 027 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 0 | 0 | 0 | 5 888 |
| | | Total | 0 | 0 | 0 | 5 888 |
| **12.** | **Take-home pay (1-10+11)** | | 23 905 | 32 810 | 50 396 | 33 462 |
| **13.** | **Employer's wage dependent contributions and taxes** | | | | | |
| | Employer's compulsory social security contributions | | 6 898 | 10 295 | 15 907 | 6 898 |
| | payroll taxes | | 2 249 | 3 357 | 5 607 | 2 249 |
| | | Total | 9 147 | 13 653 | 21 514 | 9 147 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 8.7% | 14.6% | 21.3% | -2.6% |
| | Employees' social security contributions | | 18.0% | 18.0% | 16.6% | 18.0% |
| | Total payments less cash transfers | | 26.7% | 32.6% | 38.0% | -2.6% |
| | Total tax wedge including employer's social security contributions | | 42.7% | 47.3% | 51.0% | 19.8% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 43.3% | 48.2% | 36.9% | 43.3% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 55.7% | 59.5% | 40.9% | 55.7% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Austria 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 48 658 | 81 259 | 97 316 | 81 259 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | 60 | 120 | 120 | 120 |
| | Married or head of family | | | | | |
| | Dependent children | | 0 | 0 | 0 | 0 |
| | Deduction for social security contributions and income taxes | | 8 747 | 14 608 | 17 495 | 14 608 |
| | Work-related expenses | | 132 | 264 | 264 | 264 |
| | Other | | 0 | 0 | 0 | 0 |
| | | Total | 8 939 | 14 992 | 17 879 | 14 992 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 39 719 | 66 267 | 79 438 | 66 267 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 7 501 | 10 736 | 15 001 | 10 736 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 0 | 0 | 0 | 0 |
| | Married or head of family | | 669 | 0 | 0 | 0 |
| | Children | | 3 000 | 3 000 | 3 000 | 0 |
| | Other | | 400 | 800 | 800 | 800 |
| | | Total | 4 069 | 3 800 | 3 800 | 800 |
| **7.** | **Central government income tax finally paid (5 - 6)** | | 3 432 | 6 936 | 11 201 | 9 936 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 8 747 | 14 608 | 17 495 | 14 608 |
| | Taxable income | | | | | |
| | | Total | 8 747 | 14 608 | 17 495 | 14 608 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 12 179 | 21 544 | 28 696 | 24 544 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 5 888 | 5 888 | 5 888 | 0 |
| | | Total | 5 888 | 5 888 | 5 888 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 42 367 | 65 603 | 74 508 | 56 715 |
| **13.** | **Employer's wage dependent contributions and taxes** | | | | | |
| | Employer's compulsory social security contributions | | 10 295 | 17 193 | 20 591 | 17 193 |
| | Payroll taxes | | 3 357 | 5 607 | 6 715 | 5 607 |
| | | Total | 13 653 | 22 800 | 27 306 | 22 800 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 7.1% | 8.5% | 11.5% | 12.2% |
| | Employees' social security contributions | | 18.0% | 18.0% | 18.0% | 18.0% |
| | Total payments less cash transfers | | 12.9% | 19.3% | 23.4% | 30.2% |
| | Total tax wedge including employer's social security contributions | | 32.0% | 37.0% | 40.2% | 45.5% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 48.2% | 48.2% | 48.2% | 48.2% |
| | Total payments less cash transfers: Spouse | | 28.7% | 43.3% | 48.2% | 43.3% |
| | Total tax wedge: Principal earner | | 59.5% | 59.5% | 59.5% | 59.5% |
| | Total tax wedge: Spouse | | 44.3% | 55.7% | 59.5% | 55.7% |

The Austrian currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In that year, the average worker in Austria earned EUR 48 658 (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*

#### 1.1.2.2. Standard tax reliefs

- Work related expenses: a tax allowance of at least EUR 132 is available to all employees.
- Tax allowance for special expenses of at least EUR 60.
- Social security contributions and connected contributions (see Section 2).

#### 1.1.2.2. Non-standard tax reliefs

- Mainly work related expenses (‘Werbungskosten’).
- Traffic relief depending on the distance between home and working place as well as the availability of public transport.

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 |

- Tax-free wage 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, while other supplements are tax free up to EUR 360 (EUR 540 for night work) per month:

- Tax allowances for contributions to state-approved churches up to EUR 400 per year and for donations up to 10% of income for research and humanitarian purposes, environmental protection, fire brigades, civil protection, etc.

### 1.1.3. Rate Schedule

Since 2020 the tax schedule is:

| Income (EUR) up to | Marginal rate % |
|---|---|
| 11 000 | 0 |
| 18 000 | 20 |
| 31 000 | 35 |
| 60 000 | 42 |
| 90 000 | 48 |
| 1 000 000 | 50 |
| Above | 55 *) |

* The top marginal tax rate of 55% applies only until 2025.

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) or EUR 83 333. Otherwise the tax amount is calculated according to the following formula:

| Income from Christmas and leave bonus (EUR) up to | Marginal rate % |
|---|---|
| 2 000 | 0 |
| 2 345 | 30 |
| 25 000 | 6 |
| 50 000 | 27 |
| 83 333 | 35.75 |
| Above | 50/55 |

If income for Christmas and leave bonus exceeds EUR 83 333, the exceeding amount is added to current income and taxed accordingly (MTR of 50% or 55%, see above).

### 1.1.4. Tax credits

The following tax credits exist:

- Non-payable family tax credit of EUR 1 500 each child (EUR 500 if the child is older than 18 years). The parents can split up the tax credit one half each for each child separately.
- Traffic (commuting) tax credit of up to EUR 800. If the overall income tax liability of current income is negative, a refund of social security contributions applies. The refund amounts to the absolute value of the negative result of the tax calculation for current income, limited to 50% of overall social security contributions paid, respectively up to EUR 800. For commuters with a traffic allowance (see 1.1.2.2.) the maximum refund of social security contribution is EUR 1090. In the case of positive tax liability, the tax credit is faded out to EUR 400.
- 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 and single parent tax credit for families with children. The sole earner 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 child and by EUR 220 for the third and every additional child. This tax credit is non-wastable and can be paid as a negative income tax (in addition to the refund of social security contributions in respect of the traffic tax credit).
- Child tax credit of EUR 700.8 (58.40 per month) per child. This tax credit is paid together with child allowances and is not connected with an income tax assessment. Therefore, it is treated as a transfer in this Report (similar treatment as in Revenue Statistics).

- Sole- or single-earner family tax credit of up to EUR 250 each child for low income. If the income tax liability (exclusive of tax credits) is lower than EUR 250 (in the case of one child), the difference of EUR 250 and the correspondent tax liability is refunded.
- A tax credit for retired persons which amounts to EUR 964 for single earners with income up to EUR 19 930 if the spouse's income does not exceed EUR 2 200. Otherwise, the tax credit is EUR 600. The tax credit is linearly reduced to 0 for incomes between EUR 17 000 (EUR 19 930 for sole earners) and EUR 25 000. If the income tax liability is negative, a refund of social security contributions applies. The refund is limited to 75% of total social security contributions paid, respectively to EUR 300.

### *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 | 5370 | 10740 | 3.87 | 3.78 |
| Unemployment insurance | 5370 | 10740 | (4) | 3.00 |
| Pension insurance | 5370 | 10740 | 10.25 | 12.55 |
| Accident insurance | 5370 | 10740 | -- | 1. 20 |
| Contribution to the labour chamber | 5370 | (1) | 0.50 | -- |
| Contribution for the promotion of residential building | 5370 | (1) | 0.50 | 0.50 |
| Addition to secure wage payments in the case of bankruptcy | 5370 | 10740 | -- | 0.2 |

1. No contribution 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 contributions for the promotion of residential buildings is included in Taxes on payroll (3000).
2. There is an income threshold for employee contributions of EUR 460.66 per month.
3. A new program has been introduced on 1 January 2004 for severance payments. Employers are required to pay 1.53% of gross wages for employees whose employment started after 1 January 2003. of if 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 lower for small incomes. In 2020, it is zero for monthly earnings up to EUR 1 733, 1% up to EUR 1 891, 2% up to EUR 2 049 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 (3.9%) and the Community Tax (3%). The wage-dependent part of the contribution to the Austrian Economic Chamber (listed under heading 1000, taxes on profits, Revenue Statistics), which is levied, together with the contributions to the Family Burden Equalisation Fund, at different rates depending upon the Länder Chamber (average rate is approximately 0.4%), is not taken into account. The contribution for the promotion of residential buildings (listed under heading 3000, taxes on payroll, Revenue Statistics) is included in the social security contributions shown above and 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. Transfers related to marital status*

No recurrent payments.

### *3.2. Transfers for dependent children*

A family allowance is granted for each child. The monthly payment is EUR 114.00 for the first child, EUR 128.20 for the second, EUR 152.00 for the third and is further increased for each additional child. It rises by EUR 7.90 for children above 3 years of age, EUR 27.50 for children above 10 years of age and by EUR 51.10 for students (above 19 years of age). The taxing wages calculations only consider households with 2 children aged between 6 and 11 inclusive.

Parents are entitled to a childcare transfer, introduced in 2002. The flexibility of the childcare transfer was again increased significantly. The entitled parent can choose the period of payments between 365 and 851 days (if they split up parental leave: 456 and 1,063 days) resulting in a transfer of EUR 14.53 (in case of 851/1,063 days) to EUR 33.88 per day (in case of 365/456 days). Also, instead of fixed amounts the parents can opt for 80% of the last net-earning, limited to EUR 66 per day (14 months; 12 plus 2). Additionally, parents receive a bonus of EUR 1,000 if the period of transfer payments is split at least at a ratio of 40:60 between parents.

The child tax credit (EUR 58.40 per month, see § 1.14) is paid 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's taxable income (i.e. the sum of the tax base for the progressive income tax schedule) in the preceding year did not exceed EUR 55 000. This supplement is paid on application after a tax assessment of the very year.

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

Due to the covid-19 pandemic parents are entitled to additional EUR 360 family allowance each child in 2020.

## 4. Main Changes in Tax/Benefit Systems Since 2004

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 harmonized for all groups of taxpayers.

The tax reform in 2005 brought a new income tax schedule. Apart from the top rate of 50% for incomes exceeding EUR 51 000, it shows the average tax rate for two amounts of income. The tax amounts for incomes between these values have to be calculated by linear interpolation. The formulas that have to be applied are defined in the tax law. The tax reform included some measures which were made retrospective for 2004. These measures are an increase of the sole earner and the single parent tax credit depending on the number of children (together with a higher income limit for the spouse of a single earner) and an increase of traffic reliefs by about 15%. The maximum deductible amount for church contributions was increased as well. In 2006, the traffic reliefs were raised again by about 10%.

In 2007, the traffic allowance was increased by 10% (effective from 1st July). Additionally, the maximum negative tax for employees with traffic allowances was raised from EUR 110 to EUR 240 (for 2008 and 2009). In 2008, the family allowance for the third child and all subsequent children was increased.

Furthermore, the unemployment insurance contribution of low-earning employees was reduced (effective from 1st July).Also in 2008, for monthly earnings up to EUR 1 100 the rate was set to zero, for earnings below EUR 1 200 the contribution was set to 1%, below EUR 1 350 2% and above it was set to the current rate of 3%. Since 2008, these income limits have been raised according to the increase 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 the 13th child allowance was introduced.

The tax reform 2009 (effective from the 1st of January) brought an increase of the zero bracket (from EUR 10 000 to EUR 11 000), a reduction of the marginal 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: child 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 child tax credit.

Starting in 2013 a progressive rate schedule is applied to Christmas and leave bonus instead of a flat rate regime of 6% (see 1.1.3.)

The tax reform 2016 decreased all marginal tax rates significantly, notably the marginal tax rate of the first tax bracket, which was reduced by 11.5 percentage points from 36.5% to 25%. Limited to the years 2016 to 2020 the top marginal tax rate is temporarily increased by 5% points to 55%. These 55% apply to those parts of income exceeding EUR 1 million a year.

The tax credit for employees was increased from EUR 345 to EUR 400. The non-wastable tax credit (reimbursement of social security contributions) for low earnings was extended. For employees the non-wastable tax credit was increased to a maximum of 50% of social security contributions up to a ceiling of EUR 400 a year. For commuters eligible for the commuter tax allowance the maximum amount of the non-wastable tax credit is EUR 500. This system of a non-wastable tax credit was extended to pensioners too, limited to EUR 110.

Besides the already existing broad financial support for families (payable tax credit and transfers as well as deductibility of cost for child care) the tax reform 2016 increased the tax allowance for children from EUR 220 to EUR 440 per child. If both parents claim for this tax allowance, it increases to EUR 600 (two times EUR 300).

Tax expenditures (tax allowances) for private insurances (e.g. health and pension insurances) and mortgages were abolished for new contracts beginning with 2016. For existing contracts these tax allowances are maintained for a transitional period of five years.

In 2019 a non-payable family tax credit of EUR 1 500 each child (EUR 500 if the child is older than 18 years) was introduced. The parents can split up the tax credit one half each. Sole- or single-earner with low income, who cannot fully participate on that non-payable family tax credit, can apply for a payable sole- or single-earner family tax credit up to EUR 250 each child.

In 2020 the positive entrance rate of the tax rate schedule was reduced to 20% and the refund of social security contributions for low earners was increased.

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

Due to the covid-19 pandemic the already planned reduction of the entrance rate of the tax rate schedule from 25% to 20 was set into force retroactively with beginning of 2020 (see 1.1.3.).

Extraordinary bonuses in connection with the pandemic up to EUR 3 000 are exempted from income-taxation in 2020.

In the case of reduced-working hours, home-office or prevented work attendance due to the covid-19 pandemic tax exemptions or specific allowances (e.g. extraordinary payments for dirty, hard, dangerous, night work, payments for overtime, higher commuting allowance, etc.), which are normally included in the wage-bill of an employee, are exempted nevertheless the employee is not able to fulfil his work during the pandemic.

## 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.

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 48 658 | |
|---|---|---|---|
| Non current income as % | non_cur_pc | 14,29% | |
| Tax schedule for nci | nci_sch | 0 | 2000 |
| | | 0,3 | 2345 |
| | | 0,06 | 25000 |
| | | 0,27 | 50000 |
| Maximum non-current income tax base | nci_base_max | 0,3575 | 83333 |
| Work related | work_rel | 132 | |
| Allowance f."Special expenses" | Basic_al | 60 | |
| Familiy tax credit | fam_cr | 1500 | |
| Sole-, single earner family tax credit | fam_cr_sole | 250 | |
| Max. neg. employee's tax credit | neg_wage_cr | 800 | |
| Max. neg. employee's tax credit rate | neg_wage_cr_rate | 50% | |
| Traffic (commuting) tax credit | traffic_cr | 800 | |
| Lower Limit of traffic tax credit | traffic_cr_ll | 15500 | |
| Upper Limit of traffic tax credit | traffic_cr_ul | 21500 | |
| Children suppl.to SETC: 1st child | dsole1_cr | 494 | |
| 2nd child | dsole2_cr | 175 | |
| 3rd+ child | dsole3_cr | 220 | |
| Spouse with children | sole_lim1 | 6000 | |
| Income tax schedule | Tax_sch | 0 | 11000 |
| | | 0,20 | 18000 |
| | | 0,35 | 31000 |
| | | 0,42 | 60000 |
| | | 0,48 | 90000 |
| | | 0,50 | 1000000 |
| | | 0,55 | |
| Ceiling f. soc. security contributions | SSC_ceil | 5370 | |
| lower limit | SSC_low | 460,66 | |
| Employees' contr. rates | health_rate | 3,87% | |
| | unemp_rate | 0,00% | 1733 |
| | | 1,00% | 1891 |
| | | 2,00% | 2049 |
| | | 3,00% | |
| | pension_rate | 10,25% | |
| sum without unempl. and others | empl_14 | 14,12% | |
| | others_rate | 1,00% | |
| Employers' contr.rates | health_empr | 3,78% | |
| | unemp_empr | 3,00% | |
| | pension_empr | 12,55% | |
| | accident_empr | 1,20% | |
| | payinsur_empr | 0,2% | |
| sum without others | empr_14 | 20,88% | |
| | others_empr | 0,50% | |
| Payroll taxes | payroll_rate | 6,90% | |
| Child benefit: 1st child | CB_1 | 1368,0 | |
| 2nd child | CB_2 | 1538,4 | |
| suppl.>=3years | CB03sppl | 94,8 | |

| | | | |
|---|---|---|---|
| suppl.>=10years | CB10sppl | 330,0 | |
| 5<suppl<17 | CB5to17 | 100 | |
| Child tax credit | child_cr_1 | 700,8 | |
| Child benefit year 2020 | CB_2020 | 360 | |

## 2020 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 parents. 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 child 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, 33%, 67%, 1 or 167% 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 | =(earn>14*SSC_low)*work_rel |
| 10 | Tax-free income | taxfrinc | =tax_free*earn |
| 11 | | | |
| 11 | Tax base for schedule | ctbase | ='(cearn-allow-Child_al_princ-' SSCc-work_rel-taxfrinc)+max(0;ncearn-SSCnc-nci_base_max) |
| 12 | Gross tax on current income | gtaxcur | =Tax(ctbase;tax_sch) |
| 13 | Basic tax credit | btaxcr | =0 |
| 14 | Married or head of family | headcr | IF(Married=0,(Children>0)*((Children>0)*dsole1_cr+(Children>1)*dsole2_cr+(Children>2)*(Children-2)*dsole3_cr),IF(cearn_s-SSCc_s-work_rel_s<=IF(Children>0, sole_lim1,0), ((Children>0)*dsole1_cr+(Children>1)*dsole2_cr+(Children>2)*(Children-2)*dsole3_cr), 0))+MAX(0,Children*fam_cr_sole-gtaxcur_p) |
| 15 | Children | fam_cr | =Max(gtaxcr;fam_cr*child) in the case of single person<br>=MaxFABO(gtaxcur principal;gtaxcur spouse;1) in the case of parents |
| 16 | Other | othcr | =(earn>14*SSC_low)*(wage_cr+traffic_cr*0,5+MIN(1;MAX(0;(traffic_cr_ul-ctbase)/(traffic_cr_ul-traffic_cr_ll)))*traffic_cr*0,5) |
| 17 | Interm. tax on current income | itcur | =gtaxcur-btaxcr-headcr-othcr |
| 18 | Net tax on current income | ntaxcur | =max(gtaxcur-btaxcr-other;-neg_wage_cr_rate*SSC;-neg-wage_cr)-child>0)-headcr |
| 19 | Non current income | ncearn | =earn-cearn |
| 20 | SSC on non-curr. inc. | SSCnc | =(health_rate+unemp(earn,unemp_rate)+pension_rate)* MIN(2*SSC_ceil;ncearn)*(ncearn>2*SSC_low) |
| 21 | Non current income-SSC | ncearn_adj1 | =min(ncearn-SSCnc;nci_base_max) |
| 22 | Tax schedule | nci_sch | =min(ncearn-SSCnc;nci_base_max) |
| 23 | Taxable income | taxinc | =ctbase+ncearn_adj1 |
| 2 | Tax liability excl. tax credits | inctax_ex | =gtaxcur+taxnc |
| 25 | Income tax finally paid | inctax | =ntaxcur+taxnc |
| 26 | Employee's SSC | SSC | =SSCc+SSCnc |

| Bn | Variable | code for docn equations | Excel-Function |
|---|---|---|---|
| 27 | Employer's SSC | SSCf | =IF(earn'/14>=SSC_low;((empr_14+others_empr)*MINA(12*SSC_ceil;cearn)+empr_14*MINA(2*SSC_ceil;ncearn));earn*accident_empr) |
| 28 | Pay-roll taxes | payroll | =payroll_rate*earn |
| 29 | Cash transfers | cash | ==IF(child=0;0;IF(child=2;CB_1+CB_2+2*CB10sppl+2*(CB5to17+child_cr_1+CB_2020))) |
| 30 | Take-home pay | | =earn-inctax-SSC+cash |
| 31 | 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 2020

### 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** | 31 973 | 47 720 | 79 693 | 31 973 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | | | | |
| | Married or head of family | | | | |
| | Dependent children | | | | |
| | Deduction for social security contributions and income taxes | 4 179 | 6 237 | 10 416 | 4 179 |
| | Work-related expenses | 4 880 | 4 880 | 4 880 | 4 880 |
| | Other | | | | |
| | Total | 9 059 | 11 117 | 15 296 | 9 059 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 22 914 | 36 603 | 64 397 | 22 914 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 7 150 | 13 269 | 26 944 | 7 150 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | 0 | 0 | 0 | 0 |
| | Married or head of family | 2 248 | 2 248 | 2 248 | 2 655 |
| | Children | 0 | 0 | 0 | 1 461 |
| | Other | | | | |
| | Total | 2 248 | 2 248 | 2 248 | 4 116 |
| **7.** | **Central government income tax finally paid (5-6)** | 3 679 | 8 271 | 18 533 | 2 277 |
| **8.** | **State and local taxes** | 1 511 | 3 398 | 7 613 | 935 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 4 179 | 6 237 | 10 416 | 4 179 |
| | Taxable income | 247 | 425 | 731 | 247 |
| | Total | 4 426 | 6 662 | 11 147 | 4 426 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 9 616 | 18 331 | 37 292 | 7 638 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 0 | 0 | 0 | 5 429 |
| | Total | 0 | 0 | 0 | 5 429 |
| **12.** | **Take-home pay (1-10+11)** | 22 357 | 29 389 | 42 401 | 29 764 |
| **13.** | **Employer's compulsory social security contributions** | 8 004 | 12 930 | 21 593 | 8 004 |
| **14.** | **Average rates** | | | | |
| | Income tax | 16.2% | 24.5% | 32.8% | 10.0% |
| | Employees' social security contributions | 13.8% | 14.0% | 14.0% | 13.8% |
| | Total payments less cash transfers | 30.1% | 38.4% | 46.8% | 6.9% |
| | Total tax wedge including employer's social security contributions | 44.1% | 51.5% | 58.1% | 25.5% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 51.0% | 55.6% | 59.1% | 51.0% |
| | Total payments less cash transfers: Spouse | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | 65.3% | 65.1% | 67.8% | 65.3% |
| | Total tax wedge: Spouse | n.a. | n.a. | n.a. | n.a. |

## Belgium 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 47 720 | 79 693 | 95 441 | 79 693 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | | | | |
| | Married or head of family | | | | |
| | Dependent children | | | | |
| | Deduction for social security contributions and income taxes | 6 237 | 10 416 | 12 474 | 10 416 |
| | Work-related expenses | 4 880 | 9 760 | 9 760 | 9 760 |
| | Other | | | | |
| | Total | 11 117 | 20 176 | 22 234 | 20 176 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 36 603 | 59 517 | 73 207 | 59 517 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 11 073 | 20 419 | 26 539 | 20 419 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | 0 | 0 | 0 | 0 |
| | Married or head of family | 4 495 | 4 495 | 4 495 | 4 495 |
| | Children | 1 240 | 1 240 | 1 240 | 0 |
| | Other | | | | |
| | Total | 5 735 | 5 735 | 5 735 | 4 495 |
| **7.** | **Central government income tax finally paid (5-6)** | 4 006 | 11 019 | 15 612 | 11 950 |
| **8.** | **State and local taxes** | 1 646 | 4 526 | 6 413 | 4 909 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 6 237 | 10 416 | 12 474 | 10 416 |
| | Taxable income | 425 | 723 | 731 | 723 |
| | Total | 6 662 | 11 139 | 13 205 | 11 139 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 12 314 | 26 684 | 35 230 | 27 997 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 4 087 | 3 983 | 3 983 | 0 |
| | Total | 4 087 | 3 983 | 3 983 | 0 |
| **12.** | **Take-home pay (1-10+11)** | 39 494 | 56 991 | 64 193 | 51 696 |
| **13.** | **Employer's compulsory social security contributions** | 12 930 | 20 933 | 25 860 | 20 933 |
| **14.** | **Average rates** | | | | |
| | Income tax | 11.8% | 19.5% | 23.1% | 21.2% |
| | Employees' social security contributions | 14.0% | 14.0% | 13.8% | 14.0% |
| | Total payments less cash transfers | 17.2% | 28.5% | 32.7% | 35.1% |
| | Total tax wedge including employer's social security contributions | 34.9% | 43.4% | 47.1% | 48.6% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 50.1% | 55.6% | 54.5% | 55.6% |
| | Total payments less cash transfers: Spouse | 45.3% | 51.0% | 54.5% | 51.0% |
| | Total tax wedge: Principal earner | 60.7% | 65.1% | 64.2% | 65.1% |
| | Total tax wedge: Spouse | 56.2% | 65.3% | 64.2% | 65.3% |

The national currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 47 720 (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.

#### 1.1.1.1. Schedule

| Taxable income (EUR) | Marginal rate (%) |
|---|---|
| 0—13 440 | 25 |
| 13 440—23 720 | 40 |
| 23 720—41 060 | 45 |
| 41 060—and above | 50 |

### *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 are entitled to a standard deduction for work-related expenses; this is equal to 30% of gross income (less social insurance contributions) and may not exceed EUR 4 880 per spouse.

For self-employed professionals:

Self-employed professionals are entitled to a standard deduction for work-related expenses. This deduction may under no circumstances exceed EUR 4 880 per spouse.

| Gross earnings less social insurance contributions (EUR) | Rate (%) |
|---|---|
| Below 6 210 | 28.70 |
| Between 6 210 and 12 330 | 10 |
| Between 12 330 and 20 530 | 5 |
| Above 20 530 | 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 2 580 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 0.24 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% of the couple's combined earned income. In this case, the amount transferred is limited to 30% 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 11 090.

#### 1.1.2.4. Exempt income

The base amount is: 8 990. These amounts vary with regards to the family situation. Additional exemptions for dependent children (a handicapped child counts as two children):

- 1 child: 1 630
- 2 children: 4 210
- 3 children: 9 430
- 4 children: 15 250
- > 4 children: 5 820 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 470 per dependent child.

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

- Other dependants: 1 630
- Handicapped / handicapped spouse: 1 630
- Other handicapped dependants: 1 630
- Widow(er) with dependent child(ren): 1 630
- Single father or mother: 1 630

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

| Basic exemption plus any additional exemption (EUR) | Marginal rate (%) |
|---|---|
| 0—9 450 | 25 |
| 9 450—13 440 | 30 |
| 13 440—22 400 | 40 |
| 22 400—41 060 | 45 |
| 41 060—and above | 50 |

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

### *1.2. Regional and local government taxes*

With the implementation of the sixth state reform, the Flemish Region, the Walloon Region and the Brussels-Capital Region have been delegated several important competences with regard to the individual income tax. As a result of this reform, as from 1 July 2014, the regional competences are:

- the possibility to levy surcharges on the federal PIT (the supplementary regional tax on the personal income tax). The surcharge may be proportional or vary with income but there are limits to ensure that the tax remains progressive);
- to grant (on the result of the surcharges) tax discounts;
- to grant tax reductions, tax increases and tax credits;
- to regulate exclusively some tax reductions.

Under the new tax model, the assumed federal income tax amount must first be calculated. The taxable base is reduced by the exempt income (see 1.1.2.4.), the tax credits for pensions, unemployment, sickness and other social benefits and the tax credit for income taxed abroad. Additionally, it is reduced by the tax due on passive income for which the Federal State remains exclusively competent.

The remaining PIT liability is then split between the federal government and Regions according to a ratio of 24.957% for the regional PIT and 75.043% for the Federal PIT. Expressed as % of the federal PIT, the basic rate of the regional surcharge equals 33.257%. (0.24957/(1-0.24957)). Regions may change the rate of the surcharge. This surcharge may vary per tax bracket, within certain limits

The modelling relies on the parameters that apply in the Brussels-capital Region. The actual regional rate is set at 32.591% (Brussels-Capital rate).

The starting point for the calculation of the municipal (and agglomeration) surcharges is the individual income tax ("impôt total", i.e. the sum of federal PIT and regional PIT), before taking into account the surcharge resulting from insufficient prepayments, the foreign tax credit, federal and regional reimbursable tax credits (among others for children and for low-income workers), advanced payments and withholding taxes. The rate of this local surtax is set by each municipality, and there is no upper limit

The calculation of the regional and local surtax for the average worker study assumes that the worker lives in the Region of Brussels-Capital. The weighted average local surtax of the 19 municipalities which form the Brussels-Capital Region is 6.4%. The additional surcharge of 1% levied in the Brussels-Capital Region, in addition to the municipal surcharge, is abolished as from income year 2016.

### *1.3. Tax credits*

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 33.14% as of 1st January 2020 of the "employment bonus" which is actually granted on remunerations earned during the taxable period. It cannot exceed EUR 830 per taxable period.

## 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) :

The schedule applicable as from 01.01.2020 is as follows:

| 2020 | 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 | | 0.26 | 0.26 |
| Wage restraint | | 5.23 | 5.23 |
| Tax shift 2017 | | -5.04 | -5.04 |
| Total | 13.07 | 27.10 | 40.17 |

The schedule applicable as from 01.07.2020 is as follows:

| 2020 | 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 | | 1.00 | 1.00 |
| Work-related accidents | | 0.32 | 0.32 |
| Education leave | | 0.05 | 0.05 |
| Business closures | | 0.26 | 0.26 |
| Wage restraint | | 5.23 | 5.23 |
| Tax shift 2017 | | -5.04 | -5.04 |
| Total | 13.07 | 27.09 | 40.16 |

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 01.01.2019 is as follows:

| Gross annual earnings (S) in EUR | Fixed amount | Variable amount |
|---|---|---|
| 0–36 140.00 | 0 | 0.140 (36 140–S) |
| 36 140 and up | 0 | 0 |

The schedule applicable as from 01.04.2020 is as follows:

| Gross annual earnings (S) in EUR | Fixed amount | Variable amount |
|---|---|---|
| 0–36 862.80 | 0 | 0.140 (36 862.80–S) |
| 36 862.80 and up | 0 | 0 |

c) Reduction of individual social security contributions

A reduction of individual social security contributions is granted monthly for low-income earners, depending on wage level. The schedule below is restated in annual terms.

The schedule applicable as from 01.09.2018 is as follows:

| Gross annual salary (S) in EUR | Reduction in Euros |
|---|---|
| 0 < S < 19 699.44 | 2 419.44 |
| 19 699.44 < S < 30 726.84 | Min (2 419.44, (2 419.44–0.2194 (S–19 699.44)) |
| S > 30 726.84 | 0 |

The schedule applicable as from 01.03.2020 is as follows:

| Gross annual salary (S) in EUR | Reduction in Euros |
|---|---|
| 0 < S < 20 093.76 | 2 467.80 |
| 20 093.76 < S < 31 341.36 | Min (2 467.80, (2 467.80–0.2194 (S–20 093.76)) |
| S > 31 341.36 | 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 special social security contribution is not deductible for PIT purposes. 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 premiums depend on the wage level as well as on sectoral risk indicators. A minimum (+/- 14% of AW in 2018) and maximum (89% of AW) wage applies. The usual premiums are approximately 1% of the capped gross pay for office workers and 3.3% for labourers. Higher rates apply in certain industries in which risks are greater. The premium rate for construction workers, for example, varies between 7% and 8%.

### *2.2. Deductions according to family status or gender*

None.

## 3. Universal cash transfers

With the implementation of the sixth state reform, the Flemish Region, the Walloon Region and the Brussels-Capital Region have been delegated family allowances. We only indicates the changes that have been implemented in the Brussels-capital region. Those apply from 1st January 2020

The previous system (hereafter "the old system") is to a large extend grandfathered. For the children born before 31th December 2019, if the old family allowance system is most advantageous than the new system, the old system still applies if the composition of the family has not been changed. The comparison is made per family and not per child and only takes into account only the basic amounts and not the annual supplements.

The Taxing Wages calculations assume that one child is aged between seven and ten years and that the other child is aged between eleven and twelve years.

### *3.1. New regional system – Brussels-Capital region*

Under the new system, family benefits consist in basic amount, age supplements, an income-related supplement and a single parent supplement.

The basic annual amount per child is set at EUR 1 830.00 (But if the child is born before 1st January 2020, the amount is reduced by EUR 122.00 until 31th December 2025).

Age supplement:

| | |
|---|---|
| ≥ 12 years | 122.00 |
| ≥ 18 years and an enrolment in higher education | 244,00 |

Number of children and income-related supplement, per child: (S = Gross income, net of deductible social security contributions)

| Children under the age of 12 | 1 child | 2 children | 3 children or more |
|---|---|---|---|
| S ≤ 31516.67 | 488,00 | 854,00 | 1342,00 |
| 31516.67 < S ≤ 45750,00 | 0,00 | 305,00 | 878,40 |
| S > 45750,00 | 0,00 | 0,00 | 0,00 |

| Children over the age of 11 | 1 child | 2 children | 3 children or more |
|---|---|---|---|
| S ≤ 31516.67 | 610,00 | 976,00 | 1464,00 |
| 31516.67 < S ≤ 45750,00 | 0,00 | 305,00 | 878,40 |
| S > 45750,00 | 0,00 | 0,00 | 0,00 |

Single parent supplement, per child:

| | 1 child | 2 children | 3 children or more |
|---|---|---|---|
| S ≤ 31516.67 | 0,00 | 122,00 | 244,00 |
| S > 31516.67 | 0,00 | 0,00 | 0,00 |

Annual supplement, per child

| < 3 years | 3 – 5 years | 6 – 11 years | ≥ 12 years |
|---|---|---|---|
| 20,40 | 0,00 | 30,60 | 51,00 |
| | But if pre-school education: | | But if an enrolment in higher education: |
| | 20,40 | | 80,60 |

### *3.2. Old system*

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 | 1 189.20 | 1 199.40 | 1 402.98 | 1 423.38 | 1 529.82 | 1 529.82 | 1 577.18 |
| 2nd child | 2 183.04 | 2 193.24 | 2 599.30 | 2 619.70 | 2 834.06 | 2 834.06 | 3 002.46 |
| 3rd child | 3 249.34 | 3 259.54 | 3 665.60 | 3 686.00 | 3 900.36 | 3 900.36 | 4 068.76 |

## 4. Main changes in the tax/benefit system since 2016

The “tax shift” has been decided in 2015 and is shifting the taxation from labour to other bases, including mainly consumption and income from savings. The reform is phased over the 2015-2019 period. The main changes are the following

- Employers’ social security contributions will be reduced to 25%. Reductions will be abolished, apart from the reduction for low wage earners that will be gradually increased.
- On the side, the reform increases the standard deduction for work related expenses for wage earners and the zero-rate band. The tax schedule will also be modified: the 25% will be extended to the previous upper limit of the 30% bracket, so that the former 30% bracket will disappear. The tax credit for low wage earners will also be increased.

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

Although no specific covid-19 measures have a direct impact on labour taxation as modelled in the Taxing Wages publication, some have an impact on payment facilities:

- The covid-19 measures in Belgium include improved deferred social security contribution (SSC) payments plans (Amicable repayment plans)[1]. Such repayment plans already existed and are still on demand, but access is made easier and conditions smoother. In principle all companies with covid related financial problems can claim the deferral with respect to 2020 SSC-payments.
- Regarding PIT, no particular measures apply to PIT assessments of employees. However a covid measure provides for a lower rate of the earned income withholding tax (EIWT) for unemployment benefits of temporary unemployed employees. Since the PIT rate schedule itself remains unchanged, the total PIT due is not altered. But lower EIWT paid at source amounts to a partial postponement of payment.[2]
- On top of several cases in which employers must not transmit all collected earned income withholding tax (EIWT) to the Treasury, a new covid measure supporting companies retaining temporary unemployed employees was introduced. There already existed different types and conditions for such wage subsidies (e.g. with respect to night and shift work or for researchers)[3].

## 5. Memorandum Items

### *5.1. Identification of AW and valuation of earnings*

The Average Wage is based on an annual survey conducted by the Statbel division of the Ministry of Economy. The survey is limited to enterprises with at least 10 employees. A two step approach is applied: first the participating employers are selected, then the surveyed employees (sampling ratio of 5% to 7%). All employees are covered by the survey but the estimate of the Average Wage is restricted to data of full time employees only. The reference period is October but survey data is combined with social insurance registers to obtain annual earnings. If applicable, the earnings of full time employees not employed during the entire year, are uplifted proportionally to obtain annual estimates. Annual earnings include bonuses, vacation and overtime pay, but no fringe benefits.

## 2020 Parameter values

| | Ave_earn | 47 720 | Secretariat estimate | | |
|---|---|---|---|---|---|
| Work-related expenses | work_rel_max | 4 880 | | | |
| | work_rel_sch | 0 | 0 | | |
| | | 0 | 0 | | |
| | | 0.3 | | | |
| Tax credits (exempt income) | single_cr | 8 990 | | | |
| | Married_cr | 8 990 | | | |
| | Supp_cr_base | 0 | | | |
| | supp_cr_thrsh1 | 0 | | | |
| One child | child_cr1 | 1 630 | | | |
| Two children | child_cr2 | 4 210 | | | |
| Single parents | s_parent_cr | 1 630 | | | |
| Maximum Child Credit Payment | child_cr_max | 470 | | | |
| Basic Credit | basic_cr_base | 0 | | | |
| | basic_cr_thrsh1 | 5 400 | | | |
| | basic_cr_thrsh2 | 7 200 | | | |
| | basic_cr_thrsh3 | 18 810 | | | |
| | basic_cr_thrsh4 | 23 410 | | | |
| Basic exemption plus any additional exemption schedule | | Ex_rate1 | | | |
| | Ex_sch | 0.25 | 9 450 | | |
| | | 0.30 | 13 440 | | |
| | | 0.40 | 22 400 | | |
| | | 0.45 | 41 060 | | |
| | | 0.50 | | | |
| Income tax schedule | | tax_rate1 | | | |
| | tax_sch | 0.00 | 0 | | |
| | | 0.25 | 13 440 | | |
| | | 0.40 | 23 720 | | |
| | | 0.45 | 41 060 | | |
| | | 0.50 | | | |
| | quote_max | 11 090 | | | |
| | quote_rate | 0.3 | | | |
| Regional tax | red_rate | 0.24957 | | | |
| | reg_tax_rate | 0.32591 | | | |
| Local tax | local_rate | 0.064 | | | |
| | add_local_rate | 0.00 | | | |
| 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 | 2 459.74 | 0 |
| | (annual) | 20 028.04 | 20 028.04 | 2 459.74 | 0.2194 |
| | | 31 328.94 | 20 028.04 | 2 459.74 | 0.2194 |
| | | 31 328.94 | 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 | 0.27095 | | | | |
| | SSC_empr_red | 0 | | 0 | 0.1400 | 36 682.10 |
| | | 36 682.10 | | 0 | 0 | 0 |
| | | 36 682.10 | | 0 | 0 | 0 |
| | | 9 999 999 | | 0 | | 0 |
| Structural reduction on the withholding tax on wages | PrP_redn | 0.000 | | | | |
| Low-income credit | LIC_rate | 0.3314 | | | | |
| | LIC_max | 830.00 | | | | |
| Child benefit (age 7-10) old system | CB_1 | 1 423.38 | | | | |
| second child (age 7-10) old system | CB_2 | 2 599.30 | | | | |
| third child (age 7-10) old system | CB_3 | 3 665.60 | | | | |
| Child benefit (age 6-12) (new sytem) | CB | 1738.6 | | | | |
| Social supplement (children < 12) | Number of children | | 0 | 1 | 2 | 3 |
| | CS_social | 0 | 0 | 488 | 854 | 1342 |
| | | 31516.67 | 0 | 0 | 305 | 878.4 |
| | | 45750 | 0 | 0 | 0 | 0 |
| | | 99999999 | 0 | 0 | 0 | 0 |
| Single parent supplement | CS_Single | 0 | 0 | 0 | 122 | 244 |
| | | 31516.67 | 0 | 0 | 0 | 0 |
| | | 99999999 | 0 | 0 | 0 | 0 |

## 2020 Tax equations

The equations for the Belgian system in 2020 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, Ex_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-wasteable credits | CG_tax_init | B | Positive(CG_tax_incl-tax_credits) *(1-red_rate) |
| | Non-wasteable child credit | child_credit_nw | J | MIN(Tax(MIN((children=1)*child_cr1+(children='2)*Parameters!child_cr2),'(positive(ex_inc_int-tax_inc_int), tax_sch), children*child_cr_max) |
| | Final CG tax | CG_tax_final | J | CG_tax_init-basic_cr_total-child_credit_nw |

| | | | | |
|---|---|---|---|---|
| 8. | State and local taxes | | | |
| | Regional tax | regional_tax | B | CG_tax_init*reg_tax_rate |
| | Local tax | local_tax | J | (local_rate+add_local_rate)*(CG_tax_init+regional_tax) |
| 9. | Employees' soc security | SSC | B | Positive((earn)*SSC_rt-MIN(VLOOKUP( earn, SSC_redn,3), VLOOKUP(earn, SSC_redn, 3)-VLOOKUP(earn, SSC_redn, 4)*(earn-VLOOKUP(earn, SSC_redn, 2)))) |
| | | SSC_special | J | positive(Tax(tax_inc_total, SSC_special) |
| | | SSC_total | | SSC+SSC_special |
| 11. | Cash transfers | cash_trans | J | MAX((Children>0)*CB_1+(Children>1)*CB_2,Children*(CB+VLOOKUP(earn-SSC,CS_Social,Children+2)+IF(Married,0,VLOOKUP(earn-SSC,CS_Single,Children+2)))) |
| 13. | Employer's soc security | empr_sch | B | Positive(earn*(SSC_empr_rt- PrP_redn)-(VLOOKUP(earn, SSC_empr_redn, 2)-VLOOKUP(earn, SSC_empr_redn, 3)*(earn-VLOOKUP(earn, SSC_empr_redn, 1)))) |

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

## Notes

1 https://www.socialsecurity.be/site_fr/general/coronavirus/index.htm (French, Dutch or German only)

2 https://finances.belgium.be/fr/particuliers/coronavirus/chomage-et-reprise-du-travail

3 https://finances.belgium.be/fr/entreprises/coronavirus/pr%c3%a9compte-professionnel

# 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 2020

### 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** | | 38 385 | 57 292 | 95 677 | 38 385 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | | | | |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | 105 | 161 | 166 | 105 |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 105 | 161 | 166 | 105 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 38 281 | 57 130 | 95 511 | 38 281 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 5 742 | 9 042 | 16 910 | 5 742 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 2 171 | 2 171 | 2 171 | 2 171 |
| | Married or head of family | | 0 | 0 | 0 | 1 984 |
| | Other(CPP & EI) | | 350 | 528 | 538 | 350 |
| | | Total | 2 521 | 2 699 | 2 709 | 4 505 |
| **7.** | **Central government income tax finally paid (5-6)** | | 3 221 | 6 343 | 14 201 | 1 237 |
| **8.** | **State and local taxes** | | 1 249 | 2 671 | 6 637 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 2 438 | 3 680 | 3 754 | 2 438 |
| | Taxable income (Provincial Health Care Levy) | | 437 | 600 | 750 | 437 |
| | | Total | 2 875 | 4 280 | 4 504 | 2 875 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 7 345 | 13 295 | 25 342 | 4 111 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | 920 | 27 | 0 | 939 |
| | For two children | | 0 | 0 | 0 | 14 740 |
| | | Total | 920 | 27 | 0 | 15 679 |
| **12.** | **Take-home pay (1-10+11)** | | 31 961 | 44 024 | 70 335 | 49 953 |
| **13.** | **Employer's compulsory social security contributions** | | 3 966 | 5 942 | 7 298 | 3 966 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 11.6% | 15.7% | 21.8% | 3.2% |
| | Employees' social security contributions | | 7.5% | 7.5% | 4.7% | 7.5% |
| | Total payments less cash transfers | | 16.7% | 23.2% | 26.5% | -30.1% |
| | Total tax wedge including employer's social security contributions | | 24.5% | 30.4% | 31.7% | -17.9% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 41.5% | 38.8% | 37.9% | 52.2% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 47.2% | 43.6% | 39.1% | 56.9% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Canada 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 57 292 | 95 677 | 114 583 | 95 677 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | | | | |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | 161 | 266 | 323 | 266 |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 161 | 266 | 323 | 266 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 57 130 | 95 411 | 114 260 | 95 411 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 9 042 | 14 784 | 18 085 | 14 784 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 2 171 | 4 342 | 4 342 | 4 342 |
| | Married or head of family | | 1 984 | 0 | 0 | 0 |
| | Other(CPP & EI) | | 528 | 878 | 1 056 | 878 |
| | | Total | 4 683 | 5 220 | 5 398 | 5 220 |
| **7.** | **Central government income tax finally paid (5-6)** | | 4 359 | 9 564 | 12 687 | 9 564 |
| **8.** | **State and local taxes** | | 2 079 | 3 942 | 5 342 | 3 942 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 3 680 | 6 118 | 7 361 | 6 118 |
| | Taxable income (Provincial Health Care Levy) | | 600 | 1 037 | 1 200 | 1 037 |
| | | Total | 4 280 | 7 155 | 8 561 | 7 155 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 10 718 | 20 661 | 26 589 | 20 661 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | 311 | 0 | 0 | 0 |
| | For two children | | 9 988 | 5 706 | 4 631 | 0 |
| | | Total | 10 299 | 5 706 | 4 631 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 56 873 | 80 722 | 92 625 | 75 016 |
| **13.** | **Employer's compulsory social security contributions** | | 5 942 | 9 909 | 11 884 | 9 909 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 11.2% | 14.1% | 15.7% | 14.1% |
| | Employees' social security contributions | | 7.5% | 7.5% | 7.5% | 7.5% |
| | Total payments less cash transfers | | 0.7% | 15.6% | 19.2% | 21.6% |
| | Total tax wedge including employer's social security contributions | | 10.1% | 23.5% | 26.8% | 29.0% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 73.1% | 39.5% | 39.5% | 33.8% |
| | Total payments less cash transfers: Spouse | | 37.9% | 37.2% | 39.5% | 31.5% |
| | Total tax wedge: Principal earner | | 75.2% | 44.3% | 44.3% | 39.1% |
| | Total tax wedge: Spouse | | 43.7% | 43.3% | 44.3% | 38.2% |

The national currency is the Canadian dollar (CAD). In 2020, CAD 1.34 was equal to USD 1. In that year, the average worker earned CAD 57 292 (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 reliefs

- Basic personal amount: Individual taxpayers can claim a non-refundable credit in respect of the Basic Personal Amount (BPA). Starting in 2020, there are two portions to the BPA, the original portion and the increased portion. On December 9, 2019, the government announced gradual increases to the BPA such that it would reach CAD 15000 by 2023. These increases will implemented over the 2020 to 2023 period through annual increases in excess of inflation. The new, increased portion of the BPA will be subject to an income test beginning at a level of individual net income equivalent to the fourth federal tax bracket threshold (CAD 150 473 in 2020), and be fully phased out by the fifth federal bracket threshold (CAD 214 368 in 2020). Individuals with net income at or exceeding the fifth bracket threshold will continue to receive the BPA, but will not benefit from the supplemental increase. The maximum value of the credit (no reductions) in 2020 is CAD 1 984.35, which is calculated by applying the lowest personal income tax rate (15% in 2020) to the sum of the original BPA (CAD 12 298 in 2020) and the full value of the increase (CAD 931 in 2020).
- Credit for Spouse or Eligible Dependant: A taxpayer supporting a spouse or other eligible dependant receives a tax credit, which is set equal to the BPA. The above announcement of December 9, 2019 increased the credit for Spouse or Eligible Dependant in the same way as the BPA. The increased portion of these credits will be subject to the same income-test as the BPA, and will continue to be reduced dollar-for-dollar by the net income of the spouse or eligible dependant. The maximum value of the Credit for Spouse or Eligible Dependant is CAD 1 984.35 in 2020.
- Social security contributions: Starting in 2019, taxpayers were entitled to claim a deduction for the newly enhanced portions of the Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP) (to a maximum amount of CAD 165.60) (See Section 2.1.1. for more detail). The original base contributions to the CPP or QPP continue to be eligible for a 15% credit (to a maximum contribution of CAD 2 732.40 for the CPP and CAD 2 980.80 for the QPP). Taxpayers are also entitled to claim a 15% tax credit for their Employment Insurance (EI) premiums to a maximum contribution of CAD 856.36 outside Quebec; the EI premium rate is lower for Quebec residents, who also pay into the Quebec Parental Insurance Plan; the maximum combined credit for a Quebec resident is CAD 1 038.19.
- Canada Workers Benefit[1] (CWB): The CWB provides a non-wastable tax credit equal to 26% of each dollar of earned income in excess of CAD 3 000 to a maximum credit of CAD 1 381 for single individuals without dependents and CAD 2 379 for families (couples and single parents). The credit is reduced by 12% of net family income in excess of CAD 13 064 for single individuals and CAD

17 348 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 186.75 on employment income.

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

A number of non-standard tax reliefs are available to the average worker in Canada. The main ones are:

- Medical expenses credit: Taxpayers are entitled to a 15% tax credit for an amount of eligible medical expenses that exceeds the lesser of 3% of net income or CAD 2 397.
- Charitable donations credit: The credit is 15% on the first CAD 200 of eligible charitable donations and 29% on eligible donations in excess of CAD 200, with the exception of donors with taxable income exceeding CAD 214 368, who may claim a 33% tax credit on the portion of total annual donations over CAD 200 made from taxable income greater than CAD 214 368. Eligible donations are those made to registered charities, to a maximum of 75% 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. Employee contributions required to fund the actuarial benefit liabilities under a defined benefit registered pension plan are permitted (annual benefit accruals are limited to a maximum of 2% of earnings up to a dollar amount of CAD 3 092). Employee contributions to a defined contribution registered pension plan are limited to 18% of earned income up to a maximum of CAD 27 830.
- Registered retirement savings plan (RRSP) premiums: Individuals can deduct their contributions to an RRSP up to a limit of 18% of the previous year's earned income, to a maximum of CAD 27 230 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% of the previous year's earned income to a maximum of CAD 27 230, 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 8 000 for each child who is under age seven, and CAD 5 000 per child between seven and sixteen years of age (or older if has a mental or physical impairment, but not eligible for the Disability Tax Credit). The amount for a child who is eligible for Disability Tax Credit is CAD 11 000.

#### 1.1.3. Tax schedule

**2020 Federal Income Tax Rates**

| Taxable Income (CAD) | Rate (%) |
|---|---|
| 0—48 535 | 15 |
| 48 535—97 069 | 20.5 |
| 97 069—150 473 | 26 |
| 150 473—214 368 | 29 |
| 214 368 and over | 33 |

### 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 Quebec, 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. Quebec 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 broadly 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 (CAD) | Rate (%) |
|---|---|
| 0—44 740 | 5.05 |
| 44 740 —89 482 | 9.15 |
| 89 482—150 000 | 11.16 |
| 150 000—220 000 | 12.16 |
| Over 220 000 | 13.16 |

*Surtax*

| Provincial tax after accounting for wastable credits | Surtax Rate |
|---|---|
| Amounts Exceeding CAD 4 830 | 20% of the excess amount |
| Amounts Exceeding CAD 6 182 | 36% of the excess amount |

*Wastable tax credits*

- A basic tax credit of CAD 544.54.
- A maximum credit of CAD 462.38 for a dependant spouse or eligible dependant that is withdrawn as the income of the spouse or eligible dependant exceeds CAD 915 and is completely withdrawn when the income of the spouse is at least CAD 10 071.
- 5.05% of contributions made to the Canada Pension Plan and of Employment Insurance premiums.
- A maximum credit[2] of the lower of CAD 850 or 5.05% of earned income per filer with earned income that is reduced by 10% of the greater of:
    - Adjusted individual net income over CAD 30 000
    - Adjusted family net income over CAD 60 000.

*Tax Reduction*

An earner is entitled to claim a tax reduction where the initial entitlement is equal to CAD 249 plus CAD 460 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 CPP or QPP. Starting in 2019, as part of the CPP and QPP enhancements announced in 2016 and 2017 respectively, a 1-percentage point increase in employee and employer contributions will be phased-in over five years. Employee contributions with respect to the enhanced portion of the CPP and QPP (i.e., the additional contributions associated with the higher contribution rate – additional 0.15% of income for 2019, and 0.30% for 2020) can be claimed as a deduction for federal tax purposes (a deduction for employee contributions to the enhanced portion of the CPP and QPP will also be claimed for Quebec income tax purposes) to a maximum of CAD 165.60 for a total maximum contribution of CAD 2 898.00 (CAD 3 146.40 in Quebec). Employee contributions with respect to the base portion of the CPP at a rate of 4.95% of income (5.40% for the QPP) will continue to be claimed as a wastable tax credit at the rate of 15% (to a maximum contribution of CAD 2 732.40 and CAD 2 980.80 for the CPP and QPP respectively). Income subject to contributions is earnings (wages and salaries) less a CAD 3 500 basic exemption. The maximum base contribution of CAD 2 732.40 is reached at an earnings level of CAD 58 700 (i.e. (CAD 58 700 - CAD 3 500) x 4.95% = CAD 2 732.40). Employers are also required to contribute to the CPP or QPP on behalf of their employees at the same rate and can deduct their contributions from taxable income (refer to Section 2.2.1).

Self-employed persons must also contribute to the CPP or QPP on their own behalf. However, the self-employed are required to contribute at the combined employer/employee rate on their earnings. Self-employed individuals will continue to pay both the employee and employer portion at a rate of 10.5% and 11.4% per cent respectively after the phase-in of increased contributions under the enhanced CPP and QPP. Self-employed individuals will continue to claim a wastable tax credit at the rate of 15% on the employee share of contributions to the base portion of the CPP and QPP (same as employees). For the remaining amounts, the entire enhanced portion and the base employer portion, self-employed individuals will claim a maximum deduction of CAD 2 898.00 (CAD 3 146.40 in Quebec).

#### *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, Quebec, 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 2020.

| 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 | |

#### *2.1.3. Unemployment*

In general, all employees are eligible for Employment Insurance (EI). Eligibility to receive benefits is determined by insurable hours worked (with a minimum entry threshold of 420 to 700 hours, depending on region and the unemployment rate at the time the claim for benefits starts). For 2020, employees outside Quebec are required to contribute at the rate of 1.58% of insurable earnings. Insurable earnings are earnings (wages and salaries) up to a maximum of CAD 54 200 per year. The maximum employee contribution is therefore CAD 856.36 per year. EI contributions give rise to a tax credit equal to 15% of the amount contributed. Employers are also required to contribute to the plan. (See Section 2.23)

Quebec residents contribute to EI at a rate of 1.20%; the same earnings ceiling applies. They also contribute to the Quebec Parental Insurance Plan at a rate of 0.494% of insurable earnings; maximum insurance earnings for 2020 are CAD 78 500. For a Quebec resident, the maximum employee contribution (EI plus Quebec Parental Insurance Plan) is CAD 1 038.19.

#### *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 CPP on behalf of their employees an amount equal to their employees' contributions. Thus, employers also contribute at the rate of 5.25% of earnings (less the CAD 3 500 earnings exemption) to a maximum of CAD 2 898.00. For the QPP, the contribution rate is 5.70% of earnings, to a maximum of CAD 3 146.40.[3]

#### *2.2.2. Sickness*

There is no national sickness benefit plan administered by the federal government. However, all provinces have provincially administered health care insurance plans. Three provinces levy a special tax on employer payrolls to finance health services (Québec and Ontario) or health services and education (Manitoba). These payroll taxes are deductible from the employer's income subject to tax. In the case of the province of Ontario, employers pay an Employer Health Tax on the value of their payroll, tax rates varying from 0.98% on Ontario payroll less than CAD 200 000, up to 1.95% for payroll that exceeds CAD 400 000. Certain employers are eligible for a higher exemption of CAD 490 000.

#### 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, 2.21% of insurable earnings (outside Quebec). 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 broadly corresponding to industry Sectors B-N inclusive pay, on average, 1.40% of the wages paid to each employee to a maximum of CAD 95 400.

## 3. Universal Cash Transfers

### 3.1. Transfers related to marital status

None.

### 3.2. Transfers for dependent children

#### 3.2.1. Federal

Children's benefits are provided through the Canada Child Benefit (CCB). In the autumn of 2017, the Government announced that the CCB benefit amounts and income thresholds will be indexed to inflation starting with payments in July 2018. Entitlement to the CCB for the July 2020 to June 2021 benefit year is based on 2019 adjusted family net income. The CCB provides a maximum benefit of CAD 6 900 per child under age six and CAD 5 822 per child for those aged six through seventeen. On the portion of adjusted family net income between CAD 32 345 and CAD 70 082, the benefit is phased out at a rate of 7% for a one-child family, 13.5% for a two-child family, 19% for a three-child family and 23% for larger families. Where adjusted family net income exceeds CAD 70 082, remaining benefits are phased out at rates of 3.2% for a one-child family, 5.7% for a two-child family, 8% for a three-child family and 9.5% for larger families, on the portion of income above CAD 70 082. The Goods and Services Tax Credit provides a relief of CAD 301 for each adult 19 years of age or older and CAD 159 for each dependent child under the age of 19. Single tax filers without children and with an employment income higher than CAD 9 782 receive an additional CAD 159 that is phased in at a rate of 2%. Single tax filers with children receive an additional CAD 159 that is not subject to phase-in. The credit received for the first dependent child of a single parent is also increased from CAD 159 to CAD 301. The total amount is reduced at a rate of 5% of net family income over CAD 39 277. The amount is paid directly to families.[4]

#### 3.2.2. Provincial

For each child under eighteen, qualifying families can receive up to CAD 1 490 from the Ontario Child Benefit. The benefit is withdrawn at a rate of 8% of family income that exceeds CAD 22 749.

Ontario has a Sales Tax Credit that provides a relief of up to CAD 320 for each adult and each child. It is reduced by 4% of adjusted family net income over CAD 24 597 for single people and over CAD 30 746 for families. The amount is paid directly to families.

## 4. Main changes in the Tax/Benefit system since 2009

### *4.1. Changes to labour taxation due to the covid-19 pandemic[5]*

#### *4.1.1. CCB: extra payment*

An extra $300 per child was delivered through the Canada Child Benefit (CCB) to families already receiving CCB for 2019-20. This benefit was delivered as part of the scheduled CCB payment on May 20, 2020.

#### *4.1.2. GST credit: one-time supplementary payment and extending benefit payments*

A one-time special payment through the Goods and Services Tax credit for low- and modest-income families was delivered on April 9, 2020. The amount was calculated based on information from tax filers' 2018 income tax and benefit return. The maximum amounts for the 2019-2020 benefit year were effectively doubled increasing from:

- $443 to $886 for singles
- $580 to $1,160 for couples
- $153 to $306 for each child under the age of 19 (excluding the first eligible child of a single parent)
- $290 to $580 for the first eligible child of a single parent.

## 5. Memorandum Items

### *5.1. Identification of an Average Worker*

The earnings data refer to production workers in the industries B to N. To obtain the annual average wage figure, the average weekly earnings for the year for employees (including overtime) are multiplied by 52. [6]

### *5.2. Employer contributions to private health and pension schemes*

These do exist but no information is available on the amounts involved.

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 57 292 | Secretariat estimate | |
|---|---|---|---|---|
| Tax credits BPA - original | BPA_org | 12 298 | | |
| Tax credits BPA - increased | BPA_ins | 931 | | |
| First threshold | BPA_ins_thrsh1 | 150 473 | | |
| Second threshold | BPA_ins_thrsh2 | 214 368 | | |
| Reduction rate | BPA_ins_redn | 0.0146 | | |
| withdrawal rate | Sp_crd_wth | 0.15 | | |
| Threshold | Sp_crd_thrsh | 0 | | |
| Canada Employment Tax Credit | Empl_crd | 186.75 | | |
| | | | | |
| Canada Child Benefit amount per child under 6 | ccb_credit1 | 6 900 | | |
| Canada Child Benefit amount per child aged 6-17 | ccb_credit2 | 5 822 | | |
| First threshold | ccb_crd_thrsh1 | 32 345 | | |
| Second threshold | ccb_crd_thrsh2 | 70 082 | | |
| Frist reduction rate – 1 child | ccb_1st_redn1 | 0.070 | | |
| Frist reduction rate – 2 children | ccb_1st_redn2 | 0.135 | | |
| Frist reduction rate – 3 children | ccb_1st_redn3 | 0.190 | | |
| Frist reduction rate – 4+ children | ccb_1st_redn4 | 0.230 | | |
| Second reduction rate – 1 child | ccb_2nd_redn1 | 0.032 | | |
| Second reduction rate – 2 children | ccb_2nd_redn2 | 0.057 | | |
| Second reduction rate – 3 children | ccb_2nd_redn3 | 0.080 | | |
| Second reduction rate – 4+ children | ccb_2nd_redn4 | 0.095 | | |
| | | | | |
| Canada Workers Benefit (CWB) | | | | |
| CWB–Phase-in Threshold | CWB_phzin_thrsh | 3 000 | | |
| CWB–Phase-in Rate | CWB_phzn_rt | 0.26 | | |
| CWB–Maximum Credit (per Adult/Equiv.) | CWB_max | 1 381 | | |
| CWB–Addl. Maximum Credit (Fam.) | CWB_max_fam | 998 | | |
| CWB–Reduction Rate | CWB_phzout_rt | 0.12 | | |
| CWB–Threshold | CWB_phzout_thrsh | 13 064 | | |
| CWB–Addl. Threshold (Fam.) | CWB_phzn_thrsh_fam | 4 284 | | |
| Federal tax schedule | Fed_sch | 0.15 | 48 535 | |
| | | 0.205 | 97 069 | |
| | | 0.26 | 150 473 | |
| | | 0.29 | 214 368 | |
| | | 0.33 | | |
| Canada pension plan rate (creditable) | CPP_rate | 0.0495 | | |
| Canada pension plan rate – enhanced (deductible) | CPP_ratededuc | 0.0030 | | |
| exemption | CPP_ex | 3 500 | | |
| Upper bound | CPP_up | 58 700 | | |
| max contrib.(creditable portion) | CPP_max | 2 732.40 | | |
| Unemployment ins.rate | Unemp_rate | 0.0158 | | |
| max contrib. | Unemp_max | 856.36 | | |
| Social security tax credit rate | ssc_crd_rate | 0.15 | | |
| employer contrib. mult. | Unemp_emplr | 1.4 | | |
| GST adult credit | GST_crd_ad | 301 | | |
| child credit | GST_crd_ch | 159 | | |
| threshold | GST_crd_thrsh | 39 277 | | |
| reduction rate | GST_crd_redn | 0.05 | | |
| single supplement | GST_crd_sgsp | 159 | | |
| single supplement eligibility threshold | GST_sgsp_thrsh | 9 782 | | |
| single supplement phase-in rate | GST_sgsp_rate | 0.02 | | |

| | | | | |
|---|---|---|---|---|
| Province: Ontario | | | | |
| Tax Credits | P_basic_crd | 544.54 | | |
| Spouse | P_spouse_crd | 462.38 | | |
| withdrawal rate | P_sp_crd_wd | 0.0505 | | |
| threshold | P_sp_crd_thr | 915 | | |
| Social security tax credit rate | P_ssc_tc_rt | 0.0505 | | |
| Surtax rate 1 | P_sur_rt1 | 0.20 | | |
| threshold | P_sur_thr1 | 4 830 | | |
| rate 2 | P_sur_rt2 | 0.36 | | |
| threshold | P_sur_thr2 | 6 182 | | |
| Tax reduction | P_tax_red | 249 | | |
| amount per dependent | P_tr_chld | 460 | | |
| Low-income Individuals and Families Tax Credit (LIFT) | | | | |
| amount | P_LIFT_crd | 850 | | |
| threshold for singles | P_LIFT_sg_thr | 30000 | | |
| threshold for couples | P_LIFT_cp_thr | 60000 | | |
| phase-in rate | P_LIFT_phzn_rt | 0.0505 | | |
| phase-out rate | P_LIFT_phzout_rt | 0.1 | | |
| Provincial tax schedule | Prov_sch | 0.0505 | 44 740 | |
| | | 0.0915 | 89 482 | |
| | | 0.1116 | 150 000 | |
| | | 0.1216 | 220 000 | |
| | | 0.1316 | | |
| Ontario Child Benefit | | | | |
| amount per child | P_ch_amt | 1 490 | | |
| threshold | P_ch_thresh | 22 749 | | |
| reduction rate | P_ch_redn_rate | 0.08 | | |
| Sales tax credits | | | | |
| sales tax credit adult | P_sales_cred | 320 | | |
| sales tax credit child | P_salcr_chd | 320 | | |
| threshold | P_ps_thresh | 24 597 | | |
| threshold seniors/families | P_ps_thr_sen | 30 746 | | |
| reduction rate | P_ps_red_rt | 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 | 0.0140 | | |
| Employer Workers Compensation Levy Ceiling | emp_workcomp_ceil | 95 400 | | |

## 2020 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 | CPP_deduc |
| | Enhanced CPP contribution (deductible portion) | CPP_deduc | B | CPP_ratededuc*MINA(Positive(earn-CPP_ex),(CPP_up-CPP_ex)) |
| | Net income | Net_inc | B | Earn - tax_al |
| 3. | Credits in taxable income | taxbl_cr | | 0 |
| 4. | CG taxable income | tax_inc | B | Net_inc - taxbl_cr |
| 5. | CG tax before credits | CG_tax_bc | B | Tax(tax_inc, Fed_sch) |
| 6. | Tax credits : | | | |
| | Basic credit | basic_cr | P | BPA_org*0.15 +0.15*Taper(BPA_ins, MINA(earn,BPA_ins_thrsh2),BPA_ins_thrsh1,BPA_ins_redn) + Empl_crd |
| | | | S | IF(AND(Married=1, earn_spouse >0),BPA_org*0.15 +0.15*Taper(BPA_ins, MINA(earn_spouse,BPA_ins_thrsh2),BPA_ins_thrsh1,BPA_ins_redn),0) +IF(AND(Married=0, tax_inc_spouse >0),BPA_org*0.15-Taper(BPA_org*0.15, tax_inc_spouse,Sp_crd_thrsh,Sp_crd_wth) +0.15*Taper(BPA_ins, MINA(earn_spouse,BPA_ins_thrsh2),BPA_ins_thrsh1,BPA_ins_redn),0) +(earn_spouse>0)*Empl_crd |
| | Spouse credit | spouse_cr | P | IF(OR(Married=1,Children>0),Taper(BPA_org*0.15 +0.15*Taper(BPA_ins, MINA(tax_inc_spouse,BPA_ins_thrsh2),BPA_ins_thrsh1,BPA_ins_redn), earn_spouse,Sp_crd_thrsh,Sp_crd_wth),0) |
| | Social security | ssc_cr | B | ssc_crd_rate*SSC |
| | Total (wastable) tax credits | tax_cr | B | basic_cr+spouse_cr+ssc_cr |
| | Canada Workers Benefit | CWB | J | IF(Married>0,MAX(0,MIN(CWB_max+CWB_max_fam,( CWB_phzn_rt * MAX(0,net_inc_total-CWB_phzin_thrsh)))-MAX(0, CWB_phzout_rt*MAX(0,net_inc_total-(CWB_phzout_thrsh+ CWB_phzn_thrsh_fam)))), IF(Children>0,MAX(0,MIN(CWB_max+CWB_max_fam,( CWB_phzn_rt*MAX(0,net_inc_total-CWB_phzin_thrsh)))-MAX(0, CWB_phzout_rt*MAX(0,net_inc_total-(CWB_phzout_thrsh+CWB_phzn_thrsh_fam)))), MAX(0,MIN(CWB_max,( CWB_phzn_rt*MAX(0,net_inc_total-CWB_phzin_thrsh)))-MAX(0, CWB_phzout_rt* MAX(0,net_inc_total-CWB_phzout_thrsh))))) |
| 7. | CG tax | CG_tax | B | Positive(CG_tax_bc-tax_cr)- CWB |
| 8. | State and local taxes | | | |
| | Liable provincial tax | Prov_tax_sch | B | Tax(tax_inc, Prov_sch) |
| | Provincial tax credits | Prov_tax_cred | P | P_basic_crd+P_ssc_tc_rt*SSC_princ+IF(AND(Married=0, Children>0), P_spouse_crd, Married*Taper(P_spouse_crd, net_inc_spouse, P_sp_crd_thr, P_sp_crd_wd)) |

| | | | | |
|---|---|---|---|---|
| | | | S | (net_inc_spouse>0)*(P_ssc_tc_rt*SSC_spouse)+ OR(Married=1,Children>0)*P_basic_crd |
| | 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) |
| | Low-income Individuals and Families Tax Credit (LIFT) | Prov_LIFT_crd | J | IF(Married=1,MIN(Taper(MIN(P_LIFT_crd,earn*P_LIFT_phzn_rt), net_inc_total, P_LIFT_cp_thr, P_LIFT_phzout_rt), Taper(MIN(P_LIFT_crd,earn*P_LIFT_phzn_rt),net_inc,P_LIFT_sg_thr,P_LIFT_phzout_rt)),Taper(MIN(P_LIFT_crd,net_inc*P_LIFT_phzn_rt),net_inc,P_LIFT_sg_thr,P_LIFT_phzout_rt)) |
| | Liable provincial tax | Prov_tax | B | Positive(Prov_tax_sch - Prov_tax_cred + Prov_surtax -Prov_tax_redn – Prov_LIFT_crd) |
| 9. | Employees' soc security: | | | |
| | Canada Pension Plan contribution (creditable portion) | CPP_cred | B | CPP_rate*MINA(Positive(earn-CPP_ex),(CPP_up-CPP_ex)) |
| | Canada Pension Plan (total) | CPP | B | CPP_deduc+CPP_cred |
| | Unemployment insurance | Unemp | B | MIN(Unemp_rate*earn,Unemp_max) |
| | State health premium | Prov_health | B | MIN(Hstep(tax_inc,P_hlth_sch),P_hlth_max) |
| | Total Employees' soc security | SSC | B | CPP+Unemp+Prov_health |
| 11. | Cash transfers (nonwastable) | | | |
| | Canada Child Benefit | CCB | P | Taper(Taper(Children*ccb_credit2,MINA(net_inc_total, ccb_crd_thrsh2), ccb_crd_thrsh1, IF(children=1, ccb_1st _redn1, IF(children=2, ccb_1st _redn2, IF(children=3, ccb_1st _redn3, IF(children>3, ccb_1st _redn4, 0)))))), net_inc_total, ccb_crd_thrsh2, IF(children=1, ccb_2nd _redn1, IF(children=2, ccb_2nd _redn2, IF(children=3, ccb_2nd _redn3, IF(children>3, ccb_2nd _redn4, 0))))) |
| | Canada Child Benefit with COVID measures | CCB COVID | P | Taper(Taper(Children*(ccb_credit2 + 300),MINA(net_inc_total, ccb_crd_thrsh2), ccb_crd_thrsh1, IF(children=1, ccb_1st _redn1, IF(children=2, ccb_1st _redn2, IF(children=3, ccb_1st _redn3, IF(children>3, ccb_1st _redn4, 0))))), net_inc_total, ccb_crd_thrsh2, IF(children=1, ccb_2nd _redn1, IF(children=2, ccb_2nd _redn2, IF(children=3, ccb_2nd _redn3, IF(children>3, ccb_2nd _redn4, 0))))) |
| | GST Credit - Total | GST_cr | P | Taper((GST_crd_ad+(Married=1)*(GST_crd_ad+Children*GST_crd_ch)+(Married=0)*(Children>0)*(GST_crd_ad+GST_crd_sgsp+Positive(Children-1)*GST_crd_ch)+(Married=0)*(Children=0) *Positive(MIN(GST_crd_sgsp, (net_inc_total-GST_sgsp_thrsh)*GST_sgsp_rate))), net_inc_total, GST_crd_thrsh, GST_crd_redn) |
| | GST Credit – Total with COVID measures | GST_cr COVID | P | Taper(2*(GST_crd_ad+(Married=1)*(GST_crd_ad+Children*GST_crd_ch) +(Married=0)*(Children>0)*(GST_crd_ad+GST_crd_sgsp+Positive(Childr en-1)*GST_crd_ch)+(Married=0)*(Children=0) *Positive(MIN(GST_crd_sgsp, (net_inc_total-GST_sgsp_thrsh)*GST_sgsp_rate))), net_inc_total, GST_crd_thrsh, GST_crd_redn) |
| | GST Credit - Adult | GST_cr_adult | P | Taper((GST_crd_ad+(Married=1)*(GST_crd_ad)+(Married=0)*Positive(MIN(GST_crd_sgsp, (net_inc_total-GST_sgsp_thrsh) *GST_sgsp_rate))), net_inc_total, GST_crd_thrsh, GST_crd_redn) |
| | GST Credit – Adult with COVID measures | GST_cr_adult COVID | P | Taper(2*(GST_crd_ad+(Married=1)*(GST_crd_ad)+(Married=0)*Positive(MIN(GST_crd_sgsp, (net_inc_total-GST_sgsp_thrsh) *GST_sgsp_rate))), net_inc_total, GST_crd_thrsh, GST_crd_redn) |
| | GST Credit - Child | GST_cr_child | P | GST_cr-GST_cr_adult |
| | GST Credit – Child with COVID measures | GST_cr_child COVID | P | GST_cr COVID - GST_cr_adult COVID |
| | Ontario Child Benefit | Prov_child_ben | P | Taper(Children*P_ch_amt,net_inc_total,P_ch_thresh,P_ch_redn_rate) |
| | Ontario sales tax credit | Prov_sales_cr | P | Taper(IF(Married=1,2,1)*P_sales_cred+Children*P_salcr_chd,net_inc_total,IF(Married+Children=0, P_ps_thresh,P_ps_thr_sen), P_ps_red_rt) |

| | | | | |
|---|---|---|---|---|
| | Total Cash Transfers | Cash_tran | P | CCB COVID + GST_cr_child COVID +Prov_child_ben+Prov_sales_cr |
| 13. | Employer's soc security | | | |
| | Canada Pension Plan | CPP_empr | B | CPP |
| | Unemployment insurance | Unemp_empr | B | Unemp*Unemp_emplr |
| | Ontario Employers Health Tax | Health_empr | B | earn*emp_healthtax |
| | Ontario Workers Compensation | Comp_empr | B | MIN(earn, emp_workcomp_ceil)*emp_workcomp |
| | Total Employer's soc security | SSC_empr | B | CPP_empr+Unemp_empr+Health_empr+Comp_empr |

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

## Notes

[1] The Canada Workers Benefit (CWB) represents a rebranding and enhancement to the previous Working Income Tax Benefit (WITB) effective for the 2019 tax year.

[2] Ontario implemented a new low-income credit in 2019 named the Low-income Individuals and Families Tax (LIFT) credit.

[3] Contributions rates will continue to gradually increase until the 2023 tax year as the 1-percentage-point increase is phased-in as part of the enhancements to CPP and QPP.

[4] The payments that relate to income from the 2020 tax year and shown in the 2020 model are payable between July 2021 and June 2022. The amounts shown in this Report assume indexation of 1.9% for the 2020 tax year (and 2021-22 benefit year); the actual indexation parameter will be announced in December 2020.

[5] Notwithstanding note 4, COVID-19 related temporary increases to the CCB and GSTC are captured in the Canada 2020 Taxing Wages model even though the income eligibility for these new COVID-related benefits is actually based on the information from tax filers' 2018 income tax and benefit returns and they were paid in April and May of 2020.

[6] The average wage is calculated by the Department of Finance using data from Statistics Canada's Survey of Employment, Payrolls and Hours.

# 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 2020

### 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** | | 6 887 288 | 10 279 535 | 17 166 823 | 6 887 288 |
| **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 | | 482 110 | 719 567 | 1 201 678 | 482 110 |
| | Work-related expenses | | | | | |
| | Other | | 810 634 | 1 209 901 | 2 020 535 | 810 634 |
| | | Total | 1 292 744 | 1 929 469 | 3 222 213 | 1 292 744 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 5 594 544 | 8 350 066 | 13 944 611 | 5 594 544 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 0 | 3 335 | 227 117 | 0 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | | | | |
| | Married or head of family | | | | | |
| | Children | | 0 | 0 | 0 | 255 819 |
| | Other | | | | | |
| | | Total | 0 | 0 | 0 | 255 819 |
| **7.** | **Central government income tax finally paid (5-6)** | | 0 | 3 335 | 227 117 | 0 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 482 110 | 719 567 | 1 201 678 | 482 110 |
| | Taxable income | | | | | |
| | | Total | 482 110 | 719 567 | 1 201 678 | 482 110 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 482 110 | 722 902 | 1 428 794 | 482 110 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 0 | 0 | 0 | 60 612 |
| | | Total | 0 | 0 | 0 | 60 612 |
| **12.** | **Take-home pay (1-10+11)** | | 6 405 178 | 9 556 633 | 15 738 029 | 6 465 790 |
| **13.** | **Employer's compulsory social security contributions** | | 0 | 0 | 0 | 0 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 0.0% | 0.0% | 1.3% | 0.0% |
| | Employees' social security contributions | | 7.0% | 7.0% | 7.0% | 7.0% |
| | Total payments less cash transfers | | 7.0% | 7.0% | 8.3% | 6.1% |
| | Total tax wedge including employer's social security contributions | | 7.0% | 7.0% | 8.3% | 6.1% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 7.0% | 10.2% | 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% | 10.2% | 10.2% | 7.0% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Chile 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 10 279 535 | 17 166 823 | 20 559 070 | 17 166 823 |
| **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 | 719 567 | 1 201 678 | 1 439 135 | 1 201 678 |
| | Work-related expenses | | | | |
| | Other | 1 209 901 | 2 020 535 | 2 419 803 | 2 020 535 |
| | Total | 1 929 469 | 3 222 213 | 3 858 937 | 3 222 213 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 8 350 066 | 13 944 611 | 16 700 133 | 13 944 611 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 3 335 | 3 335 | 6 669 | 3 335 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | | | | |
| | Married or head of family | | | | |
| | Children | 255 819 | 255 819 | 255 819 | 0 |
| | Other | | | | |
| | Total | 255 819 | 255 819 | 255 819 | 0 |
| **7.** | **Central government income tax finally paid (5-6)** | 0 | 0 | 0 | 3 335 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 719 567 | 1 201 678 | 1 439 135 | 1 201 678 |
| | Taxable income | | | | |
| | Total | 719 567 | 1 201 678 | 1 439 135 | 1 201 678 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 719 567 | 1 201 678 | 1 439 135 | 1 205 012 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 0 | 60 612 | 0 | 0 |
| | Total | 0 | 60 612 | 0 | 0 |
| **12.** | **Take-home pay (1-10+11)** | 9 559 968 | 16 025 758 | 19 119 935 | 15 961 811 |
| **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% | 6.6% | 7.0% | 7.0% |
| | Total tax wedge including employer's social security contributions | 7.0% | 6.6% | 7.0% | 7.0% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 7.0% | 7.0% | 7.0% | 10.2% |
| | Total payments less cash transfers: Spouse | 6.1% | 7.0% | 7.0% | 7.0% |
| | Total tax wedge: Principal earner | 7.0% | 7.0% | 7.0% | 10.2% |
| | Total tax wedge: Spouse | 6.1% | 7.0% | 7.0% | 7.0% |

Chile's national currency is the peso (CLP). For 2020, the average exchange rate was CLP 792.94 to USD 1. That same year, the average worker in Chile earned 10 279 535 CLP (country estimate[1]).

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 June 30, 2020, the following currency values applied to these units:

| Major revenue items | Unit | CLP | USD |
|---|---|---|---|
| Social security contributions | Unidad de Fomento[1] (UF) | 28 708.08 | 36.20 |
| Monthly tax thresholds | Unidad Tributaria Mensual (UTM) | 51 029 | 64.35 |
| Annual tax thresholds | Unidad Tributaria Anual (UTA) | 612 348 | 772.25 |

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

- Education tax credit: Parents with children attending preschool, primary, special or secondary education, with a total annual taxable income (both parents) of up to CLP 23 023 701 (UF 792), are entitled to a tax credit of CLP 127 909 (UF 4.4) per child, for expenses related to education. Children shall have a minimal school attendance of 85% and the school must be recognized by the State. This tax credit can be claimed by both parents, or only by one of them.
- 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 17 224 848 (UF 600.)
- Mortgage Interest: Taxpayers whose annual income falls below CLP 55 111 320 (UTA 90) may deduct from their taxable income 100% of interest paid within a year for mortgage loans. This percentage is reduced in the case of taxpayers with higher incomes up to CLP 91 852 200 (UTA 150). This relief cannot be granted along-side the DFL2 Housing Mortgage Loan Payments benefit, and cannot exceed CLP 4 898 784 (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 (starting of 1

January 2017, the maximum marginal tax rate was diminished from 40% to 35%, and the number of tax brackets was reduced from eight to seven):

| Taxable income (UTA) | Taxable income (CLP thousands) | Tax rates |
|---|---|---|
| 0–13.5 | 0 – 8 267 | exempt |
| 13.5–30 | 8 267 – 18 370 | 4% |
| 30–50 | 18 370 – 30 617 | 8% |
| 50–70 | 30 617 – 42 864 | 13.5% |
| 70–90 | 42 864 – 55 111 | 23% |
| 90–120 | 55 111 – 73 482 | 30.4% |
| 120 and over | 73 482 – and over | 35% |

As of 1 January 2017, the President of the Republic, Ministers, Undersecretaries, Senators and Deputies have tax thresholds and rates applicable specifically to their income, if it is higher than 150 UTA:

| Taxable income (UTA) | Taxable income (CLP thousands) | Tax rates |
|---|---|---|
| 0–13.5 | 0 – 8 267 | exempt |
| 13.5–30 | 8 267 – 18 370 | 4% |
| 30–50 | 18 370 – 30 617 | 8% |
| 50–70 | 30 617 – 42 864 | 13.5% |
| 70–90 | 42 864 – 55 111 | 23% |
| 90–120 | 55 111 – 73 482 | 30.4% |
| 120 – 150 | 73 482 – 91 852 | 35% |
| 150 and over | 91 852 – 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 27 628 656 (UF 962.4). They are free to choose whether to pay into a government-managed plan or alternatively to a private insurer[2] (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. Public insurance 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.

- 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% of their gross income, with an upper earnings limit of CLP 27 628 656 (UF 962.4). Added to that is an amount that varies depending on the managing company that covers the management of each pension fund account.[3] The monthly unemployment insurance premium is 0.6% of the employee's gross income, with an upper earnings limit of CLP 41 477 434 (UF 1 444.8). Employees do not pay the monthly unemployment insurance premium when they have a fixed-term contract or after 11 years of labour relationship.
- 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, that person has to make an additional contribution of 2% (heavy work) or 1% (less heavy work) of the gross income with an upper earnings limit of CLP 27 628 656 (UF 962.4), to the pension fund account.

The pension and unemployment contributions are not included in the Taxing Wages calculations, as they are not considered as taxes in the report. 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/tax-database.htm.

### *2.2. Employers' contributions*

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

- Employers make mandatory payments of 0.90% 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% of the employees' gross earnings). This additional contribution could be reduced, down to 0%, depending on the safety measures the employer implements in the enterprise. If health and safety conditions at work are not satisfactory, this additional contribution could be applied with a surcharge of up to 100%.
- As of April 1st, 2017, employers shall make a mandatory contribution based on employees' gross income to a fund which will finance insurance coverage for working parents of children aged 1 to 15, or ages 1-18, whichever applies, that have a serious health condition, so that the parents can take a leave of absence from their work in order to accompany and take care of them; therefore, during this period the parents shall have the right to assistance financed by said fund (in Spanish, "Fondo SANNA") that will replace, in total or partially, their monthly earnings. During 2019 the rate is 0.02%, and will reach a final value of 0.03% in force as of January 1, 2020. The collection of this contribution is initially delegated to the ISL and to the employers' association of labour security.

- Employers make payments of 2.4% of each employee's income (0.8% after 11 years of labour relationship and 3% for fixed-term contracts) with an upper earnings limit of CLP 41 477 434 (UF 120.4 monthly) to finance unemployment insurance. These funds are managed privately.
- Employers are required to pay a disability insurance of 1.53% of the employees' gross income, with an upper earnings limit of CLP 27 628 656 (UF 962.4), collected by the pension fund manager, and managed by an insurance company.
- If the employee has a high risk job, the employer has to pay 2% (heavy work) or 1% (less heavy work) of the employee's gross income, with an upper earnings limit of CLP 27 628 656 (UF 962.4) to the pension fund account.

## 3. Universal cash transfers

### *3.1. Marital status-related transfers*

No such transfers are paid.

### *3.2. Transfers related to dependent children*

The "Family Allowance" is paid on a monthly basis to any employee making social security contributions who has dependent children. The definition of dependants[4] 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
- 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.

| 2020 Transfer by Dependant | |
|---|---|
| Annual Income Range (CLP) | Annual Payment (CLP) |
| 0–3 992 232 | 156 278 |
| 3 992 232– 5 771 080 | 95 904 |
| 5 771 080– 9 094 504 | 30 306 |
| 9 094 504 and over | 0 |

## 4. Recent changes in the tax/benefit system

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

None of the measures Chilean government has taken because of COVID-19 to the date has a direct impact on taxing wages model's parameters. However, it is important to mention a mechanism: Employment protection law[5], in which the employer, under certain circumstances, puts the contract on hold, keeps paying the SSC, and employees can get part of their wages through the unemployment insurance fund.

## 5. Memorandum items

### *5.1. 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 ISIC4.CL 2012[6], covering workers in industry sectors B to R[7].
- The average gross earning was obtained by multiplying the average hourly wage by the average number of hours worked. It covers both full and part-time workers.

### *5.2. 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.

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 10 279 535 | Country estimate |
|---|---|---|---|
| Allowances | Basic_al | 0 | |
| | | | |
| Income tax | Tax_sch | 0,0% | 8.266.698 |
| | | 4,0% | 18.370.440 |
| | | 8,0% | 30.617.400 |
| | | 13,5% | 42.864.360 |
| | | 23,0% | 55.111.320 |
| | | 30,4% | 73.481.760 |
| | | 35,0% | |
| Education tax credit | edu_tax_cre | 127 909 | |
| | edu_tax_cre_lim | 23 023 701 | |
| Employees SSC | | | |
| Upper threshold | SSC_sch | 7% | 27.628.656 |
| | | 0 | |
| Family allowance | CTR_child | - | 156 278 |
| Child element | | 3 992 232 | 95 904 |
| | | 5 771 080 | 30 306 |
| | | 9 094 504 | - |

## 2020 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 | P | IF(taxinc_princ+taxinc_spouse<='edu_tax_cre_lim,IF(taxinc_spouse' =0,edu_tax_cre*Children,edu_tax_cre*Children*0.5),0) |
| | | | S | IF(AND(taxinc_princ+taxinc_spouse<=edu_tax_cre_lim,taxinc_spouse>0),edu_tax_cre*Children*0.5,0) |
| 7. | CG tax | CG_tax | B | Positive(CG_tax_excl-tax_cr) |
| 8. | State and local taxes | local_tax | B | 0 |
| 9. | Employees' soc security | SSC | B | 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.

## Notes

[1] Information for earnings is available until November 2020. Information for December 2020 will be published February 5th and ratified March 5th

[2] Enrolment in the private health system during 2019 amounted to 19.41% of all beneficiaries.

[3] Average cost in 2020 was 1.17% of gross income.

[4] If the dependant's income is equal or higher than half the minimum wage, for more than three months in the calendar year, the dependant is not eligible to receive the family allowance.

[5] https://www.chileatiende.gob.cl/fichas/77784-ley-de-proteccion-al-empleo

[6] ISIC4.CL 2012 is a Chilean classifier of economic activities, based on ISIC Rev.4.

[7] O (8422) "Defense Activities" and O (8423) "Public order and safety activities" are not included.

# Colombia

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, and universal cash transfers. The methodology also includes the parameter values and tax equations underlying the data

## COLOMBIA 2020

### 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** | | 10 742 271 | 16 033 240 | 26 775 511 | 10 742 271 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | 2 470 722 | 3 687 645 | 6 158 367 | 2 202 166 |
| | Married or head of family | | | | | |
| | Dependent children | | 0 | 0 | 0 | 1 074 227 |
| | Deduction for social security contributions and income taxes | | | | | |
| | Work-related expenses | | | | | |
| | Other | | 859 382 | 1 282 659 | 2 142 041 | 859 382 |
| | | Total | 3 330 104 | 4 970 304 | 8 300 408 | 4 135 774 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 7 412 167 | 11 062 936 | 18 475 102 | 6 606 497 |
| **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 | | 0 | 0 | 0 | 0 |
| | Taxable income | | | | | |
| | | Total | 0 | 0 | 0 | 0 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 0 | 0 | 0 | 0 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 0 | 0 | 0 | 859 637 |
| | | Total | 0 | 0 | 0 | 859 637 |
| **12.** | **Take-home pay (1-10+11)** | | 10 742 271 | 16 033 240 | 26 775 511 | 11 601 908 |
| **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 | | 0.0% | 0.0% | 0.0% | 0.0% |
| | Total payments less cash transfers | | 0.0% | 0.0% | 0.0% | -8.0% |
| | Total tax wedge including employer's social security contributions | | 0.0% | 0.0% | 0.0% | -8.0% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 0.0% | 0.0% | 0.0% | 0.0% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 0.0% | 0.0% | 0.0% | 0.0% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## COLOMBIA 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 16 033 240 | 26 775 511 | 32 066 480 | 26 775 511 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | 3 286 814 | 5 757 536 | 6 974 459 | 6 158 367 |
| | Married or head of family | | | | | |
| | Dependent children | | 1 603 324 | 1 603 324 | 1 603 324 | 0 |
| | Deduction for social security contributions and income taxes | | | | | |
| | Work-related expenses | | | | | |
| | Other | | 1 282 659 | 2 142 041 | 2 565 318 | 2 142 041 |
| | | Total | 6 172 797 | 9 502 901 | 11 143 102 | 8 300 408 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 9 860 443 | 17 272 609 | 20 923 378 | 18 475 102 |
| **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 | | 0 | 0 | 0 | 0 |
| | Taxable income | | | | | |
| | | Total | 0 | 0 | 0 | 0 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 0 | 0 | 0 | 0 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 859 637 | 1 719 275 | 1 719 275 | 0 |
| | | Total | 859 637 | 1 719 275 | 1 719 275 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 16 892 877 | 28 494 785 | 33 785 755 | 26 775 511 |
| **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 | | 0.0% | 0.0% | 0.0% | 0.0% |
| | Total payments less cash transfers | | -5.4% | -6.4% | -5.4% | 0.0% |
| | Total tax wedge including employer's social security contributions | | -5.4% | -6.4% | -5.4% | 0.0% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 0.0% | 0.0% | 0.0% | 0.0% |
| | Total payments less cash transfers: Spouse | | -8.0% | 0.0% | 0.0% | 0.0% |
| | Total tax wedge: Principal earner | | 0.0% | 0.0% | 0.0% | 0.0% |
| | Total tax wedge: Spouse | | -8.0% | 0.0% | 0.0% | 0.0% |

Colombia's national currency is the peso (COP). For 2020, the average exchange rate was COP 3 737.29 to USD 1. That same year, the average worker in Colombia earned COP 16 033 240.

Taxes allowances and tax thresholds for the personal income tax system and upper earnings limits for social security contributions are expressed in SMLMV and UVT units. These indicators take into account the inflation rate. At December 31 of 2020, the following currency values applied to these units are:

| Major revenue items | Unit | COP | USD |
|---|---|---|---|
| Social security contributions | Salario mínimo legal mensual vigente (SMLMV) | 877 803 | 234.87 |
| Annual tax thresholds | Unidad de Valor Tributario (UVT) | 35 607 | 9.53 |

# 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

- *Relief for social security contributions:* Employee's compulsory social insurance contributions are non-taxable or excluded income for income tax purposes regardless of whether they are paid to government or private sector (See section 2.1 below).
- 25% of total employment payments, up to a monthly maximum exemption of 240 UVT (annual limit of COP 102 548 160). Pursuant to the 2012 tax reform act, in determining the 25% exempt income, the taxpayer must take into account its employment income, less the amount of excluded items, allowed deductions, and other exempt items of income.
- Dependent deduction, up to a limit that cannot exceed 10% of the employees' monthly income, nor the equivalent to 32 UVT (annual limit of COP 13 673 088).

#### 1.1.2.2 Main non-standard tax reliefs

- Voluntary contributions to pension funds and deposits in the so-called "AFC" bank accounts[1], made on behalf of employees by their employers up to a limit that cannot exceed 30% of the employees' annual income (taking into account the mandatory payments to the general system on pensions), nor the equivalent to 3 800 UVT (COP 135 307 000). According to tax code, non-compulsory employee´s contributions to voluntary pension funds are considered exempted items.
- The Act 1607 of 2012 (tax reform) allows taxpayers to deduct of their taxable income each one of the next items:
  - Interest paid within a year for mortgage loans, with a monthly limit of 100 UVT (annual limit of COP 42 728 000).
  - Payments made for voluntary health insurance that cover to the employee, spouse and two children or dependent people, up to a monthly limit of 16 UVT (annual limit of COP 6 837 000).

### *1.1.3. Tax schedule*

Because Law 1943 of 2018 was deemed unconstitutional by the Constitutional Court at October 2019, at the end of that year the Congress approved the Law 2010, which kept the income tax regime to individuals

in the same way as it was established in the previous tax reform. This tax regime split the individual's income in three "baskets": a general basket, that covers labor, capital and non-labor income; a pension basket, and a dividends basket.

The income received by employees is reported in the general "basket". The taxable income assessed under this basket is the result of summing all earnings realized during the taxable year, minus: (a) all excluded items (refunds, reductions, discounts, and earnings not considered taxable items of income), (b) all allowed deductions (costs, expenses, and other deductions), and (c) all exempt items.

This system keeps the top introduced by Law 1819 of 2016 but now in the general basket, in which the sum of allowed deductions and exempt items should be lower than COP 179 459 280 (5 040 UVT) or 40% of the taxable income (earnings minus excluded items). However, the legislation allows the recognition of costs and expenses related with capital and non-labor income that comply with the requirements for their use into the assessment of the taxable base.

Regarding on the income tax rate, individuals must sum the taxable income that comes from the general basket and the one comes from the pension basket. The income tax rate that applies to this final amount is as provided in the table below:

| Taxable income (UVT) | | Taxable income (COP) | | Marginal rate | Fixed quota | |
|---|---|---|---|---|---|---|
| Lower limit | Upper limit | Lower limit | Upper limit | | UVT | COP |
| 0 | 1 090 | 0 | 38 812 000 | 0% | 0 | 0 |
| > 1 090 | 1 700 | 38 812 000 | 60 532 000 | 19% | 0 | 0 |
| > 1 700 | 4 100 | 60 532 000 | 145 989 000 | 28% | 116 | 4 130 000 |
| > 4 100 | 8 670 | 145 989 000 | 308 713 000 | 33% | 788 | 28 058 000 |
| > 8 670 | 18 970 | 308 713 000 | 675 465 000 | 35% | 2 296 | 81 754 000 |
| > 18 970 | 31 000 | 675 465 000 | 1 103 817 000 | 37% | 5 901 | 210 117 000 |
| > 31 000 | and over | 1 103 817 000 | and over | 39% | 10 352 | 368 604 000 |

### *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

The social security system in Colombia comprises three regimes: the general system on pensions ("sistema general de pensiones"), the general social security system on healthcare ("sistema general de seguridad social en salud"), and the general system on employment risks ("sistema general de riesgos laborales"). The first two operate within the government sector.

The general social security system on healthcare, is financed by public and private funds. The private funds belong essentially to the resources of contributions- contributive regime, which are paid by employers and employees, as well as independent workers, retired persons, and copayments of affiliates at the time of receiving healthcare services. The tax reform of 2016 eliminates the Pro Equity Income Tax – CREE, that had a specific destination for healthcare and was another source of resources[2]. However, 9 points of the CIT rate will have a specific destination that replaced both two payroll contributions and the portion of the mandatory contribution made by the employer to the healthcare system, regarding on their employees whose individual earnings up to 10 SMLMV. For the rest of the companies, and for all of the employees, the total contributions are 12.5% of the monthly wage, of which 8.5% ispaid by employers on behalf of their employees whose monthly earnings above 10 SMLMV and 4% by employees. In the case of independent workers, the contribution is also 12.5% but the contribution base is 40% of the monthly income. Those contributions are accounted as a NTCP since more than 50% goes to private sector.

The Colombian pension system is a hybrid of two different systems, a defined-contribution and fully-funded pension system and a pay-as-you-go system. The contribution rate is mandatory and the same for both systems. The contributions are 16% of the monthly wage, which are paid 12% by employers and 4% by employees. When the monthly wage is over 4 SMMLV the employee pays an additional rate that goes from 1% up to 2% to Solidarity Fund. Workers can choose between both systems and can switch every 5 years until 10 years before mandatory retirement age. Those contributions are accounted as a NTCP since more than 50% goes to private sector.

The minimum and maximum base for compulsory contributions is 1 and 25 SMLMV (COP 877 803 and COP 21 945 075) respectively. Voluntary contributions can be made to the general system on pensions, and individuals are free to make contributions to a public or to a private pension fund of their choice.

| Social security contributions | Base of contribution | Rate |
|---|---|---|
| Pensions | Earnings or employment income | 16.0% |
| Solidarity Fund | Earnings or employment income | 1.0 – 2.0% |
| Health | Earnings or employment income | 4.0% or 12.5% |
| Employment Risks | Employment income | 0.348% - 8.7% |

### *2.1. Employees' contributions*

- For pensions, 4.0% of the employee's monthly earnings, plus a certain percentage between 1.0% and 2.0% of the amount over 4 SMLMV (over COP 3 511 212). The last is named "contributions to the Solidarity Fund".
- For health, 4.0% of the employee's monthly earnings.
- After the Act 1819 of 2016, both, the employee's contributions to pensions and health are included in the model as non-taxable income for income tax in the Colombian legislation.

### *2.2. Employers' contributions*

- For pensions, 12.0% of the employee's monthly earnings.
- For health, 8.5% of the employee's monthly earnings if individual earnings above 10 SMLMV. Otherwise, 0% of the employee's monthly earnings.
- Payments for employment risks are mandatory only in respect of employment and are the sole responsibility of the employer; the rate of this contribution ranges between 0.348% and 8.7%, depending on the activity. A representative rate of 0.522% is used in the Taxing Wages calculations.

## 3. Universal cash transfers

### *3.1. Marital status-related transfers*

None.

### *3.2. Transfers related to dependent children*

The "Family Subsidy" is paid on a monthly basis to an employee that works monthly at least 96 hours and receives monthly employment payments that don't excess COP 3 511 212 (4 SMLMV). It is assessed on both principal and spouse when they are working at the same time and one of the requirements to receive this subsidy is that the sum of their gross earnings does not exceed COP 5 266 818 (6 SMLMV). The definition of dependents includes children, stepchildren, orphaned brothers and sisters, and parents over 60 years old, all of them economically dependent on the worker.

The amount of the payment is a constant value during the year; it does not have limit related with the number of beneficiaries and it differs between the regions of the country. The annual average Family Allowance or Subsidy to 2020 was COP 429 819 for one beneficiary.

## 4. Main Changes in Tax/Benefit Systems Since 2019

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

Through Decree 558 of 2020, the Government reduced the pension contribution rate, from 16% to 3%, decreasing the payment of both employers and employees for the contributions in April and May 2020, but this Decree was deemed unconstitutional by the Constitutional Court in July 2020. This decision means the full payment of the pension contribution at the normal rate for those months at a later time.

## 5. Memorandum items

### *5.1. Identification of an average worker and calculation of earnings*

- The source of information is The Great Integrated Household Survey conducted by the National Administrative Department of Statistics (DANE) with the intention of gathering information about employment conditions of people as well as about the general characteristics of the population. This nationwide survey is carried out on a monthly sample.
- The average gross earnings were obtained by multiplying the average hourly wage by the average number of hours worked, according to the quarterly reports and expresses in a monthly frequency. It covers full time workers (taking into account a person who works 40 hours or more in her/his main job in a week).

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 16 033 240 | | |
|---|---|---|---|---|
| Allowances | Basic_al | 0 | | |
| | Depend_child | 13 673 088 | | |
| | Exempt_labor_income_limit | 102 548 160 | | |
| | Upper_limit_Ex_and_ded | 179 459 280 | | |
| Income tax | Tax_sch | 0 | 38 812 000 | |
| | | 0.19 | 60 532 000 | |
| | | 0.28 | 145 989 000 | 4 130 000 |
| | | 0.33 | 308 713 000 | 28 058 000 |
| | | 0.35 | 675 465 000 | 81 754 000 |
| | | 0.37 | 1 103 817 000 | 210 117 000 |
| | | 0.39 | And more | 368 604 000 |
| Family allowance | | | | |
| Child element | CTR_child | 429 819 | | |
| | CTR_child_limit1 | 42 134 544 | | |
| | CTR_child_limit2 | 63 201 816 | | |
| Non-tax compulsory payments | | | | |
| Health-pensions Employee | NTC_hlth_pens | 0.08 | 263 340 900 | |
| | | 0.00 | | |
| | Low_limit_Income_NTC_hlth_pens | 10 533 636 | | |
| | NTC_solid_fund | 0.00 | 42 134 544 | |
| | | 0.01 | 168 538 175 | |
| | | 0.012 | 179 071 812 | |
| | | 0.014 | 189 605 448 | |
| | | 0.016 | 200 139 084 | |
| | | 0.018 | 210 672 720 | |
| | | 0.02 | | |
| | Upper_limit_Income_NTC_solid_fund | 263 340 900 | | |

## 2020 Tax equations

The equations for the Colombian system are mostly on an individual basis. But the Family Allowance is assessed on both principal and spouse when they are working at the same time and the sum of their gross earnings doesn't exceed the limit to receive this subsidy, and otherwise on the principal's earnings. 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. Total reliefs: | total_rel | B | tax_allow + non_taxable_income |
| Dependent Children | dependent children | P/S | IF(earn_princ>=earn_spouse;IF((earn_princ*0,1)>depend_child;depend_child;earn_princ*0,1)*(IF(children>0;1;0));0)) |
| Exempt Labor Income | exempt labor income | B | IF((positive(earn_princ-(non taxable income ntcp+dependent children))*0,25)>exempt_labor_income_limit;exempt_labor_income_limit;(positive(earn_princ-(non taxable income ntcp+dependent children))*0,25)) |
| Allowed Allowances | tax_allow | B | IF((40%*(earn_princ-non taxable income ntcp))>='upper_limit_ex_and_ded;' IF((dependent children+exempt labor income)>='upper_limit_ex_and_ded;upper_limit_ex_and_ded;' (dependent children+exempt labor income)); IF((dependent children+exempt labor income)>(40%*(earn_princ-non taxable income ntcp));40%*(earn_princ-non taxable income ntcp);(dependent children+exempt labor income))) |
| Non taxable income NTCP | non_taxable_income | B | IF(earn_princ<low_limit_income_ntc_hlth_pens;0;tax(earn_princ;ntc_hlth_pens))+(IF(earn_princ>upper_limit_income_ntc_solid_fund;(upper_limit_income_ntc_solid_fund*ntc_solid_fund_r6);IF(earn_princ>ntc_solid_fund_w5;(earn_princ*ntc_solid_fund_r6);IF(earn_princ>ntc_solid_fund_w4;(earn_princ*ntc_solid_fund_r5);IF(earn_princ>ntc_solid_fund_w3;(earn_princ*ntc_solid_fund_r4);IF(earn_princ>ntc_solid_fund_w2;(earn_princ*ntc_solid_fund_r3);IF(earn_princ>ntc_solid_fund_w1;(earn_princ*ntc_solid_fund_r2);IF(earn_princ>ntc_solid_fund_w0;(earn_princ*ntc_solid_fund_r1);(earn_princ*ntc_solid_fund_r0))))))))) |
| 3. Credits in taxable income | taxbl_cr | B | 0 |
| 4. CG taxable income | tax_inc | B | Positive(earn_princ- Total reliefs+ cred_tx_inc) |
| 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 | Positive(CG tax before credits- tax_cr) |
| 8. State and local taxes | local_tax | B | 0 |
| 9. Employees' soc security | SSC | B | n.a. |
| 11. Cash transfer | cash_trans | J | IF(children=0;0;IF(earn_spouse>0;IF((earn_princ+earn_spouse)>ctr_child_limit2;0;IF((earn_princ+earn_spouse)>=ctr_child_limit1;ctr_child*children;IF((earn_princ+earn_spouse)>0;ctr_child*children*2));IF(earn_princ>ctr_child_limit1;0;ctr_child*children))) |
| 12. Employer's soc security | SSC_empr | B | n.a. |

Key to range of equation B calculated separately for both principal earner and spouse; P/S calculated for principal or spouse only (value taken as 0 for the other earner calculation); J calculated once only on a joint basis. T calculated on a joint basis when both principal and spouse are workers, and otherwise on the principal's earnings.

## 6. Notes

[1] The so-called “AFC” bank accounts (“*cuentas de ahorro para el fomento a la construcción - AFC*”) are savings bank accounts specially provided for the acquisition of real estate property, so the funds deposited in such accounts can only be used for the acquisition of the aforementioned property.

[2] The 2012 tax reform act introduced this new tax to alleviate the costs of hiring formal labour incurred by private employers. These companies had to be taxpayers into the income tax in order to access to this benefit. In particular, both the companies inside the free trade zones regime and the non-profit entities had to follow with the contribution to the healthcare system, regardless of the earnings of their employees.

# 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 2020

### 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** | | 269 515 | 402 261 | 671 776 | 269 515 |
| **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 + 13)** | | 360 611 | 538 225 | 898 837 | 360 611 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 54 092 | 80 734 | 134 825 | 54 092 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | | | | |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | 24 840 | 24 840 | 24 840 | 74 048 |
| | | Total | 24 840 | 24 840 | 24 840 | 74 048 |
| **7.** | **Central government income tax finally paid (5-6)** | | 29 252 | 55 894 | 109 985 | - 19 956 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 29 647 | 44 249 | 73 895 | 29 647 |
| | Taxable income | | | | | |
| | | Total | 29 647 | 44 249 | 73 895 | 29 647 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 58 898 | 100 143 | 183 881 | 9 690 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 0 | 0 | 0 | 21 840 |
| | | Total | 0 | 0 | 0 | 21 840 |
| **12.** | **Take-home pay (1-10+11)** | | 210 617 | 302 119 | 487 895 | 281 665 |
| **13.** | **Employer's compulsory social security contributions** | | 91 096 | 135 964 | 227 060 | 91 096 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 10.9% | 13.9% | 16.4% | -7.4% |
| | Employees' social security contributions | | 11.0% | 11.0% | 11.0% | 11.0% |
| | Total payments less cash transfers | | 21.9% | 24.9% | 27.4% | -4.5% |
| | Total tax wedge including employer's social security contributions | | 41.6% | 43.9% | 45.7% | 21.9% |
| **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 | | 48.5% | 48.5% | 48.5% | 48.5% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Czech Republic 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 402 261 | 671 776 | 804 522 | 671 776 |
| **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 + 13)** | | 538 225 | 898 837 | 1 076 451 | 898 837 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 80 734 | 134 825 | 161 468 | 134 825 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | | | | |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | 98 888 | 74 048 | 74 048 | 24 840 |
| | | Total | 98 888 | 74 048 | 74 048 | 24 840 |
| **7.** | **Central government income tax finally paid (5-6)** | | - 18 154 | 35 937 | 62 580 | 85 145 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 44 249 | 73 895 | 88 497 | 73 895 |
| | Taxable income | | | | | |
| | | Total | 44 249 | 73 895 | 88 497 | 73 895 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 26 095 | 109 833 | 151 077 | 159 041 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 21 840 | 21 840 | 21 840 | 0 |
| | | Total | 21 840 | 21 840 | 21 840 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 398 007 | 583 783 | 675 285 | 512 735 |
| **13.** | **Employer's compulsory social security contributions** | | 135 964 | 227 060 | 271 929 | 227 060 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | -4.5% | 5.3% | 7.8% | 12.7% |
| | Employees' social security contributions | | 11.0% | 11.0% | 11.0% | 11.0% |
| | Total payments less cash transfers | | 1.1% | 13.1% | 16.1% | 23.7% |
| | Total tax wedge including employer's social security contributions | | 26.1% | 35.1% | 37.3% | 43.0% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 31.1% | 31.1% | 31.1% | 31.1% |
| | Total payments less cash transfers: Spouse | | 31.1% | 31.1% | 31.1% | 31.1% |
| | Total tax wedge: Principal earner | | 48.5% | 48.5% | 48.5% | 48.5% |
| | Total tax wedge: Spouse | | 48.5% | 48.5% | 48.5% | 48.5% |

The national currency is the Czech koruna (CZK). In 2020, CZK 23.38 were equal to USD 1. In that year, the average worker earned CZK 402 261 (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

- 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% 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% 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% 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 24 000, 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 24 000.
- 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 1.1.2.2. - Main non-standard tax reliefs), rounded

down to whole hundreds of CZK is subject to tax at the rate of 15%. After that, tax credits (see 1.1.2.4.) can be used to directly reduce a person´s tax liability.

#### 1.1.2.4. Tax credits

- Credit of CZK 24 840 per taxpayer.
- Credit of CZK 24 840 per spouse (husband or wife) living with a taxpayer in a common household provided that the spouse's own income does not exceed CZK 68 000 in the taxable period.
- Credit of CZK 15 204 for first child, credit of CZK 19 404 for second child, credit of CZK 24 204 for third and each additional child (irrespective of the child's own income) living with a taxpayer in a common household on the territory of a Member State of the EU, Norway or Iceland, if the child satisfies one or more of the following criteria (in force since July 1, however, with retroactive effect from January 1):
  - age below 18 year of age,
  - age below 26 year of age and receiving full-time education,
  - age below 26 year of age 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 doubled. 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).
- The annual tax credit for placing a child into a preschool child care institution in the amount of the expenditure proven to be incurred for attending the preschool, up to the amount of the minimum wage for each placed child (for the year 2020: MW CZK 14 600)

The non-standard tax reliefs and special solidarity surcharge of 7% for income from employment and entrepreneurship exceeding 48 times the average salary within the calendar year are not included in the tax equations underlying the Taxing Wages results[1].

### *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

The maximum annual earnings used to calculate social security contributions are 48 times the national average monthly wage. The maximum ceiling for social security contributions is CZK 1 672 080 for the year 2020. The maximum ceiling for health insurance has not existed since 2013.

### *2.1. Employees' contributions*

Compulsory contributions of 11% 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 33.8% of gross earnings.

The contribution consists of the health insurance contribution (9% of gross wages and salaries) and social insurance (24.8 %).

## 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 2.7 times the relevant family's living minimum (LM) and simultaneously fulfils the minimum income condition of CZK 3860/monthly/one of parents.. 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 2.7 LM |
|---|---|
| Age of child | Total payment CZK per month |
| below 6 year of age | 800 |
| 6–15 years | 910 |
| 15–26 years | 1000 |

The monthly family's LM for the AW-type family with children can be calculated by summing the following amounts (in CZK):

| Living minimum | |
|---|---|
| **Basic personal requirement** | |
| Single | 3 860 |
| First person in household | 3 550 |
| Second and other persons who are not a dependent child | 3 200 |
| Child aged below 6 | 1 970 |
| Child aged between 6 and 15 | 2 420 |
| Child aged between 15 and 26 | 2 770 |
| **Household expenses** | |
| One person household | 3 860 |
| Two person household | 6750 |
| Three person household | 8 720 |
| Four person household | 11 140 |
| Five person household | 13 910 |

The LM is required by law. In case that family income (income of persons assessed together) is not achieved, the amount of family's 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-benefit) 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 (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 2020

In 2018, there were two changes that have a significant effect on the current calculation of Taxing Wages.

List of main changes that have impact on the current computation of Taxing Wages:

- The tax credit can be applied in the amount of the expenditure prove to be incurred for attending the preschool, up to the amount of the minimum wage for each child increased to CZK 14 600 for the year 2020. The tax authority only verifies the name of a preschool childcare institution on the list approved by the MEYS. The age of the child does not effect on the entitlement to the tax credit for pre-school children. The children in preschool institutions are normally between 2 and 5 years old, but postponement of school attendance is possible. Introduction of this relief is a part of the

Act on provision of childcare in a child society and also the Act on Maternal, Basic, High, Higher Professional, and other Education (see chapter 1.1.2.4.).

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

No changes

## 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 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.

## 2020 Parameter values

| | Ave_earn | 402 261 | Secretariat's 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 - social insurance | SSs_empr_rate | 0.248 | |
| Employers - health insurance | SSh_empr_rate | 0.09 | |
| Child Tax credit - first child | child_cr_1 | 15 204 | |
| - second child | child_cr_2 | 19 404 | |
| - third child | child_cr_3 | 24 204 | |
| 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 | 3 860 | |
| | basic_household | 6 750 | |
| | basic_child | 2 420 | |
| | house_exp | 1 | 3 860 |
| | | 2 | 6 750 |
| | | 3 | 8 720 |
| | | 4 | 11 140 |
| | | 5 | 13 910 |
| Cash transfers | transf_1 | 910 | |
| Social security, social insurance - ceiling | soc_sec_si_ceil | 1 672 080 | |
| Minimum Wage | tax_cr_preschool | 14 600 | |

## 2020 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 | If (number of children>3; (number of children - 3)*child_cr_3+child_cr_1+child_cr_2+child_cr_3; If (number of children>2;child_cr_1 +child_cr_2 + child_cr_3; If (number of children>1;child_cr_1+child_cr_2; If (number of children=0;0))))) |
| | Tax preschool credit | Tax_cr_preschool | B | tax_cr_preschool*positive(children-1) |
| | 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-tax_cr-preschool , 0 ) - tax_cr_ch |
| 6. | State and local taxes | local_tax | B | 0 |
| 7. | Employees' social security | SSs<br>SSh | B<br>B | MIN(earn,soc_sec_si__ceil)*SSs_rate<br>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<='(2.7)*LM*12,' transf_1*12) |
| 11. | Employer's social security | SSs_empr<br>SSh_empr | B<br>B | MIN(earn,soc_sec_sir_ceil)*SSs_empr_rate<br>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.

## Notes

[1] The Solidarity Surcharge is not included in the Taxing Wages models, but does not apply at any of the income levels for which the Taxing Wage indicators are calculated.

# 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 2020

**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** | | 292 853 | 437 094 | 729 947 | 292 853 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | | | | |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | 23 428 | 34 968 | 58 396 | 23 428 |
| | Work-related expenses | | 0 | 0 | 0 | 0 |
| | Other | | | | | |
| | | Total | 23 428 | 34 968 | 58 396 | 23 428 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| | Earnings tax credit deduction | | 34 943 | 39 400 | 39 400 | 55 742 |
| | | Total | - 34 943 | - 39 400 | - 39 400 | - 55 742 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 234 482 | 362 726 | 632 151 | 213 683 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 32 627 | 48 698 | 102 402 | 32 627 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 7 476 | 8 065 | 9 261 | 7 476 |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | | | | |
| | | Total | 7 476 | 8 065 | 9 261 | 7 476 |
| **7.** | **Central government income tax finally paid (5-6)** | | 48 580 | 75 600 | 151 537 | 48 580 |
| **8.** | **State and local taxes** | | 46 909 | 78 911 | 146 143 | 41 719 |
| **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)** | | 95 489 | 154 511 | 297 680 | 90 299 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 0 | 0 | 0 | 77 716 |
| | Green check | | 525 | 525 | 0 | 765 |
| | | Total | 525 | 525 | 0 | 78 481 |
| **12.** | **Take-home pay (1-10+11)** | | 197 889 | 283 108 | 432 266 | 281 035 |
| **13.** | **Employer's compulsory social security contributions** | | 0 | 0 | 0 | 0 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 32.6% | 35.3% | 40.8% | 30.8% |
| | Employees' social security contributions | | 0.0% | 0.0% | 0.0% | 0.0% |
| | Total payments less cash transfers | | 32.4% | 35.2% | 40.8% | 4.0% |
| | Total tax wedge including employer's social security contributions | | 32.4% | 35.2% | 40.8% | 4.0% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 38.7% | 41.7% | 55.5% | 36.9% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 38.7% | 41.7% | 55.5% | 36.9% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Denmark 2020

**The tax/benefit position of married couples**

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 437 094 | 729 947 | 874 188 | 729 947 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | | | | |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | 34 968 | 58 396 | 69 935 | 58 396 |
| | Work-related expenses | | 0 | 0 | 0 | 0 |
| | Other | | | | | |
| | | Total | 34 968 | 58 396 | 69 935 | 58 396 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| | Earnings tax credit deduction | | 39 400 | 39 400 | 39 400 | 39 400 |
| | | Total | - 39 400 | - 39 400 | - 39 400 | - 39 400 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 362 726 | 597 208 | 725 453 | 597 208 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 48 698 | 81 325 | 97 395 | 81 325 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 19 327 | 15 541 | 16 130 | 15 541 |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | | | | |
| | | Total | 19 327 | 15 541 | 16 130 | 15 541 |
| **7.** | **Central government income tax finally paid (5-6)** | | 69 969 | 124 180 | 151 200 | 124 180 |
| **8.** | **State and local taxes** | | 67 308 | 125 820 | 157 822 | 125 820 |
| **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)** | | 137 277 | 250 000 | 309 023 | 250 000 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 26 004 | 26 004 | 26 004 | 0 |
| | Green check | | 1 570 | 1 290 | 1 290 | 1 050 |
| | | Total | 27 574 | 27 294 | 27 294 | 1 050 |
| **12.** | **Take-home pay (1-10+11)** | | 327 391 | 507 241 | 592 459 | 480 997 |
| **13.** | **Employer's compulsory social security contributions** | | 0 | 0 | 0 | 0 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 31.4% | 34.2% | 35.3% | 34.2% |
| | Employees' social security contributions | | 0.0% | 0.0% | 0.0% | 0.0% |
| | Total payments less cash transfers | | 25.1% | 30.5% | 32.2% | 34.1% |
| | Total tax wedge including employer's social security contributions | | 25.1% | 30.5% | 32.2% | 34.1% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 41.7% | 41.7% | 41.7% | 41.7% |
| | Total payments less cash transfers: Spouse | | 38.6% | 38.7% | 41.7% | 38.7% |
| | Total tax wedge: Principal earner | | 41.7% | 41.7% | 41.7% | 41.7% |
| | Total tax wedge: Spouse | | 38.6% | 38.7% | 41.7% | 38.7% |

The national currency is the Kroner (DKK). In 2020, DKK 6.57 were equal to USD 1. In that year, the average worker earned DKK 437 094 (Secretariat estimate), which is calculated on the background of the extrapolated average worker income with the expected 2020 growth rate of wages on 0.969%.

## 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 and pension contributions (except lump sum savings).
- 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.

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 can deduct certain expenses with some relation to earning their income (e.g. transport expenses, trade union membership dues, unemployment premiums) from taxable income.

Certain standard tax allowances are automatically issued. Working taxpayers receives an employment allowance of 10.5% of earned income (including pension contributions) to a maximum of DKK 39 400 when calculating taxable income. Single parents get an extra employment allowance of 6.25% in 2020 with a maximum allowance of DKK 22 900. The effective value of the credit is equal to the average municipality tax (24.96%) multiplied by the value of the allowance.

Additionally from 2018, working taxpayers with an income (including pension contributions) of at least DKK 195 800 receives a job allowance of 4.50% on taxable income. The maximum allowance of DKK 2 600 is achieved at an income of DKK 253 578 and the effective value of the credit is equal to about DKK 650 (24.95% x DKK 2 600 = DKK 650).

Pension contributions are deductible in personal income (however not relieved from labor market tax). From 2018, taxpayers receive an extra pension allowance in their taxable income based on pension contributions. Even though pension contributions are an NTCP, the related allowance is considered a standard tax relief. Pension contributions are made to privately managed funds and are annually around 12% of the total wage (i.e. pension contribution formula: gross wage earnings / 0,88 * 0,12) where employees pay 4% and employers pay 8%. The allowance is 12% of the pension contributions for employees with more than 15 years to retirement and 32% for employees with less than 15 years to retirement.

#### 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 work-related expenses are deductible from taxable income, however case law is quite strict in requiring that the expense is necessary for employees' earning of income in the third category ("other costs"). The main items are:
  - The actual costs to contributions to unemployment insurance and trade unions (limit for the latter DKK 6 000);
  - Expenses to transportation to the workplace are deductible at standardised rates: Up to 24 km. per day: no deduction. 25–120 km.: DKK 1.96 per km. Above 120 km.: DKK 0.98 per km. as a standard, but transport from municipalities placed in the outskirts of the country gives a credit of DKK 1.96 per km. also above 120 km. The deduction is only applicable for the days, where the transport is actually performed;
  - Other costs above DKK 6 300, if the costs are necessary in order to earn income.
- Contributions/premiums paid to private pension saving plans except lump sum savings are 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 16 600);
  - 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 | 12.11% of DKK 46 500 = DKK 5 631 |
| For municipal income tax | 24.954% of DKK 46 500 = DKK 11 604 |

Special personal allowance for an individual younger than 18: DKK 36 100.

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% Labour Market Contribution 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 2008.

Low tax bracket to the central government is assessed on the aggregate of personal income and positive net capital income at the rate of 12.11%.

From 2010 and onwards the medium tax bracket was abolished.

Top tax bracket to the central government is assessed on the excess of DKK 531 000 of the aggregate of personal income and positive net capital income in excess of DKK 53 300 at the rate of 15%. If a married individual cannot utilise the total allowance of DKK 531 000, the unutilised part is not transferred to the spouse.

If the marginal tax rate including local tax exceeds 52.06%, the top tax bracket rate is reduced by the difference between the marginal tax rate and 52.06%.

### *1.3. State and local income taxes*

#### *1.3.1. General description*

Local income taxes are levied only by the municipalities. The rates vary across jurisdictions.

#### *1.3.2. Tax base*

The tax base is taxable income (see Section 1). Tax credit varies with tax rates. The average amount is given below.

#### *1.3.3. Tax rates*

- Lowest rate: 22.8% (municipalities);
- Highest rate: 27.8% (municipalities);
- Average rate: 24.95% (municipalities);

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 contribution of DKK 11 899 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 4 260) while the other part consists of a voluntary contribution to an early retirement scheme (DKK 6 096). In addition an administration fee of DKK 1 543 on average is added.

Contributions to unemployment funds are not mandatory. Nevertheless, these payments have up until the implementation of ESA 2010 and the major revision of the Danish national accounts in the autumn 2014 been 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. The contributions to the unemployment funds and the church tax are no longer classified as taxes in the Danish national accounts.

## 3. Universal Cash Transfers

The transfers for each dependent child are as follows:

| Age group | Quarterly amount (DKK) for each child |
|---|---|
| 0–2 | 4 596 |
| 3–6 | 3 639 |
| 7–17 | 2 862 |

The transfer is reduced when the tax base of the top-bracket tax of a parent exceeds DKK 800 100. There are additional special amounts for single parents: the transfer for each dependent child is DKK 5 880 per year and a yearly transfer of DKK 5 992 regardless of the number of children. In addition, there is a state transfer of DKK 16 980 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 525; this amount is increased with DKK 120 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% for income above DKK 421 700. If the yearly income of the individuals is lower than DKK 242 400 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% to 5.5%. 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 2002-2005. 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% from 2004 to 2010 as a compensation for increases in local income taxes from 33.31% in 2004 to 33.66% 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% 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% 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% of earned income in 2008 and to 4.25% 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% on average in 2013) multiplied by the value of the deduction.

From the 1st of 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% in 2006 to 24.577% in 2007. Since then, there has been a further increase in the average municipal tax to 24.907% in 2013. The county tax has been replaced by a new health care tax of 8% which is levied by central government. The health care tax rate is decreased to 6% 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% to 3.67%, abolition of the medium tax bracket with the 6% 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% to 41.0% and the highest marginal tax rate on labour income from 63.0% to 56.1%. The marginal tax rate on positive net capital income (up to 51.5 after abolition of the middle tax bracket) is further reduced for the vast majority by introduction of an extra allowance of DKK 40 000 (DKK 80 000 for married couples) for positive net capital income in the top bracket tax.

The reform is partly financed by higher energy, transport and environmental taxes to support the energy and climate policy objectives of the government, and also by increases of excise rates on health-related goods (fat, candy, sugary drinks, tobacco). These increases are partly compensated by giving a ‘green check’ to households (see section 3). The tax reform is also partly financed by base broadening measures. The measures include a gradual reduction from 2012 to 2019 of the tax value (from 33.5% to 25.5%) of assessment oriented deductions and limitations of the tax deductibility of net interest payments over a nominal threshold of DKK 50 000 (DKK 100 000 for married couples). Also the deductibility of payments above DKK 100 000 a year to individual pension insurance schemes with less than life-long coverage has been limited, as well as tightening of the tax treatment of company cars and other fringe benefits. Furthermore, a 6% tax is imposed from 2011 on pension payments exceeding DKK 362 800.

To consolidate the budget, a *Fiscal Consolidation Agreement* was reached in May 2010, somewhat modifying the prescriptions of the Spring Package of 2009.

The specific provisions of the *Fiscal Consolidation Agreement* include:

- The suspension from 2011 until 2013 of automatic adjustments in various tax thresholds (including personal allowances).
- Postponing from 2011 to 2014 the increase of the threshold for the top income tax rate (15%) from DKK 389 900 to 409 100 (EUR 52 316 to 54 892). The increase was an element of the 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% 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% in 2012 to 10.65% in 2022 (6.95% 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% 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% to 51.7%. 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.

Growth Plan 2014 contained measures to reduce the public service obligation on electricity and roll back an increase in excise duty on fossil fuel. As part of the financing of Growth Plan 2014 the low tax bracket rate is increased by 0.28 percentage point over the next five years, including 0.25 percentage point in 2015, with a parallel increase in the tax ceiling. Also, the green check and the supplementary green check are reduced over the next five years, starting in 2015.

In the autumn 2014, the new ESA 2010 guidelines (European System of National and Regional Accounts) and a major revision of the Danish national accounts were implemented which changed the classification of a few taxes. For example, the church tax and contributions to the unemployment fund are no longer classified as taxes, but as volunteer contributions (see Section 2.1).

As part of the Finance Act 2015 the tax deductibility of labour union membership fees is increased from DKK 3 000 to DKK 6 000 in 2015.

The Finance Act of 2016 included an abolishment of the so-called PSO-excise duty. To finance the abolishment the tax rate for the bottom tax bracket will be increased with 0.05 percentage point from 2018 increasing to 0.09 percentage point in 2022. Fully phased-in the tax rate for the bottom tax bracket will be 12.20% in 2022. Additionally, the tax ceiling will be increased from 51.95% in 2017 to 52.07% in 2022. The ‘green check’ will be reduced with 190 DKK from 2018 increasing to 380 DKK in 2022. The ‘additional green check’ will be lowered proportionally. Low-income earners such as senior citizens and early retirees are exempt from the decrease in the ‘green check’.

In February 2018, an agreement on lower tax on labour income and larger deductions for pension payments was made. The agreement will gradually be introduced from 2018 to 2020 and consists of the following elements: 1) Additional tax deductions for pension payments. The deduction will be 12% for persons with more than 15 years until they reach state pension age and 32% if they have 15 years or less - up to DKK 70,000. 2) A new job allowance of 4.5% of labour on income over DKK 187 500 to a maximum of DKK 2 500. 3) Expansion of the basis of the employment allowance to also cover pension payments. 4) Increase of the ceiling for the employment allowance from DKK 37 400 to 38 400. 5) Lowering of the bottom-bracket tax rate with 0.02 percentage points.

In March 2018 it was agreed to gradually abolish the media license towards 2022. The agreement was financed by reducing personal allowance for persons over the age of 18 by DKK 2 900.

The Finance Act of 2019 and 2020 included a reduction of the bottom tax of 0.03 percentage points each as compensation for an increase in the municipal tax.

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

By Act No. 871 of 14 June 2020, the Danish Parliament introduced several temporary amendments to the income taxation legislation due the covid-19 pandemic. The aim of the amendments is generally to ensure that extended stays in or outside Denmark due to the covid-19 pandemic do not have severe consequences in terms of tax.

A person who is resident in Denmark or a non-resident who is staying in Denmark more than 180 days within a period of 12 months will be fully liable to taxation in Denmark. One of the amendments entails that a non-resident who was staying in Denmark under the national lock down caused by the covid-19 pandemic may choose not to be fully liable to taxation in Denmark provided that the stay was from 9 March to 30 June 2020. In addition, personal income from work performed in Denmark from 9 March to 30 June 2020 may be taxable to Denmark. The effect of this rule may be limited by Danish agreements for the avoidance of double taxation.

Residents in Denmark who primarily are working abroad may, under certain conditions, are exempted from the payment of income taxation in Denmark. One of the other temporary amendments entails that the resident may stay in Denmark from 9 March to 30 June 2020 without forfeiting the right to the tax exemption.

Finally, some temporary amendments are related to the conditions for applying the Tax Scheme for Foreign Researchers and Highly-paid Employees (27 per cent tax scheme).

## 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. Employer and employee's contribution to private schemes*

Employees typically participate in a private occupational (labour market) pension scheme to which both the employee and the employer contribute. The employee's contribution is deductible for income tax purposes until payment. The employer's contribution is not included in the gross wage income of the employee.

## 2020 Parameter values

| | | | |
|---|---|---|---|
| | Ave_earn | 437 094 | Secretariat estimate |
| | Ave_pens | 59604 | |
| Central taxes | Health_tax_rate | 0 | |
| | Low_rate | 0.1211 | |
| | Medium_thrsh | 0 | |
| | Medium_rate | 0 | |
| | Top_thrsh | 531 000 | |
| | Top_rate | 0.15 | |
| | Marg_rate_ceil | 0.5206 | |
| | Adj_top_rate | 0.15 | |
| | Temp_tax_rate | 0 | |
| | Temp_tax_thrsh | 0 | |
| | Personal_al | 46 500 | |
| | Job_deduc_min | 195 800 | |
| | Job_deduc_rate | 0.0450 | |
| | Job_deduc_max | 2 600 | |
| Pension payments tax credit scheme | Pens_deduc_rate_o_15 | 0.12 | |
| | Pens_deduc_rate_u_15 | 0.32 | |
| | Pens_deduc_max | 73 100 | |
| The green check | green_check | 525 | |
| | 1 child | 120 | |
| | child max | 240 | |
| | Green_check_thrsh | 421 700 | |
| | Green_check_taper_rate | 0.075 | |
| | Extra_green_check | 280 | |
| | Extra_green_check_thrsh | 242 400 | |
| Local taxes | gener_rate | 0.24954 | |
| | church_rate | 0 | |
| total local tax rate | Local_rates | 0.24954 | |
| Earned income tax credit scheme | earncredit_rate | 0.105 | |
| | earncredit_max | 39 400 | |
| for single parents | Sing_par_earncredit_rate | 0.0625 | |
| | Sing_par_earncredit_max | 22 900 | |
| Child transfers | Child_3to6 | 14 556 | |
| | Child_7to14 | 11 448 | |
| | Child_limit | 800 100 | |
| | Child_red | 0.02 | |
| for single parents | Sing_par_basic | 5 992 | |
| | Sing_par_ch | 22 860 | |
| Labour Market Contribution | Labour_market_rate | 0.08 | |
| | | | |

## 2020 Tax equations

The equations for the Danish system in 2020 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 |
| | | earncredit | B | Min((earn+((earn/Pension_base_adjust)-earn))*earncredit_rate, earncredit_max)+(Children>0)*(Married=0)*Min((earn+((earn/Pension_base_adjust)-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-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+(MIN(Positive((earn_princ+((earn_princ/Pension_base_adjust)-earn_princ))-Job_deduc_min)*Job_deduc_rate,Job_deduc_max)+ +MIN(((earn_princ/ Pension_base_adjust)-earn_princ)*Pens_deduc_rate_o_15,Pens_deduc_max))*(gener_rate+Health_tax_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+(MIN(Positive((earn_spouse+((earn_spouse/Pension_base_adjust)-earn_spouse))-Job_deduc_min)*Job_deduc_rate,Job_deduc_max) +MIN(((earn_spouse/ Pension_base_adjust)-earn_spouse)*Pens_deduc_rate_o_15,Pens_deduc_max))*(gener_rate+Health_tax_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 | SSC_total | B | 0 |

| | Line in country table and intermediate steps | Variable name | Range | Equation |
|---|---|---|---|---|
| 10. | Total payments | tot_payments | J | Positive(CG_tax_total+local_tax_total+SSC_total) |
| 11. | Cash transfers | cash_trans | J | Positive(((Children>0)*(Child_3to6+(Children>1)*(Children-1)*Child_7to17+(Married=0)*(Sing_par_basic+Children*Sing_par_ch)))-(Positive(earn_princ-Child_limit)*Child_red)-(Positive(earn_spouse-Child_limit)*Child_red))+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 | 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.

# 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 2020

### 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** | 11 147 | 16 637 | 27 783 | 11 147 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | 6 000 | 4 757 | 0 | 7 848 |
| | Married or head of family | | | | |
| | Dependent children | | | | |
| | Deduction for social security contributions and income taxes | 178 | 266 | 445 | 178 |
| | Work-related expenses | | | | |
| | Other | | | | |
| | Total | 6 178 | 5 024 | 445 | 8 026 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 4 968 | 11 613 | 27 339 | 3 120 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 994 | 2 323 | 5 468 | 624 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | | | | |
| | Married or head of family | | | | |
| | Children | 0 | 0 | 0 | 0 |
| | Other | | | | |
| | Total | 0 | 0 | 0 | 0 |
| **7.** | **Central government income tax finally paid (5-6)** | 994 | 2 323 | 5 468 | 624 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 178 | 266 | 445 | 178 |
| | Taxable income | | | | |
| | Total | 178 | 266 | 445 | 178 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 1 172 | 2 589 | 5 912 | 802 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 0 | 0 | 0 | 1 900 |
| | Total | 0 | 0 | 0 | 1 900 |
| **12.** | **Take-home pay (1-10+11)** | 9 975 | 14 048 | 21 871 | 12 245 |
| **13.** | **Employer's compulsory social security contributions** | 3 768 | 5 623 | 9 391 | 3 768 |
| **14.** | **Average rates** | | | | |
| | Income tax | 8.9% | 14.0% | 19.7% | 5.6% |
| | Employees' social security contributions | 1.6% | 1.6% | 1.6% | 1.6% |
| | Total payments less cash transfers | 10.5% | 15.6% | 21.3% | -9.8% |
| | Total tax wedge including employer's social security contributions | 33.1% | 36.9% | 41.2% | 17.9% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 21.3% | 32.4% | 21.3% | 21.3% |
| | Total payments less cash transfers: Spouse | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | 41.2% | 49.5% | 41.2% | 41.2% |
| | Total tax wedge: Spouse | n.a. | n.a. | n.a. | n.a. |

## Estonia 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 16 637 | 27 783 | 33 273 | 27 783 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | 8 765 | 12 605 | 11 363 | 10 757 |
| | Married or head of family | | | | |
| | Dependent children | | | | |
| | Deduction for social security contributions and income taxes | 266 | 445 | 532 | 445 |
| | Work-related expenses | | | | |
| | Other | | | | |
| | Total | 9 032 | 13 050 | 11 895 | 11 202 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 7 605 | 14 733 | 21 378 | 16 581 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 1 521 | 2 947 | 4 276 | 3 316 |
| **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)** | 1 521 | 2 947 | 4 276 | 3 316 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 266 | 445 | 532 | 445 |
| | Taxable income | | | | |
| | Total | 266 | 445 | 532 | 445 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 1 787 | 3 391 | 4 808 | 3 761 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 1 440 | 1 440 | 1 440 | 0 |
| | Total | 1 440 | 1 440 | 1 440 | 0 |
| **12.** | **Take-home pay (1-10+11)** | 16 290 | 25 832 | 29 905 | 24 023 |
| **13.** | **Employer's compulsory social security contributions** | 5 623 | 9 391 | 11 246 | 9 391 |
| **14.** | **Average rates** | | | | |
| | Income tax | 9.1% | 10.6% | 12.9% | 11.9% |
| | Employees' social security contributions | 1.6% | 1.6% | 1.6% | 1.6% |
| | Total payments less cash transfers | 2.1% | 7.0% | 10.1% | 13.5% |
| | Total tax wedge including employer's social security contributions | 26.8% | 30.5% | 32.8% | 35.4% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 32.4% | 32.4% | 32.4% | 32.4% |
| | Total payments less cash transfers: Spouse | 14.4% | 21.3% | 32.4% | 21.3% |
| | Total tax wedge: Principal earner | 49.5% | 49.5% | 49.5% | 49.5% |
| | Total tax wedge: Spouse | 36.0% | 41.2% | 49.5% | 41.2% |

The Estonian currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In 2020, the average worker in Estonia earned EUR 16 637 (Secretariat estimate).

# 1. Personal income tax system

## *1.1. Central government income tax*

### *1.1.1. Tax unit*

The tax unit is the individual since January 1st 2017.

### *1.1.2. Tax allowances*

#### 1.1.2.1. Standard tax reliefs

- A general (basic) allowance of EUR 6000 is deductible from individual income in 2020. It starts declining from income of 14 400 and reaches EUR 0 at EUR 25 200. From 1 January 2017, the supplementary basic allowance for the spouse came into force. The spouse's yearly income must be below EUR 2 160 and the family`s total yearly income must be below EUR 50 400.
- A child allowance of EUR 1 848 is also deductible from income for each of the second and EUR 3 048 for third 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: was abolished from 2017.

#### 1.1.2.2. Non – standard tax reliefs applicable to income from employment

- II pillar pension contributions: In 2020, these represent compulsory payments to private funds for employees born in 1983 or after and are paid at a rate of 2% of earnings. In December 2020, these payments will become wholly voluntary and remain so till August 31, 2021. In impact estimation we have assumed that 1/3 will stop their payments.
- Housing loan interest, educational costs, gifts and donations are deductible from taxable income within upper limits of EUR 1 200 and 50% of taxable income per year. Housing loan interest deductions upper limit is EUR 300 within that EUR 1 200 from 2017.
- 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 2020 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 20% 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 1.6% 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 – 0.8% of employee earnings.
- Pension and health insurance – as follows for monthly earnings above EUR 540.

| 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 178.20 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 2020 are shown in the table below. The single parent child allowance is paid for each child. From 1st of July 2017 the parents allowance for

families with three to six children was introduced, EUR 300 per month. Parents allowance for families with seven or more children was increased from EUR 168.74 per month to EUR 400 per month from 1st of July 2017.

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: parental benefit; additional parental benefit for fathers and 30 days of paternity leave, childbirth allowance and allowance for multiple birth of three or more children; maintenance allowance, conscript's child allowance; adoption allowance (single payment), guardianship allowance, child care allowance. 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 | 720.00 |
| - For the third and any subsequent children | 1 200.00 |
| - Single parent's child allowance | 230.16 |
| - Parents allowance for families with three to six children | 3 600.00 |
| - Parents allowance for families with seven or more children | 4 800.00 |

In addition to existing benefits, from 1st of July, 2013 the need-based child benefits were introduced. Need-based family benefit income threshold was based on Statistical Office relative poverty threshold published by the 1st of March in a year before current budget year. In 2017 the need based threshold was EUR 394 in a month for the first household member. For every other at least 14-years old member the threshold was EUR 197 and for the younger members EUR 118.2 in a month. Need-based family benefit was in 2017 EUR 45 in a month for single child family and EUR 90 for families with two or more children. These need-based benefits were abolished from 2018.

## 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. In 2015 it was reduced to 20%.
- 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 2015 the employee unemployment contribution rate was reduced from 2.0% to 1.6% and the corresponding rate for employers from 1.0% to 0.8%.
- In addition to existing benefits, from 1st of July, 2013 the need-based child benefits were introduced. Further details in section 4.2 on cash transfers. These were abolished from 2018.
- From 2016, a non-payable tax credit for low-income earners ("madalapalgaliste tagasimakse") was introduced. Further details in section 1.1.2. on tax allowances. It was abolished from 2017.
- From 2017 the possibility to use spouse`s basic tax-free allowance was reformed. From 1st of January 2017, the supplementary basic allowance for the spouse came into force. The spouse's yearly income must be below EUR 2 160 and the family`s total yearly income must be below EUR 50 400.
- From 2020 the additional child allowance for third any subsequent children up to and including the age of 16 was increased to EUR 3 048 per year.

### 5.1. Changes to labour taxation due to the covid-19 pandemic

Labour taxation did not change but there were some measures supporting self-employed, employees and employers:

- The state pays the advance payment of social tax for self-employed persons for the first quarter of 2020.
- Temporary cancellation of social tax minimum for employers for three months. Here social tax minimum is the lump sum payment for each employee of EUR 178.20 per month mentioned above. The employer was released of this obligation for three months (March, April and May 2020) and social tax had to be paid from actual payment to employee. It included the unpaid vacation and part-time work.
- Temporary suspension of contributions to the second pillar pension funds. The state will suspend pension payments to the second pillar, that are made at the expense of social tax from 1 July this year until 31 August 2021. In October 2020, everyone who has joined the mandatory funded pension, will be able to decide whether to waive their contribution as well. To do this, an application must be submitted in October and payments will be stopped from December. There is a compensation mechanism for people who decide to continue their contributions.
- Unemployment Insurance Fund measure for labor market support within 2 months (wage support measure). Wage support measure will help to maintain the income of employees during the emergency situation.
- State reimbursement of sick days for workers from the first to the third day of sickness insurance (currently without pay) from March to May 2020.

## 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.

## 2020 Parameter values

| | | | |
|---|---|---|---|
| Average earnings/yr | Ave_earn | 16 637 | Secretariat estimate |
| Allowances | Basic_al | 6 000 | |
| | Basic_al_thrs_1 | 14400 | |
| | Basic_al_thrs_2 | 25200 | |
| | Suppl_al | 2160 | |
| | Incoome_lim | 50 400 | |
| | Child_al | 1 848 | |
| Income tax | Tax_rate | 0.20 | |
| Employers SSC | SSC_rate1 | 0.33 | |
| | Threshold | 6 480 | |
| | lump_sum | 2138.4 | |
| | SSC_rate2 | 0.008 | |
| | | | |
| Employees SSC | SSC_rate3 | 0.016 | |
| Child allowances | | | |
| First & second child | CA_first&second | 720 | |
| Other children | CA_others | 1 200 | |
| Additional for children of lone parents | CA_onepar | 230.16 | |
| Days in tax year | numdays | 365 | |

## 2020 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 | P | MINA(Positive(Basic_al-(Positive(earn-Basic_al_thrs_1)*(Basic_al/(Basic_al_thrs_2-Basic_al_thrs_1))))+IF(spouse_earn<Suppl_al,IF(AND(household_earn<income_lim,Married>0),Positive(Suppl_al-spouse_earn),0),0)+SSC_empee+(Children>1)*(Child_al*(Children-1)),earn) |
| | | | S | MINA(IF(earn>0,Positive(Basic_al-(Positive(earn-Basic_al_thrs_1)*(Basic_al/(Basic_al_thrs_2-Basic_al_thrs_1)))),0)+SSC_empee,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 |
| 8; | State and local taxes | local_tax | B | 0 |
| 9. | Employees' soc security | SSC_empee | B | earn*SSC_rate3 |
| 11. | Cash transfers | cash_trans | J | IF(Children<3,CA_firstsecond*Children,(2*CA_firstsecond)+(CA_other*(Children-2)))+(Married='0')*Children*CA_onepar |
| 13. | Employer's soc security | SSC_empr | B | IF(earn>0,IF(earn>threshold,earn*SSC_rate1,lump_sum),0)+earn*SSC_rate2 |

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

# 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 2020

### 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** | | 30 632 | 45 719 | 76 350 | 30 632 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | | | | |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | 2 935 | 4 380 | 7 314 | 2 935 |
| | Work-related expenses | | 750 | 750 | 750 | 750 |
| | Other | | | | | |
| | | Total | 3 685 | 5 130 | 8 064 | 3 685 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 26 947 | 40 589 | 68 286 | 26 947 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 539 | 2 864 | 8 581 | 539 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 1 770 | 1 550 | 986 | 1 770 |
| | Married or head of family | | | | | |
| | Children | | 0 | 0 | 0 | 0 |
| | Other | | | | | |
| | | Total | 1 770 | 1 550 | 986 | 1 770 |
| **7.** | **Central government income tax finally paid (5-6)** | | 163 | 1 477 | 7 758 | 163 |
| **8.** | **State and local taxes** | | 3 620 | 7 671 | 13 477 | 3 620 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 2 935 | 4 380 | 7 314 | 2 935 |
| | Taxable income | | 123 | 261 | 459 | 123 |
| | | Total | 3 058 | 4 641 | 7 773 | 3 058 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 6 841 | 13 789 | 29 008 | 6 841 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 0 | 0 | 0 | 3 916 |
| | | Total | 0 | 0 | 0 | 3 916 |
| **12.** | **Take-home pay (1-10+11)** | | 23 790 | 31 930 | 47 342 | 27 706 |
| **13.** | **Employer's compulsory social security contributions** | | 5 725 | 8 545 | 14 270 | 5 725 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 12.4% | 20.0% | 27.8% | 12.4% |
| | Employees' social security contributions | | 10.0% | 10.2% | 10.2% | 10.0% |
| | Total payments less cash transfers | | 22.3% | 30.2% | 38.0% | 9.6% |
| | Total tax wedge including employer's social security contributions | | 34.6% | 41.2% | 47.8% | 23.8% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 34.6% | 46.6% | 50.2% | 34.6% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 44.9% | 55.0% | 58.1% | 44.9% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Finland 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 45 719 | 76 350 | 91 438 | 76 350 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | | | | |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | 4 380 | 7 314 | 8 760 | 7 314 |
| | Work-related expenses | | 750 | 1 500 | 1 500 | 1 500 |
| | Other | | | | | |
| | | Total | 5 130 | 8 814 | 10 260 | 8 814 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 40 589 | 67 536 | 81 178 | 67 536 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 2 864 | 3 402 | 5 727 | 3 402 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 1 550 | 3 320 | 3 100 | 3 320 |
| | Married or head of family | | | | | |
| | Children | | 0 | 0 | 0 | 0 |
| | Other | | | | | |
| | | Total | 1 550 | 3 320 | 3 100 | 3 320 |
| **7.** | **Central government income tax finally paid (5-6)** | | 1 477 | 1 640 | 2 954 | 1 640 |
| **8.** | **State and local taxes** | | 7 671 | 11 291 | 15 342 | 11 291 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 4 380 | 7 314 | 8 760 | 7 314 |
| | Taxable income | | 261 | 384 | 522 | 384 |
| | | Total | 4 641 | 7 699 | 9 282 | 7 699 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 13 789 | 20 630 | 27 578 | 20 630 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 2 397 | 2 397 | 2 397 | 0 |
| | | Total | 2 397 | 2 397 | 2 397 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 34 327 | 58 117 | 66 256 | 55 720 |
| **13.** | **Employer's compulsory social security contributions** | | 8 545 | 14 270 | 17 090 | 14 270 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 20.0% | 16.9% | 20.0% | 16.9% |
| | Employees' social security contributions | | 10.2% | 10.1% | 10.2% | 10.1% |
| | Total payments less cash transfers | | 24.9% | 23.9% | 27.5% | 27.0% |
| | Total tax wedge including employer's social security contributions | | 36.7% | 35.9% | 38.9% | 38.5% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 46.6% | 46.6% | 46.6% | 46.6% |
| | Total payments less cash transfers: Spouse | | 22.3% | 34.6% | 46.6% | 34.6% |
| | Total tax wedge: Principal earner | | 55.0% | 55.0% | 55.0% | 55.0% |
| | Total tax wedge: Spouse | | 34.6% | 44.9% | 55.0% | 44.9% |

The national currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In that year, the average worker earned EUR 45 719 (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 750 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 12,5% of income exceeding EUR 2 500, until it reaches its maximum of EUR 1 770. The amount of the credit is reduced by 1.84% of the earned income minus work related expenses exceeding EUR 33 000. The credit is fully phased out when taxpayers' income is about EUR 130 000.

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

- Interest: Interest on loans associated with the earning of taxable income, 15% 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% for first-time homebuyers) 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 750 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 > 100km), the taxpayer can deduct the costs of hiring a second dwelling located near the place of work up to EUR 450 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 (%) |
|---|---|---|
| 18 100-27 200 | 8 | 6 |
| 27 200-44 800 | 554 | 17.25 |
| 44 800-78 500 | 3 590 | 21.25 |
| 78 500 | 10 751.25 | 31.25 |

### 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 2020 the tax rate varies between 17.00 and 23.50%, the average rate being approximately 19.97%.

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% of income between EUR 2 500 and EUR 7 230 and 28% 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% 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 3 540, is reduced by 18% 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 2020, the rate of the health insurance contribution for medical care paid by an employee is 0.68%. 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 7.15% of gross salary, an employees' unemployment insurance contribution equal to 1.25% of gross salary and a health insurance contribution for daily allowance equal to 1.18% of gross salary. For employees aged 53 to 62, the pension insurance contribution amounts to 8.65% 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 2020 is 18.69% of gross wage.

| | Contribution rates (%) |
|---|---|
| Health insurance | 1,34 |
| Unemployment insurance (avg) | 1,26 |
| Earnings-related pension insurance | 15,22 |
| Accident insurance (avg) | 0,8 |
| Group life insurance (avg) | 0,07 |
| Total | 18,69 |

## 3. Universal Cash Transfers

### 3.1. Amount for marriage

None.

### 3.2. Amount for children

The central government pays in 2020 the following allowances (EUR):

| | |
|---|---|
| For the first child | 1 138.56 |
| For the second child | 1 258.08 |
| For the third child | 1 605.48 |
| For the fourth child | 1 958.88 |
| Fifth and subsequent child | 2 192.28 |

The child subsidy for a single parent is increased by an annual amount of EUR 759.6 for each child.

## 4. Main Changes in the Tax/Benefit System since 2019

Adjustments for inflation and rise of earnings levels were made to the central government tax scale in 2020.

The maximum amount of the basic allowance in municipal taxation was raised from EUR 3 305 to EUR 3 540. The maximum amount of the earned income tax credit in state taxation was raised from EUR 1 630 to EUR 1 770.

Home-loan interest counts at 15%, down from 25%, as deductible/creditable interest.

The amount of child subsidy for the fourth and fifth and subsequent child, as well as the increase for a lone parent, were increased by EUR 10/month.

### 4.1. Changes to labour taxation due to the covid-19 pandemic

There are no specific personal income tax measures due to the covid-19 pandemic. Financial support for individuals and households has been granted in the form of direct benefits rather than through tax measures.

The Finnish tax deferral scheme concerning payment arrangements with eased terms was based on a temporary legislative amendment, which allowed for a late-payment interest rate of 2.5% (lowered from the standard 7%) to be applied on all and any taxes (incl. PITs and SSCs) included in a payment arrangement that fell due between 1 March and 31 August 2020 as well as on repaid VAT. In addition, the

temporary amendment allowed for the first payment instalment to be postponed until three months after the start of the arrangement.

## 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.

## 2020 Parameter values

| | | | |
|---|---|---|---|
| Average earnings | Ave_earn | 45 719 | Secretariat estimate |
| Expenses | Work_exp_max | 750 | |
| | Work_exp_rate | 1 | |
| Allowances | al_SSC_rate | 0.0958 | |
| State tax | Tax_min | 8 | |
| Tax schedule | Tax_sch | 0 | 18100 |
| | | 0.06 | 27200 |
| | | 0.1725 | 44800 |
| | | 0.2125 | 78500 |
| | | 0.3125 | |
| Broadcasting tax | brdcst_tax_rate | 0.025 | |
| | brdcst_tax_thres | 14000 | |
| | brdcst_tax_max | 163 | |
| Earned income tax credit | eitc_thrsh | 2 500 | |
| | eitc_rate | 0.125 | |
| | eitc_redn_thrsh | 33 000 | |
| | eitc_redn_rate | 0.0184 | |
| | eitc_max | 1770 | |
| Child tax credit | child_cr | 0 | |
| | child_thres | 0 | |
| | child_red | 0 | |
| 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 | 3540 | |
| | SL_rate | 0.18 | |
| Local intax | Local_rate | 0.1997 | |
| | Church_rate | 0 | |
| | Local_tot | 0.1997 | |
| Soc sec taxpayer | SSC_rate | 0,0068 | |
| soc.sec empr | SSC_empr | 0.1869 | |
| Cash transfer | ch_1 | 1138.56 | |
| | ch_2 | 1258.08 | |
| | ch_3 | 1605.48 | |
| | ch_4 | 1958.88 | |
| | ch_5 | 2192.28 | |
| | ch_small | 0 | |
| | ch_lone | 759.6 | |

## 2020 Tax equations

The equations for the Finnish system are mostly on an individual basis except for the child benefit which is calculated only once. This is shown by the Range indicator in the table below. The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

| | Line in country table and intermediate steps | Variable name | Range | Equation |
|---|---|---|---|---|
| 1. | Earnings | earn | | |
| | Work related expenses | work_rel | B | MIN(Work_exp_max, Work_exp_rate*earn) |
| | SSC deduction | SSC_al | B | earn*al_SSC_rate |
| 2. | Allowances: | tax_al | B | work_rel+SSC_al |
| 3. | Credits in taxable income | taxbl_cr | B | 0 |
| 4. | CG taxable income | tax_inc | B | Positive(earn-tax_al) |
| 5. | CG tax before credits | CG_tax_excl | B | ='Tax(tax_inc,' Tax_sch)+Tax_min* (tax_inc>Tax_thrsh) |
| 6. | Tax credits : | tax_cr | B | MINA(eitc_max,eitc_rate*Positive(earn-eitc_thrsh))-MINA(eitc_max,eitc_redn_rate*Positive(earn-work_rel-eitc_redn_thrsh)) |
| | Child tax credit | child_cr | P | taper(child_cr*(1+(married=0))*children,earn_p-work_rel,child_thres,child_red) |
| | | | S | If(tax_inc_s>0,taper(child_cr*children,earn_s-work_rel,,child_thres,child_red),0) |
| | | broadcasting_tax | B | IF((earn-(work_rel+brdcst_tax_thrsh))*brdcst_tax_rate<0,0,IF((earn--(work_rel+brdcst_tax_thrsh))*brdcst_tax_rate>brdcst_tax_max,brdcst_tax_max,( earn---(work_rel+brdcst_tax_thrsh))*brdcst_tax_rate)) |
| 7. | CG tax | CG_tax | B | Positive(CG_tax_excl - tax_cr-child_cr)+broadcasting_tax |
| | Earned income allowance | earninc_al | B | MIN(al_max, IF(earn>al_thrsh2, al_rate*(al_thrsh2-al_thrsh1)+al_rate2*(earn-al_thrsh2), Positive(earn-al_thrsh)))-MIN(al_max, al_redn_rate* Positive(earn-work_rel-al_redn_thrsh)) |
| | Low income | low_inc | B | Positive(MIN(earn-work_rel-low_al-SSC_al, SL_max)-SL_rate*Positive(earn- work_rel- low_al-SSC_al-SL_max)) |
| | Taxable income (local) | tax_inc_l | B | tax_inc-earninc_al-low_inc |
| 8. | State and local taxes | local_tax | B | Positive(tax_inc_l*Local_tot- (local_tot/(local_tot+SSC_rate))*If((Tax_cr-CG-tax_excl)>0,(Tax_cr-CG-tax_excl)+child_cr,0) |
| 9. | Employees' soc security | SSC | B | Positive(SSC_rate*tax_inc_l -(SSC_rate/(local_tot+SSC_rate))*IF((Tax_cr-CG-tax_excl)>0,(Tax_cr-CG-tax_excl)+child_cr,0)) + SSC_prog_rate* Positive(tax_inc_l-SSC_prog_thrsh)+SSC_al |
| 11. | Cash transfers | cash_trans | J | (Children>0)*ch_1+(Children>1)*ch_2+ (Children>2)*ch_3+ (Children>3)*ch_4+ Positive(Children-4)*ch_4 +(Married=0)*Children*ch_lone |
| 13. | Employer's soc security | SSC_empr | B | earn*SSC_empr |

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis

# 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 2020

### 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** | | 25 586 | 38 188 | 63 774 | 25 586 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | | | | |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | 4 603 | 6 870 | 11 292 | 4 603 |
| | Work-related expenses | | 2 098 | 3 132 | 5 248 | 2 098 |
| | Other | | | | | |
| | | Total | 6 701 | 10 002 | 16 541 | 6 701 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 18 885 | 28 186 | 47 233 | 18 885 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 3 066 | 6 101 | 14 254 | 2 438 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | | | | |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | 0 | 0 | 0 | 0 |
| | | Total | 0 | 0 | 0 | 0 |
| **7.** | **Central government income tax finally paid (5-6)** | | 3 066 | 6 101 | 14 254 | 2 438 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 2 894 | 4 319 | 7 032 | 2 894 |
| | Taxable income | | | | | |
| | | Total | 2 894 | 4 319 | 7 032 | 2 894 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 5 959 | 10 420 | 21 285 | 5 332 |
| **11.** | **Cash transfers from general government** | | | | | |
| | In-work benefit (Gross) | | 0 | 0 | 0 | 2 443 |
| | For two children (Gross) | | 0 | 0 | 0 | 4 386 |
| | CRDS Deducted | | 0 | 0 | 0 | - 34 |
| | | Total | 0 | 0 | 0 | 6 795 |
| **12.** | **Take-home pay (1-10+11)** | | 19 627 | 27 768 | 42 489 | 27 049 |
| **13.** | **Employers' compulsory social security contributions** | | 7 127 | 13 851 | 27 094 | 7 127 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 12.0% | 16.0% | 22.4% | 9.5% |
| | Employees' social security contributions | | 11.3% | 11.3% | 11.0% | 11.3% |
| | Total payments less cash transfers | | 23.3% | 27.3% | 33.4% | -5.7% |
| | Total tax wedge including employer's social security contributions | | 40.0% | 46.6% | 53.2% | 17.3% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 32.6% | 43.0% | 42.2% | 51.6% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 64.6% | 58.2% | 59.4% | 74.6% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## France 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 38 188 | 63 774 | 76 376 | 63 774 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | | | | |
| | Married or head of family | | | | |
| | Dependent children | | | | |
| | Deduction for social security contributions and income taxes | 6 870 | 11 473 | 13 740 | 11 473 |
| | Work-related expenses | 3 132 | 5 230 | 6 264 | 5 230 |
| | Other | | | | |
| | Total | 10 002 | 16 703 | 20 004 | 16 703 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 28 186 | 47 071 | 56 372 | 47 071 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 3 639 | 7 476 | 10 632 | 9 037 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | | | | |
| | Married or head of family | | | | |
| | Children | | | | |
| | Other | 0 | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 | 0 |
| **7.** | **Central government income tax finally paid (5-6)** | 3 639 | 7 476 | 10 632 | 9 037 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 4 319 | 7 213 | 8 638 | 7 213 |
| | Taxable income | | | | |
| | Total | 4 319 | 7 213 | 8 638 | 7 213 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 7 958 | 14 689 | 19 270 | 16 250 |
| **11.** | **Cash transfers from general government** | | | | |
| | In-work benefit (Gross) | 520 | 0 | 0 | 0 |
| | For two children (Gross) | 1 590 | 1 590 | 1 590 | 0 |
| | CRDS Deducted | - 11 | - 8 | - 8 | 0 |
| | Total | 2 100 | 1 582 | 1 582 | 0 |
| **12.** | **Take-home pay (1-10+11)** | 32 329 | 50 667 | 58 688 | 47 524 |
| **13.** | **Employers' compulsory social security contributions** | 13 851 | 20 977 | 27 702 | 20 977 |
| **14.** | **Average rates** | | | | |
| | Income tax | 9.5% | 11.7% | 13.9% | 14.2% |
| | Employees' social security contributions | 11.3% | 11.3% | 11.3% | 11.3% |
| | Total payments less cash transfers | 15.3% | 20.6% | 23.2% | 25.5% |
| | Total tax wedge including employer's social security contributions | 37.9% | 40.2% | 43.6% | 43.9% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 51.6% | 32.6% | 43.0% | 29.0% |
| | Total payments less cash transfers: Spouse | 28.3% | 32.6% | 43.0% | 29.0% |
| | Total tax wedge: Principal earner | 64.5% | 50.6% | 58.2% | 47.9% |
| | Total tax wedge: Spouse | 43.9% | 64.6% | 58.2% | 62.7% |

The national currency is the Euro (EUR). In 2020, EUR 0.88 equalled USD 1. In that year, the average worker earned EUR 38 188 (Secretariat estimate).

# 1. Personal income tax system

## *1.1. Tax levied by the central government on 2020 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% of net pay (with a minimum of EUR 442 and a ceiling of EUR 12 652 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 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 1 570 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 3 704.

#### 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 (30% tax credits, subject to a multi-year maximum); compensatory allowances in case of divorce if paid in a lump sum (25% reduction, capped at EUR 30 500); child care costs for children under six (50% reduction, up to annual expenditure of EUR 2 300); dependent children attending secondary school or in higher education; donations to charities or other organisations assisting 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).

#### 1.1.3. Tax schedule

| | Fraction of taxable income (1 share, in Euros) | Rate (in %) |
|---|---|---|
| 1st bracket | Up to 10 084 | 0 |
| 2nd bracket | From 10 085 to 25 710 | 11 |
| 3rd bracket | From 25 711 to 73 516 | 30 |
| 4th bracket | From 73 517 to 158 122 | 41 |
| 5th bracket | From 158 122 | 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 1 722 for single households and less than 2 849 for the couples. The rebate is equal to 45.25 % of the difference between this ceiling and the amount of tax before the rebate.

The Budget Act of 2020 (article 2) introduced a reform of the personal income system. The reform provides a significant lowering of income tax rate for an amount of around 5 billion euros. 16.9 million taxpayers are benefitting from this reduction from the 1st January, for an estimated average gain of around EUR 300. The changes are the following:

- the marginal rate of 14% is reduced at 11%;
- the tax rebate is reduced from three quarters to 45.25%;
- the special 20% tax reduction rate is removed.

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% from EUR 250 000 to EUR 500 0000 (single person), 4% over EUR 500 0000 (single person), 3% from EUR 500 000 to EUR 1 000 000 (married couple or civil union) and 4% 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 2018, the rate of CSG has been 9.2%. This rate has been applied to a base of 98.25% as of 1st January 2012. The CSG is deductible against taxable income, but at a lower rate of 6.8%.

### *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% of gross pay as of 1st January 2012. The rate is set at 0.5%. Unlike social security contributions, CRDS payments are not deductible from taxable income.

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

Some contributions are levied on a capped portion of monthly earnings. Since 1997, this ceiling has been adjusted once a year on 1 January. In January 2020, the ceiling was EUR 3 428 (or EUR 41 136 per year).

### *2.1. Employee contributions*

#### *2.1.1. Pension*

- 6.9% on earnings up to the ceiling (after 6.9% in 2019).
- 0.4% on total earnings (after 0.4% in 2019).

#### *2.1.2. Illness, pregnancy, disability, death*

- 0.0% on total earnings (0,0% in 2019)

#### *2.1.3. Unemployment*

- 0.0% on earnings since 1st October 2018.

#### *2.1.4. Others*

- Supplemental pension[1] for non-managers and managers: minimum 3.15% up to the ceiling and 8.64% between one and eight times the ceiling.
- The CEG (“Contribution d’Équilibre Général”) is a new contribution that replace AGFF and GMP. The rate of this contribution is, for non-managerial workers and managers, 0.86% of earnings up to the social security ceiling and 1.08% between one and eight times the ceiling.
- The CET (“Contribtion d’Équilibre Technique”): a contribution of 0.14% on total earnings up to eight times the ceiling, for employees who earnings exceed one time the ceiling.

### *2.2. Employer contributions*

#### *2.2.1. Pensions*

8.55% (8.55% in 2019) of gross pay, up to the ceiling, plus a 1.90% (1.90% in 2019) levy on total pay.

#### *2.2.2. Illness, pregnancy, disability, death*

13.0% of total earnings (after 13.0% in 2019). The rate has been reduced to 7.0% up to 2.5 times the minimum wage since 1st January 2019 with the conversion of the CICE into a permanent cut in social contributions.

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

#### 2.2.3. Unemployment

4.05% of earnings (4.05% in 2019) (4.5%, 5.5% or 7% for some temporary contracts), up to four times the ceiling; in addition, 0.15% (0.15% in 2019) 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 2020, the average rate is 2.21% (after 2.22% in 2019).

#### 2.2.5. Family allowances

5.25% of total pay. The rate has been reduced to 3.45% up to 1.6 times the minimum wage from 2015 with the responsibility pact, up to 3.5 times the minimum wage from April 2016.

#### 2.2.6. Others

- Supplemental pension: for non-managers and managers, 4.72% up to the ceiling and 12.95% between one and eight times the ceiling.
- The CEG ("Contribution d'Équilibre Général") contribution is 1.29% up to the ceiling, 1.62% between one and eight times the ceiling for managers and non-managers. In the table, this is combined with the rates for supplemental pensions.
- The CET ("Contribution d'Equilibre Technique"), a contribution of 0.21% on total earnings up to eight times the ceiling for employees who earnings exceed one time the ceiling.
- Others (construction, housing, apprenticeship, further training): 2.646% of pay (for enterprises with more than 20 employees). The transport tax is not included because it varies geographically. Contributions to finance a fund dedicated to workers exposed to distressing work conditions ("Fonds Pénibilité") vary with the levels of exposure of each worker and are therefore not included.

#### 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% (in companies with more than 20 employees) for a worker paid the minimum wage. It then declines gradually to zero at 160% of the annual minimum wage. It applies irrespective of the number of hours worked. Since 1st October 2019, the maximum reduction is at 32.54%. For companies with less than 20 employees, it is 32.14% since October 2019.

The Budget Act for 2007 (Article 41 V) bolsters this measure for very small enterprises with effect from 1 July 2007. For employers with between 1 and 19 employees, the maximum deduction was raised to 28.1% at the minimum wage, declining gradually – here too – to zero at 160% of the minimum wage.

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.

From 2015, the Responsibility Pact (Phase 1) includes new reductions of the labour cost: total exemption of all URSSAF employer contributions on the minimum wage (except unemployment contributions);

reduction of 1.8 point on employer-paid contributions for family allowance (3.45% instead of 5.25% for salary up to 1.6 times the minimum wage, and up to 3.5 times from April 2016).

The gross annual minimum wage (for 1 820 hours) in 2020 was an estimated EUR 18 473.

#### *2.2.8. Competitive tax credit (CICE - Crédit d'impôt pour la compétitivité et l'emploi)*

As for 2015, 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.

Since the 1st January 2019, the CICE has been converted into a permanent cut in social contributions.

## 3. Universal cash transfers

### *3.1. Main minimum social benefits*

The RSA (revenu de solidarité active) is the minimum income benefit. However, the eight family types studied here earn too high an income to benefit from this benefit.

### *3.2. Main family benefits (in respect of dependent children)*

Family allowances: monthly base for family allowances (BMAF) = EUR 413.16 between 1st January and 1st April 2020, since 1st April, the BMAF is EUR 414.40. The CRDS is levied on family allowances at a rate of 0.5% (no deduction). The amounts in % of BMAF are before CRDS.

- The family allowances, granted to families with two or more children, are subject to revenue conditions since 1 July 2015:
  - Up to EUR 69 309 (+EUR 5 775 per child after the second child), the rate is 32% for two children and 41% per additional child. 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).
  - Between EUR 69 309 (+EUR 5 775 per child after the second child) and EUR 92 381 (+EUR 5 775 per child after the second child), the above rates are divided by 2.
  - Beyond EUR 92 381 (+EUR 5 775 per child after the second child), the above rates are divided by 4.
- ASF (Allocation de soutien familial): extra child benefit for isolated parent is at most 28.13 % of the BMAF per month. It is reduced by the amount of child support paid by the other parent to the family.
- 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 2020 |
|---|---|
| 6–10 years | 89.72% |
| 11–14 years | 94.67% |
| 15–18 years | 97.95% |

- Family supplement (Complément Familial): 41.65% of the BMAF. Subject to revenue ceilings, this is paid to families as of the third child. An extra amount (20.83% of BMAF) is reversed for families whose incomes are below a given threshold (not incorporated into the model).
- Early childhood benefit (not incorporated in the model) known as PAJE (Prestation d'Accueil du Jeune Enfant): subject to revenue ceilings. It includes:
  - A birth grant of 229.75% of the BMAF received at the 2nd month following the birth.
  - A benefit ("allocation de base") of 41.65% (or 20.825% depending on the family income) of the BMAF a month from the birth of the child until three years of age.

### *3.3. Housing benefits*

The housing benefits are not included in the model.

### *3.4. In-work benefit*

The November 2014 Supplementary Budget Act eliminated the earned income tax credit (Prime pour l'emploi, PPE) so that it could be merged with the in-work income supplement (RSA Activité) and become a single in-work benefit. The in-work benefit was created by the Act of 17 August 2015 on Labour-Management Dialogue and Employment, and has been in place since 1 January 2016. The in-work benefit is better targeted to promote a return to full-time work for low-paid workers.

The amount of in-work benefit is equal to a targeted income, less the maximum between resources and a lump sum.

The targeted income is determined as the sum of three elements:

- A lump sum of EUR 553.16 (before CRDS) modulated according to the composition of the household. For instance, it is increased by 50% for couple, then 30% for each child until two (EUR) and 40% for each additional child (EUR). The amount may be increased for a temporary period[2] for an isolated parent (28.412% of the basic lump sum for the adult and then 42.804% for each child).
- An individual bonus of 29.101% of the basic lump sum is planned for persons whose net income exceeds around 100% of the net minimum wage; this bonus grows linearly if the net income is between around 50% and 100% of the net minimum wage[3].
- 61% of the net professional income of the household.

Then ressources are assessed as the sum of the household income, plus the benefits (family benefits and others, except RSA and housing benefits)[4]. A lump sum depending on the composition of the household (12% of the basic lump sum (EUR 553.16) for a single person, 16% for a couple, 16.5% for three persons or plus) is used to take into account the housing benefits[5].

## 4. Main changes in the tax system and social benefits regime since the taxation of 2015 income

- Tax system (2020 income)
  - New tax schedule following the personal income tax reform (Budget Act 2020)
- Increase of 1.7 points of CSG deductible (2018)
- Social benefits regime
  - Increased reduction of employer-paid contributions for family allowance: 3.45% instead of 5.25% for salary up to 3.5 times the minimum wage from April 2016 (1.6 times before).

- Removal of sickness and unemployment employee contribution
- Creation of a new cash transfer benefit for low income workers ("prime d'activité") which replace the PPE and the "RSA activité"[6].

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

The French government has launched several measures **in order to address companies' need for liquidity**:

- Postponement of social and tax liabilities for all companies upon request for March, April and May. Possibility to spread the payment of social security contributions over a period of up to 36 months. For large companies (or companies that are members of a large group), requests for postponement of tax and social security contributions payments are now conditional to the non-payment of dividends and the non-repurchase of shares between 27 March and 31 December 2020.
- Tax relief on a case-by-case basis : Cancellation of social security charges for companies with less than 10 employees that had to close down by administrative decision;
- Exemption from social security contributions for SMEs and VSEs during the administrative closure, in particular in tourism, hotels, cafés and restaurants, events and culture sectors.

The French government has also launched measures for **enhancing labour flexibility and household income support**:

- Implementation of an exceptional and massive short time activity scheme with eligibility extended including to domestic workers, day workers, child care assistants and sales representatives. Employees receive an allowance of 70% of their gross salary (approximately 84% of their net salary), and 100% for minimum-wage workers. Earnings are exempted from social security contributions and the CSG rate is lower (6.2% instead of 9.2%).
- Exemption from income tax and social security contributions for overtime worked by employees, from 16 March until the end of the state of health emergency, up to a maximum of EUR 7 500 per year (currently EUR 5 000);
- Removal of the obligation to sign a profit-sharing agreement for the payment of an exceptional bonus exempt from tax and social charges up to a limit of EUR 1 000 in 2020. In the case of a profit-sharing agreement, the amount of the exceptional bonus is up to EUR 2 000.

## 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.

There is a break in the average wage time-series starting with the year 2016. That year, the National Statistics Office (INSEE) changed their methodology for the calculations of the average wage.

## 2020 Parameter values

| APW earnings | Ave_earn | 38 188 | Secretariat estimate |
|---|---|---|---|
| Income tax | | | |
| Work expenses | work_rel_fl | 442 | |
| | work_rel_ceil | 12 652 | |
| | work_rel_rate | 0.1 | |
| Tax schedule | tax_sch | 0 | 10 084 |
| | | 0.11 | 25 710 |
| | | 0.3 | 73 516 |
| | | 0.41 | 158 122 |
| | | 0.45 | |
| | limit_demipart | 1570 | |
| | limit_sp_demipart1 | 3704 | |
| Décote value | decote_sing | 1722 | |
| | decote_mar | 2849 | |
| | decote_pente | 0.4525 | |
| Tax reduction | red_taux | 0 | |
| | red_seuil_1 | 0 | |
| | red_seuil_2 | 0 | |
| | red_seuil_dp | 0 | |
| | tax_min | 61 | |
| CEHR | cehr_rate1 | 0.03 | |
| | cehr_rate2 | 0.04 | |
| | cehr_ceil1 | 250000 | |
| | cehr_ceil2 | 500000 | |
| 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 | 0.0680 | |
| | CRDS_special | 0.0050 | |
| | | | |
| Employee contributions | | | |
| | pension_rate | 0.069 | |
| | pension_rate2 | 0.004 | |
| Sickness | sickness_rate | 0.0000 | |
| Unemployment | unemp_rate | 0.0000 | |
| Extra pension (non-cadres) (incl. AGFF) | pens_rate_ex | 0.0401 | |
| | pens_rate_ex2 | 0.0972 | |
| | pens_rate_ex3 | 0.0014 | |
| Employer contributions | | | |
| | pens_empr1 | 0.0855 | |
| | pens_empr2 | 0.0190 | |
| Sickness | sickness_empr | 0.0700 | |
| | Sickness_emp2 | 0.1300 | |
| Authonomous Solidarity Contribution | CSA | 0.0030 | |
| Unemployment (incl. "garantie de salaire") | unemp_empr | 0.0420 | |
| Accidents | accidents_empr | 0.0221 | |
| Family Allowance | fam_empr | 0.0525 | |
| | fam_empr_2 | 0.0345 | |

| | | | |
|---|---|---|---|
| Extra pension (incl. AGFF) | pens_empr_ex | 0.060144 | |
| | pens_empr_ex2 | 0.14574 | |
| | pens_empr_ex3 | 0.0021 | |
| Others | others_empr | 0.02646 | |
| | | | |
| CS reduction & corporate tax credit | | | |
| Employer SSC reduction rate | SSC_empr_redrate2 | 0.6 | |
| Employer SSC reduction maximum | SSC_empr_red_max | 0.32540 | |
| Employer SSC reduction SMIC reference | SSC_empr_SMIC_ref | 1.6 | |
| | SSC_empr_SMIC2 | 3.5 | |
| | SSC_empr_SMIC3 | 2.5 | |
| Taux de réduction CICE | cice_red | 0,00 | |
| | cice_max | 2.5 | |
| Social transfers | | | |
| Child benefit (second child) | CB_2 | 1590 | |
| third & subsequent before CRDS | CB_3 | 2037 | |
| First ceiling for CB | CB_c1 | 69309 | |
| Second ceiling for CB | CB_c2 | 92381 | |
| Increase of ceiling per child | CB_ceiling_extra_child | 5775 | |
| Extra child benefit for isolated parent | CB_isol | 1398 | |
| Prime d'activité | pa_forf | 553 | |
| | pa_maj1 | 0.50 | |
| | pa_maj2 | 0.30 | |
| | pa_maj3 | 0.40 | |
| | pa_maj_isol1 | 0.28412 | |
| | pa_maj_isol2 | 0.42804 | |
| | pa_pct | 0.61 | |
| | pa_bonus | 0.29101 | |
| | pa_bonus1 | 0.3890 | |
| | pa_bonus2 | 0.79121 | |
| | pa_forf_logement1 | 0.12 | |
| | pa_forf_logement2 | 0.16 | |
| | pa_forf_logement3 | 0.165 | |
| Others | | | |
| Social security contributions | SSC_ceil | 41136 | |
| Derivation of minimum income | SMIC_horaire | 10.15 | |
| | SMIC_heures | 1820 | |
| | SMIC | 18473 | |

## 2020 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; (1+decote_pente)*tax_sch-decote_pente*decote_mar));Positive(MINA(tax_sch;(1+decote_pente)*tax_sch-decote_pente*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 : | tax_cr | J | adj_tax*SI((tax_inc<=red_seuil_1*(1+Married)+red_seuil_dp*Children);red_taux;SI(tax_inc<='red_seuil_2*(1+Married)+red_seuil_dp*Children;(tax_inc*red_taux'/(red_seuil_1*(1+Married)+red_seuil_dp*Children-(red_seuil_2*(1+Married)+red_seuil_dp*Children)))+(red_taux*(red_seuil_2*(1+Married)+red_seuil_dp*Children))/(red_seuil_2*(1+Married)+red_seuil_dp*Children-(red_seuil_1*(1+Married)+red_seuil_dp*Children));0)) |
| 7. | CG tax | CG_tax | J | inc_tax+CSG_CRDS_noded+CSG_ded-tax_cr |
| 8. | State and local taxes | local_tax | J | 0 |
| 9. | Employees' soc security | SSC | B | ((sickness_rate+pension_rate2)*earn + (pension_rate + pens_rate_ex )*MINA(earn;SSC_ceil) + unemp_rate*MINA(earn;4*SSC_ceil) + pens_rate_ex2* MAX(MIN(earn;8*SSC_ceil) - SSC_ceil;0))+SI(earn<SSC_ceil;0;SI(earn>8*SSC_ceil;8*SSC_ceil*pens_rate_ex3;pens_rate_ex3*earn)) |
| 11. | Cash transfers | cash_transf_gross | J | SI(Children<2;0;(CB_2+(Children-2)*CB_3)*SI(tax_inc<=(CB_c1+CB_ceiling_extra_child*(Children- |

| | | | | |
|---|---|---|---|---|
| | | | | 2));1;SI(tax_inc<=(CB_c2+CB_ceiling_extra_child*(Children-2));0,5;0,25)))+SI(Isolated=1;CB_isol*Children;0) |
| | | in_work_benefit_gross | J | MAX(SI((Isolated='1);'<br>12*pa_forf*(1+pa_maj_isol1+pa_maj_isol2*Children);<br>12*pa_forf*(1+SI(Married=1;pa_maj1;0)+pa_maj2*SI(Children<=2;Children;0)+pa_maj3*SI(Children>2;Children-2;0)))+pa_pct*(earn_dec-CSG_CRDS_noded)+pa_bonus*pa_forf/(pa_bonus2-pa_bonus1)*12*SI(ET(pa_bonus1*SMIC<(earn_dec_princ-CSG_CRDS_noded_princ);pa_bonus2*SMIC>(earn_dec_princ-CSG_CRDS_noded_princ));(earn_dec_princ-CSG_CRDS_noded_princ)/SMIC-pa_bonus1;0)+pa_bonus*pa_forf/(pa_bonus2-pa_bonus1)*12*SI(ET(pa_bonus1*SMIC<(earn_dec_spouse-CSG_CRDS_noded_spouse);pa_bonus2*SMIC>(earn_dec_spouse-CSG_CRDS_noded_spouse));(earn_dec_spouse-CSG_CRDS_noded_spouse)/SMIC-pa_bonus1;0)+pa_bonus*pa_forf*12*SI((earn_dec_princ-CSG_CRDS_noded_princ)>=pa_bonus2*SMIC;1;0)+pa_bonus*pa_forf*12*SI((earn_dec_spouse-CSG_CRDS_noded_spouse)>=pa_bonus2*SMIC;1;0)-MAX(earn_dec-CSG_CRDS_noded+(family_benefit_gross-SI(Isolated='1;CB_isol*Children;0)*(1-(22,5%'/28,15%)))+((Married+Children='0)*'<br>pa_forf_logement1*pa_forf*12+<br>(Married+Children='1)*pa_forf_logement2*pa_forf*1,5*12' +<br>(Married+Children>='2)*pa_forf_logement3*pa_forf*1,8*12);'<br>SI(ET((Married='0);(Children>0));'<br>12*pa_forf*(1+pa_maj_isol1+pa_maj_isol2*Children);pa_forf*12*(1+SI(Married=1;pa_maj1;0)+pa_maj2*SI(Children<=2;Children;0)+pa_maj3*SI(Children>2;Children-2;0))));0) |
| | | 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 | (CSA + pens_empr2 + accidents_empr+others_empr)*earn +<br>pens_empr1*MINA(earn;SSC_ceil) +<br>pens_empr_ex*MINA(earn;SSC_ceil) +<br>pens_empr_ex2* MAX(MIN(earn;8*SSC_ceil) - SSC_ceil;0) +<br>unemp_empr*MIN(earn;4*SSC_ceil)<br>+SI(earn<SSC_empr_SMIC2*SMIC; fam_empr_2*earn;<br>fam_empr*earn)+SI(earn<SSC_ceil;0;SI(earn>8*SSC_ceil;8*SSC_ceil*pens_empr_ex3;pens_empr_ex3*earn))+SI(earn<SSC_empr_SMIC3*SMIC;sickness_empr*earn;sickness_empr2*earn) |
| | | SSC_empr_reduction | B | IF(OR(earn>SSC_empr_SMIC_ref*SMIC,earn='0),0,-MIN'<br>(SSC_empr_red_max*earn,(SSC_empr_red_max/SSC_empr_redrate2)*(SSC_empr_SMIC_ref*SMIC/earn-1)*earn))<br>-IF(earn<cice_max*SMIC;earn*cice_red) |
| | | SSC_empr_final | B | SSC_empr_gross+SSC_empr_reduction |

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

## Notes

[1] The social protection scheme is named ARRCO for non-managers and AGIRC for managers. The two protection schemes have been merged since the 1st January 2019.

[2] During at most 12 months over a 18-months period ; or, if there is a child under three in the family, until the child is three.

[3] The boundaries are defined as : minimum of 59 hours paid at gross minimum wage per hour per month and maximum of 120 hours paid at gross minimum wage per hour per month.

[4] Capital income, unemployment benefits, pensions or minimum old-age pensions are not taken into account in this model.

[5] The complete formula uses the minimum of this lump sum tax and the amount of housing benefits, if the family is a tenant. As the model does not include housing benefits, we only use the lump sum in the formula. This method tends to minimize the amount of “prime d’activité” served.

[6] In the previous model, for 2015 revenues, this reform only affects the income tax (no PPE in 2016) but not the benefits, since the “prime d’activité” will be served as from the beginning of 2016.

# 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 2020

### 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** | 34 910 | 52 104 | 87 013 | 34 910 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | | | | |
| | Married or head of family | 0 | 0 | 0 | 4 248 |
| | Dependent children | 0 | 0 | 0 | 0 |
| | Deduction for social security contributions and income taxes | 5 848 | 8 728 | 11 398 | 5 761 |
| | Work-related expenses | 1 000 | 1 000 | 1 000 | 1 000 |
| | Other | 36 | 36 | 36 | 36 |
| | Total | 6 884 | 9 764 | 12 434 | 11 045 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 28 026 | 42 340 | 74 579 | 23 865 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 4 846 | 9 787 | 23 589 | 3 394 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | | | | |
| | Married or head of family | | | | |
| | Children | 0 | 0 | 0 | 5 496 |
| | Other | | | | |
| | Total | 0 | 0 | 0 | 5 496 |
| **7.** | **Central government income tax finally paid (5-6)** | 4 846 | 9 787 | 23 589 | - 2 102 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 7 026 | 10 486 | 14 108 | 6 938 |
| | Taxable income | | | | |
| | Total | 7 026 | 10 486 | 14 108 | 6 938 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 11 871 | 20 273 | 37 697 | 4 836 |
| **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)** | 23 038 | 31 831 | 49 317 | 30 073 |
| **13.** | **Employers' compulsory social security contributions** | 6 938 | 10 356 | 13 967 | 6 938 |
| **14.** | **Average rates** | | | | |
| | Income tax | 13.88% | 18.78% | 27.11% | -6.02% |
| | Employees' social security contributions | 20.13% | 20.13% | 16.21% | 19.88% |
| | Total payments less cash transfers | 34.01% | 38.91% | 43.32% | 13.85% |
| | Total tax wedge including employer's social security contributions | 44.95% | 49.04% | 51.16% | 28.14% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 46.20% | 51.53% | 44.31% | 43.19% |
| | Total payments less cash transfers: Spouse | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | 55.12% | 59.57% | 44.31% | 52.61% |
| | Total tax wedge: Spouse | n.a. | n.a. | n.a. | n.a. |

## Germany 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 52 104 | 87 013 | 104 208 | 87 013 |
| **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 | 8 598 | 14 359 | 17 196 | 14 576 |
| | Work-related expenses | 1 000 | 2 000 | 2 000 | 2 000 |
| | Other | 72 | 72 | 72 | 72 |
| | Total | 9 670 | 16 431 | 19 268 | 16 648 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 42 434 | 70 582 | 84 940 | 70 365 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 5 338 | 14 211 | 19 380 | 14 403 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | | | | |
| | Married or head of family | | | | |
| | Children | 5 496 | 5 496 | 5 496 | 0 |
| | Other | | | | |
| | Total | 5 496 | 5 496 | 5 496 | 0 |
| **7.** | **Central government income tax finally paid (5-6)** | - 158 | 8 715 | 13 884 | 14 403 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 10 356 | 17 294 | 20 711 | 17 511 |
| | Taxable income | | | | |
| | Total | 10 356 | 17 294 | 20 711 | 17 511 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 10 198 | 26 009 | 34 595 | 31 914 |
| **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)** | 41 906 | 61 004 | 69 612 | 55 099 |
| **13.** | **Employers' compulsory social security contributions** | 10 356 | 17 294 | 20 711 | 17 294 |
| **14.** | **Average rates** | | | | |
| | Income tax | -0.30% | 10.02% | 13.32% | 16.55% |
| | Employees' social security contributions | 19.88% | 19.88% | 19.88% | 20.13% |
| | Total payments less cash transfers | 19.57% | 29.89% | 33.20% | 36.68% |
| | Total tax wedge including employer's social security contributions | 32.91% | 41.52% | 44.27% | 47.18% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 42.26% | 48.59% | 51.27% | 48.87% |
| | Total payments less cash transfers: Spouse | 45.29% | 48.59% | 51.27% | 48.87% |
| | Total tax wedge: Principal earner | 51.83% | 57.12% | 59.35% | 57.35% |
| | Total tax wedge: Spouse | 54.36% | 57.12% | 59.35% | 57.35% |

The national currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. The average worker earned EUR 52 104 (Secretariat estimate).

# 1. Personal Income Tax Systems

## *1.1. Central/federal government income taxes*

### *1.1.1. Tax unit*

Spouses may choose between two options: Joint assessment or individual assessment. The vast majority of couples benefits financially from the joint assessment by minimizing the tax burden of the household. The income of dependent children is not assessable with that of the parents. The calculations in this Report are therefore based on the assumption of joint taxation for 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 for spouses who are assessed jointly is computed as follows:
- Splitting method:
  - First step: Calculating the tax base: All incomes of the spouses are summed up and the sum is divided by two.
  - Second step: The tax rate is applied to this tax base.
  - Third step: The amount calculated in step 2 is doubled.

Results: Given the progressive income taxation the resulting tax liability for the household is lower than the sum of individual taxation. The household as a unit benefits from this solution otherwise both parts of the couple would opt out. Principal and second earners have the same average and marginal income tax rates.

The splitting effect decreases by increasing convergence of the incomes of principal earner and the spouse.

- Relief(s) for children: In 2020, there are increased tax credits of EUR 2 448 for the first and the second child, of EUR 2 520 for the third child and of EUR 2 820 for the fourth and subsequent children. There is a tax allowance of EUR 2 586 for the subsistence of a child and an additional EUR 1 320 for minding and education or training needs (EUR 3 906). 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.
- In 2020, families with children will receive a one-time bonus benefit payment of EUR 300 per child. The bonus will not be offset against basic income support for jobseekers. However, in the case of households with higher incomes, the bonus will be offset against the tax allowance for children.
- Relief for lone parents: As of 1 January 2015, taxpayers who live alone with at least one child that entitles them to the tax allowances or tax credits for children, receive a standard additional allowance of EUR 1 908 (formerly EUR 1 308). This additional allowance is increased by EUR 240 for each child in case of more than one child living in the household.

The standard tax allowance for lone parents will be raised temporarily to EUR 4 008 in the years 2020 and 2021 in order to stabilise the income of single parents.

- 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 the equivalent of the maximum contribution rate to miners' pension insurance scheme, rounded up to the nearest euro (in 2020: EUR 25 046). Step 3: a certain percentage is applied to this amount (starting from 60% in 2005, this percentage will be increased by 2 percentage points each year; it will reach 100% in 2025). Step 4: the resulting amount, diminished by the (tax-free) contributions of the employer, is deductible from income.
  - The tax treatment of social security expenses (health, unemployment and care insurance) changed as of 1 January 2010. Employees' annual contributions to statutory health insurance excluding sickness benefit (assumed to amount to 96% 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.
- Work related expenses: EUR 1 000 lump sum allowance per gainfully employed person.
- Special expenses: Lump sum allowance (EUR 36/72 (singles/couples)) for special expenses, e.g. for tax accountancy. The actual expenses will be fully deductible from taxable income if the taxpayer proves that these expenses exceed the lump sum allowance.

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

- Contributions to pensions, life insurance, superannuation schemes: Other expenses than the compulsory contributions to social security are deductible as reliefs for (voluntary) social security contributions up to specific ceilings (see section 1.1.2.1.).
- Medical expenses: Partially deductible if not covered by insurance.
- Other: Work related expenses that exceed the lump-sum allowance are fully deductible (no ceiling).

### *1.1.3. Tax schedule*

The German tax schedule is formula based. Taxable income is rounded down (to the EUR).

- X is the taxable income,
- T is the income tax liability,
- As of 1 January 2020 the following definitions are used in the income tax liability formulas:

$$Y = \frac{X - 9\,408}{10\,000}$$

$$Z = \frac{X - 14\,532}{10\,000}$$

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

1. $T = 0 \; for \; X \leq 9\,408$
2. $T = (972.87 \; Y + 1\,400)Y \; for \; 9\,409 \leq X \leq 14\,532$
3. $T = (212.02 \; Z + 2\,397)Z + 972.79 \; for \; 14\,533 \leq X \leq 57\,051$

4. $T = 0.42\,X - 8\,963.74 \;\; for \; 57\,052 \leq X \leq 270\,500$

5. $T = 0.45\,X - 17\,078.74 \;\; for \; 270\,501 \leq X$

These formulas are used to calculate the income tax for single individuals and married couples too.

If families choose the option of being assessed separately these formulas are applied to the individual taxable income of the principal earner and the spouse. In the case of jointly assessed families these rates are applied to half of the joint taxable income (see point 1.1.2.1. Splitting method).

#### *1.1.4. Solidarity surcharge*

The solidarity surcharge is levied at 5.5% 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% of the difference between the income tax liability and the exemption limit until it equals 5.5% 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 18.6% (in 2020). If the earnings are below the amount of EUR 175 (minimum contribution limit), a minimum contribution of EUR 32.55 has to be paid (18.6% of EUR 175). The employer's share amounts to 15% of the whole pay whereas the employee's part adds up to 3.6% (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). As of 1 July 2019, provisions for the newly-created so-called 'transition band' extend the upper earnings limit from EUR 850 per month to EUR 1 300 per month (EUR 15 600 per year). If the employee's income falls within this range, part of the income is 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 1 300 per month . Within the 'transition band', employees' reduced contribution rates to statutory pension insurance will not minimise their pension entitlements any more. Details on social security contributions for workers earning more than EUR 15 600 per year are provided below.

#### *2.1.1. Pensions*

Employers and employees pay each half of the contribution rate of 18.6% in 2020, that is 9.3% of the employee's gross wage earnings, up to a contribution ceiling of EUR 82 800.

#### *2.1.2. Sickness*

As of 1 January 2015, the applicable contribution rate is 14.6% on principle (portion of 7.3% for employers and employees). Depending on the financial situation of each sickness fund, employees only were obliged to pay a supplementary contribution to the sickness fund until December 2018. Since January 2019, employees and employers have been required to pay part of this supplementary contribution which amounts to 1.1% on average in 2020 (portion of 0.55% for employers and employees). Therefore, the contribution rate averages 7.85% for employees and employers in 2020. The contribution ceiling in 2020 is EUR 56 250. 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 2020, the contribution rate is 2.4% of assessable income. Employee and employer each pay 1.2%. The contribution ceiling is EUR 82 800.

#### *2.1.4. Care*

A long-term care insurance (a 1% contribution rate) went into effect on 1 January 1995. The rate was raised to 1.7% 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%. In 2013 and 2014, the contribution rate amounted to 2.05%. In 2015 and 2016, the contribution rate added up to 2.35%. As of 1 January 2017, the contribution rate was augmented to 2.55%. Since January 2019, the contribution rate has amounted to 3.05%.The employers pay half of the contributions for long-term care insurance. In other words, employers and employees both pay a rate of 1.525%. The assessable income is scaled according to the gross wage earnings but there is a contribution ceiling of EUR 56 250 in 2020.

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%, raising the contribution rate paid by a childless employee from 0.975% to 1.225% as of 1 July 2008. In 2013 and 2014, the contribution rate of a childless employee added up to 1.275%. In 2015 and 2016, the contribution rate amounted to 1.425% for a childless employee. As of 1 January 2017, the contribution rate was raised to 1.525% for a childless employee. Since January 2019, a childless employee has had to pay a contribution rate of 1.775%.

#### *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. Pensions, sickness, unemployment, care:*

See Section 2.1.

#### *2.2.2. 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.

#### *2.2.3. Family allowances*

None.

#### *2.2.4. 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:

| Year | 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 |
| 2015 | 2 256 | 2 256 | 2 328 | 2 628 | 7 152 |
| 2016 | 2 280 | 2 280 | 2 352 | 2 652 | 7 248 |
| 2017 | 2 304 | 2 304 | 2 376 | 2 676 | 7 356 |
| 2018 | 2 328 | 2 328 | 2 400 | 2 700 | 7 428 |
| 2019 | 2 388 | 2 388 | 2 460 | 2 760 | 7 620 |
| 2020*2 | 2 448 | 2 448 | 2 520 | 2 820 | 7 812 |

*1 plus EUR 100 one-off child credit payment for each child.
*2 plus EUR 300 one-time bonus benefit payment per 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% of gross wages (serving as a proxy for employers' social security contributions). This deduction was provided as a partial compensation for the self-employed who 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% and 42%. 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% 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% 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%. 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 was increased to EUR 8 354. As of 1 January 2015, the basic allowance amounted to EUR 8 472. The standard relief for lone parents adds up to EUR 1 908. Lone parents are entitled to an extra allowance of EUR 240 for the second and each subsequent child. The standard tax allowance for lone parents will be raised temporarily from EUR 1 908 to EUR 4 008 in the years 2020 and 2021 in order to stabilise the income of single parents.

Since 1 January 2016, the basic allowance has been risen to EUR 8 652. As of 1 January 2017, the basic allowance was enhanced to EUR 8 820. Since 1 January 2018, the basic allowance has been augmented to EUR 9 000. As of 1 January 2019, the basic allowance was raised to EUR 9 168. In 2020, the basic allowance amounts to EUR 9 408.

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

In 2020, families with children will receive a one-time bonus benefit payment of EUR 300 per child. The bonus will not be offset against basic income support for jobseekers. However, in the case of households with higher incomes, the bonus will be offset against the tax allowance for children.

The standard tax allowance for lone parents will be raised temporarily from EUR 1 908 to EUR 4 008 in the years 2020 and 2021 in order to stabilise the income of single parents.

## 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.

## 2020 Parameter values

| | | | |
|---|---|---|---|
| Average earnings/yr | Ave_earn | 52 104 | Secretariat estimate |
| Tax allowances | Child_al | 7 812 | |
| Lone Parents, first child | Lone_al | 4 008 | |
| Lone parents, subsequent child | Lone_al_add | 240 | |
| Work related | Work_rel_al | 1 000 | |
| SSC allowance | SSC_dn | 0 | |
| | 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 | 9 408 | |
| | Tax_thrsh2 | 14 532 | |
| Top Rate Tax Reduction | Reduction | 8 963.74 | |
| | Reduction2 | 17 078.74 | |
| Tax Equation Rates | | | |
| tax_eqn_rates | Squared | Single | Constant |
| Z | 212.02 | 2 397 | 972.79 |
| Y | 972.87 | 1 400 | 0 |
| Income tax rate stage | tax_first_stage | 9 408 | |
| | tax_second_stage | 14 532 | |
| | tax_third_stage | 57 051 | |
| | tax_fourth_stage | 270 500 | |
| Solidarity Surcharge | surcharge | 0.055 | |
| Solidarity Exemption Limit | surcharge_limit | 972 | |
| Alternative Surcharge Rate | surcharge_alt | 0.2 | |
| Child credit | Ch_cred | | |
| | 1. ch. | 2 448 + 300 | |
| | 2. ch. | 2 448 + 300 | |
| | 3.ch. | 2 520 + 300 | |
| | 4.ch. | 2 820 + 300 | |

2020 Parameter values

| 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 | 0.0785 | 0.093 | 0.012 | 0.01525 | 0.3 | 0.7547 |
| employer_2 | 0 | 0 | 0 | 0 | | |
| employee_1 | 0.0785 | 0.093 | 0.012 | 0.01525 | 0.036 | 0.7547 |
| employee_2 | 0 | 0 | 0 | 0 | | |
| childless_1 | 0.0785 | 0.093 | 0.012 | 0.01775 | 0.036 | 0.7547 |
| childless_2 | 0 | 0 | 0 | 0 | | |
| ceil | 56 250 | 82 800 | 82 800 | 56 250 | 2 100 | |
| SSC Floor | SSC_floor | 15 600 | | | | |
| Intermediate SSC Ceiling | SSC_floor1 | 5 400 | | | | |
| SSC miners' pension ceiling | SSC_pension_miners_ceil | 101 400 | | | | |
| SSC miners' contribution rate | SSC_pension_miners_rate | 0,247 | | | | |

## 2020 Tax equations

The equations for the German system in 2020 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 carries out a rounded calculation for the tables but the unrounded version purtax is used in calculating the marginal rates.
For a taxpayer with children, either the child allowance is given in the tax calculation or the cash transfer is given if this is more beneficial. In practice, therefore, it is necessary to make two calculations - with and without the child allowance. Nevertheless, the calculation of solidarity surcharge is always based on the calculation which does assume that the child tax allowance is given.
Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. The affixes “_princ” and “_spouse” on Variable names in functions indicate that the values have to be calculated for the principal and spouse, respectively. The parameter year in function SSC_Allowance is the year for which you calculate the Allowance.

| | Line in country table and intermediate steps | Variable name | Range | Equation |
|---|---|---|---|---|
| 1. | Earnings | earn | | |
| | Quotient for tax calculation | quotient | J | 1+Married |
| 2. | Allowances: | | | |
| | Children | children_al | J | Children*Child_al |
| | Lone parent | lone_allce | J | Children>0)*(Married=0)*Lone_al+(Children>0)*(Married=0)*(Children-1)*Lone_al_add |
| | Soc sec contributions | SSC_al | J | Function: SSC_Allowance(earn_princ, earn_spouse , SSC_princ + SSC_spouse , Quotient, SSC_dn, SSC_dn_rt, SSC_dn_lim, SSC_dn_lump_rt, If(Children>0; "employee"; "childless"), year, rounded) |
| | Work related | work_al | J | Work_rel_al+MIN(earn_spouse,Work_rel_al) |
| | Allow. for special expenses | SE_al | J | SE_al*quotient |
| | Total | tax_al | J | children_al+SSC_al+work_al+ lone_allce + SE_al |
| 3. | Credits in taxable income | taxbl_cr | J | 0 |
| 4. | CG taxable income | tax_inc | J | earn-tax_al |
| 5. | CG tax before credits | | | |
| | adjusted taxable income | adj | J | tax_inc/quotient |
| | Formula based tax schedule | tax_formula | J | Function: acttax(taxinc, rate, reduction, threshold1, threshold2, threshold3, equationrate, tax_first_stage, tax_second_stage, tax_third_stage, tax_fourth_stage, rate2, reduction2) |
| | Adjust for the quotient | tax_adj | J | Quotient*tax_formula |
| | Include solidarity surcharge | sol_surch | J | MIN( tax_adj * surcharge, Positive(tax_adj - surcharge_limit*Quotient) * surcharge_alt) |
| | Tax paid | CG_tax_excl | J | tax_adj+sol_surch |
| 6. | Tax credits : | tax_cr | J | 0 |
| 7. | CG tax | CG_tax | J | CG_tax_excl |
| 8. | State and local taxes | local_tax | J | 0 |
| 9. | Employees' soc security | SSC | B | Function: SSC (earn_princ, If(Children>0; "employee"; "childless"), rounded) + SSC (earn_spouse, If(Children>0; "employee"; "childless"), rounded) |
| 11. | Cash transfers | Cash_tran | J | Children*ch_cred |
| 13. | Employer's soc security | SSC_empr | B | Function: SSC (earn_princ, “employer”, rounded) + SSC (earn_spouse, “employer”, rounded) |

Key to range of equation
B calculated separately for both principal earner and spouse
P calculated for principal only (value taken as 0 for spouse calculation)
J calculated once only on a joint basis

# 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 2020

### 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** | | 14 163 | 21 139 | 35 302 | 14 163 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | | | | |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | 2 196 | 3 278 | 5 474 | 2 196 |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 2 196 | 3 278 | 5 474 | 2 196 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 11 967 | 17 862 | 29 829 | 11 967 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 1 333 | 2 630 | 5 852 | 1 333 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 777 | 660 | 420 | 900 |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | | | | |
| | | Total | 777 | 660 | 420 | 900 |
| **7.** | **Central government income tax finally paid (5-6)** | | 556 | 2 099 | 6 099 | 433 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 2 196 | 3 278 | 5 474 | 2 196 |
| | Taxable income | | | | | |
| | | Total | 2 196 | 3 278 | 5 474 | 2 196 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 2 752 | 5 376 | 11 573 | 2 629 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 0 | 0 | 0 | 1 008 |
| | | Total | 0 | 0 | 0 | 1 008 |
| **12.** | **Take-home pay (1-10+11)** | | 11 411 | 15 763 | 23 730 | 12 542 |
| **13.** | **Employer's compulsory social security contributions** | | 3 474 | 5 185 | 8 660 | 3 474 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 3.9% | 9.9% | 17.3% | 3.1% |
| | Employees' social security contributions | | 15.5% | 15.5% | 15.5% | 15.5% |
| | Total payments less cash transfers | | 19.4% | 25.4% | 32.8% | 11.4% |
| | Total tax wedge including employer's social security contributions | | 35.3% | 40.1% | 46.0% | 28.9% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 34.1% | 37.6% | 45.1% | 34.1% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 47.1% | 49.9% | 55.9% | 47.1% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Greece 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 23 253 | 38 833 | 46 506 | 38 833 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | | | | |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | 3 605 | 6 021 | 7 211 | 6 021 |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 3 605 | 6 021 | 7 211 | 6 021 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 19 648 | 32 812 | 39 295 | 32 812 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 3 023 | 4 619 | 6 045 | 4 619 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 747 | 1 624 | 1 494 | 1 378 |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | | | | |
| | | Total | 747 | 1 624 | 1 494 | 1 378 |
| **7.** | **Central government income tax finally paid (5-6)** | | 2 444 | 3 189 | 4 887 | 3 435 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 3 605 | 6 021 | 7 211 | 6 021 |
| | Taxable income | | | | | |
| | | Total | 3 605 | 6 021 | 7 211 | 6 021 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 6 049 | 9 210 | 12 098 | 9 456 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 1 008 | 672 | 0 | 0 |
| | | Total | 1 008 | 672 | 0 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 18 212 | 30 295 | 34 408 | 29 377 |
| **13.** | **Employer's compulsory social security contributions** | | 5 704 | 9 526 | 11 408 | 9 526 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 10.5% | 8.2% | 10.5% | 8.8% |
| | Employees' social security contributions | | 15.5% | 15.5% | 15.5% | 15.5% |
| | Total payments less cash transfers | | 21.7% | 22.0% | 26.0% | 24.3% |
| | Total tax wedge including employer's social security contributions | | 37.1% | 37.4% | 40.6% | 39.3% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 37.6% | 37.6% | 37.6% | 37.6% |
| | Total payments less cash transfers: Spouse | | 20.9% | 37.6% | 37.6% | 37.6% |
| | Total tax wedge: Principal earner | | 49.9% | 49.9% | 49.9% | 49.9% |
| | Total tax wedge: Spouse | | 36.5% | 49.9% | 49.9% | 49.9% |

The national currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In 2020, the estimated gross earnings of the average worker are EUR 21 139 (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.

All individuals who have completed 18 years of age are obliged to file a tax return regardless of having taxable income or not. Regarding income derived by minor children, the parent who has the custody is liable for filing a tax return. The income of minor children is added to the income of the parent who has the custody and is taxed in the name of the parent who is in principle liable for tax filing. This provision does not apply to the following types of income, in respect of which the minor child has a personal tax obligation: a) employment income and b) pensions due to the death of his father or mother.

Spouses file a joint return but each spouse is liable for the tax payable on his or her share of the joint income. A joint return can also file persons who have entered into a civil union – partnership. In this case the two parts have the same tax treatment as married couples. Losses incurred by one spouse or one part of a civil union-partnership may not be set off against the income of the other spouse or part. Spouses or parts of a civil union – partnership file a return separately if a) they have been divorced or have terminated the civil partnership at the time of the tax filing or b) one of the spouses or one part of the civil partnership is bankrupt or has been subject to guardianship.Taxpayer's spouse can be considered as a dependent member, provided that he/she does not have any taxable income.

Single children under the age of 18, children who are adults up to 25 years old and study at the university, or serve their military service or are registered as unemployed to the Manpower Employment Organisation (OAED), taxpayers' ascendants and spouses' relatives (up to the 3rd degree) who are orphans are deemed to be borne by the taxpayer provided that they cohabit with the taxpayer and their annual taxable income does not exceed the amount of EUR 3 000 (alimony and disability benefits and similar allowances are not included). Single disabled children (>=67%) or spouses' disabled siblings (>=67%) are also considered as dependent members, except if their annual income exceeds the amount of EUR 6 000 (alimony and disability benefits and similar allowances are not included).

### *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.
- The tax arising by the tax scale for employees and pensioners is reduced as following:
    - by EUR 777 for annual income up to EUR 12000, for taxpayers with no dependent children
    - by EUR 810 for annual income up to EUR 12000 for taxpayers with one dependent child

- by EUR 900 for annual income up to EUR 12000 for taxpayers with two dependent children
- by EUR 1120 for annual income up to EUR 12000 for taxpayers with 3 dependent children;
- by EUR 1340 for annual income up to EUR 12000 for taxpayers with 4 dependent children
- for taxpayers with more than 4 dependent children, the above mentioned tax credit is increased by EUR 200 per child
- for income exceeding EUR 12000 , the above mentioned tax credit is being reduced by EUR 20 for every EUR 1 000 of taxable income

In order to maintain the above tax reduction under this, the taxpayer is required to make payments of acquiring goods and receiving services within the country or in Member States of the European Union or EEA, which have been paid through electronic payments, the minimum amount of which is 30% of taxable income, and up to EUR 20.000

Should the value of the above payments is less than the one required, a penalty of 22% is imposed to the remaining amount.

- The amount of tax derived on the basis of all scales is reduced by EUR 200 for the taxpayer himself as well as for each dependent member, provided that the taxpayer or his dependents are disabled (over 67%) or disabled soldiers or military personnel injured in the course of their duties or war victims or victims of terrorist attacks or in case they receive pension by the State as war victims or as disabled.

If from the joint tax return submitted the wife has no taxable income declared then the deduction of point C of this paragraph is attributed to the payable tax of the other spouse.

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% of their total income from sources in Greece.

#### 1.1.2.2. Non-Standard tax credits

The payable amount of tax is reduced by 20% on the donations to certain bodies, as well as to political parties, party alliances and candidates for the National Parliament and the European Parliament, since the donations exceed during the tax year the amount of EUR 100. The total amount of donations cannot exceed 5% of taxable income.

#### 1.1.2.3. Exemptions

Some forms of income, specified by Law are exempt from the tax.

Examples:

- on condition of reciprocity, income of all kinds derived abroad by foreign ambassadors and diplomatic representatives, consulate agents and employees of embassies and consulates that have the nationality of the represented State as well as by individuals working in the EU Institutions or other International Organizations;
- alimony received by the beneficiary according to the Court adjudication or notary Document;
- 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;
- benefits and similar allowances provided to special categories of disabled persons;

- salaries, pensions etc. paid to disabled persons (over 80%);
- unemployment benefits granted by the National Employment Organisation (OAED) provided that the total annual income of the beneficiary does not exceed the amount of EUR 10 000;
- financial aid to recognized political refugees, to persons residing temporarily in Greece for humanitarian reasons and 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 and the EU;
- the benefit for hazardous labour provided to employees working in the armed forces, the police, the fire and port departments as well as the special allowance to medical, nursing and ambulance staff up to 65%;
- the fees paid by the World Association of Disabled Artists (VDM.FK) to the members of foot and mouth painters, who are tax residents of Greece, exclusively for the work of painting paid by the Union with exchange.

#### 1.1.2.4. Tax calculation

Taxable income is derived from the following sources:

a) Income from employment and pensions.
b) Income from business activities which includes income from agricultural activity although taxed differently.
c) Investment income which includes income from dividends, interests and loyalties and income from immovable property (rental income).
d) Income from capital gains, which includes income deriving on transfer of real estate or securities.

Net income is computed separately within each category with tax rules that vary across income categories.

Taxpayer is subject to an alternative minimum tax when his imputed income is higher than his total declared income. In this case, the difference between imputed and actual income is added to the taxable income. Imputed income is calculated on the basis of the taxpayer's and his dependents' living expenses.

Employment income 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 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, ½ salary as Easter bonus and ½ salary as summer vacation bonus). For the employees of the public sector, the monthly withholding tax is calculated 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*

Depending on the income category the following tax schedules apply:

### Income from employment and pensions is pooled together with income from business activity and is taxed at the following rates:

| Income bracket (EUR) | Tax rate (%) | Tax bracket (EUR) | Total amount | |
|---|---|---|---|---|
| | | | Income (EUR) | Tax (EUR) |
| 10000 | 9% | 900 | 10 000 | 900 |
| 10000 | 22% | 2200 | 20 000 | 3100 |
| 10000 | 28% | 2800 | 30 000 | 5900 |
| 10000 | 36% | 3600 | 40 000 | 9500 |
| Excess | 44% | | | |

The above tax scale does not apply for employment income acquired by:

- Officers working in ships of the merchant marine, whose income is taxed at a 15% flat rate and
- Low-income crew working in ships of the merchant marine, whose income is taxed at a 10% flat rate.

For deductions see above section 1.1.2.1.Income from agricultural business is taxed independently but with the same tax schedule. The previously described tax credit is granted to farmers as well. In the case where a farmer is earning income from employment / pension, only one tax credit is given.

Income from dividends is taxed with a 5% flat rate, and income from interests is taxed with a 15% flat rate. Income from royalties is taxed at a 20% flat rate.

### Income from immovable property (Rental Income) is taxed at the following rates:

| Income | Tax Rate |
|---|---|
| 0-12.000 | 15% |
| 12.001 – 35.000 | 35% |
| 35.001- | 45% |

From 1 January 2017, with the above tax scale is taxed, under certain conditions, income deriving from short term rentals of sharing economy (if it is not considered as a business activity).

Income from capital gains is taxed at a 15% flat rate.

In the total taxable income, the Special Solidarity Contribution is additionally imposed. Income up to EUR 12 000 is not subject to the solidarity contribution. For income exceeding EUR 12 000, the solidarity contribution applies with the following marginal rates:

### Solidarity Contribution Marginal Tax Rates

| Income | Tax Rate |
|---|---|
| 0 – 12.000 | 0% |
| 12.001 - 20.000 | 2,2% |
| 20.001 - 30.000 | 5,00% |
| 30.001 - 40.000 | 6,50% |
| 40.001 - 65.000 | 7,50% |
| 65.001 - 220.000 | 9,00% |
| >220.000 | 10,00% |

### *1.2. State and local income taxes*

There are no local income taxes in Greece. Municipalities (the local authorities) receive 20% 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 public and private sector and render dependent personal services are principally, directly and compulsorily insured in the Electronic National Social Security Fund (e-EFKA).Apart from the main contribution, e-EFKA compulsorily collects contributions for other minor Funds created for the employee's benefit (Unemployment Benefits Funds, etc.). Since 01/03/2020 the subsidiary Unified Supplementary Insurance and Lump-Sum Fund (ETEAEP) was integrated into the National Social Security Fund (EFKA) which is renamed as "Electronic National Social Security Fund" (e-EFKA), according to law.4670/2020, as follows: the Branch of Supplementary Insurance of former ETEAEP is now the Branch of Supplementary Insurance of e-EFKA and the Branch of Lump-Sum Benefits of former ETEAEP is now the the Branch of Lump-Sum Benefits of e-EFKA.

The average rates of contributions payable by white-collar employees as a percentage of gross earnings are as follows (%):

From January 1st 2020 to 31 May 2020

| | Employer | Employee | Total |
|---|---|---|---|
| 1. Electronic National Social Security Fund (e-EFKA): main pension and healthcare | 17.88 | 9.22 | 27.10 |
| 2. Supplementary Insurance Branch e-EFKA : supplementary pension | 3.25 | 3.25* | 6.50 |
| 3. Other Funds | 3.68 | 3.28 | 6.96 |
| Total | **24,81** | **15.75** | **40.56** |

From June 1st 2020 to 31 December 2020

| | Employer | Employee | Total |
|---|---|---|---|
| 1. Electronic National Social Security Fund (e-EFKA): main pension and healthcare | 17.88 | 9.22 | 27.10 |
| 2. Supplementary Insurance Branch e-EFKA : supplementary pension | 3.25 | 3.25* | 6.50 |
| 3. Other Funds | 3.20 | 2.86 | 6.06 |
| Total | **24.33** | **15.33** | **39.66** |

Contribution for health coverage is included in the contribution payable to e-EFKA. The contribution rate is 7.10% (4.55% paid by the employer and 2.55% paid by the employee).

Higher contributions are due (18.78% paid by the employee and 26.48% paid by the employer) in case of blue-collar workers who are engaged in heavy work (unhealthy, dangerous, etc.) as they are entitled to a pension five years earlier than the other workers (2.20% for main pension and 1.25% for supplementary pension paid by the employee and 1.40% for main pension and 0.75% for supplementary pension paid by

the employer). In the industrial sector, the employer pays an additional occupational risk contribution at a rate of 1% because these workers are more vulnerable to labour accidents and occupational diseases.

The amount of the maximum insurable earnings for calculating the monthly insurance contribution of employees and employers is set from 1/1/2020 to EUR 6 500 and is the same for main insurance and supplementary insurance as well.

As of 1 March 2020, the Unified Agency for Auxiliary Social Insurance and Lumpsum Benefits (ETEAEP) is integrated into (EFKA). The latter is renamed “Electronic National Social Security Fund” (e-EFKA).

The 7.00% (3.50+3.50) rate is valid until 31/05/2019. From 1 June 2019 to 31 May 2022 it decreases to 6.50% (3.25+3.25) and from 1 June 2022 onwards decreases to 6.00% (3.00+3.00).

The contribution for the lawyers with contract (employed lawyers) of the ex Supplementary Insurance Branch of the former ETEAEP from 1 January 2020 until 31/5/2022 is a fixed sum of EUR 42 , EUR 51 or EUR 36 per month according to the corresponding insurance class level. The insured persons are set, from 1-1-2020, to the first insurance class and are obliged to contribute EUR 42 per month, while from 1-7-2020 and onwards they can choose among the stated amounts. This contribution is shared between the lawyer and the employer of the lawyer..

For the ex Lump Sum Branch of ETEAEP, the contribution and the monthly basis on which the contribution is calculated, of those first insured before 1992 employees, is determined by the social security body which was integrated into ETEAEP. The contribution of those first insured after 1992 employees for the ex Lump Sum Branch of ETEAEP is set at 4%. The monthly basis, on which the contribution is calculated, is the same basis amount as for e-EFKA.

Insurance contribution for the employed engineers, employed lawyers and doctors insured at the ex lump-sum benefits branch of ETEAEP is calculated from 1 January 2020 as a fixed amount of EUR 26, EUR 31 or EUR 37 per month according to the corresponding insurance class level. The insured persons are set from 1-1-2020 to the first insurance class and are obliged to contribute EUR 26 per month and from 1-7-2020 and onwards can choose among the stated amounts. The contribution for lawyers is shared ,between the lawyer and the employer of the lawyer.

All these social security contributions are fully deductible for income tax purposes.

## 3. Universal Cash Transfers

### *3.1. Transfers related to marital status*

According to the National General Collective Labour Agreement, a marriage allowance, which is set at a rate of 10% of the gross salary, is granted only to workers employed by employers that belong to the contracting employer organisations[1]. For public servants no marriage benefit is granted.

### *3.2. Transfers for dependent children*

According to the Law 4512/2018, the “Single children support allowance” is calculated according to the number of dependent children as well as the household equivalent income category.

The equivalence scale assigns a value of 1 to the first household member, of 1/2 to the spouse and of 1/4 to each dependent child. Especially, for single parent families, a value of ½ is assigned to the first dependent child and a value of ¼ to each additional child.

Households that are entitled to the allowance are divided into three income categories according to their income:

a) Household equivalent income of < EUR 6 000: monthly allowance of EUR 70 for the first child, EUR 70 for the second child and EUR 140 for every additional child.
b) Household equivalent income of EUR 6 001 – 10 000: monthly allowance of EUR 42 for the first child, EUR 42 for the second child and EUR 84 for every additional child.
c) Household equivalent income of EUR 10 001 – 15 000: monthly allowance of EUR 28 for the first child, EUR 28 for the second child and EUR 56 for every additional child.

## 4. Main Changes in the Tax/benefit System since 2016

No significant changes in the tax and benefit system have taken place since 2016.

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

No labour taxation changes have been legislated. A monthly special allowance has been granted to employees of firms affected by the coronavirus crisis, whose labour contracts have been suspended based on specific NACE codes.

## 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 – 2018

***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 2000-2018 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, 2010, and 2014.
- Hours worked and annual average number of employees, as derived from the Labour Force Survey (LFS), of the years 2000 – 2018.
- Average annual earnings indices, as derived from the Indices on Quarterly Labour Cost Survey, of the years 2000 – 2018.

### Annual Gross earnings per full time employee 2000-2019 Greece

| Year | NACE Rev 2 classification |
|---|---|
| 2000 | 15458.90 |
| 2001 | 15715 .43 |
| **2002** | **17358 .52** |
| 2003 | 19239 .95 |
| 2004 | 21446 .10 |
| 2005 | 22012 .44 |
| **2006** | **23799 .82** |
| 2007 | 23934 .85 |
| 2008 | 23849 .13 |

| | |
|---|---|
| 2009 | 24568 .99 |
| **2010** | **24155 .88** |
| 2011 | 23928 .89 |
| 2012 | 23308 .82 |
| 2013 | 21101 .09 |
| 2014 | **21321 .50** |
| 2015 | 20833 .23 |
| 2016 | 20703 |
| 2017 | 20921 |
| 2018 | 21279 |
| 2019 | 21621 |

Source: ELSTAT

The Average gross Annual Earnings per full time employee for the period 2000 to 2019 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, where applicable) and 14th salary (Easter and vacation payments, where applicable)
- 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 phones, etc;
- The annual premiums related to profit-sharing schemes.

The data for 2015 and onwards will be revised when the final results of the SES 2018 will be available.

Data in bold refer to data from SES 2002, 2006, 2010 and 2014.

It should be noted that the data with reference years 2000 - 2005 are different from those of the succeeding years with regard to the source that was used for the calculation of the LCIWages For the years 2000 - 2005 the index was calculated on the basis of data from National Accounts deriving from administrative sources, while for the years 2006 - 2019 the calculation of LCIWages was based on the quarterly Labour Cost Survey.

Finally, we would like to inform you that the data refer to the mean yearly gross income for full-time paid employees, regardless of:

- Marital status
- Number of children
- Employer's contributions
- Taxes paid

### *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 (but they are subject to special taxation entailing extinction of tax liability). 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.

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 21 139 | Secretariat estimate |
|---|---|---|---|
| Tax credit | Child_cred | 0 | |
| Rates of family subsidies | | | |
| paid by employers | Wife_sub | 01 | |
| children (up to 3) | Child_sub | 0 | |
| Income tax schedule | Tax_sch | 0.09 | 10 000 |
| | | 0.22 | 20 000 |
| | | 0.28 | 30 000 |
| | | 0.36 | 40 000 |
| | | 0.44 | |
| Tax deduction | Tax_cred | 777 | |
| | Tax_cred_1dc | 810 | |
| | Tax_cred_2dc | 900 | |
| | Tax_cred_3dc | 1 120 | |
| | Tax_cred_4dc | 1 340 | |
| | num_ch_over4 | 1 | |
| | tax_cred_over4 | 200 | |
| | tax_cred_5dc | 1 540 | |
| | Tax_cred_thrsh | 12 000 | |
| | Tax_red | 0.02 | |
| Solidarity contribution | Solidarity_sch | 0 | 12 000 |
| | | 0022 | 20 000 |
| | | 005 | 30 000 |
| | | 0065 | 40 000 |
| | | 0075 | 65 000 |
| | | 009 | 220 000 |
| | | 010 | |
| Social security contributions | SSC_rate | 0.1551 | |
| | SSC_rate_empr | 0.2453 | |
| | SSC_ceil | 91 000 | |
| | SSC_ceil_use | 1 | |
| Single children support allowance | Child_all | 0 | 840 |
| | | 6 000 | 504 |
| | | 10 000 | 336 |
| | | 15 000 | 0 |
| | Spouse_weight | 0.50 | |
| | Child_weight | 0.25 | |

## 2020 Tax equations

The equations for the Greek system in 2020 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(IF(Children>0, tax_cred_1dc*(Children=1)+tax_cred_2dc*(Children='2)+tax_cred_3dc*(Children>2), 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 | | | |
| | | fam_netinc | B | (earn – CG_tax – SSC)/(1+IF(Married>0,(Married*Spouse_weight)+(Children*Child_weight),min(children,1) *Spouse_weight+positive(children-1)*Child_weight)) |
| | | cash_trans | B | VLOOKUP(fam_netinc,Child_all,2)*Children |
| 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.

## Notes

[1] Namely the Hellenic Federation of Enterprises, the Hellenic Confederation of Professionals, Craftsmen & Merchants, the National Confederation of Hellenic Commerce and the Association of Greek Tourism Enterprises.

# 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 2020

### 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** | | 3 357 765 | 5 011 590 | 8 369 355 | 3 357 765 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | | | | |
| | Married or head of family | | | | | |
| | Dependent children | | 0 | 0 | 0 | 3 199 920 |
| | Deduction for social security contributions and income taxes | | | | | |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 0 | 0 | 0 | 3 199 920 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 3 357 765 | 5 011 590 | 8 369 355 | 157 845 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | | | | |
| | Central government income tax liability (exclusive of tax credits) | | 503 665 | 751 738 | 1 255 403 | 23 677 |
| | | Total | 503 665 | 751 738 | 1 255 403 | 23 677 |
| **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)** | | 503 665 | 751 738 | 1 255 403 | 23 677 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 621 187 | 927 144 | 1 548 331 | 621 187 |
| | Taxable income | | | | | |
| | | Total | 621 187 | 927 144 | 1 548 331 | 621 187 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 1 124 851 | 1 678 883 | 2 803 734 | 644 863 |
| **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)** | | 2 232 914 | 3 332 707 | 5 565 621 | 3 068 102 |
| **13.** | **Employer's wage dependent contributions and taxes** | | | | | |
| | Employer's compulsory social security contributions | | 554 031 | 826 912 | 1 380 944 | 554 031 |
| | Payroll taxes | | 50 366 | 75 174 | 125 540 | 50 366 |
| | | Total | 604 398 | 902 086 | 1 506 484 | 604 398 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 15.0% | 15.0% | 15.0% | 0.7% |
| | Employees' social security contributions | | 18.5% | 18.5% | 18.5% | 18.5% |
| | Total payments less cash transfers | | 33.5% | 33.5% | 33.5% | 8.6% |
| | Total tax wedge including employer's social security contributions | | 43.6% | 43.6% | 43.6% | 22.6% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 33.5% | 33.5% | 33.5% | 33.5% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 43.6% | 43.6% | 43.6% | 43.6% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Hungary 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 5 011 590 | 8 369 355 | 10 023 180 | 8 369 355 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | | | | |
| | Married or head of family | | | | | |
| | Dependent children | | 3 199 920 | 3 199 920 | 3 199 920 | 0 |
| | Deduction for social security contributions and income taxes | | | | | |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 3 199 920 | 3 199 920 | 3 199 920 | 0 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 1 811 670 | 5 169 435 | 6 823 260 | 8 369 355 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | | | | |
| | Central government income tax liability (exclusive of tax credits) | | 271 750 | 775 415 | 1 023 489 | 1 255 403 |
| | | Total | 271 750 | 775 415 | 1 023 489 | 1 255 403 |
| **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)** | | 271 750 | 775 415 | 1 023 489 | 1 255 403 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 927 144 | 1 548 331 | 1 854 288 | 1 548 331 |
| | Taxable income | | | | | |
| | | Total | 927 144 | 1 548 331 | 1 854 288 | 1 548 331 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 1 198 895 | 2 323 746 | 2 877 777 | 2 803 734 |
| **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)** | | 4 131 895 | 6 364 809 | 7 464 602 | 5 565 621 |
| **13.** | **Employer's wage dependent contributions and taxes** | | | | | |
| | Employer's compulsory social security contributions | | 826 912 | 1 380 944 | 1 653 825 | 1 380 944 |
| | Payroll taxes | | 75 174 | 125 540 | 150 348 | 125 540 |
| | | Total | 902 086 | 1 506 484 | 1 804 172 | 1 506 484 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 5.4% | 9.3% | 10.2% | 15.0% |
| | Employees' social security contributions | | 18.5% | 18.5% | 18.5% | 18.5% |
| | Total payments less cash transfers | | 17.6% | 24.0% | 25.5% | 33.5% |
| | Total tax wedge including employer's social security contributions | | 30.1% | 35.6% | 36.9% | 43.6% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 33.5% | 33.5% | 33.5% | 33.5% |
| | Total payments less cash transfers: Spouse | | 33.5% | 33.5% | 33.5% | 33.5% |
| | Total tax wedge: Principal earner | | 43.6% | 43.6% | 43.6% | 43.6% |
| | Total tax wedge: Spouse | | 43.6% | 43.6% | 43.6% | 43.6% |

The national currency is the Forint (HUF). In 2020, HUF 309.76 were equal to USD 1. In 2020, the average worker earned HUF 5 011 590 (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 1st 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 66 670 per month (for families having one child), HUF 133 330 per month/each dependent (for families having two children) or HUF 220 000 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 1st 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.).
- From 1st January 2020, mothers who raise or have raised at least four children will be exempt from paying personal income tax on their income received from an employer or gained by self-employment.
- From 1st July 2020 the regulation of social security contributions will be integrated in a general law. The change has a positive outcome for families with children: the remaining sum of the family tax allowance will be deductible from the entire 18.5% of the new social security contribution of the employees (formerly the 1.5% labour market contribution was not taken into account in the regulation of family tax allowance).

#### 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.
- From 1st January 2015 for newly married couples (where it is the first marriage for at least one of the parties) the basis of income tax can be reduced by HUF 33 335 per month for one person of the couple for 24 months.

#### 1.1.3. Tax schedule

The rate of personal income tax amounts to 15%.

### 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% of gross earnings.

From 1st January 2019 retired workers (old age pension) does not have to pay 10% pension contribution on their wage income.

From 1st July 2020 employees' social security contributions – currently consisting of separate pension, sickness and labour market contribution items – will be integrated into the single social security contribution. The new regulation includes the extension of the social contribution exemption of retired individuals to all the other gainful activities (previously employment contracts only).

#### 2.1.2. Sickness

The rate of health security contribution amounts to 7% of gross earnings.

From 1st January 2019 retired workers (old age pension) does not have to pay 4% sickness contribution on their wage income. (Previously they had to pay only 4% out of the 7%).

The new regulation from 1st July 2020 (2.1.1.) applies for sickness contributions as well.

#### 2.1.3. Unemployment

The worker must pay, as employees' contribution, 1.5% of gross earnings.

From 1st January 2019 retired workers (old age pension) are not charged 1.5% labour market contribution on their wage income.

The new regulation from 1st July 2020 (2.1.1.) applies for labour market contribution as well.

#### 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. In 2017, the social contribution tax decreased to 22%, and in January 2018, the rate was lowered to 19.5%. In July 2019, the rate was lowered to 17.5% and will decrease by 2 percentage points to 15.5% from 1st July 2020.

The employer contributions also include a payroll tax: the training levy amounts to 1.5% of gross earnings.

From 1st 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 disadvantageous 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. From 2017, the JPA introduced a permanent reduction of the employers' tax rate by 50% of the current tax rate for:

- employees under 25 years of age,
- employees over 55 years of age,
- employees working in elementary occupations,
- employees working in agricultural occupations.

It also introduced temporary reductions (0% tax rate in the first two years of employment, and 50% of the current tax rate in the third year) for:

- long term unemployed re-entering the labour market,
- people returning to work after child-care leave,
- career-starters.

From 1st January 2015, the budgetary institutions are not eligible for the JPA tax allowances anymore.

From 1st January 2019, the JPA is being phased out and new better targeting reliefs were introduced. The new reliefs reduce the standard rate of the employers' contributions up to the cap of the minimum wage.

The minimum wage was HUF 149 000 per month in 2019, raised to HUF 161 000 per month from 1st January 2020.

The new reliefs reduce the employers' tax rate by 50% of the current tax rate for:

- employees working in elementary and in agricultural occupations,

In addition, there is a temporary reductions (0% tax rate in the first two years of employment, and 50% of the current tax rate in the third year) for:

- employees returning to labour market (those who had been out of work for at least 6 months out of the preceding 9 months became entitled for a new type of tax allowance )

In addition, there is a temporary reductions (0% tax tare in the first three years of employment, and 50% of the current tax rate in the fourth and fifth year) for:

- mothers with 3 or more children

From 1st January 2019, the wage income of retired workers (old age pension) is exempt from social contribution tax .

The new regulation from 1st July 2020 (2.1.1.) applies for the social contribution tax of retired workers as well.

The 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.
- The rate of the PIT decreased by 1 percentage point in 2016.
- The rate of family tax benefit for families with two children is gradually increased from 2016 so that it will be doubled by 2019.
- From 2017 the social contribution tax decreased to 22% and from 2018 subsequently to 19.5%.
- From 1st of July, 2019 social contribution tax decreased to 17.5%.
- From 1st January 2019 retired workers (old age pension workers) doesn't have to pay 10% pension contribution, 4% sickness contribution, employers' social security contributions (social contribution tax and training levy) after their wage income.
- From 1st July 2020 employers' social contribution tax will decrease by further 2 percentage points to 15.5%.
- From 1st July 2020 employees' social security contributions will be integrated into a general regulation. The new regulation includes the extension of the social contribution exemption of retired individuals to all the other gainful activities (previously employment contracts only).

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

- Sectors that were severely hit by the pandemic (e.g. tourism, restaurants, entertainment venues, sports, cultural services, transportation, agriculture, aviation industry) are temporarily exempted from paying social security contributions, payroll taxes and kiva (small business tax). The employee contribution is lowered to the legal minimum of HUF 7 710 per month until 30 June.
- Employer's social security contribution tax rate will decrease by 2 percentage points from 17.5% to 15.5% from 1st July 2020, regardless of the real wage growth precondition included in the wage and tax agreement between the Government of Hungary and private sector representatives. Although the measure results a permanent change in labour taxation, the timing is closely linked to the extraordinary situation caused by the economic crisis.

## 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. From 2019 employers contributions to these funds are taxed as wages, but employees can apply a 20% tax credit with a limit of HUF 150 000 per year on. The tax authority pays the tax credit directly to a voluntary fund.

From 2019 voluntary insurance contributions paid by the employer are taxable as wages and the employees can apply a 20% tax credit with a limit of HUF 150 000 per year. Insurance contracts signed before 2019 have 1 year transitional provision, in case of these contracts contributions paid by the employer are tax exempt till 30% of the minimal wage, above that it's taxable according to an effective personal income tax rate of 17.7% and an effective health contribution of 21.83%.

As from 2008, employer pension institutions can be established. Based on the rules for 2017, the monthly contribution paid to an employer pension institution by the employer of a private worker is not limited and it is taxable according to an effective personal income tax rate of 17.7% and an effective health contribution of 25.96%. From 2018, the effective health contribution is 23.01%. From 2019, voluntary contributions to these funds are taxed as wages.

## 2020 Parameter values

| | | | | | |
|---|---|---|---|---|---|
| Average earnings/yr | Ave_earn | 5 011 590 | Country estimate | | |
| Child allowance (per child) | child_al | 1 | 800 040 | | |
| | | 2 | 1 599 960 | | |
| | | 3 | 2 640 000 | | |
| | | 4 | 2 640 000 | | |
| Income tax schedule | tax_sch | 0.15 | | | |
| Social security contributions | SSC_unemp | 0.015 | | | |
| | SSC_p | 0.1 | | | |
| | SSC_h | 0.07 | | | |
| Payroll taxes * | SSC_empr | 0.165 | | | |
| | payroll_rate | 0.015 | | | |
| | | # of children | 1 | 2 | 3+ |
| Transfers for children | CB_rates | 0 | 12 200 | 13 300 | 16 000 |
| (monthly) | | 1 | 13 700 | 14 800 | 17 000 |

*average SSC_empr rate for 2020

## 2020 Tax equations

The equations for the Hungarian system in 2020 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)+ MIN(earn_princ*(SSC_unemp+SSC_h+SSC_p),Positive(tax_al-earn_princ)*tax_sch))/2 |
| | Child tax allowance (Employees' SSC) | | S | =(MIN(earn_spouse*(SSC_h+SSC_p),Positive(-earn_princ)*tax_sch)+ MIN(earn_spouse*(SSC_unemp+SSC_h+SSC_p),Positive(-earn_princ)*tax_sch))/2 |
| 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 2020

### 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** | | 6 195 558 | 9 247 101 | 15 442 659 | 6 195 558 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | | | | |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | 247 822 | 369 884 | 617 706 | 247 822 |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 247 822 | 369 884 | 617 706 | 247 822 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 5 947 736 | 8 877 217 | 14 824 953 | 5 947 736 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 1 266 186 | 1 932 643 | 3 600 193 | 1 266 186 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 655 538 | 655 538 | 655 538 | 655 538 |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | | | | |
| | | Total | 655 538 | 655 538 | 655 538 | 655 538 |
| **7.** | **Central government income tax finally paid (5-6)** | | 610 648 | 1 277 105 | 2 944 655 | 610 648 |
| **8.** | **State and local taxes** | | 858 853 | 1 281 870 | 2 140 723 | 858 853 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 30 334 | 30 334 | 30 334 | 30 334 |
| | Taxable income | | | | | |
| | | Total | 30 334 | 30 334 | 30 334 | 30 334 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 1 499 835 | 2 589 309 | 5 115 712 | 1 499 835 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 0 | 0 | 0 | 835 210 |
| | | Total | 0 | 0 | 0 | 835 210 |
| **12.** | **Take-home pay (1-10+11)** | | 4 695 723 | 6 657 793 | 10 326 947 | 5 530 934 |
| **13.** | **Employer's compulsory social security contributions** | | 393 418 | 587 191 | 980 609 | 393 418 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 23.7% | 27.7% | 32.9% | 23.7% |
| | Employees' social security contributions | | 0.5% | 0.3% | 0.2% | 0.5% |
| | Total payments less cash transfers | | 24.2% | 28.0% | 33.1% | 10.7% |
| | Total tax wedge including employer's social security contributions | | 28.7% | 32.3% | 37.1% | 16.1% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 35.7% | 35.7% | 44.4% | 46.7% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 39.5% | 39.5% | 47.7% | 49.9% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Iceland 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 9 247 101 | 15 442 659 | 18 494 203 | 15 442 659 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | | | | |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | 369 884 | 617 706 | 739 768 | 617 706 |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 369 884 | 617 706 | 739 768 | 617 706 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 8 877 217 | 14 824 953 | 17 754 435 | 14 824 953 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 1 932 643 | 3 198 828 | 3 865 285 | 3 198 828 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 1 311 076 | 1 311 076 | 1 311 076 | 1 311 076 |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | | | | |
| | | Total | 1 311 076 | 1 311 076 | 1 311 076 | 1 311 076 |
| **7.** | **Central government income tax finally paid (5-6)** | | 621 567 | 1 887 752 | 2 554 209 | 1 887 752 |
| **8.** | **State and local taxes** | | 1 281 870 | 2 140 723 | 2 563 740 | 2 140 723 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 30 334 | 60 668 | 60 668 | 60 668 |
| | Taxable income | | | | | |
| | | Total | 30 334 | 60 668 | 60 668 | 60 668 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 1 933 771 | 4 089 143 | 5 178 618 | 4 089 143 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 692 378 | 156 269 | 60 000 | 0 |
| | | Total | 692 378 | 156 269 | 60 000 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 8 005 709 | 11 509 785 | 13 375 585 | 11 353 516 |
| **13.** | **Employer's compulsory social security contributions** | | 587 191 | 980 609 | 1 174 382 | 980 609 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 20.6% | 26.1% | 27.7% | 26.1% |
| | Employees' social security contributions | | 0.3% | 0.4% | 0.3% | 0.4% |
| | Total payments less cash transfers | | 13.4% | 25.5% | 27.7% | 26.5% |
| | Total tax wedge including employer's social security contributions | | 18.6% | 29.9% | 32.0% | 30.9% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 45.3% | 42.9% | 35.7% | 35.7% |
| | Total payments less cash transfers: Spouse | | 43.4% | 42.9% | 35.7% | 35.7% |
| | Total tax wedge: Principal earner | | 48.6% | 46.3% | 39.5% | 39.5% |
| | Total tax wedge: Spouse | | 46.8% | 46.3% | 39.5% | 39.5% |

The national currency is the Króna (plural: Krónur) (ISK). In 2020, ISK 136.85 were equal to USD 1. That year, the average worker is expected to earn ISK 9 247 101 (Secretariat estimate).[1]

# 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 655 538 in 2020, 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 and civil partners may utilise up to 100% of each spouses' unutilised portion of his/her basic tax credit. Joint taxation also allows for bracket sharing between partners. If one partner has income in the highest tax bracket while the other's income falls below the top bracket, one-half of the latter's unused second bracket amount can be transferred to the high-income partner, up to a limit equal to half the second bracket. This transfer is then taxed at a rate lower than the top tax rate.
- Relief(s) for children: None.
- Relief(s) for compulsory pension contributions: The compulsory payment to pension funds amounts to 4% of wages and is deductible. In addition, an optional payment of up to 4% of wages may also be deducted. As the additional 4% 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 2020 is ISK 420 000 for a single person, ISK 525 000 for a single parent and ISK 630 000 for a married couple. The following constraints apply to interest rebates: (1) they cannot exceed 7.0% 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 840 000 for an individual, ISK 1 050 000 for a single parent and ISK 1 260 000 for a couple. (3) 8.5% of taxable income is subtracted from the interest expense. (4) The rebates begin to be curtailed at a net worth threshold of ISK 5 000 000 for a single individual and a single parent and ISK 8 000 000 for a couple and are eliminated altogether at a 60% higher amount, or ISK 8 000 000 and 12 800 000, respectively. (These amounts are based on income in the year 2020 but are paid out in 2021).

### *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 2020 is 20.6% for income up to ISK 336 916 per month. The tax rate is 22,75% for income between ISK 336 916 and ISK 945 873. For income exceeding ISK 945 873 the tax rate is 31.8%. Tax relief is provided by the basic credit described in Section 1.1.2.1. As a result of the basic credit, personal income is free of income tax for personal income up to ISK 162 398 per month (ISK 1 948 779 per year), when accounting for the deductible, compulsory pension payments.

The tax on capital income is 22%. It is levied on all capital income of individuals, such as interest, dividends, rents etc. Interest income up to ISK 150 000 per year and 50% of income from long-term rent of a maximum of two residential properties 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% between municipalities. The weighted average rate in 2020 is 14.44%.

## 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 12 034 in 2020, provided the individual's taxable income is at least ISK 1 870 828 for the year. This tax will be collected in 2021.

Fee to the broadcast media: 16 to 70 year-old individuals with taxable income over ISK 1 870 828 for the year are subject to a fixed tax of ISK 18 300 in 2020, which will be collected in 2021.

### *2.2. Employers' contributions*

Employers have to pay a social security tax on total wages of 6.25%. In addition, 0.65% is levied on the wages of fishermen as a premium for their government accident insurance. Other taxes, levied on the social security tax base, but based on other legislation, are the Promote Iceland Market Fee and the Wage Guarantee Fund Fee, 0.05% each. Furthermore, a new financial activities tax was introduced in 2012, which requires financial and insurance companies to pay an additional 5.5% payroll tax.

## 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 2020 they are as follows (in ISK per year):

- For each child under the age of seven: 140 000
- Children under the age of eighteen at the end of 2020:

  - First child: 234 500
  - Each additional child: 279 200
- Benefits for single parents:
  - First child: 390 700
  - Each additional child: 400 800
- Income threshold for benefit curtailment:
  - For couples: 8 424 000
  - For a single parent: 4 212 000
- Curtailment of benefits (children under the age of seven only):
  - For each child: 4%
- Curtailment of benefits (all children under the age of eighteen):
  - For one child: 4%
  - For two children: 6%
  - For three children or more: 8%
  - An additional 1.5% is deducted for income above a threshold of 5 500 000 for single parents and 11 000 000 for couples (not applicable for the curtailment of supplemental benefit for children under the age of seven).

A special child benefit supplement was added in 2020 in response to the Covid crisis. Benefits are granted for each child, but the amount is subject to whether other child benefits were fully curtailed by income thresholds. This special child benefit supplement will only be paid out in 2020 (see also section 4.7).

- For each child:
  - If households receive other child benefits: 42 000
  - If other child benefits are fully curtailed: 30 000

Note that child benefits in this Report are based on income in the year 2019 but are paid out in 2020 (see also section 4.4).

## 4. Main Changes in the Tax/Benefit System Since 1998

### *4.1. The deductibility of the payment to pension funds*

All employees are required to participate in pension funds. The employee contribution is generally 4% of wages and the employer contribution was 6%, and increased to 8% as of beginning 2007. On July 1st 2016 the employer contribution increased to 8.5% and one year later it increased again to 10%. The employer contribution increased once again on July 1st, 2018 to 11.5%. 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% 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% for employees and 0.2% for employers. In May 2000 these rates were doubled to 4 and 0.4%, 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% against a voluntary employee contribution of 4% in 2001 and 2% 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% 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 1997-2020*

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% for the first monthly ISK 200 000 but it was raised by 2.9% for the next ISK 450 000 and again by 6% for income in excess of ISK 650 000. In 2017, the tax system was changed to double rated and in 2020 another tax bracket was added, changing it back to triple rated. The rates are 20.6% for income up to ISK 336 916 per month, 22.75% for income exceeding that but falling below ISK 945 873 and 31.8% for income higher than ISK 945 873; 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 |
| 2015 | 22.86 | 14.44 | 37.30 | 2.44/6.50 |
| 2016 | 22.68 | 14.45 | 37.13 | 1.22/7.90 |
| 2017 | 22.5 | 14.44 | 36.94 | 9.3 |
| 2018 | 22.5 | 14.44 | 36.94 | 9.3 |
| 2019 | 22.5 | 14.44 | 36.94 | 9.3 |
| 2020 | 20.6 | 14,44 | 35,04 | 2.15/9,05 |

### *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%. For 2003-income, it was reduced back to 5%. It was reduced to 4% for 2004 income and to 2% 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%. In 2010 the tax system changed to triple-rated and in 2017 it was changed to double rated. In 2020 a triple-rated tax system was reintroduced; see sections 4.2 and 1.1.3.

### *4.4. A revision of child benefit system*

Child benefits are granted for each child, subject to income thresholds. The amendments to tax legislation that came into effect in 2004 included a schedule for raising child benefits. As from 2007, the child benefits will be paid for children up to 18 years old instead of 16 years old. For 2011–2020, benefits are as follows (in ISK per year):

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|
| For all children under the age of seven | 100 000 | 100 000 | 115 825 | 119 300 | 122 879 | 133 300 | 140 000 | 140 000 | 140 000 |
| **Children under the age of eighteen:** | | | | | | | | | |
| First child | 167 564 | 167 564 | 194 081 | 199 839 | 205 834 | 223 300 | 234 500 | 234 500 | 234 500 |
| Each additional child | 199 455 | 199 455 | 231 019 | 237 949 | 245 087 | 265 900 | 279 200 | 279 200 | 279 200 |
| **Benefits for single parents:** | | | | | | | | | |
| First child | 279 087 | 279 087 | 323 253 | 332 950 | 342 939 | 372 100 | 390 700 | 390 700 | 390 700 |
| Each additional child | 286 288 | 286 288 | 331 593 | 341 541 | 351 787 | 381 700 | 400 800 | 400 800 | 400 800 |
| **Income threshold for benefit curtailment:** | | | | | | | | | |
| For couples | 4 800 000 | 4 800 000 | 4 800 000 | 4 800 000 | 5 400 000 | 5 800 000 | 7 200 000 / 11 000 000 | 7 800 000 / 11 000 000 | 8 424 000 / 11 000 000 |
| For a single parent | 2 400 000 | 2 400 000 | 2 400 000 | 2 400 000 | 2 700 000 | 2 900 000 | 3 600 000 / 5 500 000 | 3 900 000 / 5 500 000 | 4 212 000 / 5 500 000 |
| **Curtailment of benefits under the age of seven:** | | | | | | | | | |
| For each child | 3% | 3% | 4% | 4% | 4% | 4% | 4% | 4% | 4% |
| **Curtailment of benefits under the age of eighteen:** | | | | | | | | | |
| For one child | 3% | 3% | 4% | 4% | 4% | 4% | 4% / 5.5% | 4% / 5.5% | 4% / 5.5% |
| For two children | 5% | 5% | 6% | 6% | 6% | 6% | 6% / 7.5% | 6% / 7.5% | 6% / 7.5% |
| For three children or more | 7% | 7% | 8% | 8% | 8% | 8% | 8% / 9.5% | 8% / 9.5% | 8% / 9.5% |

### *4.5. A revision of interest rebates*

In 2004, the interest rebate was cut by 10%, effective for that year only. The ceiling on interest payments that qualify for the interest rebate was reduced from 7% to 5.5% in 2005 and the interest rate cut was reduced from 10% to 5%. As of the beginning of 2006, the ceiling was further reduced to 5%. 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 2005–2007. In 2008, as mortgage-related interest expenses surged, the ceiling on interest payments was raised back to 7% and the maximum rebate amount increased by 37%. These

measures stayed in effect in 2009. In 2010 the maximum rebate amount increased by 47–62% and the net worth ceiling was reduced significantly. The rate of taxable income which is subtracted from the interest expense was increased from 6% to 8% and further to 8.5% in 2014. In addition to the ordinary interest payment relief, a temporary interest cost rebate was in effect in 2010–2011; see section 1.1.2.2.

### *4.6. Transferability of basic tax credit between spouses*

The basic tax credit was made transferable between spouses in stages; see section 1.1.2.1. above. In fiscal year 2001, 90% of the credit became transferable, rising to 95% in 2002 and 100% in 2003.

### *4.7. Changes to labour taxation due to the covid-19 pandemic*

A special child benefit supplement was added in 2020 in response to the Covid crisis. Benefits are granted for each child, but the amount is subject to whether other child benefits were fully curtailed by income thresholds. This special child benefit supplement will only be paid out in 2020 (see also section 4.7).

- For each child:
  - If households receive other child benefits: ISK 42 000
  - If other child benefits are fully curtailed: ISK 30 000

Note that as regular child benefits in this Report, this one-off special child benefit supplement is based on income in the year 2019 but paid out in 2020.

A payment deferral scheme was introduced for monthly pay-as-you-go payments of withheld central and local PIT and social security contributions on previous month wages. Employers may defer 50% of the payable amount in March 2020. Employers hard-hit by COVID-19 may also defer 100% of the monthly payable amount up to three times in the nine-month period April-December 2020. Deferred amounts are due for payment in January 2021.

## 5. Memorandum Items

### *5.1. Identification of AW (only eight categories) and valuation of earnings*

The data on average earnings refers to average workers in eight 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, and form the second pillar pension protection. The private pension funds are not part of the basic, first pillar, government-run social security system, to which a social security tax is paid as described under section 2.2 above. Compulsory and voluntary payments to such funds are described in section 4.1 above.

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 9 247 101 | Secretariat estimate |
|---|---|---|---|
| Pension rate for tax allowance | pension_rate | 0.04 | |
| Tax credit | Basic_crd | 655 358 | |
| | Married_propn | 1 | |
| Central income tax | tax_sch | 0.206 | 4 042 992 |
| | | 0.2275 | 11 350 476 |
| | | 0.3180 | |
| | | | |
| Special tax | special_rate | | |
| threshold | special_thrsh | | |
| Local tax | local_rate | 0.1444 | |
| Church tax | church_tax | 0 | |
| Social Security Contr. | SSC_fixed | 30 334 | |
| | SSC_thrsh | 1 870 828 | |
| Employer SSC | SSC_empr | 0.0635 | |
| General child allowance: | | | |
| child allowance | CA | 140 000 | |
| Maximum number of children under 7 | max_child_under7 | 1 | |
| Supplement child allowance: | | | |
| Married couple case | | | |
| first child | SA_first_m | 234 500 | |
| other children | SA_others_m | 279 200 | |
| income threshold | SA_tresh_m | 8 242 000 | |
| | SA_thresh_m_2 | 11 000,000 | |
| Single parent case | | | |
| first child | SA_first_s | 390 700 | |
| other children | SA_others_s | 400 800 | |
| income threshold | SA_tresh_s | 4 212 000 | |
| | SA_thresh_s_2 | 5 500 000 | |
| 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 | |
| additional reduction rate (for higher income) | SA_redn_4 | 0.015 | |

## 2020 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<br>S | 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)<br>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 | IF(Children = 0, 0, IF(AND(Married = 1, Children = 1),SA_first_m - MAX(0, (EARN*(1-pension_rate)) - SA_thresh_m) * SA_redn_1 - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_m_2) * SA_redn_4) + ((CA * max_child_under7) - MAX(0, (EARN*(1-pension_rate)) - SA_thresh_m) * SA_redn_1), IF(AND(Married = 1, Children = 2), (SA_first_m + SA_others_m) - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_m) * SA_redn_2) - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_m_2) * SA_redn_4) + MAX(0, ((CA *max_child_under7) - MAX(0, (EARN * (1 - pension_rate)) - SA_thresh_m) *SA_redn_1)), IF(AND(Married = 0, Children =1), SA_first_s - MAX(0, (EARN*(1-pension_rate)) - SA_thresh_s) * SA_redn_1 - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_s_2) * SA_redn_4) + ((CA * max_child_under7) - MAX(0, (EARN*(1-pension_rate)) - SA_thresh_s) * SA_redn_1), IF(AND(Married = 0, Children = 2), (SA_first_s + SA_others_s) - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_s) * SA_redn_2) - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_s_2) * SA_redn_4) + MAX(0, ((CA * max_child_under7) - MAX(0, (EARN * (1 - pension_rate)) - SA_thresh_s) * SA_redn_1)), 0 ))))) |
| 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.

## Notes

[1] The definition of average worker in Iceland includes workers in five categories. See section 5.1.

# 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 2020

### 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** | 31 279 | 46 685 | 77 964 | 31 279 |
| **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)** | 31 279 | 46 685 | 77 964 | 31 279 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 6 256 | 11 614 | 24 126 | 6 256 |
| **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)** | 3 671 | 9 723 | 23 919 | 2 021 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 1 251 | 1 867 | 3 119 | 1 251 |
| | Taxable income | | | | |
| | Total | 1 251 | 1 867 | 3 119 | 1 251 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 4 922 | 11 590 | 27 037 | 3 272 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | 0 | 0 | 0 | 2 914 |
| | For two children | 0 | 0 | 0 | 3 360 |
| | Total | 0 | 0 | 0 | 6 274 |
| **12.** | **Take-home pay (1-10+11)** | 26 357 | 35 095 | 50 927 | 34 281 |
| **13.** | **Employer's compulsory social security contributions** | 3 456 | 5 159 | 8 615 | 3 456 |
| **14.** | **Average rates** | | | | |
| | Income tax | 11.7% | 20.8% | 30.7% | 6.5% |
| | Employees' social security contributions | 4.0% | 4.0% | 4.0% | 4.0% |
| | Total payments less cash transfers | 15.7% | 24.8% | 34.7% | -9.6% |
| | Total tax wedge including employer's social security contributions | 24.1% | 32.3% | 41.2% | 1.3% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 28.5% | 48.5% | 52.0% | 71.4% |
| | Total payments less cash transfers: Spouse | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | 35.6% | 53.6% | 56.8% | 74.2% |
| | Total tax wedge: Spouse | n.a. | n.a. | n.a. | n.a. |

## Ireland 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 46 685 | 77 964 | 93 370 | 77 964 |
| **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)** | 46 685 | 77 964 | 93 370 | 77 964 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 9 814 | 17 066 | 23 228 | 17 066 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | 3 300 | 3 300 | 3 300 | 3 300 |
| | Single, head of family | 0 | 0 | 0 | 0 |
| | Children | | | | |
| | Other | 3 250 | 3 300 | 3 300 | 3 300 |
| | Total | 6 550 | 6 600 | 6 600 | 6 600 |
| **7.** | **Central government income tax finally paid (5-6)** | 4 673 | 12 589 | 19 445 | 12 589 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 1 867 | 3 119 | 3 735 | 3 119 |
| | Taxable income | | | | |
| | Total | 1 867 | 3 119 | 3 735 | 3 119 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 6 540 | 15 708 | 23 180 | 15 708 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | 0 | 0 | 0 | 0 |
| | 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)** | 43 505 | 65 616 | 73 550 | 62 256 |
| **13.** | **Employer's compulsory social security contributions** | 5 159 | 8 615 | 10 317 | 8 615 |
| **14.** | **Average rates** | | | | |
| | Income tax | 10.0% | 16.1% | 20.8% | 16.1% |
| | Employees' social security contributions | 4.0% | 4.0% | 4.0% | 4.0% |
| | Total payments less cash transfers | 6.8% | 15.8% | 21.2% | 20.1% |
| | Total tax wedge including employer's social security contributions | 16.1% | 24.2% | 29.1% | 28.1% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 48.5% | 48.5% | 48.5% | 48.5% |
| | Total payments less cash transfers: Spouse | 29.3% | 48.5% | 48.5% | 48.5% |
| | Total tax wedge: Principal earner | 53.6% | 53.6% | 53.6% | 53.6% |
| | Total tax wedge: Spouse | 36.3% | 53.6% | 53.6% | 53.6% |

The national currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In that year, the average worker earned EUR 46 685 (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.
- Earned Income credit: Individuals in receipt of earned income are entitled to an earned income credit of EUR 1500 for 2020et seq. Note: The combined employee credit and earned income credit is limited to EUR 1 650.
- One-Parent Family credit: The single parent family credit is EUR 1 650.

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

- Interest on qualifying loans: This relief can no longer be claimed by new applicants but those who had claimed prior to 2012 are still eligible for relief up to 2020 inclusive. The relief varies between 25% and 15% of the following limits.

| | First Time Mortgage Holders | Other Mortgage Holders |
|---|---|---|
| Married Couple | EUR 15 000 | EUR 3 000 |
| Widowed Person | EUR 10 000 | EUR 3 000 |
| Single Person | EUR 5 000 | EUR 1 500 |

- 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. The maximum relief is EUR 1 000 in respect of an adult and EUR 500 in respect of a child. This relief is now granted at source and is paid to the insurance provider.
- 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 1600 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 7 199. A reduced measure of relief is granted for income between EUR 7 200 and EUR 10400: if the income exceeds EUR 7 200 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 7 200 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 Protection.

### *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 35 300 | Up to 44 300 | Up to the lesser of 70 600 - 44 300 plus the amount of the lowest income | 39 300 | 20 |
| Balance | Balance | Balance | Balance | 40 |

### *1.1.4. Low income exemption and marginal relief tax*

Where total income of an individual aged 65 and over is less than or equal to the income exemption limit that income is exempt from tax.

Exemption limits:

- Single / Widowed: EUR 18 000
- Married: EUR 36 000

The exemption limits may be increased in respect of children, as follows:

- One or two children (each): EUR 575
- Subsequent children: EUR 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% on the difference between total income and the relevant exemption limit.

### *1.1.5. Universal Social Charge (USC)*

The USC is charged on an individualised basis on gross income at 0.5% on income up to and including EUR 12 012, at 2% for income in excess of EUR 12 012 but not greater than EUR 20 484, at 4.5% for income in excess of EUR 20 484 but not greater than EUR 70 044, and at 8% above that level. The lower exemption threshold is EUR 13 000.The USC does not apply to social welfare payments, including contributory and non-contributory social welfare State pensions.

USC rates for individuals whose total income does not exceed EUR 60 000 and who are (a) aged 70 years and over or (b) who hold full medical cards: The 2% rate applies to all income over EUR 12 012.

There is a surcharge of 3% on individuals who have income from self-employment that exceeds EUR 100 000 in a year.

### 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 percent 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 2020 rate of contribution together with ceilings where applicable:

| Description | Rate | Threshold (EUR) | Ceiling (EUR) |
|---|---|---|---|
| Pension and social insurance | 4.00 | 352 per week | |

A PRSI credit was introduced in 2016 which reduces the amount of PRSI payable for people earning between EUR 352.01 and EUR 424 per week. The credit is tapered and the amount of the credit depends on your earnings. The maximum credit is EUR 12. If you earn between EUR 352.01 and EUR 424 per week, the maximum credit of EUR 12 is reduced by one-sixth of the amount of your weekly earnings over EUR 352.01.

### 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 2020 rate of contribution:

| Description | Rate % |
|---|---|
| Occupational injuries | 0.50 |
| Redundancy contribution | 0.40 |
| Pension and social insurance(*) | 10.05 |

*An incremental annual increase of 0.1% in the National Training Fund levy that is collected through the Pay Related Social Insurance (PRSI) system, is increasing the levy rate from 0.7% to 1% in the three year period from 2018 to 2020.

In 2020, the total employers' contribution is 11.05% and is reduced to 8.8% in respect of employees earning less than EUR 395 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 18 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 2020 are as follows:

| Period | Monthly rate per child | |
|---|---|---|
| January 2020 to December 2020 | First to second child: EUR 140.00 | Subsequent children: EUR 140.00 |

### *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% 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 2020 is EUR 632 per week.

One Parent Family Payment: This 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 person's earnings does not exceed EUR 165 per week). Where earnings are between EUR 165 per week) and EUR 425.00 per week a reduced payment is received. The amount of the full payment for 2020 is EUR 203 per week (plus EUR 36 per week for each child.

## 4. Other Main Changes in Tax/Benefit System Since 2016

### *4.1. Earned Income credit*

Individuals in receipt of earned income are entitled to an earned income credit of EUR 1500 for 2020 et seq. Note: The combined employee credit and earned income credit is limited to EUR 1 650.

### *4.2. Changes to labour taxation due to the covid-19 pandemic*

There are a few measures operating in Ireland at present in response to the COVID-19 pandemic these are the Temporary Wage Subsidy Scheme (TWSS) operated by Revenue. The Pandemic Unemployment Payment (PUP) by Social Welfare along with Enhanced Illness Benefit and short term changes to Rent Supplement as outlined below.

**The following measures do not impact on the Taxing of Wages results.**

Temporary Wage Subsidy Scheme

This scheme run by Revenue, enables employees, whose employers are affected by the pandemic, to receive significant supports directly from their employer through the payroll system. To qualify for the scheme, employers must

- be experiencing significant negative economic disruption due to Covid-19
- be able to demonstrate, to the satisfaction of Revenue, a minimum of a 25% decline in turnover *
- be unable to pay normal wages and normal outgoings fully and
- retain their employees on the payroll.

*TWSS turnover drop relates to the period Q2 2020 the employer is free to calculate drop with respect to Q1 2020 or Q2 2019).

The wage subsidy payments to employees are liable to income tax and USC; however, the subsidy is not taxable in real-time through our PAYE system during the period of the Subsidy scheme. Instead the employee will be liable for tax and USC on the subsidy amount paid to them by their employer by way of review at the end of the year.

The scheme was introduced in 26 March 2020 and has been extended until the 31 August 2020.

On 4 May 2020 Revenue informed all eligible employers of the maximum personal subsidy amount in respect of each individual employee on its payroll based on the employee's Average Revenue Net Weekly Pay. See below table

| Income thresholds | Level of subsidy payment |
|---|---|
| Previous average take home pay **below EUR 412** per week | 85% of the weekly average take home pay |
| Previous average take home pay **between EUR 412 and EUR 500** per week | Flat rate subsidy of EUR 350 per week |
| Previous average take home pay **between EUR 500 and EUR 586** per week | 70% of the weekly average take home pay, up to a maximum of EUR 410 |
| Previous average take home pay **between EUR 586 and EUR 960** per week | Subsidy is subject to 'tapering'. That means the level of subsidy is calculated by reference to the amount of any additional ('top up') payments made by the employer and its effect on the weekly average take home pay.<br>Subsidy levels are as follows:<br>Flat rate subsidy of EUR 350 per week, where the employer pays a top up payment up to 60% of the employee's previous weekly take home pay<br>Flat rate subsidy of EUR 205 per week, where the employer pays a top up payment between 60% and 80% of the employee's previous weekly take home pay<br>No subsidy is payable, where the employer pays a top up payment above 80% of the employee's previous weekly take home pay<br>Tapering is calculated by subtracting the gross 'top up' paid by the employer from the employee's previous average take home pay. |
| Previous average take home pay **above EUR 960** per week | Employee's whose average take home pay has fallen below EUR 960 can now avail of the scheme, subject to the tapering rules (see above).<br>No subsidy applies for employee's whose current pay is more than EUR 960. This is the case regardless of the level of any reduction in pay. |

Pandemic Unemployment Payment

The COVID-19 Pandemic Unemployment Payment is available to employees and the self-employed who have lost their job on (or after) March 13 due to the COVID-19 (Coronavirus) pandemic. The COVID-19 Pandemic Unemployment Payment will be in place until August 10.

You can apply for the COVID-19 Pandemic Unemployment Payment if you:

- are aged between 18 and 66 years old and
- currently living in the Republic of Ireland and
- have lost your job due to the COVID-19 pandemic or
- have been temporarily laid off due to the COVID-19 pandemic and
- worked in the Republic of Ireland or were a cross border frontier worker and
- are not in receipt of any employment income

The payment also applies if you are:

- self-employed and your trading income has ceased due to COVID-19

- a non EU/EEA worker who has lost employment due to the COVID-19 pandemic
- a student (or a non-EU/EEA student) who has lost employment due to the COVID-19 pandemic
- part-time worker

The COVID-19 Pandemic Unemployment Payment will be paid at a flat rate of EUR 350 per week until the beginning of June 29 when the payment will be paid at two rates:

- For those whose prior employment earnings were EUR 200 per week or higher (about 75% of recipients), the rate will remain at EUR 350 per week;
- For those whose prior employment earnings were up to EUR 199.99 per week (about 25% of recipients), the rate will be EUR 203 per week - the primary rate of payment of the Jobseeker's Benefit scheme.

If you were working and were also in receipt of any social welfare payment such as a Carer's Payment, Working Family Payment (WFP) or One-Parent Family Payment, you can, provided you have lost your job due to COVID-19, also claim the COVID-19 emergency payment, in addition to retaining your existing welfare payment. The COVID-19 Payment Unemployment Payment will replace your employment income and will be regarded by the department as equivalent to employment income.

This payment is subject to income tax but is not liable to either the universal social charge or PRSI (pay-related social insurance).

It is proposed that at the end of the year, Revenue will send a preliminary end-of-year statement, outlining what it understands to be the recipients income during the year – from the unemployment payment and also any work during the year and it will indicate how much tax is owing.

Enhanced Illness Benefit

This payment is for workers and the self-employed who cannot work in the short term because they have been medically certified to self-isolate or are ill due to COVID-19.

The personal rate of Illness Benefit will increase from EUR 203 per week to EUR 350 per week for a maximum of 2 weeks where you are medically-required to self-isolate or longer following a confirmed diagnosis of COVID-19.

COVID-19 and Rent Supplement

Legislation was introduced to prevent both the termination of residential tenancies and any rent increases for the duration of the COVID-19 pandemic.

While tenants are expected to pay rent during the COVID-19 pandemic, Rent Supplement is available to you if you are struggling to pay.

There are new Rent Supplement rules for applicants who apply on or after 13 March 2020. These rules will be in place until 31 August 2020:

- You can qualify for Rent Supplement if you or your partner are working more than 30 hours per week and you have had a reduction in your income from work due to the COVID-19 public health emergency.
- You must have been in your current tenancy for more than 4 weeks and could have continued to paid your rent from your own resources, but for the COVID-19 public health emergency.
- If you are diagnosed with COVID-19 or are suspected of having COVID-19 and are medically required to self-isolate, your Rent Supplement can be processed and paid immediately.
- You will be assessed for Rent Supplement using a higher Supplementary Welfare Allowance rate.

The basic Supplementary Welfare Allowance rate is normally EUR 201 – you will get a higher rate if you have dependents. However, if you are a new Rent Supplement applicant and applied on or after 13 March

2020, you will be assessed for Rent Supplement using the following Supplementary Welfare Allowance rates:

- EUR 350 for a single person
- EUR 700 for a couple
- EUR 40 for each child.

## 5. Memorandum Items

### *5.1. Employer contributions to private social security arrangements*

Information not available, although such schemes do exist.

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 46 685 | Secretariat estimate |
|---|---|---|---|
| Tax allowances | | | |
| Tax Credits | Basic_al_at_standardrate | 1650 | |
| | Married_al_at_standardrate | 1650 | |
| | Empl_al_at_standardrate | 1650 | |
| | Singleparent_at_standardrate | 1650 | |
| | Carers_allow | 1600 | |
| | Carers_thrsh1 | 7200 | |
| | Carers_thrsh2 | 10400 | |
| | Carers_taper_rt | 0.5 | |
| Exemption amount | Single_ex | 0 | |
| | Married_ex | 0 | |
| | Child_ex | 0 | |
| | Child_ex_3 | 0 | |
| Marginal relief limit | Single_MR | 0 | |
| | Married_MR | 0 | |
| | Child_MR | 0 | |
| | Child_MR_3 | 0 | |
| Marginal relief | marg_rel_rate | 0.4 | |
| Income tax | Single_sch | 0.2 | 35 300 |
| | | 0.4 | |
| | Single_sch_child | 0.2 | 39 300 |
| | | 0.4 | |
| | Married_sch_oneinc | 0.2 | 44 300 |
| | | 0.4 | |
| | Married_sch_twoinc | 0.2 | 70 600 |
| | | 0.4 | |
| Universal Social Charge | USC | 0.005 | 12 012 |
| | | 0.02 | 20484 |
| | | 0.045 | 70 044 |
| | | 0.08 | |
| | USC_sch_med_card | 0.005 | 12 012 |
| | | 0. 02 | |
| | USC threshold | 13 000 | |
| Maximum increase in first band | Band_increase_lim | 26 300 | |
| Social security contributions | SSC_thresh | 18 304 | |
| Employees | pension_rate | 0.04 | |
| | SSC_cred_max | 624 | |
| | SSC_cred_red | 0.166666667 | |
| | pension_ceil | Limit Abolished | |
| | Non_cum_Allc | 0 | |
| Employers | Empr_rate | 0.1105 | |
| | Empr_lower_rate | 0.088 | |
| | Empr_thrsh | 20 500.14 | |
| Child benefit | Empr_ceil | Limit Abolished | |
| | Ch_ben | 1680 | |
| Family income supplement | Ch_ben_3 | 1680 | |
| | FIS_pay_limit | 32864 | |
| | FIS_min | 1040 | |
| Medical card | FIS_rate | 0.6 | |
| | single_med_card | 9568 | |
| | married_med_card | 13 858 | |

| | | | |
|---|---|---|---|
| | Child_add_med_card | 1976 | |
| One-Parent Family | opf_basic | 10556 | |
| | opf_inclim_1 | 8580 | |
| | opf_inclim_2 | 22 100 | |
| | opf_inclim_3 | 10795.2 | |
| | opf_dis | 0.5 | |
| | opf_thrsh | 395.2 | |
| | opf_red | 130 | |
| | opf_childincr | 1872 | |

## 2020 Tax equations

The equations for the Irish system in 2020 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+OPF_total |
| | New carers allowance (provided as a tax credit) | career_allow | | IF((Married*Children)>0, IF(earn_spouse<=Carers_thrsh1, Carers_allow, IF(earn_spouse>Carers_thrsh2, 0, Positive (Carers_allow-Carers_taper_rt*(earn_spouse-Carers_thrsh1)))), 0) |
| | Preliminary Tax Liable (including carers allowance) | tax_prel | J | IF(Married='0,' IF(Children='0,' Tax(tax_inc, Single_sch), Tax(tax_inc, Single_sch_child)), IF(AB7='0,' Tax(tax_inc, Married_sch_oneinc)-AG7, Tax(earn_principal+Positive(earn_spouse-Band_increase_lim), Married_sch_oneinc)+Tax(MIN(earn_spouse, Band_increase_lim), Married_sch_oneinc))) |
| 5. | Tax before credits (but including carers allowance) | _tax_excl | J | IF((Married*earn_spouse)>0, MINA(tax_prel, (Tax(tax_inc, Married_sch_oneinc)-career_allow)), tax_prel) |
| | Universal social charge | USG | J | IF(earn>USC_threshold,IF(med_crd_fac=1,Tax(earn,USC_sch),Tax(earn,USC_sch_med_card)),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*earn)-Positive(SSC_cred_max-((earn-SSC_thresh)*SSC_cred_red))) |
| 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+OPF_total)<='FIS_pay_limit' , MAXA( (FIS_pay_limit-(earn-_tax-SSC+OPF_total))*FIS_rate, FIS_min), 0) |

| | | | | |
|---|---|---|---|---|
| | | OPF_basic | P | =IF((earn-opf_inclim_1)*opf_dis<opf_thrsh,opf_basic,IF((earn-opf_inclim_1)*opf_dis>opf_inclim_3,0,Positive(opf_basic- (opf_red+(opf_red*TRUNC((((earn-opf_inclim_1)*opf_dis)-opf_thrsh)/opf_red)))))*((Married=0)*(Children>0)))*(earn<opf_inclim_2) |
| | | OPF_total | | =IF(OPF_basic>0,OPF_basic+(opf_childincr*Children)) |
| | Total cash transfers | cash_trans | | Child_benefit+FIS+OPF_total |
| 13. | Employer's soc security | SSC_empr | B | IF(earn<='Empr_thrsh,' Empr_lower_rate, Empr_rate)* MIN(earn, Empr_ceil) |

Key to range of equation:
B calculated separately for both principal earner and spouse
P calculated for principal only (value taken as 0 for spouse calculation)
J calculated once only on a joint basis

# Israel

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

## ISRAEL 2020

### 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** | 105 252 | 157 093 | 262 345 | 105 252 |
| **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)** | 105 252 | 157 093 | 262 345 | 105 252 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 11 697 | 21 843 | 53 274 | 11 697 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | 5 913 | 5 913 | 5 913 | 7 227 |
| | Married or head of family | 0 | 0 | 0 | 2 628 |
| | Children | 0 | 0 | 0 | 5 256 |
| | EITC | 0 | 0 | 0 | 1 908 |
| | Unused wastable tax credits | 0 | 0 | 0 | 3 414 |
| | Total | 5 913 | 5 913 | 5 913 | 17 019 |
| **7.** | **Central government income tax finally paid (5-6)** | 5 784 | 15 930 | 47 361 | - 1 908 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 6 173 | 12 393 | 25 024 | 6 173 |
| | Taxable income | | | | |
| | Total | 6 173 | 12 393 | 25 024 | 6 173 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 11 957 | 28 323 | 72 385 | 4 265 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 0 | 0 | 0 | 6 170 |
| | Total | 0 | 0 | 0 | 6 170 |
| **12.** | **Take-home pay (1-10+11)** | 93 296 | 128 770 | 189 960 | 107 158 |
| **13.** | **Employer's compulsory social security contributions** | 4 922 | 8 862 | 16 861 | 4 922 |
| **14.** | **Average rates** | | | | |
| | Income tax | 5.5% | 10.1% | 18.1% | -1.8% |
| | Employees' social security contributions | 5.9% | 7.9% | 9.5% | 5.9% |
| | Total payments less cash transfers | 11.4% | 18.0% | 27.6% | -1.8% |
| | Total tax wedge including employer's social security contributions | 15.3% | 22.4% | 32.0% | 2.7% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 26.0% | 32.0% | 47.0% | 29.4% |
| | Total payments less cash transfers: Spouse | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | 31.2% | 36.8% | 50.7% | 34.4% |
| | Total tax wedge: Spouse | n.a. | n.a. | n.a. | n.a. |

## ISRAEL 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 157 093 | 262 345 | 314 185 | 262 345 |
| **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)** | 157 093 | 262 345 | 314 185 | 262 345 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 21 843 | 33 539 | 43 685 | 33 539 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | 5 913 | 13 140 | 13 140 | 13 140 |
| | Married or head of family | 0 | 0 | 0 | 0 |
| | Children | 0 | 5 256 | 5 256 | 0 |
| | EITC | 0 | 0 | 0 | 0 |
| | Unused wastable tax credits | 0 | 786 | 0 | 0 |
| | Total | 5 913 | 18 396 | 18 396 | 13 140 |
| **7.** | **Central government income tax finally paid (5-6)** | 15 930 | 15 930 | 25 289 | 20 399 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 12 393 | 18 566 | 24 787 | 18 566 |
| | Taxable income | | | | |
| | Total | 12 393 | 18 566 | 24 787 | 18 566 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 28 323 | 34 496 | 50 076 | 38 966 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 4 128 | 4 128 | 4 128 | 0 |
| | Total | 4 128 | 4 128 | 4 128 | 0 |
| **12.** | **Take-home pay (1-10+11)** | 132 898 | 231 977 | 268 237 | 223 379 |
| **13.** | **Employer's compulsory social security contributions** | 8 862 | 13 784 | 17 724 | 13 784 |
| **14.** | **Average rates** | | | | |
| | Income tax | 10.1% | 6.1% | 8.0% | 7.8% |
| | Employees' social security contributions | 7.9% | 7.1% | 7.9% | 7.1% |
| | Total payments less cash transfers | 15.4% | 11.6% | 14.6% | 14.9% |
| | Total tax wedge including employer's social security contributions | 19.9% | 16.0% | 19.2% | 19.1% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 32.0% | 32.0% | 32.0% | 32.0% |
| | Total payments less cash transfers: Spouse | 5.9% | 12.0% | 32.0% | 26.0% |
| | Total tax wedge: Principal earner | 36.8% | 36.8% | 36.8% | 36.8% |
| | Total tax wedge: Spouse | 10.1% | 18.2% | 36.8% | 31.2% |

The Israeli currency is the Israeli Shekel (ILS). In 2020, ILS 3.46 was equal to USD 1. In that year, the average worker in Israel earned ILS 157 093.

## 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. Until 2014, the conditions for interdependence involved situations where one spouse worked in a business which the other spouse either owned or had certain levels of capital or management/voting rights. Since 2014, spouses could still be taxed separately, even in cases where their earned income is deemed to be interdependent, if the labour of both spouses is needed to run the business and their income is commensurate to their effort.

#### *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 2 628 in 2020.

- *Basic credit*: Every resident taxpayer is entitled to 2.25 credit points (ILS 5 913 in 2020).
- *Additional credit for women*: Women are entitled to a further half credit point (ILS 1 314 in 2020).
- *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 2 628 in 2020). In 2012 this credit was increased to 2 credit points per child aged under 5. Since 2012, married working fathers with children aged under 2 are also entitled to 2 credit points per child. In 2017, the credit for both parents was increased to 2.5 credit points per child aged under 5 (ILS 6 570 in 2020). Since, according to the Taxing Wages methodology, the children in the model are between 6 and 11 inclusive, this change was not included in the model.
- *Single parent credit:* Single parents (male or female) are entitled to one additional credit point (ILS 2 628 in 2020).

##### 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 2016, a comprehensive reform was implemented, where the average credit was decreased but the number of beneficiaries more than doubled. In 2020 the credits range from 7 % in the lowest category to 20% in the highest category with ceilings between ILS 132 360 and 252 720. About 20% 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 one year 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 one year after the completion of a M.A. degree.

#### *1.1.3. Tax schedule*

The tax schedule for earned income in 2020 is as follows:

| Taxable income (ILS per year) | Tax rate (%) |
|---|---|
| 0 - 75960 | 10 |
| 75960 - 108960 | 14 |
| 108960 - 174960 | 20 |
| 174960 - 243120 | 31 |
| 243120 - 505920 | 35 |
| 505920 - 651600 | 47 |
| Above 651600 | 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 6 331 per month in 2020).
- A full rate for income exceeding 60% of the average wage per employee post and up to ILS 44 020 per month (in 2020).

### *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 2020 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*

Employers on behalf of their employees also pay social security insurance contributions. These relate to National Insurance only - employers do not pay any contributions for health insurance.

The employers' contribution rates in 2020 are as follows:

| Insurance branch | Full rate contribution ( % ) | Reduced rate contribution ( % ) |
|---|---|---|
| Total for National Insurance branches | 7.60 | 3.55 |
| Health | -- | -- |
| Total contributions | 7.60 | 3.55 |

## 3. Payroll taxes

The following payroll taxes exist in Israel but neither of them is included in the modelling as they have limited coverage:

- Wage tax on the non-profit institutions: the VAT law imposes a 7.5% on the wage-bill on the non-profit sector including Government,
- Wage tax on the financial institutions: the VAT law also imposes a 17.0% 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 December 2015 (retroactively from May 2015) the allowance for all children were increased.

Moreover, the government deposits ILS 50 per child per month, starting with May 2015 (for the period May 2015-December 2016, the actual deposit was only delivered, in 36 equal instalments, between January 2017-December 2019). The savings are liquid only when the child turns 18. Considering this delay of cash payments, they do not benefit the household, but rather the child and therefore are not included in the Taxing Wages modelling for 2020.

| | Children born before 1 June 2003 | | | Children born on or after 1 June 2003 | | |
|---|---|---|---|---|---|---|
| First child | | 152 | | | 152 | |
| Second child | | 192 | | | 192 | |
| Third child | | 192 | | | 192 | |
| Fourth child | | 340 | | | 192 | |
| Fifth child and above | | 359 | | | 152 | |

In addition, a Study Grant is paid to lone parents with children aged 6 to 18. The grant is paid in one instalment, usually in September at the beginning of the school year. In 2020, the grant per child was ILS 1 021.

## 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 2017 the surtax was increased to 3% on total income above ILS 640 000, while the top marginal rate remained unchanged at 50%. In 2013, the value of some tax brackets were not 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. In 2017, some tax rates and the width of some tax brackets were changed, effectively decreasing the tax burden for low and mid income while increasing the burden for higher incomes.
- 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, 7.25% in January 2015, 7.5% in January 2016 and 7.6% in January 2019.
- 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. In December 2015 (retroactively from May 2015) the allowance for all children were increased.
- In 2017, the tax credit for both parents was increased to 2.5 credit points per child aged under five.

### *5.1. Changes to labour taxation due to the covid-19 pandemic*

No changes.

## 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 two sources - the income and

expenditure survey and the labour 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.

As to the economic classification, until 2012, Israel used a modified version of ISIC 3 where the B-I industries (see Table below) are a very close equivalent of C-K industries in ISIC 3.1. Israel's Central Bureau of Statistics adopted ISIC 4 in 2012 and the Average Wage used in the modelling is based on ISIC 4 since 2013.

| | |
|---|---|
| A | Agriculture. |
| B | Manufacturing. |
| C | Electricity and water supply. |
| D | Construction (building and civil engineering projects). |
| E | Wholesale and retail trade and repairs. |
| F | Accommodation services and restaurants |
| G | Transport, storage and communication. |
| H | Banking, insurance and other financial institutions. |
| I | Business activities. |
| J | Public administration. |
| K | Education. |
| L | Health, welfare and social work services. |
| M | Community, social, personal and other services. |

### *6.2. Employer contributions to private pension*

Until 2007, employers were not legally obliged to pay into a pension plan for their employees. Pension rights were guaranteed in collective agreements that covered less than half of the labour force. About one million employees in Israel had no pension arrangement (mainly those earning a relatively low wage, temporary workers and those working for subcontractors).

In 2008, a compulsory employment pension was introduced for employees with a period of employment of at least 6 months. The minimum rate of contributions in January 2020 was 18.5 per cent of the employee's salary (up to the level of the average wage of ILS 10 551 per month), about 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 two 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 40% 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 three or more children is ILS 490.

Since 2016, single parents are eligible for the EITC for a wider income range – from ILS 1 300 per month to ILS 9 660 per month (for a single parents of 1-2 children) or ILS 11 790 per month (for a single parents of three or more children).

Since 2013 (based on earnings in 2012), these sums were increased by 50% for working mothers (and fathers in one-parent family).

A temporary measure (for earnings in 2018 only), expanded the 50% bonus to all working fathers and furthermore added a bonus of 30% for families where both parents work. This measure is not for earnings in 2020 and is not included in the Taxing Wages modelling for 2020.

Families in which both parents work, and their joint income does not exceed ILS 12 120, are entitled to these benefits for each wage-earner. The grant is paid four times a year directly into the account of the eligible persons.

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 157 093 | Secretariat estimate |
|---|---|---|---|
| Income tax | Tax_sch | 0.10 | 75 960 |
| | | 0.14 | 108 960 |
| | | 0.20 | 174 960 |
| | | 0.31 | 243 120 |
| | | 0.35 | 505 920 |
| | | 0.47 | 651 600 |
| | | 0.50 | |
| Employees SSC | SSC_sch | 0.035 | 75 972 |
| | | 0.12 | 528 240 |
| | | 0 | |
| Employers SSC | SSC_rate2 | 0.0355 | 75 972 |
| | | 0.0760 | 528 240 |
| | | 0.0000 | |
| Child benefit | CB_firstchild | 1 824 | |
| | CB_secondchild | 2 304 | |
| | Studygrant_rate | 1 021 | |
| Wastable tax credits | | | |
| Basic element | WTC_Basic | 5 913 | |
| Lone parent | WTC_lone | 2 628 | |
| Parents/per child | WTC_Child | 2 628 | |
| Women | WTC_woman | 1 314 | |
| Negative Income tax | | | |
| Married with 1 or | NIT_sch1 | 0 | 25 080 |
| 2 children | | 0.161 | 43 668 |
| | | 0.611 | 43 680 |
| | | 0 | 58 200 |
| | | -0.23 | 75 720 |
| Married with 3 or | NIT_sch2 | 0 | 25 080 |
| more children | | 0.235 | 43 668 |
| | | 5.985 | 43 680 |
| | | 0 | 58 200 |
| | | -0.235 | 82 920 |
| Single with 1 or | NIT_sch3 | 0 | 15 480 |
| 2 children | | 0.108 | 43 258 |
| | | 0 | 43 680 |
| | | 0 | 82 080 |
| | | -0.116 | 114 600 |
| Single with 3 or | NIT_sch4 | 0 | 15 480 |
| | | 0.155 | 43 668 |
| | | 5.905 | 43 680 |
| | | 0 | 91 560 |
| | | -0.116 | 139 920 |
| | NIT_basic1 | 960 | |
| | NIT_basic2 | 1440 | |
| | NIT_min | 240 | |
| | NIT_MinIncome1 | 25 080 | |
| | NIT_MinIncome2 | 15 480 | |
| | Nit_AddIncome1 | 17 520 | |
| | Nit_AddIncome2 | 58 200 | |
| | Nit_MaxIncome | 145 560 | |

| | | | |
|---|---|---|---|
| | NIT_Bonus1 | 1.5 | |
| | NIT_Bonus2 | 1 | |
| | NIT_PartnerIncome | 0 | |
| | | | |
| Days in tax year | numdays | 366 | |
| | | | |
| | | | |

## 2020 Tax equations

| | Line in country table and intermediate steps | Variable name | Range | Equation |
|---|---|---|---|---|
| 1. | Earnings | earn | | |
| 2. | Allowances: | Tax_al | B | 0 |
| 3. | Credits in taxable income | taxbl_cr | B | 0 |
| 4. | CG taxable income | tax_inc | B | Earn |
| 5. | CG tax before credits | CG_tax_excl | B | Tax(tax_inc, tax_sch) |
| 6. | Tax credits (nonwastable): | | | |
| | Principal | tax_cr_princ | B | (earn>0)*(wtc_basic+(IF(married=0)*(children>0),wtc_woman+wtc_lone+(wtc_child*children)) |
| | Spouse | tax_cr_spouse | B | (earn>0)*(wtc_basic+wtc_woman+(wtc_child*children)) |
| | Tax credits (nonwastable) | NIT_princ | B | NIT=MAX(0,IF(Children=0,0,IF(Married=1,IF(Children<=2,NIT_basic1*(Princ_earnings>NIT_MinIncome1)+Tax(Princ_earnings,NIT_sch1),NIT_basic2*(Princ_earnings>NIT_MinIncome1)+Tax(Princ_earnings,NIT_sch2)),(IF(Children<=2,NIT_basic1*( Princ_earnings >NIT_MinIncome2)+Tax(Princ_earnings,NIT_sch3),NIT_basic2*( Princ_earnings >NIT_MinIncome2)+Tax(Princ_earnings,NIT_sch4)))))) NIT=+MAX(0,NIT+IF(Children=0,0,IF(Children<=2,-0.23,-0.235)) *MAX(0,+( Princ_earnings +Spouse_earnings)-NIT_MaxIncome-MIN(MAX(0, Princ_earnings -NIT_Addincome2),NIT_AddIncome1)-MIN(MAX(0,Spouse_earnings-NIT_Addincome2),NIT_AddIncome1))) NIT=IF(NIT<NIT_min,0,NIT)*if(Married=1,1,NIT_Bonus1)*IF(Spouse_earnings>NIT_PartnerIncome,NIT_Bonus2,1) |
| | | NIT_spouse | B | NIT=MAX(0,IF(Children=0,0,IF(Married=1,IF(Children<=2,NIT_basic1*(Spouse_earnings>NIT_MinIncome1)+Tax(Spouse_earnings,NIT_sch1),NIT_basic2*(Spouse_earnings>NIT_MinIncome1)+Tax(Spouse_earnings,NIT_sch2)),(IF(Children<=2,NIT_basic1*(Spouse_earnings>NIT_MinIncome2)+Tax(Spouse_earnings,NIT_sch3),NIT_basic2*(Spouse_earnings>NIT_MinIncome2)+Tax(Spouse_earnings,NIT_sch4)))))) NIT=+MAX(0,NIT+IF(Children=0,0,IF(Children<=2,-0.23,-0.235)) *MAX(0,+( Princ_earnings +Spouse_earnings)-NIT_MaxIncome-MIN(MAX(0, Princ_earnings -NIT_Addincome2),NIT_AddIncome1)-MIN(MAX(0,Spouse_earnings-NIT_Addincome2),NIT_AddIncome1))) NIT=IF(NIT<NIT_min,0,NIT)*NIT_Bonus1*IF(Princ_earnings>NIT_PartnerIncome,NIT_Bonus2,1) |
| 7. | CG tax | CG_tax | B | Positive(CG_tax_excl-tax_cr)-NIT |
| 8. | State and local taxes | local_tax | B | 0 |
| 9. | Employees' soc security | SSC | B | Tax(earn, SSC_sch) |
| 11. | Cash transfers | cash_trans | J | IF(children=1,CB_firstchild,IF(Children=2,CB_firstchild+CB_secondchild)+(IF(married=0)*(children>0),Studygrant_rate*children) |
| 13. | Employer's soc security | SSC_empr | B | Tax(earn, SSC_rate2) |

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis

# 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 2020

### 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** | 20 256 | 30 233 | 50 489 | 20 256 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | | | | |
| | Married or head of family | | | | |
| | Dependent children | | | | |
| | Deduction for social security contributions and income taxes | 1 922 | 2 869 | 4 823 | 1 922 |
| | Work-related expenses | | | | |
| | Other | | | | |
| | Total | 1 922 | 2 869 | 4 823 | 1 922 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 18 334 | 27 364 | 45 667 | 18 334 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 4 350 | 6 788 | 13 673 | 4 350 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | 1 414 | 1 007 | 338 | 1 414 |
| | Married or head of family | 0 | 0 | 0 | 0 |
| | Children | 0 | 0 | 0 | 1 583 |
| | Other | 1 080 | 600 | 0 | 1 080 |
| | Total | 2 494 | 1 607 | 338 | 4 077 |
| **7.** | **Central government income tax finally paid (5-6)** | 1 856 | 5 182 | 13 335 | 273 |
| **8.** | **State and local taxes** | 482 | 720 | 1 543 | 482 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 1 922 | 2 869 | 4 823 | 1 922 |
| | Taxable income | | | | |
| | Total | 1 922 | 2 869 | 4 823 | 1 922 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 4 261 | 8 770 | 19 701 | 2 677 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 0 | 0 | 0 | 2 697 |
| | Total | 0 | 0 | 0 | 2 697 |
| **12.** | **Take-home pay (1-10+11)** | 15 995 | 21 463 | 30 788 | 20 276 |
| **13.** | **Employer's compulsory social security contributions** | 6 397 | 9 548 | 15 944 | 6 397 |
| **14.** | **Average rates** | | | | |
| | Income tax | 11.5% | 19.5% | 29.5% | 3.7% |
| | Employees' social security contributions | 9.5% | 9.5% | 9.6% | 9.5% |
| | Total payments less cash transfers | 21.0% | 29.0% | 39.0% | -0.1% |
| | Total tax wedge including employer's social security contributions | 40.0% | 46.0% | 53.7% | 23.9% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 40.4% | 40.4% | 51.2% | 42.0% |
| | Total payments less cash transfers: Spouse | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | 54.7% | 54.7% | 62.9% | 55.9% |
| | Total tax wedge: Spouse | n.a. | n.a. | n.a. | n.a. |

## Italy 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 30 233 | 50 489 | 60 466 | 50 489 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | | | | |
| | Married or head of family | | | | |
| | Dependent children | | | | |
| | Deduction for social security contributions and income taxes | 2 869 | 4 791 | 5 738 | 4 791 |
| | Work-related expenses | | | | |
| | Other | | | | |
| | Total | 2 869 | 4 791 | 5 738 | 4 791 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3 )** | 27 364 | 45 698 | 54 728 | 45 698 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 6 788 | 11 138 | 13 576 | 11 138 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | 1 007 | 2 421 | 2 013 | 2 421 |
| | Married or head of family | 690 | 0 | 0 | 0 |
| | Children | 1 427 | 1 505 | 1 427 | 0 |
| | Other | 600 | 1 680 | 1 200 | 1 680 |
| | Total | 3 724 | 5 606 | 4 641 | 4 101 |
| **7.** | **Central government income tax finally paid (5-6)** | 3 064 | 5 532 | 8 936 | 7 038 |
| **8.** | **State and local taxes** | 720 | 1 202 | 1 439 | 1 202 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 2 869 | 4 791 | 5 738 | 4 791 |
| | Taxable income | | | | |
| | Total | 2 869 | 4 791 | 5 738 | 4 791 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 6 653 | 11 526 | 16 113 | 13 031 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 1 709 | 868 | 658 | 0 |
| | Total | 1 709 | 868 | 658 | 0 |
| **12.** | **Take-home pay (1-10+11)** | 25 289 | 39 831 | 45 010 | 37 458 |
| **13.** | **Employer's compulsory social security contributions** | 9 548 | 15 944 | 19 095 | 15 944 |
| **14.** | **Average rates** | | | | |
| | Income tax | 12.5% | 13.3% | 17.2% | 16.3% |
| | Employees' social security contributions | 9.5% | 9.5% | 9.5% | 9.5% |
| | Total payments less cash transfers | 16.4% | 21.1% | 25.6% | 25.8% |
| | Total tax wedge including employer's social security contributions | 36.4% | 40.0% | 43.4% | 43.6% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 42.0% | 41.2% | 41.2% | 40.4% |
| | Total payments less cash transfers: Spouse | 28.2% | 41.2% | 41.2% | 40.4% |
| | Total tax wedge: Principal earner | 55.9% | 55.3% | 55.3% | 54.7% |
| | Total tax wedge: Spouse | 45.4% | 55.3% | 55.3% | 54.7% |

The national currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In that year the average worker earned EUR 30 233 (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 as from 2014 introduced an additional refundable tax credit of EUR 960 for employees with income between EUR 8 146 and EUR 24 600, with a phase-out for income between EUR 24 600 and EUR 26 600. As from 01/07/2020 the EUR 960 fiscal bonus is not in force and has been replaced by a EUR 1 200 payable tax credit for net income under EUR 28 000.

The payable tax credits amount for 2020 has to be estimated as follows:

| Taxable income (EUR) | Fiscal bonus (EUR) |
|---|---|
| Up to 8 145 | 0 |
| From 8 146 to 24 600 | 480 |
| From 24 601 to 26 600 | 480*(26 600 – taxable income)/2 000 |
| More than 26 600 | 0 |

| Taxable income (EUR) | Fiscal bonus (EUR) |
|---|---|
| Up to 8 145 | 0 |
| From 8 146 to 28 000 | 600 |
| More than 28 000 | 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 | Maximum tax credit + 902*(28 000 – taxable income)/20 000 |
| From 28 001 to 55 000 | Maximum tax credit*(55 000 – 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 |

As from 01/07/2020 until 31/12/2020 a temporary additional non refundable tax credit has been introduced for employees with PIT income level over 28,000 euros, starting from an amount of 600 euros and decreasing gradually to 480 euros at 35,000 euros of PIT income level. Above 35,000 the tax credit amount decreases gradually, down to 0 at 40,000 euros of PIT income level. [1]

| Taxable income (EUR) | PAYE tax credit (EUR) |
|---|---|
| Up to 28 000 | 0 |
| From 28 001 to 35 000 | 480+120*(35 000 – taxable income)/7 000 |
| From 35 001 to 40 000 | 480*(40 000 – taxable income)/5 000 |
| More than 40 000 | 0 |

- 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)* | 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 |

( * ) Tax credits are granted for family dependents earning less than EUR 2 840.51

The spouse tax credit is calculated as a function of net income:

| Level of taxable income (EUR) | Amount of tax credit (EUR) |
|---|---|
| Up to 15 000 | 800–110*taxable income/15 000 |
| From 15 001 to 29 000 | 690 |
| From 29 001 to 29 200 | 700 |
| From 29 201 to 34 700 | 710 |
| From 34 701 to 35 000 | 720 |
| From 35 001 to 35 100 | 710 |
| From 35 101 to 35 200 | 700 |
| From 35 201 to 40 000 | 690 |
| From 40 001 to 80 000 | 690*(80 000–taxable income)/40 000 |
| More than 80 000 | 0 |

The child tax credit is calculated as a function of net income:

- for families with only one child: 950*(95 000-taxable income)/95 000;
- for families with more than one child the amount of 95 000 is increased by 15 000 for each child other than the first, for every children (including the first one).

Families with more than 3 children receive an additional tax credit of EUR 200 per child.

Families with more than 3 children receive a refundable tax credit of EUR 1 200 (per family).

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%) 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% for 2020 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% for 2020 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 50% of full expenses..

For the following expenses, a tax credit of 19% 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;
- 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).
- Personal assistance for non-self-sufficient people (up to EUR 2 100);
- Most veterinary expenses that exceed EUR 129.11 (up to EUR 387.34).

For the following expenses, a tax credit of 26% of each incurred expense is allowed:

- Donations to political parties (ranging from EUR 30.00 to EUR 30 000.00);

- Donations to non-profit organizations of social utility - ONLUS - (up to EUR 30 000.00).

#### *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 n. 138 of 13th August 2011 introduced the “Contributo di Solidarietà” for the 2011-2013, (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)”. As from 2017 the “Contributo di solidarietà” measure is not in force.

### *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% – 1.4%.

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 2016 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 3.33% for taxable income bracket over EUR 15 000 and 1.73% for income under EUR 15 000. As from 2017 a progressive tax schedule is applied to taxable income:

| Bracket (EUR) | Rate (%) |
|---|---|
| up to 15 000 | 1,73 |
| over 15 000 up to 28 000 | 2,73 |
| over 28 000 up to 55 000 | 2,93 |
| over 55 000 up to 75 000 | 3,23 |
| over 75 000 | 3,33 |

Nevertheless, if the taxable income is under the threshold of EUR 35 000 the rate applicable to the total amount of taxable income is 1.73%.

*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%. If the tax is levied, the local government can increase the initial rate, on a yearly basis, up to a maximum of 0.5%. Each yearly increase cannot exceed 0.2%. 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 2015 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% as from 2015.

Starting from 2011, exemption is provided to taxpayers whose total income consists of retirement income not exceeding EUR 7 500, income from land not exceeding EUR 185.92, and income from primary residence. As from 2015 the rate is not applied to taxpayers with income under EUR 12 000. 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% on earnings up to EUR 47 379;
  - The average rate is 10.49% on earnings over EUR 47 379 and up to EUR 103 055;
  - For earnings exceeding EUR 103 055, the employee pays a fixed amount given by (0.0949 x 47 379) + 0.1049 x (103 055–47 379).
- Distinction by marital status or sex
  - None.

### *2.2. Employer contributions*

- Contributions equal 31.58% on earnings up to EUR 103 055. For earnings exceeding EUR 103 055, the employer pays a fixed amount given by 0.3158 x 103 055.
- 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% 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% 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 new payable tax credit (EUR 1200 fiscal bonus) has been introduced as from 01/07/2020.

SSC contributions and cash transfers thresholds have been updated.

A temporary additional PAYE tax credit has been introduced from 01/07/2020 until 31/12/2020. [2]

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

The changes above introduced for 2020 do not concern the covid-19 pandemic. As concerns covid-19 measures, a suspension of SSCs and withholding PIT payments due by December 2020 has been introduced. The allowance is applied to employers with a revenues level under 50 million euros in 2019, if revenues in November 2020 decreased of at least 33% compared to November 2019. The suspension holds independently from size for tax-payers operating in the most hit sectors as well as activities started after November 2019. Payments are due by March 2021.The same measure is applied to March and April payments, (due by January 2021).

## 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.

## 2020 Parameter values

| | | | |
|---|---|---|---|
| Average earnings/yr | Ave_earn | 30 233 | Country estimate |
| | | | |
| Tax schedule | tax_sch | 0.23 | 15 000.00 |
| | | 0.27 | 28 000.00 |
| | | 0.38 | 55 000.00 |
| | | 0.41 | 75 000.00 |
| | | 0.43 | 999 999 999.99 |
| Tax credits | | | |
| Fiscal bonus | thre_min | 8 146 | |
| | thre_max | 24 600 | |
| | f_bonus | 480 | |
| Fiscal bonus 100 euro | new_thre_min | 8146 | |
| | new_thre_max | 28000 | |
| | new_f_bonus | 600 | |
| 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 |
| Additional Tax Credit Employment | emp_add_2 | 480 | |
| | emp_add_3 | 600 | |
| 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_sch | 0.0173 | 15 000.00 |
| | | 0.0273 | 28 000.00 |
| | | 0.0293 | 55 000.00 |
| | | 0.0323 | 75 000.00 |
| | | 0.0333 | 999999999.99 |
| | reg_rt | 0.0173 | |
| | Local_rt | 0.009 | |
| Social security contributions | SSC_sch | 0.0949 | 47 379 |
| | | 0.1049 | 103 055 |
| | | 0.00 | 999 999 999.99 |
| Employer contributions | Empr_sch | 0.3158 | 103 055 |

| | | | |
|---|---|---|---|
| | | 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 | |

## 2020 Tax equations

The equations for the Italian system in 2020 are mostly repeated for each individual of a married couple. But the spouse credit is relevant only to the calculation for the principal earner and any child credit which the spouse is unable to use is transferred to the principal. This is shown by the Range indicator in the table below.

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

| | Line in country table and intermediate steps | Variable name | Range | Equation |
|---|---|---|---|---|
| 1. | Earnings | Earn | | |
| 2. | Allowances: | tax_al | B | SSC |
| 3. | Credits in taxable income | taxbl_cr | B | 0 |
| 4. | CG taxable income | tax_inc | B | earn-tax_al1 |
| 5. | CG tax before credits | CG_tax_excl | B | Tax(tax_inc, tax_sch) |
| 6. | Tax credits : | | | |
| | Employment credit | emp_cr_max | P | VLOOKUP(tax_inc, emp_add, 2)) |
| | | emp_cr_max_spouse | S | IF(tax_inc_spouse=0,0,(VLOOKUP(tax_inc_spouse,emp_add,2))) |
| | | emp_cr | P | MIN(CG_tax_excl, IF(tax_inc<=thre_1,emp_cr_max, IF(tax_inc<=thre_2,emp_cr_max+902*(thre_2-tax_inc)/20000, IF(tax_inc>thre_3,emp_cr_max,emp_cr_max*(thre_3-tax_inc)/27000)))+IF(tax_inc<=thre_2;0;IF(tax_inc<=thre_6;emp_add_2+(emp_add_3-emp_add_2)*(thre_6-tax_inc)/(thre_6-thre_2);IF(tax_inc<=thre_7;emp_add_2*(thre_7-tax_inc)/(thre_7-thre_6);0)))) |
| | | | S | MIN(CG_tax_excl_spouse, IF(tax_in_spousec<=thre_1,emp_cr_max_spouse, IF(tax_inc_spouse<=thre_2,emp_cr_max_spouse+902*(thre_2-tax_inc_spouse)/20000, IF(tax_inc_spouse>thre_3,emp_cr_max_spouse,emp_cr_max_spouse*(thre_3-tax_inc_spouse)/27000)))+SE(tax_inc_spouse<=thre_2;0;SE(tax_inc_spouse<=thre_6;emp_add_2+(emp_add_3-emp_add_2)*(thre_6-tax_inc_spouse)/(thre_6-thre_2);SE(tax_inc_spouse<=thre_7;emp_add_2*(thre_7-tax_inc_spouse)/(thre_7-thre_6);0))))) |
| | Fiscal bonus | fiscal_b | B | IF(tax_inc<thre_min,0,IF(tax_inc<=thre_max,f_bonus,IF(tax_inc<=26000, f_bonus*(26600-tax_inc)/2000)))+IF(tax_inc<new_thre_min;0;IF(tax_inc<=new_thre_max; new_f_bonus;0)) |
| | Spouse credit | spouse_cr | P | IF(Married='1,' IF(tax_inc_spouse>Sp_crd_lim,0, IF(tax_inc>80000,0, IF(tax_inc<15000,800-110*tax_inc/15000, IF(tax_inc>40000,690*(80000-tax_inc)/40000,VLOOKUP(tax_inc,Spouse_cred,2))))),0) |
| | Child credit | child_cr_princ | P | IF(Children=0,0,IF(Married=1,(950*(110000-tax_inc)/110000)*(1-child_crpct_spouse), MAX(950*(95000-tax_inc)/95000, IF(tax_inc>80000,0,IF(tax_inc<15000,800-110*tax_inc/15000, IF(tax_inc>40000,690*(80000-tax_inc)/40000, VLOOKUP(tax_inc,Spouse_cred,2)))))+950*(110000-tax_inc)/110000)) |
| | | child_crfull_spouse | S | IF(Children=0,0,(spouse_cr=0)*Married*(950*(95000-tax_inc_spouse)/95000+(Children-1)*950*(110000-tax_inc_spouse)/110000)) |

| | | | | |
|---|---|---|---|---|
| | | child_crpct_spouse | S | IF(child_crfull_spouse>0,IF((CG_tax_excl_spouse-emp_cr_spouse)/child_crfull_spouse<0.5,0,0.5),0) |
| | | child_cr_spouse | S | child_crfull_spouse*child_crpct_spouse |
| | Total | tax_cr | B | MIN(emp_cr+spouse_cr+child_cr, CG_tax_excl) |
| 7. | CG tax | CG_tax | B | Positive(CG_tax_excl-tax_cr) |
| 8. | State and local taxes | reg_rt | B | =IF(CG tax=0;0;IF(tax_inc<12000;0;tax_inc*local_rt))+IF(CG tax=0;0;IF(tax_inc<35000;tax_inc*reg_rt;tax(tax_inc;reg_rt_sch))) |
| 9. | Employees' soc security | SSC | B | Tax(earn, SSC_sch) |
| 11. | Cash transfers | | J | IF(Children='0,0,12*VLOOKUP(earn_total,' IF(Married,trans_sch,trans_sch_sp),1+Children)) |
| 13. | Employer's soc security | SSC_empr | B | Tax(earn, Empr_sch) |

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

## Notes

[1] The additional PAYE tax credit is included in the draft budget law for 2021 as measure introduced on permanent basis in Italian PIT system.

[2] See note 1.

# 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 2020

### 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** | | 3 474 071 | 5 185 181 | 8 659 252 | 3 474 071 |
| **2.** | **Standard tax allowances:** | | | | | |
| | Basic allowance | | 480 000 | 480 000 | 480 000 | 480 000 |
| | Married or head of family | | 0 | 0 | 0 | 0 |
| | Dependent children | | 0 | 0 | 0 | 0 |
| | Deduction for social security contributions and income taxes | | 502 003 | 749 259 | 1 139 700 | 502 003 |
| | Work-related expenses | | 1 122 221 | 1 477 036 | 1 950 000 | 1 122 221 |
| | Other | | | | | |
| | | Total | 2 104 225 | 2 706 295 | 3 569 700 | 2 104 225 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 1 369 847 | 2 478 886 | 5 089 552 | 1 369 847 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 69 931 | 153 547 | 602 809 | 69 931 |
| **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)** | | 69 931 | 153 547 | 602 809 | 69 931 |
| **8.** | **State and local taxes** | | 144 485 | 255 389 | 514 863 | 144 485 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 502 003 | 749 259 | 1 139 700 | 502 003 |
| | Taxable income | | | | | |
| | | Total | 502 003 | 749 259 | 1 139 700 | 502 003 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 716 419 | 1 158 194 | 2 257 372 | 716 419 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 0 | 0 | 0 | 551 883 |
| | | Total | 0 | 0 | 0 | 551 883 |
| **12.** | **Take-home pay (1-10+11)** | | 2 757 653 | 4 026 987 | 6 401 880 | 3 309 535 |
| **13.** | **Employer's compulsory social security contributions** | | 533 617 | 796 444 | 1 218 500 | 533 617 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 6.2% | 7.9% | 12.9% | 6.2% |
| | Employees' social security contributions | | 14.5% | 14.5% | 13.2% | 14.5% |
| | Total payments less cash transfers | | 20.6% | 22.3% | 26.1% | 4.7% |
| | Total tax wedge including employer's social security contributions | | 31.2% | 32.7% | 35.2% | 17.4% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 22.8% | 27.7% | 33.1% | 45.1% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 33.1% | 37.3% | 37.0% | 52.4% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Japan 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 5 185 181 | 8 659 252 | 10 370 362 | 8 659 252 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | 480 000 | 960 000 | 960 000 | 960 000 |
| | Married or head of family | 380 000 | 0 | 0 | 0 |
| | Dependent children | 0 | 0 | 0 | 0 |
| | Deduction for social security contributions and income taxes | 749 259 | 1 251 262 | 1 498 517 | 1 251 262 |
| | Work-related expenses | 1 477 036 | 2 599 258 | 2 954 072 | 2 599 258 |
| | Other | | | | |
| | Total | 3 086 295 | 4 810 519 | 5 412 590 | 4 810 519 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 2 098 886 | 3 848 733 | 4 957 772 | 3 848 733 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 114 749 | 223 477 | 307 094 | 223 477 |
| **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)** | 114 749 | 223 477 | 307 094 | 223 477 |
| **8.** | **State and local taxes** | 222 389 | 399 873 | 510 777 | 399 873 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 749 259 | 1 251 262 | 1 498 517 | 1 251 262 |
| | Taxable income | | | | |
| | Total | 749 259 | 1 251 262 | 1 498 517 | 1 251 262 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 1 086 396 | 1 874 613 | 2 316 388 | 1 874 613 |
| **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)** | 4 338 785 | 7 024 639 | 8 293 974 | 6 784 639 |
| **13.** | **Employer's compulsory social security contributions** | 796 444 | 1 330 061 | 1 592 888 | 1 330 061 |
| **14.** | **Average rates** | | | | |
| | Income tax | 6.5% | 7.2% | 7.9% | 7.2% |
| | Employees' social security contributions | 14.5% | 14.5% | 14.5% | 14.5% |
| | Total payments less cash transfers | 16.3% | 18.9% | 20.0% | 21.6% |
| | Total tax wedge including employer's social security contributions | 27.5% | 29.7% | 30.7% | 32.1% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 27.7% | 27.7% | 27.7% | 27.7% |
| | Total payments less cash transfers: Spouse | 23.6% | 25.9% | 29.7% | 25.9% |
| | Total tax wedge: Principal earner | 37.3% | 37.3% | 37.3% | 37.3% |
| | Total tax wedge: Spouse | 33.8% | 35.7% | 39.1% | 35.7% |

The national currency is the Yen (JPY). In 2020, JPY 106.89 were equal to USD 1. In that year, the average worker is assumed to earn JPY 5 185 181 (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 April 1st.

# 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

First step deduction:

- *Employment income deduction:* first, the following amounts may be deducted from gross employment income:
  - If gross employment income does not exceed JPY 1 800 000, the deduction is 40 per cent of gross employment income less JPY 100 000, but the minimum amount deductible is JPY 550 000.
  - If gross employment income exceeds JPY 1 800 000, but not JPY 3 600 000, the deduction is JPY 80 000 plus 30 per cent of gross employment income.
  - If gross employment income exceeds JPY 3 600 000, but not JPY 6 600 000, the deduction is JPY 440 000 plus 20 per cent of gross employment income.
  - If gross employment income exceeds JPY 6 600 000, but not JPY 8 500 000, the deduction is JPY 1 100 000 plus 10 per cent of gross employment income.
  - From 2020, if gross employment income exceeds JPY 8 500 000, the deduction is fixed at JPY 1 950 000. However, in consideration of child-care and long-term care, measures will be taken to avoid increase in tax burden for households with a dependent relative(s) under 23 years of age and households with a member(s) dependent on care.[1]

Second step deduction:

Second step deductions are calculated using as a “reference income” the earnings from employment *less* the employment income deductions described above. The second step deductions are:

- Basic allowance (Personal deduction): allowance up to JPY 480 000 is given to a resident taxpayer whose reference income does not exceed JPY 25 000 000. The amount of tax allowance gradually decreases once the income exceeds JPY 24 000 000.
- Allowance for spouse(*): a tax allowance up to JPY 380 000 is given to a resident taxpayer whose reference income does not exceed JPY10 000 000 and who lives with a spouse whose reference income does not exceed JPY 480 000.
- Allowance for elderly spouse(*): a tax allowance up to JPY 480 000 is given to a resident taxpayer
  - Whose reference income does not exceed JPY 10 000 000 and
  - who lives with a spouse of 70 years old and over, whose income does not exceed JPY 480 000,

– instead of the allowance for spouse mentioned above.

- Special allowance for spouse(*): a tax allowance up to the amount shown in the following table is given to a resident taxpayer whose income does not exceed JPY10 000 000 and who lives with a spouse whose income exceeds JPY 480 000 but does not exceed JPY 1 330 000:

| Spouse's income JPY | Amount |
|---|---|
| 0–480 000 | 0 |
| 480 001–950 000 | 380 000 |
| 950 001–1 000 000 | 360 000 |
| 1 000 001–1 050 000 | 310 000 |
| 1 050 001–1 100 000 | 260 000 |
| 1 100 001–1 150 000 | 210 000 |
| 1 150 001–1 200 000 | 160 000 |
| 1 200 001–1 250 000 | 110 000 |
| 1 250 001–1 300 000 | 60 000 |
| 1 300 001–1 330 000 | 30 000 |
| 1 330 001 or more | 0 |

(*) The amounts of the Allowance for spouse, of the allowance for elderly spouse, and of the Special allowance for spouse, decrease gradually when the reference income (as defined above) of the taxpayer is between JPY 9 000 000 and JPY 10 000 000, then they become zero. Specifically, the amounts of the allowances is as follows:

- Reference income less than JPY 9 000 000: full amount;
- Reference income between JPY 9 000 000 and JPY 9 500 000: full amount*2/3;
- Reference income between JPY 9 500 000 and JPY 10 000 000: full amount*1/3
- Reference income above JPY 10 000 000: no deduction.

Allowance amounts are rounded up to the closest multiple of 10 000 JPY.

- Allowance for dependents: if a resident taxpayer has dependent children or other dependent relatives who are 16 years old and over, whose reference income does not exceed JPY 480 000, a tax allowance of JPY 380 000 per each dependent is given to the taxpayer.
- Special allowance for dependents: if a resident taxpayer has dependents between 19 and 22 years old whose reference income does not exceed JPY 480 000 and who live with the taxpayer, an allowance of JPY 630 000 is given for each dependent, instead of the allowances for dependents mentioned above.
- Allowance for elderly dependent: if a resident taxpayer has dependents who are 70 years old and over whose reference income does not exceed JPY 480 000, a tax allowance of JPY 480 000 per each dependent is given to the taxpayer, instead of the allowances for dependents mentioned above. (If the dependents are lineal ascendance of the taxpayer or his/her spouse, and permanently live with the taxpayer or his/her spouse, a tax allowance of JPY 580 000 per each dependent is given to the taxpayer.)
- Deduction for social insurance premiums: the whole amount of social insurance premiums for a resident taxpayer or his/her dependents shall be deducted from his/her income.

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

- Deduction for life insurance premiums: If a resident taxpayer pays insurance premiums on life insurance contracts and the beneficiary is the taxpayer, his/her spouse or other relatives, the portion of these insurance premiums which does not exceed the limit described below, is deductible from ordinary income, retirement income or timber income.

- In addition, if a resident taxpayer pays insurance premiums for "qualified private pension plan (insurance type)", and the recipient of the pension payment is the taxpayer or his/her spouse or relatives living with the taxpayer, the portion of such premiums which does not exceed the limit described below, is deductible from ordinary income, retirement income, or timber income.
- Furthermore, if a resident taxpayer pays insurance premiums on nursing and medical insurance contacts and part of the nursing/medical care which the taxpayer receives is financed by the insurance, the portion of such premiums which does not exceed the limit described 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) x 1/2 + JPY 10 000 |
| 40 000 | 80 000 | (1) x 1/4 + JPY 20 000 |
| 80 000 | -- | JPY 40 000 |

- For insurance contracts made on or after 1 January 2012 the maximum total deduction is JPY 120 000. A resident taxpayer can claim the deduction up to JPY 40 000 for life insurance premiums, private pension plan premiums and nursing and medical 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 dependent spouse or other dependent relatives living with him/her and the amount of such expenses (excluding those covered by insurance) exceeds JPY 100 000 or 5% 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.

  If a resident taxpayer who receives health checks, vaccinations, etc., pays bills for switch OTC drugs for himself/herself or for his/her spouse or other relatives dependent on him/her from 1 January 2017 to 31 December 2021, amount of such expenses (excluding those recovered by insurance) exceeding JPY 12 000 is deductible from taxpayer's ordinary income, retirement income or timber income. This is an alternative to the deduction for medical expenses mentioned above and the maximum deduction is JPY 88 000.
- 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 are 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 a deduction for both earthquake insurance premiums and long-term casualty premiums, the maximum deductible amount is JPY 50 000 in total.
- 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 after the first use of the house, provided that the floor space is not less than $50m^2$ and that at least half of the floor space is used as the owner-occupied dwelling. The tax credit is calculated based on the remaining housing loan debt amount and the years which the taxpayer has lived in the house. The loan can consist 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.

| Residence starts: | From 1 April 2014 to 31 December 2021 |
|---|---|
| Tax Credit Rate | For the part of R.H.L.B. within JPY 40 million:<br>The R.H.L.B x 1.0%<br>If the rate of tax(consumption tax etc.) included in the amount of cost etc. of housing is other than 8% or 10%;<br>For the part of R.H.L.B. within JPY 20 million:<br>The R.H.L.B x 1.0% |
| Maximum tax credit amount (for each year) | JPY 400 000<br>If the rate of tax(consumption tax etc.) included in the amount of cost etc. of housing is other than 8% or 10%;<br>JPY 200 000 |
| Maximum tax credit amount (for the deductible period in total) | JPY 4 million<br>If the rate of tax(consumption tax etc.) included in the amount of cost etc. of housing is other than 8% or 10%;<br>JPY 2 million |

#### 1.1.3. *Tax schedule*

| Taxable Income (JPY) (*) | | 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 | 6950 000 | 20 | 427500 |
| 6950 000 | 9 000 000 | 23 | 636 000 |
| 9 000 000 | 18 000 000 | 33 | 1 536 000 |
| 18 000 000 | 40 000 000 | 40 | 2796 000 |
| 40 000 000 | | 45 | 4 796 000 |

(*) The fraction of taxable income that is less than JPY 1 000 is rounded down.

Tax liability is obtained by multiplying the taxable income by tax rate (A) and deducting the amount (B). For example, income tax due on taxable income of JPY 7 million is:

7 000 000 x 0.23 (A) ― 636 000 (B) = JPY 974 000.

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 (special income tax for reconstruction) annually together with the regular income tax of respective years.

### *1.2. Local taxes (personal inhabitant's taxes)*

#### *1.2.1. General description of the system*

Local taxes in Japan (personal inhabitant's taxes) 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, personal inhabitant's taxes (prefectural and municipal inhabitant's taxes) consist of two parts; one is income based tax and the other is a fixed per capita amount. The taxable income of personal inhabitant's taxes is computed on the basis of the previous year's income. The main difference from state tax (income tax) is the amount of income reliefs (tax deductions). For example, the amount of personal

deduction and tax deduction for dependants is JPY 330 000, and tax allowance for spouse is up to JPY 330 000, the amount of specified allowance for dependants is JPY 450 000, etc.

#### *1.2.3. Tax rate*

- The standard fixed (annual) per-capita amount of Prefectural inhabitant's tax is JPY 1 500;
- The standard fixed (annual) per-capita amount of Municipal inhabitant's tax is JPY 3 500;
- The standard rate of the income based tax is 10% (Prefectural inhabitant's tax: 4%, Municipal inhabitant's tax: 6%, for ordinance-designated cities, Prefectural inhabitant's tax: 2%, for Municipal inhabitant's tax: 8%) (*).

| Taxable income for local income tax purposes | The tax credit |
|---|---|
| JPY 2 000 000 or less | 5% of the lesser of:<br>- total amount of differences in personal reliefs between those for income tax purposes and for personal inhabitant's taxes purposes; or<br>- taxable income amount for personal inhabitant's taxes purposes |
| More than JPY 2 000 000 | ((total amount of differences in personal reliefs between those for income tax purposes and for personal inhabitant's taxes purposes) – (taxable income amount for personal inhabitant's taxes purposes – JPY 2 000 000)) * 5%.<br>Note: The minimum credit is JPY 2 500 |

Notes: Local authorities do not levy the per-capita rate and the income based tax 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 + 100 000 (+ 210 000 in case the taxpayer has a qualified spouse or dependent(s)))
- income based tax: (1 + number of spouse and dependent(s) qualified for the allowance for spouse/dependents) * 350 000 + 100 000 (+ 320 000 in case the taxpayer has a qualified spouse or dependent(s)))

(*) The personal inhabitant's taxes rate and the income tax rate were changed in the FY 2006 tax reform. Adjusted credit (a form of tax credit) 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 allowances (basic tax allowance, tax allowance for spouse, tax allowance for dependents, special tax allowance for dependents, etc.) for national income tax purposes and for inhabitant tax purposes.

#### *1.2.4. Tax rate selected for this study*

State tax (income tax) rates as aforementioned. The local tax (personal inhabitant's taxes) rates chosen for the purpose of this Report represent the standard rate.

## 2. Compulsory Social Security Contribution to Schemes Operated Within the Government Sector

### *2.1. Employees' contributions*

#### *2.1.1. Pension*

9.15% 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%, (about 4.75% before March 2012), of total remuneration, (standard remuneration and bonuses). The insurable ceiling of the monthly amount of standard remuneration is JPY 1 390 000 and the insurable ceiling of the yearly amount of standard bonus is JPY 5 730 000.

#### 2.1.3. Unemployment

0.3% of total remuneration for Commerce and industry in general except for Business of agriculture, forestry and fisheries, and the rice wine brewing business, and Construction business. It is 0.4% for those exceptions.

#### 2.1.4. Work injury and family allowance

None.

### 2.2. Employers' contributions

#### 2.2.1. Pensions

9.15% 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.

#### 2.2.2. Sickness

As from April 2012, about 5.00% (about 4.75% before March 2012) of total remuneration. The insurable ceiling of the monthly amount of standard remuneration is JPY 1 390 000 and the insurable ceiling of the yearly amount of standard bonus is JPY 5 730 000.

#### 2.2.3. Unemployment

0.6% of total remuneration for Commerce and industry in general except for Business of agriculture, forestry and fisheries, and the rice wine brewing business, and Construction business. It is 0.7% for Business of agriculture, forestry and fisheries, and the rice wine brewing business, and 0.8% for Construction business.

#### 2.2.4. Work injury

0.25% to 8.8% of total remuneration, the contribution rate depending on each industry's accident rate over the last three years and other factors. There are twenty-eight rates for fifty-four industrial categories at present.

#### 2.2.5. Family allowance

0.36% of total remuneration.

## 3. Cash Benefits

### 3.1. Benefits related to marital status

Not available.

### 3.2. Benefits 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 not 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.

The income cap is set at JPY 6 220 000 (the principal's gross earnings net of certain deductions (a casualty loss deduction , a medical expenses deduction, deduction for small enterprise-based mutual aid premiums and similar payments, disability deduction, widow (or widower) deduction and working student deduction), plus JPY 380 000 per dependent).

### *3.3. Child rearing allowance*

The benefit is available to single mothers who take care of and provide protection to a child. The benefit is available also to single fathers who take care of and provides living expenses, supervision and protection to the child.

It is available until March 31 after the child's 18th birthday or until age 20 for those with specific disabilities. The benefit is not taxable.

Claimants can receive either a full benefit or a partial benefit depending on their income. Amounts for the full benefit over time are as follows:

| | Benefit amount (in JPY per month) One child | Additional amount for the second child | Additional amount for the third child and after |
|---|---|---|---|
| 2000/1 | 42,370 | 5,000 | 3,000 |
| 2003/10 | 42,000 | | |
| 2004/4 | 41,880 | | |
| 2006/4 | 41,720 | | |
| 2011/4 | 41,550 | | |
| 2012/4 | 41,430 | | |
| 2013/10 | 41,140 | | |
| 2014/4 | 41,020 | | |
| 2015/4 | 42,000 | | |
| 2016/4 | 42,330 | | |
| 2016/8 | 42,330 | 10,000 | 6,000 |
| 2017/4 | 42,290 | 9,990 | 5,990 |
| 2018/4 | 42,500 | 10,040 | 6,020 |
| 2019/4 | 42,910 | 10,140 | 6,080 |

The rates and withdrawal rates for the partial payment over time are as follows:

| | One child | | Additional amount for the second child | | Additional amount for the third child and after | |
|---|---|---|---|---|---|---|
| Legislative change | The case of partial payment | coefficient | The case of partial payment | coefficient | The case of partial payment | coefficient |
| 2000/1 | 28,350 | - | 5,000 | - | 3,000 | - |
| 2002/8 | 42,360 | 0.0187052 | | | | |
| 2003/10 | 41,990 | 0.0185434 | | | | |
| 2004/4 | 41,870 | 0.0184913 | | | | |
| 2006/4 | 41,710 | 0.0184162 | | | | |
| 2011/4 | 41,540 | 0.0183410 | | | | |
| 2012/4 | 41,420 | 0.0182890 | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2013/10 | 41,130 | 0.0181618 | | | | |
| 2014/4 | 41,010 | 0.0181098 | | | | |
| 2015/4 | 41,990 | 0.0185434 | | | | |
| 2016/4 | 42,320 | 0.0186879 | | | | |
| 2016/8 | 42,320 | 0.0186879 | 9,990 | 0.0028844 | 5,990 | 0.0017283 |
| 2017/4 | 42,280 | 0.0186705 | 9,980 | 0.0028786 | 5,980 | 0.0017225 |
| 2018/4 | 42,490 | 0.0187630 | 10,030 | 0.0028960 | 6,010 | 0.0017341 |
| 2018/8 | 42,490 | 0.0226993 | 10,030 | 0.0035035 | 6,010 | 0.0020979 |
| 2019/4 | 42,900 | 0.0229231 | 10,130 | 0.0035385 | 6,070 | 0.0021189 |

The benefit is means-tested.

Those with incomes above the threshold for the full benefit receive a partial benefit, and those with incomes above the threshold for the partial benefit receive nothing.

The income measure used is gross annual income minus the employment income deduction minus JPY 80 000 - the amount paid towards public and private insurance premiums.

Income thresholds are based on the number of dependents (see the following table):

| Number of dependants | Applicant | |
|---|---|---|
| | Income-tested threshold of full benefit | Income-tested threshold of partial benefit |
| 0 | 490,000 | 1,920,000 |
| 1 | 870,000 | 2,300,000 |
| 2 | 1,250,000 | 2,680,000 |
| 3 | 1,630,000 | 3,060,000 |
| 4 | 2,010,000 | 3,440,000 |
| 5 | 2,390,000 | 3,820,000 |

The amount of partial benefit is calculated as follows:

For families with one child:

Benefit amount = 42,910－{(Amount of income － “Income–tested threshold of full benefit”) ×0.0229231 +10}

The additional amount for the second child is calculated as follows:

Benefit amount = 10,140－{Amount of income － “Income–tested threshold of full benefit”) ×0.0035385 +10}

And the additional amount for the third and subsequent children as follows:

Benefit amount = 6,080－{(Amount of income － “Income–tested threshold of full benefit”) ×0.0021189 +10}

## 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% to 37%. The top rate of the local inhabitant’s tax was reduced from 15% to 13%. A proportional tax reduction was granted with respect to the national income tax and the local inhabitant’s tax. The amount is equal to the lesser of 20% (local inhabitant’s tax: 15%) of the amount of tax before reduction or JPY 250 000 (local inhabitant’s tax: JPY 40 000).

As part of the FY 2005 tax reform, the rate of proportional tax reduction was reduced from 20% to 10% (local inhabitant’s tax: from 15% to 7.5%) and the ceiling was reduced from JPY 250 000 to JPY 125 000 (local inhabitant’s tax from JPY 40 000 to JPY 20 000) as from 2006 (local inhabitant’s tax: FY 2006). In the FY 2006 tax reform, the proportional tax reduction was abolished as from 2007 (local inhabitant’s 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% to 40%, and the rate of local inhabitant’s tax became proportional at a single rate of 10%.

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 of more than JPY 15 000 000 as from 2013 (personal inhabitant’s tax: FY 2014).

As part of the FY 2013 tax reform, the tax rate of 45% was set for the income beyond JPY 40 000 000 from 2015 creating a 7 brackets structure.

As part of the FY 2014 tax reform, the upper limit on employment income deduction was determined to be gradually reduced. In 2016 (as for personal inhabitant’s taxes, in FY2017), the limit became JPY 2 300 000 for salary income more than JPY 12 000 000. Moreover, in 2017 (as for personal inhabitant’s taxes, in FY2018), the limit became JPY 2 200 000 for salary income more than JPY 10 000 000.

As part of the FY 2017 tax reform, as regards allowance for spouse and special allowance for spouse, the maximum spousal income qualifying for the tax allowance (maximum JPY 380 000) were raised from JPY 380 000 to JPY 850 000. At the same time, an upper income limit was introduced as a requirement for taxpayers to qualify for allowance for spouse and special allowance for spouse. The reform goes into effect in 2018. (As for personal inhabitant's taxes, allowance for spouse and special allowance for spouse will be revised similarly. This reform will go into effect in FY2019.)

As part of the FY 2018 tax reform, following tax systems will be revised. The reform will go into effect in 2020 (as for personal inhabitant's taxes, in FY2021):

- The amount of employment income deduction and pension income deduction will be reduced uniformly by 100 000 yen while the amount of personal deduction will be raised uniformly by 100 000 yen.
- The amount of employment income deduction from income exceeding 8 500 000 yen will be reduced to 1 950 000 yen. However, in consideration of child care and long-term care, measures will be taken to avoid increase in burden on households with a dependent relative(s) under 23 years of age and households with a member(s) dependent on care (*).

  * Relatives receiving "special deduction for persons with disabilities"
- A cap of 1 955 000 yen will be put on pension income deduction for pension income exceeding 10 000 000 yen. The deduction will be reduced for pensioners with income other than pension exceeding 10 000 000 yen after deductions.
- Personal deduction will be diminished for people with total income exceeding 24 000 000 yen after deductions, and the amount will be further reduced gradually to zero when total income exceeds 25 000 000 yen.

Eligible age for cash benefits for dependent children was raised from three to six as from 1 June 2000, from six to nine as from 1 April 2004 and from nine to twelve as from 1 April 2006. Benefit amount 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 not 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.

## *4.1. Changes to labour taxation due to the covid-19 pandemic*

### *4.1.1. Non-taxable benefit payments*

No income tax shall be imposed on the following benefits provided by a municipality or special ward, and the right to receive such benefits may not be seized by disposition of the national tax delinquency;

- Certain benefits provided in order to support households in view of the impact of COVID-19 and measures to prevent its spread.

- Certain benefits provided in order to mitigate the economic impact on households which children belong to as a result of COVID-19 and measures to prevent its spread.

#### *4.1.2. Special provision for deferral of tax payment*

If a taxpayer has a considerable decrease in business income since February 2020 due to the impact of COVID-19 and has difficulties to pay tax, the tax payment may be deferred for one year without collateral or delinquency tax. Similar special provision is also established for individual inhabitant tax which enables to defer tax collection.

#### *4.1.3. Special provision of deduction for charitable contribution by individuals in relation to the cancellation of cultural, arts or sports events cancelled because of the COVID-19 pandemic.*

If individuals waive the right to claim a refund of the amount paid for admissions to cultural, arts or sports events cancelled because of the government's request in order to prevent the spread of COVID-19, the deduction for charitable contribution (income or tax deduction) shall be applied for the waived amount (up to 200,000 yen).

Similar special provision is also established for individual inhabitant tax.

#### *4.1.4. Flexible treatment of the requirements for application of the special tax deduction available for housing loans*

More flexibility is added to the application requirements of the tax deduction for housing loan so that it can be applied under certain conditions, even if the house would not started to be used for residence by December 31, 2020 due to the delay in housing construction caused by COVID-19, as if it started to be used for residence on time (in 2020).

The application requirements are also made more flexible for individual inhabitant tax.

## 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, transportation and storage, accommodation and food service activities, information and communication, financial and insurance activities, real estate activities activities, professional, scientific and technical activities 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*

DB: JPY 2 769 billion (FY 2017)

Employees' Pension Funds (EPFs): JPY 93 billion (FY 2018)

DC: JPY 1 008 billion (FY2018)

Data of DB and EPFs are the total amount of employers' contribution and employees' one and there is no data of those which indicates only employers' contribution. Under DC schemes, as from January 2012, matching contribution which enables employee to pay additional contribution to employer's one became available. The amount of DC does not include the amount of matching contribution. It is regulated by law that employers' contribution must be higher than employees' one.

## 2020 Parameter values

| | | | | | |
|---|---|---|---|---|---|
| Average earnings/yr | Ave_earn | 5 185 181 | Secretariat estimate | | |
| Allowances for central tax | basic_al | 480 000 | | | |
| | basic_al_lim | 0 | 1 | | |
| | | 24000001 | 2/3 | | |
| | | 24500001 | 1/3 | | |
| | | 25000001 | 0 | | |
| | spouse_al | 380 000 | | | |
| | Spouse_al_sp | 0 | 0 | | |
| | | 480001 | 380000 | | |
| | | 950001 | 360000 | | |
| | | 1000001 | 310000 | | |
| | | 1050001 | 260000 | | |
| | | 1100001 | 210000 | | |
| | | 1150001 | 160000 | | |
| | | 1200001 | 110000 | | |
| | | 1250001 | 60000 | | |
| | | 1300001 | 30000 | | |
| | | 1330001 | 0 | | |
| | taxpayer_lim | 0 | 1 | | |
| | | 9000001 | 2/3 | | |
| | | 9500001 | 1/3 | | |
| | | 10000001 | 0 | | |
| | spouse_al_ceil | 480 000 | | | |
| | child_al | 0 | | | |
| Employment income deduction | emp_inc_min | 550 000 | | | |
| | emp_inc_sch | | 0.4 | -100000 | |
| | | 1800001 | 0.3 | 80000 | |
| | | 3600001 | 0.2 | 440000 | |
| | | 6600001 | 0.1 | 1100000 | |
| | emp_inc_min_old | 650000 | | | |
| | emp_inc_sch_old | | 0.4 | | |
| | | 1800001 | 0.3 | 180000 | |
| | | 3600001 | 0.2 | 540000 | |
| | | 6600001 | 0.1 | 1200000 | |
| | | 10000001 | 0 | 2200000 | |
| | | | | | |
| 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 | 40 000 000 | | |
| | | 0.45 | | | |
| | 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 | | |
| | | 900001 | 310000 | | |
| | | 950001 | 260000 | | |
| | | 1000001 | 210000 | | |

| | | | | | |
|---|---|---|---|---|---|
| | | 1050001 | 160000 | | |
| | | 1100001 | 110000 | | |
| | | 1150001 | 60000 | | |
| | | 1200001 | 30000 | | |
| | | 1230001 | 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 | 0.0915 | | | |
| | pens_ceil | 7 440 000 | | | |
| | SSC_sick | 0.05 | | | |
| | sick_ceil | 16 680 000 | | | |
| | SSC_unemp | 0.003 | | | |
| Employer contribution proportion | SSC_empr_unemp | 0.006 | | | |
| | SSC_empr_oth | 0.0061 | | | |
| Child transfer | Child_transfer | 120 000 | | | |
| | Child_transfer2 | 60 000 | | | |
| | Child_transfer_lim | 6 220 000 | | | |
| | Child_transfer_lim_incr | 380 000 | | | |
| Child rearing allowance | Child_rear_sch | 42910 | 870000 | 2300000 | 0.0229231 |
| | | 10140 | 1250000 | 2680000 | 0.0035385 |
| | | 6080 | 1630000 | 3060000 | 0.0021189 |
| | Child_rear_c | 80000 | | | |
| | | | | | |

## 2020 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 | IF(earn_princ<basic_al_lim1,basic_al*basic_al_rate1,IF(earn_princ<basic_al_lim2 ,basic_al* basic_al_rate2,IF(earn_princ<basic_al_lim3,basic_al* basic_al_rate3,basic_al* basic_al_rate4)))+ ROUNDUP(Married*(earn_spouse-MIN(emp_inc_max,MAX(emp_inc_min,Tax(earn_spouse,emp_inc_sch)))<=spouse_al_ceil)*spouse_al*VLOOKUP(positive(earn_princ-MIN(emp_inc_max,MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch)))),taxpayer_lim,2,TRUE),-4)) + ROUNDUP(Married*VLOOKUP(Positive(earn_spouse-MIN(emp_inc_max,MAX(emp_inc_min,Tax(earn_spouse,emp_inc_sch)))),spouse_al_sp,2,TRUE)*VLOOKUP(positive(earn_princ-MIN(emp_inc_max,MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch)))),taxpayer_lim,2,TRUE),-4)+ Children*child_al +MAX((earn_princ*VLOOKUP(earn_princ,emp_inc_sch,2,TRUE)+VLOOKUP(earn_princ,emp_inc_sch,3,TRUE)),emp_inc_min) + SSC_princ |
| | | | S | MIN(earn_spouse, IF(earn_spouse<basic_al_lim1,basic_al*basic_al_rate1,IF(earn_spouse<basic_al_lim2,basic_al* basic_al_rate2,IF(earn_spouse<basic_al_lim3,basic_al* basic_al_rate3,basic_al* basic_al_rate4)))+ MAX((earn_spouse*VLOOKUP(earn_spouse,emp_inc_sch,2,TRUE)+VLOOKUP(earn_spouse,emp_inc_sch,3,TRUE)),emp_inc_min) + 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 | Positive(earn_princ- (s_basic_al+ ROUNDUP(VLOOKUP(positive(earn_princ-MIN(emp_inc_max,MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch)))),taxpayer_lim,2,TRUE)*Married*((earn_spouse-(earn_spouse>0)*MAX(emp_inc_min,Tax(earn_spouse,emp_inc_sch))<=s_spouse_al_ceil)*s_spouse_al+VLOOKUP(Positive(earn_spouse-(earn_spouse>0)*MAX(emp_inc_min,Tax(earn_spouse,emp_inc_sch))),s_spouse_al_sp,2,TRUE))+Children*s_child_al+ MAX((earn_princ*VLOOKUP(earn_princ,emp_inc_sch_old,2,TRUE)+VLOOKUP(earn_princ,emp_inc_sch_old,3,TRUE)),emp_inc_min_old) +SSC_princ)) |
| | | | S | Positive(earn_spouse-(s_basic_al+(earn_spouse>0)* MAX((earn_spouse*VLOOKUP(earn_spouse,emp_inc_sch_old,2,TRUE)+VLOOKUP(earn_spouse,emp_inc_sch_old,3,TRUE)),emp_inc_min_old) +SSC_spouse)) |
| | Local tax | local_tax | P | (earn_princ-MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch))>350000+(Married*(earn_princ - (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))<='s_spouse_al_ceil)+Children>0)*((Married*(earn_princ' - |

| | | | | |
|---|---|---|---|---|
| | | | | (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))<='s_spouse_al_ceil)+Children)*350000+100000+210000))*(pref_per_cap+mun_per_cap)+(earn_princ-MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch))>350000+(Married*(earn_princ' - (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))<='s_spouse_al_ceil)+Children>0)*((Married*(earn_princ' - (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))<=s_spouse_al_ceil)+Children)*350000+100000+320000))*Positive(Tax(Positive(earn_spouse-tax_al_spouse),local_sch)-IF(Positive(earn_spouse-tax_al_spouse)>2000000,MAXA(2500,((Positive(earn_spouse-tax_al_spouse)-MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch)))-(Positive(earn_spouse-tax_al_spouse)-2000000))*5%),MINA((Positive(earn_spouse-tax_al_spouse)-MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch))),Positive(earn_spouse-tax_al_spouse))*5%)) |
| | | | S | (earn_spouse - (earn_spouse>0)*MAX(emp_inc_min,Tax(earn_spouse, emp_inc_sch))>350000)*(pref_per_cap+mun_per_cap+Positive(Tax(local_tax_inc_spouse,local_sch)-IF(local_tax_inc_spouse>2000000,MAXA(2500,((local_tax_inc_spouse-tax_inc_spouse)-(local_tax_inc_spouse-2000000))*5%),MINA((local_tax_inc_spouse-tax_inc_spouse),local_tax_inc_spouse)*5%))) |
| 9. | Employees' soc security | SSC | B | SSC_pens*MIN(earn, pens_ceil)+SSC_sick*MIN(earn, sick_ceil)+SSC_unemp*earn |
| 11. | Cash transfers | cash_trans | B | IF(Children>0,IF(Positive(princ_inc - princ_empl_inc)<Child_transfer_lim+(Child_transfer_lim_incr*Children), Child_transfer,Child_transfer2)*Children,0) +Child_rear(Married, princ_inc - princ_empl_inc -Child_rear_c,Children,child_rear_sch) |
| 13. | Employer's social security | SSC_empr | B | SSC_pens*MIN(earn, pens_ceil)+SSC_sick*MIN(earn, sick_ceil)+(SSC_empr_unemp+SSC_empr_oth)*earn |

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation).

## Note

[1] Relatives receiving “special deduction for persons with disabilities”.

# 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 2020

### 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** | | 30 833 612 | 46 020 316 | 76 853 928 | 30 833 612 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | 1 500 000 | 1 500 000 | 1 500 000 | 1 500 000 |
| | Married or head of family | | 0 | 0 | 0 | 0 |
| | Dependent children | | 0 | 0 | 0 | 3 000 000 |
| | Deduction for social security contributions and income taxes | | 1 387 513 | 2 070 914 | 2 670 300 | 1 387 513 |
| | Work-related expenses | | | | | |
| | Other | | 11 255 412 | 14 111 271 | 17 033 322 | 12 255 412 |
| | | Total | 14 142 925 | 17 682 185 | 21 203 622 | 18 142 925 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 16 690 687 | 28 338 131 | 55 650 306 | 12 690 687 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 1 423 603 | 3 170 720 | 8 136 073 | 823 603 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 740 000 | 660 000 | 500 000 | 452 982 |
| | Married or head of family | | | | | |
| | Children | | 0 | 0 | 0 | 150 000 |
| | Other | | | | | |
| | | Total | 740 000 | 660 000 | 500 000 | 602 982 |
| **7.** | **Central government income tax finally paid (5-6)** | | 683 603 | 2 510 720 | 7 636 073 | 220 621 |
| **8.** | **State and local taxes** | | 68 360 | 251 072 | 763 607 | 22 062 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 2 767 883 | 4 131 169 | 6 110 925 | 2 767 883 |
| | Taxable income | | | | | |
| | | Total | 2 767 883 | 4 131 169 | 6 110 925 | 2 767 883 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 3 519 847 | 6 892 961 | 14 510 606 | 3 010 567 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | 0 | 0 | 0 | 0 |
| | For two children | | 0 | 0 | 0 | 1 600 000 |
| | | Total | 0 | 0 | 0 | 1 600 000 |
| **12.** | **Take-home pay (1-10+11)** | | 27 313 765 | 39 127 355 | 62 343 322 | 29 423 045 |
| **13.** | **Employer's compulsory social security contributions** | | 3 325 972 | 4 964 137 | 7 501 982 | 3 325 972 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 2.4% | 6.0% | 10.9% | 0.8% |
| | Employees' social security contributions | | 9.0% | 9.0% | 8.0% | 9.0% |
| | Total payments less cash transfers | | 11.4% | 15.0% | 18.9% | 4.6% |
| | Total tax wedge including employer's social security contributions | | 20.0% | 23.3% | 26.1% | 13.9% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 21.5% | 23.2% | 28.4% | 14.6% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 29.2% | 30.7% | 32.6% | 22.9% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Korea 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 46 020 316 | 76 853 928 | 92 040 632 | 76 853 928 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | 1 500 000 | 3 000 000 | 3 000 000 | 3 000 000 |
| | Married or head of family | | 1 500 000 | 0 | 0 | 0 |
| | Dependent children | | 3 000 000 | 3 000 000 | 3 000 000 | 0 |
| | Deduction for social security contributions and income taxes | | 2 070 914 | 3 458 427 | 4 141 828 | 3 458 427 |
| | Work-related expenses | | | | | |
| | Other | | 14 111 271 | 25 366 683 | 28 222 541 | 25 366 683 |
| | | Total | 22 182 185 | 34 825 110 | 38 364 370 | 31 825 110 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 23 838 131 | 42 028 818 | 53 676 263 | 45 028 818 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 2 495 720 | 4 144 323 | 5 891 439 | 4 594 323 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 660 000 | 1 400 000 | 1 320 000 | 1 400 000 |
| | Married or head of family | | | | | |
| | Children | | 150 000 | 150 000 | 150 000 | 0 |
| | Other | | | | | |
| | | Total | 810 000 | 1 550 000 | 1 470 000 | 1 400 000 |
| **7.** | **Central government income tax finally paid (5-6)** | | 1 685 720 | 2 594 323 | 4 421 439 | 3 194 323 |
| **8.** | **State and local taxes** | | 168 572 | 259 432 | 442 144 | 319 432 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 4 131 169 | 6 899 052 | 8 262 338 | 6 899 052 |
| | Taxable income | | | | | |
| | | Total | 4 131 169 | 6 899 052 | 8 262 338 | 6 899 052 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 5 985 461 | 9 752 807 | 13 125 921 | 10 412 807 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | 0 | 0 | 0 | 0 |
| | For two children | | 1 600 000 | 1 600 000 | 1 600 000 | 0 |
| | | Total | 1 600 000 | 1 600 000 | 1 600 000 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 41 634 855 | 68 701 121 | 80 514 711 | 66 441 121 |
| **13.** | **Employers' compulsory social security contributions** | | 4 964 137 | 8 290 108 | 9 928 273 | 8 290 108 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 4.0% | 3.7% | 5.3% | 4.6% |
| | Employees' social security contributions | | 9.0% | 9.0% | 9.0% | 9.0% |
| | Total payments less cash transfers | | 9.5% | 10.6% | 12.5% | 13.5% |
| | Total tax wedge including employer's social security contributions | | 18.3% | 19.3% | 21.0% | 22.0% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 23.2% | 23.2% | 23.2% | 23.2% |
| | Total payments less cash transfers: Spouse | | 12.2% | 21.5% | 23.2% | 21.5% |
| | Total tax wedge: Principal earner | | 30.7% | 30.7% | 30.7% | 30.7% |
| | Total tax wedge: Spouse | | 20.8% | 29.2% | 30.7% | 29.2% |

The national currency is the Won (KRW). In 2020, KRW 1 185.03 were equal to USD 1. In that year, the average worker was expected to earn KRW 46 020 316 (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, National health insurance, Employment insurance and Workers' compensation 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 2 100 000 and whose yearly wage is less than KRW 30 000 000.

### *1.1.2. Allowances and tax credits*

#### 1.1.2.1. Standard reliefs

- Employment income deduction: the following deduction (up to KRW 20 000 000) 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 000plus 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 (Spouse only have a salary earned income is less than KRW 5 000 000);
  - 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 (Dependent only have a salary earned income is less than KRW 5 000 000) 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) and (f) 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 when her taxable income is not more than KRW 30 million(c)
  - a single parent with descendants including adoptees*(f)
  - * Overlapping of deductions for (c) and (f) is not allowed. So a taxpayer should select only one.
- National pension deduction: employees can deduct 100% of their National Pension contributions
- Insurance premiums: the National health insurance premium and the Employment insurance premium can be entirely (100%) deducted from taxable income.
- Working Tax credit: wage and salary income earners obtain the following tax credit:

| Calculated tax | Amount of tax credit |
|---|---|
| Up to KRW 1 300 000 | 55% of calculated tax |
| Over KRW 1 300 000 | KRW 715 000 plus 30% of the calculated tax over KRW 1 300 000 |

| Total wage and salary income | Ceiling on credit amount |
|---|---|
| Not more than KRW 33 million | KRW 740 000 |
| Not more than KRW 70 million | The greater of KRW 660 000 and KRW 740 000- [(total wage and salary income -KRW 33 million)* 0.8%] |
| Exceeding KRW 70 million | The greater of KRW 500 000 and KRW 660 000- [(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:

- Saving/Payment for housing: 40% of deposits of an account for purchasing a house, which is held by a person who does not own a house, and 40% of repayments of loans including interest borrowed in order to lease a house smaller than 85 square meters in size by a person owning no house may be deducted up to three million won per year.
- Credit card purchases: Employees may deduct 15% of their credit card (30% of their debit card, prepaid card or cash receipt) purchases that exceed 25% of their total income up to the lesser of KRW 3 000 000 or 20% of their total income in the case of the total income not over KRW 70 000 000 (up to the lesser of KRW 2 500 000 or 20% of their total income in the case of the total income from over KRW 70 000 000 to KRW 120 000 000 and up to the lesser of KRW 2 000 000 or 20% of their total income in the case of the total income over KRW 120 000 000) However, for expenditures spent for traditional markets and public transportation the allowed deduction is equivalent to 40% (30% for the expenditures of books, performances, and museums) of the expenditure and the ceiling is raised by an additional KRW 1 000 000 respectively.

#### 1.1.2.3. Child tax credit

- Where a resident with taxable income has dependent children from 7 years old including adoptee, he/she gets annual tax credit of KRW 150 000 for having a child, KRW 300 000 for having two children and KRW 300 000 plus KRW 300 000 per an excess child over two children in case of having more than three children.

- Resident gets tax credit of KRW 300 000 for the first child, KRW 500 000 for the second Child, and KRW 700 000 for the third child or more for birth and adoption of the year.

#### 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 for pension savings account as well as KRW 7 million for sum of the pension savings account and retirement pension account.
- A resident whose labour income is not exceeding KRW 55 million when he has labour income only or whose global income is not exceeding KRW 40 million would deduct 15% of the premium.

#### 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% 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 are limited to 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 are not limited.
    - In addition, 20% of medical expenses for the treatment of infertility can be deducted from his/her income tax amount. There is no deduction limitation..
- 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 10 000 000, 30% of the excess amount over KRW 10 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% of gross income.
- Standard Credits: Alternatively, a taxpayer may choose an annual standard credit of KRW 70 000 (KRW 130 000 for wage and salary earners and KRW 120 000 for business owners meeting certain requirements), if he or she fails to claim deductions for insurance premium, saving/payment for housing and special tax credit.

### 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 | 300 000 000 | 38 |
| 300000000 | 500 000 000 | 40 |
| 500 000 000 | | 42 |

### *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% is applied. However, the local government can adjust the rate between the lower limit of 5% and the upper limit of 15%.

#### *1.2.3. Tax rate (selected for this study)*

A country-wide rate of 10% 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% of the standardised average monthly wage income as of 2020.

The scope of the standardised average monthly wage income is from KRW 320 000 to KRW 5 030 000 as of 1 July 2020.

If the average monthly wage income of a person is less than KRW 320 000, the average monthly wage income of the person is regarded as KRW 320 000 and the rate (0.045) is applied. If the average monthly wage income of a person is more than KRW 5 030 000, the average monthly wage income of the person is regarded as KRW 5 030 000 and the rate (0.045) is applied; so the minimum of the national pension contribution per year is KRW 172 800 (KRW 320 000 x 0.045 x 12 months), so the maximum of the national pension contribution per year is KRW 2 716 200 (=KRW 5 030 000 x 0.045 x 12 months).

#### *2.1.2. National health insurance*

The National health insurance premium, which has a rate of 3.6768375 % (National health insurance: 3.335 %, Long term care insurance 10.25 % of National Health insurance premium rate), is levied on average monthly wage income as of 1 January 2020.

The scope of the monthly National health insurance premium(excluding Long term care insurance premium) is from KRW 9 300 to KRW 3 322 170. To include Long term care insurance, we should multiply 1.1025. Thus, the scope of the total monthly premium is from KRW 10 253 to 3 662 692. If the calculated premium is less than KRW 10 253, the worker should pay KRW 10 253. Likewise, if the calculated premium is more than KRW 3 662 692, the worker only pays KRW 3 662 692.

#### *2.1.3. Employment insurance*

0.8% of gross income as of 1 October 2019.

#### *2.1.4. Workers' compensation insurance*

Compulsory application, premiums paid only by employers.

### *2.2. Employers' contribution*

#### *2.2.1. National pension*

The national pension contribution rate is 4.5% of the standardised average monthly wage income as of 2020.

The scope of the standardised average monthly wage income is from KRW 320 000 to KRW 5 030 000 as of 1 July, 2020.

If the average monthly wage income of a person is less than KRW 320 000, the average monthly wage income of the person is regarded as KRW 320 000 and the rate (0.045) is applied. If the average monthly wage income of a person is more than KRW 5 030 000, the average monthly wage income of the person is regarded as KRW 5 030 000 and the rate (0.045) is applied; so the maximum of the national pension contribution per year is KRW 2 716 200 (=KRW 5 030 000 x 0.045 x 12 months).

#### *2.2.2. National health insurance*

The National health insurance premium, which has a rate of 3.6768375 % (National health insurance 3.335 %, Long term care insurance: 10.25 % of National health insurance premium rate), is levied on average monthly wage income as of 1 January, 2020.

The scope of the monthly National health insurance premium(excluding Long term care insurance premium) is from KRW 9 300 to KRW 3 322 170. To include Long term care insurance, we should multiply 1.1025. Thus, the scope of the total monthly premium is from KRW 10 253 to 3 662 692. If the calculated premium is less than KRW 10 253, the employer should pay KRW 10 253. Likewise, if the calculated premium is more than KRW 3 662 692, the employer only pays KRW 3 662 692.

#### *2.2.3. Employment insurance*

- the insurance premium is between 1.05% and 1.65% of total wage as of 1 October 2019;
- the insurance premium selected for this study is 1.05%.

#### *2.2.4. Workers' compensation insurance*

- the insurance premium consists of an industry-specific rate which is set by the Ministry of Employment and Labor multiplied by total wage;
- the average rate of all industries (announced by the Ministry of Employment and Labor and selected for this study) is 1.56 %.

## 3. Universal Cash Transfers

- Child Benefit

Child home care allowance is granted every month to those who have children aged 6 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 6 years.

If a child attends a nursery or pre-school, monthly childcare service voucher is provided instead of the child home care allowance. The amount of the benefit differs by the age of the child, type of nursery, class of nursery etc.

On top of those two benefits, universal child benefit of KRW 100 000 is paid monthly to those who have children if the child is under the age of 7.

## 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.<br>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% to 47.5%. 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.<br>Limit of deduction for interest on long-term mortgage loan for housing is expanded from KRW 6 000 000 to KRW 10 000 000.<br>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% to 50%.<br>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).<br>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;<br>New items have been added to the additional allowance with respect to lineal descendants who are born or adopted during the concerned taxable year;<br>Credit card purchase deduction has been changed : Employees may deduct 20% (previously 15%) of their credit/debit card purchases that exceed 20% (previously 15%) of their total income;<br>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% to6%, 16%, 25%, and 35%.<br>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% to6%, 15%, 24%, and 35%. |
| 2012 | Personal income tax rates have been changed: from6%, 15%, 24%, and 35% to 6%, 15%, 24%, 35% and 38% |
| 2013 | 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.<br>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 | Tax schedule has been changed : KRW 300 000 000 to KRW 150 000 000<br>Personal and special income deductions( e.g. medical expenses, educational expenses) have been shifted toward tax credit<br>Employment income deduction has been changed : 80% to 70%, 50% to 40%.<br>The ceiling amount of earned income tax credit has been changed : KRW 500 000 to KRW 740 000(the salary <33 000 000), KRW 660 000(the salary < 70 000 000) |
| 2015 | Refundable CTC(Child Tax Credit) has established |
| 2017 | Personal income tax rate 40% is newly created over KRW 500 000 000 |
| 2018 | Tax schedule has been changed: Tax base over KRW 150,000,000 up to KRW 500,000,000 divided into over KRW 150 000000 up to KRW 300000000 and over KRW 300000000 up to KRW 500000000<br>The Highest income tax rate has been changed: 40%->42% |
| 2019 | Charities tax credit's deduction rate has been adjusted.<br>Regarding non-taxable overtime payment to productive workers, the upper limit of monthly wage for recipient of tax exemption has been increased to KRW 2 100 000. |
| 2020 | Regarding non-taxable overtime payment to productive workers, the upper limit of yearly wage for recipient of tax exemption has been increased to KRW 30 000 000.<br>The employment income deduction's limitation of KRW 20 000 000 has been newly set up. |

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

- Due date of payment for 2019's income tax has been deferred from 1 June 2020 to 31 August 2020.
- Deduction rate for credit card purchases has been increased temporarily. On March, the deduction rate of the credit card purchases is 30%, the deduction rate of the debit card, prepaid card and cash receipt purchases is 60%, the deduction rate of the expenditures for books, performances and museums is also 60%, and the deduction rate of the expenditures for traditional markets and public transportation is 80%. From April to July, all of the deduction rates are increased to 80% respectively.
- Monthly payment of the National pension can be exempted for 3 times between Mar 2020 and Jun 2020, when he/she meets specific conditions(e.g. the income has been decreased).
- The National health insurance premium is reduced from Mar 2020 to May 2020 for some workers. Criterions such as the size of income and the place where he/she works are considered when deciding the rate of reduction (30% or 50%),
- Monthly payment of the Employment insurance premium and Workers' compensation insurance premium for Mar 2020 to May 2020 is deferred for 3 months, when the employee works for the company that employed workers less than 30.
- A company that employed workers less than 30 can also get a 30% relief of Workers' compensation insurance premium from Mar 2020 to Aug 2020.
- On March 2020, additional 'childcare coupons' that worth KRW 400 000 are provided per child to households with children aged less than 7 years as of Mar 2020, to help address challenges caused by the COVID-19 outbreak.

## 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*

Establishment Labor Force Survey (ELFS) by the Ministry of Employment and Labor is used to calculate the AW. The statistics were obtained through a sample survey of approximately 13 000 firms with one 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% 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).

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 46 020 316 | Secretariat estimate |
|---|---|---|---|
| Tax allowances | basic_al | 1 500 000 | |
| spouse | spouse_al | 1 500 000 | |
| | spouse_al_lim | 1 000 000 | |
| dependents including children | dep_al | 1 500 000 | |
| additional allowance | add_all | 500 000 | |
| | add_all_lim | 30 000 000 | |
| additional allowance 2 | add2_all | 1 000 000 | |
| Employment income deduction | empdedsch | 0 | 0.7 |
| | | 5000000 | 0.4 |
| | | 15 000 000 | 0.15 |
| | | 45 000 000 | 0.05 |
| | | 100 000 000 | 0.02 |
| | Max_empded | 20000000 | |
| Earned income special credit threshold | earntaxcred | 0.55 | |
| | | 0.3 | 1 300 000 |
| credit limit | credlimit | 740 000 | Ave_earn<33 000 000 |
| | | 660 000 | Ave_earn< 70 000 000 |
| | | 500 000 | Ave_earn> 70 000 000 |
| Child tax credit | child_cred | 150 000 | |
| Lump sum tax credit | lump_cred | 130 000 | |
| | lump_thresh | 866 667 | |
| 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 | 300 000 000 |
| | | 0.4 | 500 000 000 |
| | | 0.42 | |
| Local tax rate | local_rate | 0.1 | |
| Cash Transfer for kids under 7 age | cash_child | 1 600 000 | |
| max number of kids permited to be under 7 | child_und7_max | 1 | |
| Social security contributions | SSC_pens | 0.045 | |
| | SSC_pens_max | 2 670 300 | |
| | SSC_pens_min | 170 100 | |
| | SSC_sick | 0.03676838 | |
| | SSC_sick_max | 43 952 304 | |
| | SSC_sick_min | 123 036 | |
| | SSC_unemp | 0.008 | |
| Employer contributions | emp_pens | 0.045 | |
| | emp_sick | 0.03676838 | |
| | emp_unemp | 0.0105 | |
| | emp_inj | 0.0156 | |

## 2020 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 | MIN(Empincded(earn, empincdedsch),max_empded) |
| | basic | bas_al | B | basic_al |
| | spouse | sp_al | P | Married*spouse_al*(earn_spouse-emp_al_spouse<=spouse_al_lim) |
| | 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 | IF(AND(earn_spouse>0,earn_spouse<=add_all_lim),add_all,0) |
| | 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 :<br>earned income special tax credit<br>child tax credit<br>lump-sum tax credit<br>Total | earn_cr<br>child_cr<br>lump_cr<br>tax_cr | B<br>P<br>B<br>B | MIN(earntaxcred(CG_tax_excl), credlimit(earn))<br>child_cred*(children-(cash_trans>0))<br>IF(non-std_al='0,' lump_cred, 0)<br>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 | MAX(SSC_pens_min,MIN(earn*(SSC_pens),SSC_pens_max))+MAX(SSC_sick_min,MIN(earn*(SSC_sick),SSC_sick_max))+earn*(SSC_unemp) |
| 11. | Cash transfers | cash_trans | J | =cash_child*child_und7_max*(Children>0) |
| 13. | Employer's soc security | SSC_empr | B | MAX(SSC_pens_min,MIN(earn*(SSC_pens),SSC_pens_max))+MAX(SSC_sick_min,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

# Latvia

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. 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.

## Latvia 2020

### 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** | 8 651 | 12 913 | 21 564 | 8 651 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | 2 464 | 637 | 0 | 2 464 |
| | Married or head of family | | | | |
| | Dependent children | 0 | 0 | 0 | 5 236 |
| | Deduction for social security contributions and income taxes | 952 | 1 420 | 2 372 | 952 |
| | Work-related expenses | | | | |
| | Other | | | | |
| | Total | 3 415 | 2 058 | 2 372 | 8 651 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 5 236 | 10 855 | 19 192 | 0 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 1 047 | 2 171 | 3 885 | 0 |
| **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)** | 1 047 | 2 171 | 3 885 | 0 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 952 | 1 420 | 2 372 | 952 |
| | Taxable income | | | | |
| | Total | 952 | 1 420 | 2 372 | 952 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 1 999 | 3 591 | 6 257 | 952 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 0 | 0 | 0 | 530 |
| | Total | 0 | 0 | 0 | 530 |
| **12.** | **Take-home pay (1-10+11)** | 6 653 | 9 321 | 15 307 | 8 229 |
| **13.** | **Employer's compulsory contributions** | | | | |
| | Employer's compulsory social security contributions | 2 084 | 3 111 | 5 195 | 2 084 |
| | Payroll taxes | 4 | 4 | 4 | 4 |
| | Total | 2 088 | 3 115 | 5 199 | 2 088 |
| **14.** | **Average rates** | | | | |
| | Income tax | 12.1% | 16.8% | 18.0% | 0.0% |
| | Employees' social security contributions | 11.0% | 11.0% | 11.0% | 11.0% |
| | Total payments less cash transfers | 23.1% | 27.8% | 29.0% | 4.9% |
| | Total tax wedge including employer's social security contributions | 38.1% | 41.8% | 42.8% | 23.4% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 37.4% | 37.4% | 31.8% | 11.0% |
| | Total payments less cash transfers: Spouse | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | 49.5% | 49.5% | 45.0% | 28.3% |
| | Total tax wedge: Spouse | n.a. | n.a. | n.a. | n.a. |

## Latvia 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 12 913 | 21 564 | 25 825 | 21 564 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | 637 | 3 101 | 1 275 | 3 101 |
| | Married or head of family | | | | |
| | Dependent children | 6 000 | 6 000 | 6 000 | 0 |
| | Deduction for social security contributions and income taxes | 1 420 | 2 372 | 2 841 | 2 372 |
| | Work-related expenses | | | | |
| | Other | | | | |
| | Total | 8 058 | 11 473 | 10 116 | 5 473 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 4 855 | 10 091 | 15 710 | 16 091 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 971 | 2 018 | 3 142 | 3 218 |
| **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)** | 971 | 2 018 | 3 142 | 3 218 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 1 420 | 2 372 | 2 841 | 2 372 |
| | Taxable income | | | | |
| | Total | 1 420 | 2 372 | 2 841 | 2 372 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 2 391 | 4 390 | 5 983 | 5 590 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 530 | 530 | 530 | 0 |
| | Total | 530 | 530 | 530 | 0 |
| **12.** | **Take-home pay (1-10+11)** | 11 051 | 17 704 | 20 372 | 15 974 |
| **13.** | **Employer's compulsory contributions** | | | | |
| | Employer's compulsory social security contributions | 3 111 | 5 195 | 6 221 | 5 195 |
| | Payroll taxes | 4 | 9 | 9 | 9 |
| | Total | 3 115 | 5 203 | 6 230 | 5 203 |
| **14.** | **Average rates** | | | | |
| | Income tax | 7.5% | 9.4% | 12.2% | 14.9% |
| | Employees' social security contributions | 11.0% | 11.0% | 11.0% | 11.0% |
| | Total payments less cash transfers | 14.4% | 17.9% | 21.1% | 25.9% |
| | Total tax wedge including employer's social security contributions | 31.1% | 33.9% | 36.4% | 40.3% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 37.4% | 37.4% | 37.4% | 37.4% |
| | Total payments less cash transfers: Spouse | 23.1% | 37.4% | 37.4% | 37.4% |
| | Total tax wedge: Principal earner | 49.5% | 49.5% | 49.5% | 49.5% |
| | Total tax wedge: Spouse | 38.1% | 49.5% | 49.5% | 49.5% |

Since 2014, the Latvian currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. That year, the average worker in Latvia earned EUR 12 913 annually (Secretariat estimate).

## 1. Personal income tax system

From 1th January 2018, Latvia has introduced an ambitious tax reform. One of the main goal of this reform is reach Latvian government as well as international expert's expectations – to reduce the tax wedge, especially for low-wage earners.

### 1.1. Central government income tax

Since 2018, with labour tax reform for the first time the progressive income tax system is introduced, as well as the differential non-taxable minimum, the allowance for dependents and the non-taxable minimum for pensioners is increased, and the minimum monthly wage is raised.

#### *1.1.1. Tax unit*

The tax unit are individuals.

#### *1.1.2. The main tax allowances*

##### 1.1.2.1. Standard tax reliefs

- A general (basic) allowance:

Since 2016, the differentiated non-taxable minimum is introduced.

The differentiated non-taxable minimum varies depending on the person's income level: higher for lower wages, but less for higher wages. The differentiated non-taxable minimum gradually is raised.

In 2019 the differentiated non-taxable minimum varies from EUR 0 to 230 per month and in 2020 - from EUR 0 to 300 per month (see table below).

**Differentiated non-taxable minimum criteria's:**

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Maximum non-taxable minimum, *EUR per month* | 100 | 115 | 200 | 230 | 300 |
| Minimum non-taxable minimum, *EUR per month* | 75 | 60 | 0 | 0 | 0 |
| Taxable income* minimum threshold up to which the maximum annual non-taxable minimum will be applied, *EUR per month* | 380 | 400 | 440 | 440 | 500 |
| Taxable income* maximum threshold up to which the annual non-taxable minimum will be applied, *EUR per month* | 1 000 | 1 100 | 1 000 | 1 100 | 1 200 |

* Calculating taxable income takes into account not only the salary, but also other income (such as dividends and income from real estate etc.). Similarly, if a person works in several jobs, the salaries are added together and the non-taxable minimum is applied to total revenue

For example, in 2019, the maximum tax allowance amount is EUR 230 per month and it is applied to persons with the taxable income below EUR 440 per month. If taxable income is between EUR 440 per month and EUR 1 100 per month, the differentiated annual non-taxable minimum is calculated according to specific formula. The allowance gradually decreases until it reaches zero or not be applied. The same calculation was in 2018 and will be in 2020 with relevant year data. It is important to note that from 2018, the differentiated non-taxable minimum in full amount is applied already during the tax year. It is based on

the State Revenue Service (SRS) forecast which takes account the taxpayer annual income of the previous year. In 2017 the non-taxable minimum was applied only in the minimum amount for all taxpayers (EUR 60) and only after the next tax year, when taxpayer submitted annual tax return, it applied on the basis of the data regarding person's annual taxable income.

- The allowance for dependents

The allowance for dependents is also deductible from income before taxes.

The tax allowance for each dependant (which in most cases are children) gradually is raised - in 2018 to EUR 200 per month or EUR 2 400 per year, in 2019 to EUR 230 per month or EUR 2 760 per year and in 2020 to EUR 250 per month or EUR 3 000 per year. In 2017, it was EUR 175 per month or EUR 2 100 per year.

- The taxpayer can apply allowance for a child below 18 years old and for a child below 24 years old if he or she continues studies of a general, professional, higher or special education. The allowance for child relates to taxpayer's child and in certain cases - sisters, brothers, grandchildren, as well as guardianship or dependent persons.

As of 2016, the rule of law narrowed, removing allowances for unemployed spouse, parents or grandparents, except if these persons are with disabilities.

From 2017, the tax allowance for dependents is expanded by non-working spouse, who is taking care of the minor child with a disability, if the non-working spouse does not receive taxable income or State pension.

In addition, as of July 1, 2018, the allowance is applicable for unemployed spouse who is taking care of:

- one child below 3 years old;
- three or more children below 18 years or below 24 years old (if he/she studies), of which at least one is below 7 years old;
- five children below 18 years or below 24 years old (if he/she studies).

To support employment of youth during the summer (from June 1st to August 31st), parents can still receive tax allowance for dependents (children while they have working relationship):

- Relief for Compulsory social security contributions: Employee's state social security contributions are deductible from income before taxes.
- Tax credits: None for employees.

#### 1.1.2.2. The main exemptions:

- income from rural tourism or agricultural production, as well as of mushrooming, berry-picking or the collection of wild medicinal plants and flowers or an uncultivated species of an individual - a park of walrus (Helix pomatia), if it does not exceed a turnover of EUR 3 000 per taxation year, including the sums of State aid for agriculture or of the European Union aid for agriculture and rural development, in amount of EUR 3 000 per taxation year;
- insurance compensations, except such insurance compensations paid on the basis of a life, health and accident insurance contract entered into by the employer and a life-long pension insurance contract (with accrued funded pension assets in accordance with the Law on State Funded Pensions);
- insurance compensations which have been disbursed upon the occurrence of an insurable event in relation to the life and health of the insured person due to an accident or illness, in accordance with the life insurance policy (including with accumulation of funds) regardless of who has entered into the insurance contract;

- the supplementary pension capital, which has been formed from contributions of private individuals or their spouse or a person related to their relatives up to the third stage within the meaning of the Civil Law into private pension funds according to licensed pension plans and paid to participants in pension plans;
- income from Latvian or other EU Member State or EEA State and local government bonds;
- capital gains on immovable property, if the ownership of the payer has been for more than 60 months (5 years) and it has been the declared as place of residence of the person for at least 12 months (1 year);
- capital gains on immovable property, if the ownership of the payer has been for more than 60 months (5 years) and the last 60 months (5 years) this immovable property has been the only real estate of the payer;
- capital gains on immovable property which has occurred in relation to the division of property in the case of dissolution of marriage, if it has been the declared place of residence of both spouses at least 12 months until the day of entering into the alienation contract;
- capital gains on immovable property, if this income is invested a new in a functionally similar immovable property within 12 months or before alienation of the immovable property or real property prior to expropriation;
- income from the alienation of personal property (movable objects such as furniture, clothing and other movable objects belonging to an individual intended for personal use) except income from the sale of items (tangible or intangible) prepared for sale or purchased, the capital gains and other income from capital and scrap sales;
- scholarships paid from the budget, association or foundation resources;
- scholarships up to 280 euros per month paid by an entrepreneur in accordance with the procedure set out by the Cabinet of Ministers for the organization and implementation of work environment training shall be paid by the merchant, institution, association, foundation, natural person registered as a performer of economic activity, as well as individual enterprise, including farmer or fishermen's farm, and other economic operators;
- grants paid to a student who attends a medical education program to promote the acquisition of an educational program and which is paid out from the institution of health care institution;
- income obtained as a result of inheritance;
- allowance (alimony);
- prizes of lotteries and gambling if the amount (total amount) of the prize (value thereof) does not exceed EUR 3 000 per taxation year;
- goods and services lottery prizes;
- material and monetary prizes (premiums) received at competitions and contests, the total value of which in the taxation year does not exceed EUR 143, and the prizes and premiums acquired at international contests the total value of which does not exceed EUR 1 423 a year, as well as the financial incentive paid out to the laureates of the prizes of the Baltic Assembly and prizes of the Cabinet;
- revenues from gifts up to EUR 1 425 from natural person, other than a close relative;
- revenues from gifts in full amount from natural persons, if the giver is connected to the payer by marriage or kinship to the third degree;
- dividends, income equal to dividends or notional dividends if the enterprise income tax has been paid etc.

#### *1.1.3. Tax schedule*

From 2018, the personal income tax (PIT) system is progressive (in 2017 the PIT rate was a flat tax rate of 23%).

In 2020, the PIT rates are set:

- 20% - for income up to EUR 20 004 per year;
- 23% - for income exceeding EUR 20 004 but not exceeding EUR 62 800 per year (in 2018 not exceeding EUR 55 000 per year);
- 31.4% - for income exceeding EUR 62 800 per year (in 2018 exceeding EUR 55 000 per year).

The tax rate 20% and 23% (depending on the level of income) is applicable monthly in the workplace where a payroll tax book is submitted. In the workplace where a payroll tax book is not submitted, only the rate 23% should be applied.

The rate 31.4% has calculated only in annual tax return. During the year, the tax is paid as Solidarity tax for employee revenue above EUR 62 800 per year. The Solidarity tax part of 10.5% is transformed into a Personal income tax rate of 31.4%. Compulsory social security contributions from incomes above EUR 62 800 per year is not be paid.

### *1.2. Regional and local income tax*

No regional and local income taxes.

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

In 2018, the compulsory social insurance contribution rate is increased by one percentage point from 34.09% to 35.09% to ensure financing of the health sector (0.5% paid by the employee and 0.5% paid by the employer). In 2020, the same rate (35.09%) remains.

Social insurance contributions covers:

- state pension insurance;
- social insurance in case of unemployment;
- social insurance in respect of accidents at work and occupational diseases;
- disability insurance;
- maternity and sickness insurance;
- parental insurance;
- health insurance.

In 2020, the maximum object of mandatory social payments is 62 800 EUR per year.

### *2.1. Employees' contributions*

Employees pay 11% of their earnings in contributions. 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 contributions are also paid by employers at a rate of 24.09% on behalf of their employees. The taxable base and the assessment period are the same as for employees' contributions.

The total contribution rates paid by employees and employers are applied:

| Scheme name | Rate of contribution (%) |
|---|---|
| Pension insurance | 24.50 |
| Unemployment insurance | 1.84 |
| Insurance of accidents at work and occupational diseases | 0.53 |
| Disability insurance | 2.23 |
| Maternity and sickness insurance | 3.65 |
| Parental insurance | 1.34 |
| Health insurance | 1.00 |
| Total | 35.09 |

### 2.3. Solidarity tax

From 2016 *Solidarity tax* was introduced.

From 2019 the Solidarity tax rate has been reduced from 35.09% (2018) to 25.50%. See more in the table below on the distribution of Solidarity tax rate from 2016 to 2020.

The difference between 2018 and 2019 is that:

- in 2018 Solidarity tax rate is set at the same level as the current social security contributions rates (11% and 24.09%). Solidarity tax is applied during the tax year to the same rate as the social security contributions.
- in 2019 and 2020 Solidarity tax is set at 25.5%, which is less than the current social security contributions rate of 35.09% (11% and 24.09%). Also in 2019 and 2020 Solidarity tax is applied during the tax year to the same rate as the social security contributions (35.09%). Therefore, the overpaid solidarity tax is refunded to employer at next year.

The tax is paid for the income exceeding the maximum amount of the social security contributions object. In 2019 and 2020 the ceiling is raised to EUR 62 800 per year (in 2018 was EUR 55 000 per year). The tax period is the calendar year.

The purpose of Solidarity tax is to eliminate existing regressivity in the labour tax system and to equalize the tax burden on labour between low-wage earners and the high wage earners. This problem appeared when the social contribution ceiling was re-introduced in 2014.

Solidarity tax applies to all socially insured individuals – employees, self-employed, if their income over a calendar year exceeded the maximum amount of mandatory contribution of the statutory social insurance. Employers are also subject to solidarity tax (in the same way, as they are liable for paying employer social insurance contributions).

## Solidarity tax rate distribution

| | | 2016 - 2017 | 2018 | 2019-2020 |
|---|---|---|---|---|
| Solidarity tax rate | | **34.09%** | **35.09%** | **25.50%** |
| Employer's pays: | | **23.59%** | **24.09%** | **14.50%** |
| | State budget (not tied to social services) | 23.59% | | |
| | Funded pension (2nd pillar pension scheme)* | | 6.00% | |
| | Private pension in the Fund's Pension Plan (3nd pillar pension scheme)* | | 4.00% | |
| | State Pension | | 13.59% | |
| | Pension insurance (personalized payment) | | | 14.00% |
| | Health care | | 0.50% | 0.50% |
| Employee's pays: | | **10.50%** | **11.00%** | **11.00%** |
| | State budget (not tied to social services) | 10.50% | | |
| | Personal income tax** | | 10.50% | 10.50% |
| | Health care | | 0.50% | 0.50% |

* If a person is not a member of a funded pension scheme, a private pension fund is transferred 10%
** The Solidarity tax (paid by employee for incomes above EUR 62,800 per year in 2019 and 2020) part of 10.5% is transformed into a Personal income tax rate of 31.4%. It means that, by the submitting the annual income statement and performing the conversion of the PIT into three PIT rates (the third rate of 31.4%), the share of paid Solidarity Tax is equal to PIT rate 31.4%.

#### *2.3.1. Payroll tax*

The Business risk fee is paid in the state basic budget, and then transferred to the Employee claim guarantee fund, which is administrated by the state agency “Insolvency administration”. The Insolvency administration is a public institution controlled by the Ministry of Justice.

If an enterprise is insolvent, the Insolvency Administration satisfies employee claims for their unpaid salaries, compensations for the paid annual leaves and compensations for dismissal in case of the end of the employment relationships.

The Business risk fee does not confer entitlement to any kind of social benefits.

The Business risk fee is a constant payment for a person EUR 0.36 per employee per month.

## 3. Universal cash transfers

### *3.1. Transfers related to marital status*

None.

### *3.2. Transfers for dependent children*

From 2015, support for families has been introduced through differentiated family state benefits:

- EUR 11.38 per month for the first child,
- EUR 22.76 per month for the second child,
- EUR 34.14 per month for the third child,
- EUR 50.07 per month for the fourth and each subsequent child (only from 2017).

From March 1, 2018 an additional allowance for families is paid:

- EUR 10 per month for 2 children;

- EUR 66 per month for 3 children,
- additionally EUR 50 per month for each subsequent child

For example, for family with six children additional allowance is EUR 216 per month (66 (for 3) +50+50+50).

The state pays family benefits to all children until they reach the age of 15. 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 20.

In addition there are four 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 after them: maternity and paternity benefit; childbirth benefit; parental benefit; child care benefit (additional benefit for child with disabilities). These are not included in the modelling.

## 4. Main changes in tax/benefit system in 2020

- The differential non-taxable minimum is increased - in 2018 ranges from EUR 0 to 200 per month, in 2019 - from EUR 0 to 230 per month and in 2020 - from EUR 0 to 300 per month. In 2017, non-taxable minimum ranged from EUR 60 to 115 per year.
- The tax allowance for each dependant is raised - in 2018 to EUR 200 per month, in 2019 to EUR 230 per month and in 2020 to EUR 250 per month. In 2017, it was EUR 175 per month.
- The non-taxable minimum for pensioners is increased - in 2018 to EUR 250 per month, in 2019 to EUR 270 per month and in 2020 to EUR 300 per month. In 2017, it was EUR 235 per month.

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

No such changes have been made.

## 5. Memorandum items

### *5.1. Average gross annual wage earnings*

In Latvia the gross earnings figures cover wages and salaries paid to individuals in formal employment including payment for overtime. They also include additional bonuses and payments and other payments such as for the annual and supplementary vacations, public holidays, sick pay (sick-leave certificate A), payment for public holidays and other days not worked, social security compulsory contributions paid by the employees and personal income tax, as well as labour remuneration subsidies.

### *5.2. 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.

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 12 913 | Secretariat estimate |
|---|---|---|---|
| Basic allowance | Basic_al | | |
| Minimum non-taxable minimum | MIN_non_taxable | 0 | |
| Maximum non-taxable minimum | MAX_non_taxable | 3,600 | |
| Taxable income maximum threshold up to which the annual non-taxable minimum will be applied | Income_for_MIN_non_taxable | 14,400 | |
| Taxable income minimum threshold up to which the maximum annual non-taxable minimum will be applied | Income_for_MAX_non_taxable | 6,000 | |
| Coefficient | Coefficient | 0,42857 | |
| Allowance for dependants | Child_al | 3,000 | |
| Income tax schedule | Tax_sch | 0.20 | 20 004 |
| | Tax_rate_2 | 0.23 | 62 800 |
| | Tax_rate_3 | 0.314 | |
| | | | |
| Payroll tax - Business risk fee | payroll | 4.32 | |
| Income ceiling | Ceiling | 62,800 | |
| | | | |
| Employers SSC | SSC_rate1 | 0.2409 | |
| Employers Solidarity Tax | Sol_tax_rate_1 | 0.145 | |
| Employees SSC (without health ins.) | SSC_rate2 | 0.105 | |
| Employees health insurance | Health_ins2 | 0.005 | |
| Employees Solidarity tax (without health ins.) | Sol_tax_rate_2 | 0.105 | |
| Child allowances | CA_first | 136.56 | |
| | CA_second | 273.12 | |
| | CA_third | 409.68 | |
| | CA_fourth and each next | 600.84 | |
| Additional child allowance | ACA_2ch | 120 | |
| | ACA_3ch | 792 | |
| | ACA_each next | 600 | |
| Days in tax year | numdays | 366 | |

* Calculating taxable income takes into account not only the salary, but also other income (such as economic activity, pension etc.). Similarly, if a person works in several jobs, the salaries are added together and the non-taxable minimum is applied to total revenue.

## 2020 Tax equations

The equations for the Latvian 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 | P | =MINA(Basic_al+ SSC_empee_princ+ Health ins2 _empee_princ +(Children>0)*(Child_al*Children);earn_princ) |
| | | | S | =MINA(Basic_al+ SSC_empee _spouse+ Health ins2 _empee_spouse,earn_spouse) |
| | Non-taxable minimum | Basic_al | B | =IF(earn<=0;0;(IF(earn-Income_for_MAX_non_taxable<0; MAX_non_taxable;(IF((MAX_non_taxable-Coefficient*(earn-Income_for_MAX_non_taxable))> MIN_non_taxable; (MAX_non_taxable-Coefficient*(earn-Income_for_MAX_non_taxable)); MIN_non_taxable))))) |
| 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 | =IF((earn- tax_al)<0,0,IF(tax_al>inc_thresh_1,0,IF(earn> inc_thresh_1,( inc_thresh_1- tax_al)*Tax_rate_1,(earn-tax_al)* Tax_rate_1))+IF((earn-tax_al)<0,0,IF(tax_al>inc_thresh_2,0,IF(earn> inc_thresh_2,( inc_thresh_2-IF(tax_al> inc_thresh_1, tax_al, inc_thresh_1))*, Tax_rate_2,IF(earn> inc_thresh_1,(earn-IF(tax_al> inc_thresh_1, tax_al, inc_thresh_1))*Tax_rate_2,0))))+IF((earn- tax_al)<0, 0,IF(tax_al>inc_thresh_2,IF(earn> inc_thresh_2,(earn- tax_al)* Tax_rate_3,0),IF(earn> inc_thresh_2, (earn- inc_thresh_2)* Tax_rate_3,0)))) |
| 6. | Tax credits : | tax_cr | B | 0 |
| 7. | CG tax | CG_tax | B | =IF(CG_tax_excl-tax_cr>0; CG_tax_excl-tax_cr;"""")- tax_cr_non_waste |
| 8. | State and local taxes | local_tax | B | 0 |
| 9. | Employees' soc security | SSC_empee | B | = MIN(Ceiling;earn)*SSC_rate2 |
| 10. | Employees health insurance | Health_ins2 | | = earn* Health_ins2 |
| 11. | Employees' Solidarity tax | Sol_tax_ee | B | =IF(earn<Ceiling,0,(earn-Ceiling)*Sol_tax_rate_2) |
| 12. | Cash transfers | cash_trans | J | =IF(Children<1;0;IF(Children=1;CA_first;IF(Children=2;CA_first+CA_second;IF(Children=3;CA_first+CA_second+CA_third;IF(Children=4;CA_first+CA_second+CA_third+CA_fourth_and_each_next;IF(Children>4;CA_first+CA_second+CA_third+CA_fourth_and_each_next*(Children-3))))))) |
| 13. | Additional child allowances | | J | =IF(Children<2;0;IF(Children=2;ACA_2ch;IF(Children=3;ACA_3ch;IF(Children>3;ACA_3ch+ACA_each_next*(Children-3))))) |
| 14. | Employer's soc security | SSC_empr<br>Payroll taxes | B<br>B | = MIN(Ceiling;earn)*SSC_rate1<br>=payroll |
| 15. | Employer's Solidarity tax | Sol_tax_er | B | =IF(earn<Ceiling,0,(earn-Ceiling)*Sol_tax_rate_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.

# Lithuania

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.

## LITHUANIA 2020

### 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** | 11 005 | 16 426 | 27 431 | 11 005 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | 4 093 | 3 063 | 972 | 4 093 |
| | Married or head of family | | | | |
| | Dependent children | | | | |
| | Deduction for social security contributions and income taxes | | | | |
| | Work-related expenses | | | | |
| | Other | | | | |
| | Total | 4 093 | 3 063 | 972 | 4 093 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 6 912 | 13 362 | 26 458 | 6 912 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 1 382 | 2 672 | 5 292 | 1 382 |
| **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)** | 1 382 | 2 672 | 5 292 | 1 382 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 2 146 | 3 203 | 5 349 | 2 146 |
| | Taxable income | | | | |
| | Total | 2 146 | 3 203 | 5 349 | 2 146 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 3 528 | 5 875 | 10 641 | 3 528 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 0 | 0 | 0 | 2 806 |
| | Total | 0 | 0 | 0 | 2 806 |
| **12.** | **Take-home pay (1-10+11)** | 7 477 | 10 550 | 16 790 | 10 282 |
| **13.** | **Employer's wage dependent contributions and taxes** | | | | |
| | Employer's compulsory social security contributions | 162 | 241 | 403 | 162 |
| | Payroll taxes | 35 | 53 | 88 | 35 |
| | Total | 197 | 294 | 491 | 197 |
| **14.** | **Average rates** | | | | |
| | Income tax | 12.6% | 16.3% | 19.3% | 12.6% |
| | Employees' social security contributions | 19.5% | 19.5% | 19.5% | 19.5% |
| | Total payments less cash transfers | 32.1% | 35.8% | 38.8% | 6.6% |
| | Total tax wedge including employer's social security contributions | 33.3% | 36.9% | 39.9% | 8.2% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 43.3% | 43.3% | 43.3% | 43.3% |
| | Total payments less cash transfers: Spouse | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | 44.3% | 44.3% | 44.3% | 44.3% |
| | Total tax wedge: Spouse | n.a. | n.a. | n.a. | n.a. |

## LITHUANIA 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 16 426 | 27 431 | 32 851 | 27 431 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | 3 063 | 7 156 | 6 126 | 7 156 |
| | Married or head of family | | | | |
| | Dependent children | | | | |
| | Deduction for social security contributions and income taxes | | | | |
| | Work-related expenses | | | | |
| | Other | | | | |
| | Total | 3 063 | 7 156 | 6 126 | 7 156 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 13 362 | 20 275 | 26 725 | 20 275 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 2 672 | 4 055 | 5 345 | 4 055 |
| **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)** | 2 672 | 4 055 | 5 345 | 4 055 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 3 203 | 5 349 | 6 406 | 5 349 |
| | Taxable income | | | | |
| | Total | 3 203 | 5 349 | 6 406 | 5 349 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 5 875 | 9 404 | 11 751 | 9 404 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 2 806 | 1 681 | 1 681 | 0 |
| | Total | 2 806 | 1 681 | 1 681 | 0 |
| **12.** | **Take-home pay (1-10+11)** | 13 356 | 19 708 | 22 782 | 18 027 |
| **13.** | **Employer's wage dependent contributions and taxes** | | | | |
| | Employer's compulsory social security contributions | 241 | 403 | 483 | 403 |
| | Payroll taxes | 53 | 88 | 105 | 88 |
| | Total | 294 | 491 | 588 | 491 |
| **14.** | **Average rates** | | | | |
| | Income tax | 16.3% | 14.8% | 16.3% | 14.8% |
| | Employees' social security contributions | 19.5% | 19.5% | 19.5% | 19.5% |
| | Total payments less cash transfers | 18.7% | 28.2% | 30.7% | 34.3% |
| | Total tax wedge including employer's social security contributions | 20.1% | 29.4% | 31.9% | 35.4% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 43.3% | 43.3% | 43.3% | 43.3% |
| | Total payments less cash transfers: Spouse | 42.3% | 43.3% | 43.3% | 43.3% |
| | Total tax wedge: Principal earner | 44.3% | 44.3% | 44.3% | 44.3% |
| | Total tax wedge: Spouse | 43.3% | 44.3% | 44.3% | 44.3% |

The Lithuanian currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In 2020, the average worker in Lithuania was expected to earn EUR 16 426 (Secretariat estimate).

# 1. Personal income tax system

## *1.1. Central government income tax*

### *1.1.1. Tax unit*

The tax unit is an individual.

### *1.1.2. Tax allowances*

#### 1.1.2.1. Standard tax reliefs

- *A general (basic) allowance (tax-exempt amount)* is applied in calculating the taxable income of residents to the extent the income is derived from employment or similar relationships. However, the size of the annual tax-exempt amount depends on the total amount of annual taxable income before taxes and all allowances (hereinafter – annual income). In 2020 the annual tax-exempt amount is EUR 4800 for individuals whose annual income does not exceed twelve minimum monthly wages effective on 1 January of a respective calendar year (EUR 7 284 in 2020). For others, the annual tax-exempt amount is estimated using the following formula:
- 4 800– 0.19 x (annual income – twelve minimum monthly wages effective on 1 January of a respective calendar year).
- If according to this formula a negative amount is calculated, then the tax-exempt amount is not applied. As such, no basic personal allowance applies if annual income exceeds EUR 32 547.
- *An allowance for disadvantaged* is applied as follows: in 2020 the annual tax-exempt amount applicable to individuals with a working capacity level of 0-25% or individuals who have reached the retirement age and have an officially recognized high level of special needs, or individuals with high-level disability, is EUR 7 740The annual tax-exempt amount applicable to individuals who have a working capacity level of 30-55% or individuals who have reached retirement age and have an officially recognized level of medium or low special needs, or individuals with medium or low-level disability, is EUR 7 200. The tax allowance for disadvantaged is not included in the Taxing Wages calculations.

#### 1.1.2.2. Non – standard tax reliefs applicable to income from employment

- Contributions to 3rd pillar pension funds, as well as additional voluntary health insurance contributions paid by the employer on behalf of an employee, are treated as non-taxable income (when such contributions combined do not exceed 25% of the gross wage).
- The following expenses incurred by a resident of Lithuania during the tax period may be deducted from his annual income (a total no more than 25% of annual income worth of expenses):
- Life insurance contributions paid for his own benefit or for the benefit of his spouse or minor children (adopted children) under life insurance contracts which provide for an insurance benefit not only upon the occurrence of an insurance event, but also upon the expiry of the term of the insurance contract.
- 2nd pillar pension contributions, paid by employees, exceeding 3% of taxable wage related income.
- Voluntary 3rd pillar pension contributions paid for his own benefit or for the benefit of his spouse or minor children (adopted children) to pension funds.

- Payments for studies (when the first higher education and/or qualification is obtained upon graduation, as well as doctoral studies and art post-graduate studies) made by studying residents of Lithuania. If the resident does not have annual income, the deduction of expenses from the income can be made by parents and/or spouse. If payments for studies are made with borrowed funds (a loan is taken out from a credit institution for that purpose), the repaid amount of the loan during the tax period may be deducted from income.
- Payments for repairs of housing (except renovation of multi-apartments), repairs of passenger cars and childcare services (made for one's own benefit or for the benefit of one's spouse).
- The deduction of expenses described above on life insurance and pension contributions applies only to expenses of up to a total of EUR 1 500 per year. The deduction of expenses for studies is unlimited, while expenses for services on housing / passenger car repairs and child care services are limited to EUR 2 000 per year.

#### *1.1.3. Tax schedule*

- A two-bracket progressive personal income tax rate system is applied on taxable wage related income: 20% applies for income equal to or below the threshold of 84 average wages per year (EUR 104 278 in 2020), 32% applies for income above the threshold. The tax is withheld by the employer at 20% rate from employee's wage and paid up to two times a month. The 32% rate is applied and the difference between 20% rate and 32% rate is paid by the employee once per year, when filing the annual income tax return.

### *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 the following types of social security contributions:

- pension insurance;
- health insurance;
- sickness insurance;
- maternity insurance;
- unemployment insurance;
- insurance from accidents at work and occupational diseases.

. The share of the wage above the "ceiling" is not subject to social security contributions (except Health insurance contributions). In 2020, the ceiling is set at 84 average wages per year (AW);; as of 2021 - to 60 AW.

The AW applied to calculate the social security contribution base is approved by the law of Approval on Budget Indicators of the State Social Insurance Fund for the relevant year. It is the average gross monthly earnings (including salary data for the sole proprietorships) published by the Statistics of Lithuania of Q3 and Q4 for the year before the previous year and Q1 and Q2 for the previous year.

### *2.1. Employees' contributions*

Since 1 January 2020, the rate of the employee's social security contributions is 19.5%, as follows:

- pension insurance – 8.72%;
- health insurance – 6.98%;
- sickness insurance – 2.09%;
- maternity insurance – 1.71%.

Employees pay social security contributions from their gross wage (including basic wage, bonuses, premiums, additional pays, severance pays, compensations calculated for annual and special leave as well as the monetary compensations calculated for unused annual leave, allowances and other benefits). The assessment period is the calendar month.

### *2.2. Employers' contributions*

Since 1 January 2020, the overall rate of the social security contributions of the employer's is 1.47%, as follows:

- unemployment insurance – 1.31% for termless employment contracts and 2.03% for fixed-term employment contracts;
- insurance from accidents at work and occupational diseases – the overall rate is 0.16% (this is the rate that is modelled). In practice four categories of employers are set according to their history of accidents at work and occupational diseases. The tariffs for each of these categories are:

| Category | Rate of contribution (%) |
|---|---|
| Category I | 0.14 |
| Category II | 0.4 |
| Category III | 0.70 |
| Category IV | 1.40 |

A minimum amount ("floor") of social security contributions is applied. Employers must calculate and pay employer's and employee's share of social security contributions from a base not lower than minimum monthly salary (MMS), which in 2020 is EUR 607. Exceptions apply in cases where:

- The person has more than one insurer in Lithuania during the respective period or is insured by the State for pension insurance;
- The person receives social insurance pension from the State Social Insurance Fund;
- The person is not older than 24 years;
- The person is disabled;
- The person receives allowance for maternity or paternity leave.

### *2.3. Payroll tax*

Employers pay 0.16% of the gross wage to the Guarantee fund.

If a company goes bankrupt the Guarantee fund is used to satisfy employees' claims for their unpaid salaries, cash compensations for the unused annual leave, severance pay, pay for the damage caused by occupational accidents or diseases and payment for idle time.

Employers pay 0.16 % of the gross wage to the Long-term employment benefit fund.

The Long-term employment benefit fund is used for paying severance payments to long-tenure employees having lost jobs.

The "ceiling", as described in the chapter 2. Compulsory social security insurance system", is also applied on the payroll tax.

Some employers are exempt from these taxes, namely the Lithuanian Central bank and budget institutions (exempt from both Guarantee and Long-term employment benefit funds contributions), political parties, trade unions, religious communities and societies (exempt from Guarantee fund contributions). Given that the model covers the private sector only (sectors B to N by ISIC Rev.4) and that the Guarantee fund and Long-term employment benefit fund contributions are paid by the majority of employers within those sectors, these contributions are included in the model.

## 3. Universal cash transfers

### *3.1. Transfers related to marital status*

None.

### *3.2. Transfers for dependent children*

Child benefits in Lithuania depend on the age and number of children as well as the size of income of the family. In 2018 a non means-tested universal child benefit was introduced for all families raising children up to 18 years of age and over, if he / she is studying under the general education curriculum, but not longer, until he / she reaches the age of 21. In 2020, the size of the universal child benefit is EUR 720.72 per child per year. Additional child benefit (EUR 482.04per child per year, which is paid on top of the universal benefit) is granted if family's income per person per year did not exceed EUR 3 000 for families with up to two children. For families with three or more children the additional child benefit is paid regardless of the amount of family income.

## 4. Main changes in tax/benefit system since 2000

### *4.1. Tax system*

- In 2000 the 3rd pillar private pension funds were introduced, allowing employees to voluntarily choose to accumulate for additional pension by taking part in the 3rd pillar private pension funds or negotiate it with employer as part of employment contract. Contributions to such funds are financed by employees themselves, if they chose to take part in pension scheme voluntarily or by the employer on behalf of the employee.
- In 2003 a possibility to deduct certain expenses from taxable annual income incurred by a resident of Lithuania was introduced.
- In 2004 the 2nd pillar pension system was introduced, allowing voluntary participation in the pension accumulation system which consists of a share of social security contributions paid by the employer, transferred to the pension fund on behalf of the employee.
- The personal income tax rate was lowered gradually from 33% to 27% as of 1 July 2006, then further to 24% in 2008 and again to 15% in 2009.
- In 2009 employee health insurance contributions were introduced together with a lower personal income tax rate.
- In 2009 a flat tax-exempt amount was replaced with a regressive tax exempt formula, gradually diminishing the tax-exempt amount at some level of income, therefore introducing an element of progressivity into taxation of wages.
- In 2014 the 2nd pillar pension system was modified. A possibility to increase the size of the private pension contribution was introduced by allowing employees to contribute additionally from their own gross wage with an additional contribution from the State.

- In 2017 the deduction of expenses described in *1.122.* on life insurance and voluntary 3rd pillar pension funds savings tax reliefs were given a "ceiling" and apply only to insurance premium of up to a total of EUR 2 000 per year.
- In 2018 the additional tax exempt amount (child allowance) was replaced by direct child benefits, which are paid without testing for family income.
- In 2018 a minimum amount ("floor") of social security contributions was established. Employers calculate and pay employer's share of social security contributions from a base not lower than MMS. As of 1 July 2018 employers must pay not only the employer's share, but also the employee's share of social security contributions from a base not lower than MMS.
- In 2019 a labour taxation reform was introduced. Most of the employer's SSC (a total of 28.9 p.p.) were shifted to the employee. The overall employer's SSC rate in 2018 was 30,5%, an aggregated of:
  - pension insurance – 22.3%;
  - health insurance – 3%;
  - sickness insurance – 1.4%;
  - maternity insurance – 2.2%;
  - unemployment insurance – 1.4%;
  - insurance from accidents at work and occupational diseases – 0,2%
- Starting from 1 January 2019 pension insurance, health insurance, sickness insurance and maternity insurance were shifted to the employee side (22,3%+3%+1,4%+2,2%=28,9%)
- This resulted in a gross salary increase by 28.9% (enforced by law), as well as recalculation of SSC, personal income tax and payroll tax rates accordingly to neutralize the shift. Moreover, a share of SSC, covering the general part of pension, was shifted to personal income tax to ensure a sustainable financing source for financing the general part of pension from the State budget. Finally, personal income tax and SSC rates were reduced by a total of 1.55 p.p. (in the new taxation system) to ensure that take home pay does not decrease in case a person decides to participate in the 2nd pillar pension system after the 2019 reform (which includes employee's contribution).
- In 2019, a two-bracket progressive taxation for labour income was introduced. The first bracket is taxed at 20%, while the second bracket – at 27% personal income tax rate (above the threshold of 120 average wages per year).
- In 2019, the ceiling for both employee's and employer's SSC (excluding health insurance contributions) and payroll taxes (contributions to the Guarantee fund and Long-term employment benefit fund) was introduced. It is applicable for the annual income above 120 average wages
- In 2020 the tax rate for second bracket was increased from 27% to 32% personal income tax rate and the threshold above which 32% rate is applied was reduced from 120 to 84 average wages per year.
- In 2020 the ceiling for both employee's and employer's SSC (excluding health insurance contributions) and payroll taxes was reduced from 120 to 84 average wages per year.

### *4.2. Benefit system*

- Between 2000 and June 2004, the child benefits were paid for all children up to 3 years of age, provided that none of the parents received maternity (paternity) benefits. Families with three or more children, below a set threshold of income per family member, were given more generous benefits for children up to 3 years of age, as well as benefits for children from 3 years to 16 years of age.

- Between July 2004 and 2008, the child benefits were paid without testing family income. The range of the age of children for which the benefits were paid depended on the size of the family. Different age ranges were applied for families with three or more children (the top of the range remained 18 years throughout the period) and families with up to two children (the top of the age range was gradually increased from 7 years to 9 years in 2006, from 9 years to 12 years in 2007 and from 12 years to 18 years in 2008).
- In 2009, testing of family income was introduced for families with up to two children above 3 years of age.
- In 2010, the testing for the fact and the size of the maternity (paternity) benefit was introduced for children up to 2 years of age and testing of family income was extended to all children above 2 years of age.
- Between 2012 and 2016, testing of family income applied to all children and only in families with three or more children the child benefit was paid for children over 7 years of age.
- In 2017, testing of family income was abolished for families with three or more children regarding child benefits. Moreover, families with up to two children under 7 years of age were included in the means-tested child benefit scheme.
- In 2018, a universal child benefit replaced the abolished tax exempt amount for children. Universal child benefit is paid for every child from birth to the age of 18 years and over, if he / she is studying under the general education curriculum, but not longer, until he / she reaches the age of 21. Large and low-income families continue receiving the same level of additional child benefits (on top of the universal child benefits), as per legal regulation applicable since 2017.

### *4.3. Changes to labour taxation and benefit system due to the covid-19 pandemic*

- In relation to the COVID-19 pandemic, the Lithuanian Government and the tax authorities decided to apply certain personal income tax and social security contribution related measures to assist tax payers with their ongoing obligations.

  Lithuanian tax authorities have published a list of tax payers which were directly hit and experienced adverse effects of COVID-19 pandemic. These tax payers are automatically subject to certain reliefs and the following fiscal measures apply to the listed entrepreneurs:

  - **Recovery of unpaid taxes is suspended**. The State tax inspectorate would not start tax recovery if these companies have tax debts arising from a declaration filed on 16 March or later;
  - **They are released from late payment interest**;
  - **Accumulated unpaid taxes have to be paid within two months from the end of the emergency situation**. Companies that cannot pay accumulated taxes within the set deadline can apply to the State tax inspectorate for postponement of tax payment by concluding a tax credit agreement.
  - **No interest will apply for such tax credit agreement.**

  Taxpayers on the COVID-19 list will be subject to similar measures to facilitate the payments of social security contributions. However, the two-month period for delayed social security contribution payments is calculated from the end of the quarantine (not from the end of the emergency situation, as is the case for personal income tax).

  Taxpayers not on the COVID-19 list, but which have also experienced negative consequences of COVID-19, may apply to the tax authorities for the reliefs, as well as for conclusion of a tax credit agreement.
- The annual tax-exempt amount for the fiscal year 2020 was increased from EUR 4200 (as budgeted for 2020 before COVID-19) to EUR 4800 for individuals whose annual income does not

exceed twelve minimum monthly wages effective on 1 January 2020 (EUR 7 284 in 2020). For others, the annual tax-exempt amount is estimated using the following formula:

4 800– 0.19 x (annual income – twelve minimum monthly wages effective on 1 January of a respective calendar year).

- One-off child benefit to reduce the effects related with the COVID-19 pandemics was approved by the Lithuanian parliament. Low-income families with up to two children and families with three or more children, as well as families raising children with disabilities, are entitled to one-off payment of 200 euros per child. Other families with children are entitled to one-off payment of 120 euros per child.

## 5. Memorandum items

### *5.1. Average gross annual wage earnings calculation*

The average gross wage is estimated by the Statistics Lithuania. For the purpose of this exercise the average annual earnings equal twelve average monthly gross wages in the industry sectors B–N by ISIC Rev.4 (private sector, including individual enterprises). The gross wage is monetary remuneration, which includes the basic wage, additional pays, overtime, compensations calculated for annual and special leave and payment for idle time.

### *5.2. Employer contributions to private pension and health schemes*

**2nd pillar private pension funds.** Between 2004 and 2018, employees could voluntarily choose to participate in the pension accumulation system which in 2018 consisted of three types of contributions to the pension fund: (1) a share of social security contributions paid by the employer was transferred to the pension fund on behalf of the employee (2 p.p. from the total contribution paid by the employer); (2) an additional contribution of 2% deducted from the employee's gross wage to the pension fund; (3) another 2% of the Lithuanian average gross wage was transferred by the State. In total, if an employee chooses to participate in the pension accumulation system, roughly 6% (2+2+2) of gross wage was accumulated in the pension fund. However, the supplementary part of a social insurance pension will decrease for the period of participation in the accumulation of pensions depending on the amount of contributions paid. From 2019 all persons at age below 40, insured by social insurance, are enrolled in the 2nd pillar system with a possibility to opt-out. The procedure of auto-enrolment will be repeated every 3 years until the person reaches the age of 40. Pension accumulation system consists of two types of contributions to the private pension fund: (1) employee's contribution – 3% deducted from the employee's gross wage; (2) State's contribution – 1.5% of the Lithuanian average gross wage is transferred by the State on behalf of the employee. Therefore, the overall contribution to the private 2nd pillar pension funds is 4.5%, which corresponds to 6% (2+2+2) applicable before the tax reform of 2019.

**3rd pillar private pension funds.** Employees can voluntarily choose to accumulate for additional pension by taking part in the 3rd pillar private pension funds or negotiate it with employer as part of employment contract. Contributions to such funds are financed by employees themselves, if they chose to take part in pension scheme voluntarily or by the employer on behalf of the employee. Personal income tax relief related to the 3rd pillar contributions are applied (see section 1.1.2.2).

**Additional voluntary health insurance.** Employees can voluntarily choose to additionally insure their health for services and medicines that are not covered under the mandatory health insurance scheme. Contributions to such insurance schemes are financed by employees themselves and / or third parties on behalf of the employee (employer, family members, etc.). Personal income tax relief related to the contributions paid by the employers are applied (see section 1.1.2.2).

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 16 426 | Secretariat estimate |
|---|---|---|---|
| Threshold for SSC ceilings | Threshold_SSC_ceilings | 104 277.6 | |
| Allowances | Max_basic_al | 4 800 | |
| | Threshold_max_basic_al | 7 284 | |
| | Reduction_coeficient | 0.19 | |
| Income tax schedule | Tax_sch | 0.20 | 104 277.6 |
| | | 0.32 | |
| Tax credit | tax_cred | 0 | |
| | | | |
| Minimum threshold for employer SSC and payroll tax | SSC_employer_min | 7 284 | |
| | | | |
| Employer's SSC | SSC_rate_empr1 | 0.0147 | |
| | SSC_rate_empr2 | 0.2097 | |
| Employer's payroll tax | PRT_rate_empr | 0.0032 | |
| Employee's SSC | SSC_rate_empee1 | 0.1252 | |
| | SSC_rate_empee2 | 0.0698 | |
| Universal Child benefits | | | |
| For each child | UCB | 840.72 | |
| Need-based child benefits | | | |
| for each child | CB | 562.04 | |
| Need-based family threshold | | | |
| each member | F_thrsh | 3 000 | |
| Days in tax year | numdays | 365 | |
| | | | |

## 2020 Tax equations

The equations for the Lithuanian system are mostly on an individual basis. But child benefit is only calculated once.

The functions which are used in the equations (Positive, MIN, 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.

| | Line in country table and intermediate steps | Variable name | Range | Equation |
|---|---|---|---|---|
| 1 | Earnings | earn | | =Ave_earn |
| | | earn_net | J | =earn_total-CG_tax_total-SSC_empee_total |
| 2 | Allowances | basic_al | B | =Positive(IF(earn<Max_basic_al;earn;IF(earn<Threshold_max_basic_al;Max_basic_al;Max_basic_al-Reduction_coefficient*(earn-Threshold_max_basic_al)))) |
| | | | | |
| 3 | Credits in taxable income | taxbl_cr | B | 0 |
| 4 | CG taxable income | tax_inc | B | =earn-basic_al |
| 5 | CG tax before credits | CG_tax_excl | B | =Tax(tax_inc,Tax_sch) |
| 6 | Tax credits (wastable) | tax_cr | | 0 |
| 7 | CG tax | CG_tax | B | =Positive(CG_tax_excl-tax_cr) |
| 8 | State and local taxes | local_tax | B | 0 |
| | | | | |
| 9 | Employees' soc security | SSC_empee | B | =IF(earn<Threshold_SSC_ceilings;earn*(SSC_rate_empee1+SSC_rate_empee2);(Threshold_SSC_ceilings*SSC_rate_empee1+earn*SSC_rate_empee2 |
| 10 | Cash transfers | cash_trans | J | =Children*UCB+IF(earn_net<F_thrsh*(Married+1)+F_thrsh*Children;CB*Children;0) |
| 11 | Employer’s wage dependent contributions and taxes | | | |
| 12 | Employer's soc security | SSC_empr | B | =IF(AND(earn>0;earn<SSC_employer_min);earn*SSC_rate_empr1+(SSC_employer_min-earn)*SSC_rate_empr2;IF(earn>Threshold_SSC_ceilings;Threshold_SSC_ceilings*SSC_rate_empr1;earn*SSC_rate_empr1)) |
| 13 | Employer's payroll | PRT_empr | B | =IF(AND(earn>0;earn<SSC_employer_min);SSC_employer_min*PRT_rate_empr;IF(earn>Threshold_SSC_ceilings;Threshold_SSC_ceilings*PRT_rate_empr;earn*PRT_rate_empr)) |
| 14 | Total | Cont_empr | B | =SSC_empr+PRT_empr |

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal  S calculated on the spouse 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 2020

### 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** | | 38 887 | 58 040 | 96 927 | 38 887 |
| **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 | | 4 297 | 6 413 | 10 710 | 4 297 |
| | Work-related expenses | | 540 | 540 | 540 | 540 |
| | Other | | 0 | 0 | 0 | 0 |
| | | Total | 5 317 | 7 433 | 11 730 | 5 317 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government rounded taxable income (1 - 2 + 3)** | | 33 550 | 50 600 | 85 150 | 33 550 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 3 724 | 9 995 | 24 412 | 2 286 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 600 | 329 | 0 | 600 |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | 0 | 0 | 0 | 1 458 |
| | | Total | 600 | 329 | 0 | 2 058 |
| **7.** | **Central government income tax finally paid (5-6)** | | 3 124 | 9 665 | 24 412 | 228 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 4 751 | 7 136 | 11 977 | 4 751 |
| | Taxable income | | | | | |
| | | Total | 4 751 | 7 136 | 11 977 | 4 751 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 7 875 | 16 801 | 36 390 | 4 979 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 0 | 0 | 0 | 7 614 |
| | | Total | 0 | 0 | 0 | 7 614 |
| **12.** | **Take-home pay (1-10+11)** | | 31 012 | 41 239 | 60 537 | 41 521 |
| **13.** | **Employer's compulsory social security contributions** | | 5 351 | 7 986 | 13 337 | 5 351 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 8.0% | 16.7% | 25.2% | 0.6% |
| | Employees' social security contributions | | 12.2% | 12.3% | 12.4% | 12.2% |
| | Total payments less cash transfers | | 20.3% | 28.9% | 37.5% | -6.8% |
| | Total tax wedge including employer's social security contributions | | 29.9% | 37.5% | 45.1% | 6.1% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 37.2% | 51.1% | 49.6% | 42.1% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 44.8% | 57.0% | 55.7% | 49.1% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Luxembourg 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 58 040 | 96 927 | 116 080 | 96 927 |
| **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 | | 6 413 | 10 710 | 12 827 | 10 710 |
| | Work-related expenses | | 540 | 1 080 | 1 080 | 1 080 |
| | Other | | 0 | 4 500 | 4 500 | 4 500 |
| | | Total | 7 433 | 17 250 | 19 367 | 17 250 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government rounded taxable income (1 - 2 + 3)** | | 50 600 | 79 650 | 96 700 | 79 650 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 3 554 | 11 407 | 18 112 | 11 407 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 329 | 929 | 659 | 929 |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | 0 | 0 | 0 | 0 |
| | | Total | 329 | 929 | 659 | 929 |
| **7.** | **Central government income tax finally paid (5-6)** | | 3 225 | 10 478 | 17 453 | 10 478 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 7 136 | 11 887 | 14 272 | 11 887 |
| | Taxable income | | | | | |
| | | Total | 7 136 | 11 887 | 14 272 | 11 887 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 10 361 | 22 365 | 31 725 | 22 365 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 7 614 | 7 614 | 7 614 | 0 |
| | | Total | 7 614 | 7 614 | 7 614 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 55 293 | 82 175 | 91 969 | 74 562 |
| **13.** | **Employer's compulsory social security contributions** | | 7 986 | 13 337 | 15 973 | 13 337 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 5.6% | 10.8% | 15.0% | 10.8% |
| | Employees' social security contributions | | 12.3% | 12.3% | 12.3% | 12.3% |
| | Total payments less cash transfers | | 4.7% | 15.2% | 20.8% | 23.1% |
| | Total tax wedge including employer's social security contributions | | 16.3% | 25.5% | 30.4% | 32.4% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 31.1% | 44.4% | 51.1% | 44.4% |
| | Total payments less cash transfers: Spouse | | 30.9% | 42.9% | 51.1% | 42.9% |
| | Total tax wedge: Principal earner | | 39.4% | 51.1% | 57.0% | 51.1% |
| | Total tax wedge: Spouse | | 39.2% | 49.8% | 57.0% | 49.8% |

The national currency is the Euro (EUR). In 2020, EUR 0.88 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 58 040 (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.

From 2018 onwards, there is the option to file separate tax returns for married couples and civil partners.

### *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 = 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. The tax credit will increase progressively until it is capped at EUR 600 per year for taxpayers earning between EUR 11 265 and EUR 40 000. Between EUR 40 000 and EUR 80 000, the tax credit will decline progressively. Over EUR 80 000, the tax credit is 0.
- Single-parents receive a refundable tax credit. The tax credit will be increased to EUR 1 500 per year for taxpayers earning up to EUR 35 000. Between EUR 35 000 and EUR 105 000, the tax credit will decline progressively. Over EUR 105 000 the tax credit is EUR 750 like in the past.
- A new tax credit for social minimum wage earners was introduced in January 2019. The tax credit is fixed to EUR 70 per month for employees earning a monthly gross wage between EUR 1 500 and EUR 2 500. For employees with monthly gross wages between EUR 2 500 and EUR 3 000, the tax credit declines progressively. Employees with monthly gross wages higher than EUR 3 000 will not benefit anymore from the tax credit. This tax credit come on top of the already existing tax credit for employees.

#### 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.
- 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.
- From 2017 onwards, the deductibility of interest charges and for insurance and legal responsibility is aggregated under one category and limited to EUR 672.
- Payments to an insurance company or credit institution in respect of an individual retirement scheme are deductible. These payments are capped at EUR 3 200 and must meet certain investment policy constraints.
- Contributions to building society savings are deductible up to the limit of EUR 672. If the taxpayer is under 40 years old, this limit will be doubled to EUR 1 344.
- 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 2 000; for the following five years it is EUR 1 500; thereafter it is EUR 1 000. 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% (e.g. EUR 480) 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).
- The deductibility for domestic costs is set at EUR 5 400.
- A EUR 5 000 tax allowance will be granted for the purchase of an electric or hydrogen-powered car. A EUR 2 500 tax allowance will be granted for the purchase of a rechargeable hybrid car, when CO2 emissions do not exceed 50g/km. The tax allowance is EUR 300 for the purchase of a pedelec or bicycle.
- From 2019 onwards, self-employed have the possibility to deduct premiums paid into a supplementary pension scheme for the self-employed as special expenses, as well as a flat-rate and final discharge. The financing of supplementary pension schemes is deductible up to 20% of annual income.

### 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 up to 11 265 |
| 8% for the portion of income between 11 265 and 13 137 |
| 9% for the portion of income between 13 137 and 15 009 |
| 10% for the portion of income between 15 009 and 16 881 |
| 11% for the portion of income between 16 881 and 18 753 |
| 12% for the portion of income between 18 753 and 20 625 |
| 14% for the portion of income between 20 625 and 22 569 |
| 16% for the portion of income between 22 569 and 24 513 |
| 18% for the portion of income between 24 513 and 26 457 |
| 20% for the portion of income between 26 457 and 28 401 |
| 22% for the portion of income between 28 401 and 30 345 |
| 24% for the portion of income between 30 345 and 32 289 |
| 26% for the portion of income between 32 289 and 34 233 |
| 28% for the portion of income between 34 233 and 36 177 |
| 30% for the portion of income between 36 177 and 38 121 |
| 32% for the portion of income between 38 121 and 40 065 |
| 34% for the portion of income between 40 065 and 42 009 |
| 36% for the portion of income between 42 009 and 43 953 |
| 38% for the portion of income between 43 953 and 45 897 |
| 39% for the portion of income between 45 897 and 100 002 |
| 40% for the portion of income between 100 002 and 150 000 |
| 41% for the portion of income between 150 000 and 200 004 |
| 42% for the portion of income exceeding 200 004 |

The income tax liability of single taxpayers is determined by applying the above schedule to taxable income.

The income tax liability of married taxpayers and partners corresponds to double the amount obtained if the above schedule is applied to half of their income (class 2).

For widow(er)s, taxpayers with a dependent child allowance and persons over 64 years of age (class 1a), tax is calculated as follows: the schedule is applied to adjusted taxable income reduced by half of the difference between that amount and EUR 45 060, with the marginal tax rate capped at 39% for the portion of income between EUR 37 842 and EUR 100 002, 40% for the portion of income between EUR 100 002 and EUR 150 000, 41% for the portion of income between EUR 150 000 and EUR 200 004, and 42% for the portion of income exceeding EUR 200 004.

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 4 020.

## 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 | 128 519,40 |
| b) Health insurance | 3.05 | 3.05 | 128 519,40 |
| c) Dependency insurance | | 1.4 | Monthly allowance 535.50 * |
| d) Health in the workplace | 0.11 | | |
| e) Accident insurance | 0.75 | | |

*(Monthly allowance: EUR 535.50 = 0.25* social minimum salary / 12). The social minimum salary in 2020 is equal to EUR 25 703.88.

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.

The temporary budget balancing tax, the "impôt d'équilibrage budgétaire temporaire" (IEBT), introduced in 2015, is abolished from 1 January 2017.

Employers must make payments to the Employers' Mutual Insurance Scheme. This scheme provides insurance for employers against the financial cost of continued payment of salaries or wages to workers who become incapacitated. Employers are required to pay the remuneration of an employee who is unable to work until the end of the month in which the seventy-seventh day of incapacitation occurs within a reference period of twelve successive calendar months. The Scheme is administered by a Board of Directors which is mainly composed of employer representatives (Chamber of Commerce, Chamber of Trade, Chamber of Agriculture and Federation of Independent Intellectual Workers). Employer contributions depend on the rate of "financial absenteeism" within the company, and range from 0.46 % to 2.70 %. A representative rate of 1.85 % is used in the Taxing Wages calculations.

## 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.

There has been a reform of the family allowance system in 2016.

For families that are eligible for family allowance before 1 August 2016, the old system remains, and the amounts for 2020 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.

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.

For children born on or after 1 August 2016, the child bonus amounting to EUR 76.88 per child per month has been abolished and incorporated in the new higher amounts:

| Effective date | As of 1 August 2016 |
|---|---|
| 1 eligible child | EUR 265 |
| 2 eligible children | EUR 530 |
| 3 eligible children | EUR 795 |

The amounts indicated above (under the old regime as well as under the new regime) are increased by EUR 20 for children aged 6 to 11 and by EUR 50 for those aged 12 years or older. These new additional amounts, depending on the children's age, are applicable for all children and are replacing the amounts of EUR 16.17 respectively EUR 48.52 from 1 August 2016 onwards.

## 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 2017:

- The existing tax credit of EUR 300 for employees, self-employed people and pensioners will be increased progressively until it is capped at EUR 600 per year for taxpayers earning between EUR 11 265 and EUR 40 000. For taxpayers earning between EUR 40 000 and 80 000, the tax credit will decline progressively. Taxpayers earning more than EUR 80 000 will not benefit anymore from the tax credit.
- The existing tax credit of EUR 750 for single parents with children will be increased to EUR 1 500 per year for taxpayers earning up to EUR 35 000. For taxpayers earning between EUR 35 000 and EUR 105 000, the tax credit will decline progressively. For taxpayers earning more than EUR 105 000, the tax credit will remain at its current level of EUR 750.

The following changes were made as of 1 January 2019:

- A new tax credit for social minimum wage earners was introduced. The tax credit is fixed to EUR 70 per month for employees earning a monthly gross wage between EUR 1 500 and EUR 2 500. For employees with monthly gross wages between EUR 2 500 and EUR 3 000, the tax credit declines progressively. Employees with monthly gross wages higher than EUR 3 000 will not benefit anymore from the tax credit.

This tax credit come on top of the already existing tax credit for employees.

### 4.3. Changes to labour taxation due to the covid-19 pandemic

In order to mitigate the negative impact of the covid-19 pandemic on the economy, the Luxembourg government introduced several measures to support taxpayers financially. Concerning labour taxation, the following measures were introduced:

- The date for submitting PIT tax returns is postponed from 31 March 2020 to 30 June 2020
- The deductibility for domestic costs is increased from EUR 5 400 to EUR 6 750 for the period of 1 April 2020 to 31 December 2020, for taxpayers who employ a housekeeper for domestic tasks.
- Cross-border workers living in France, Germany and Belgium are allowed to work from home (e.g. teleworking) during the crisis without their wage being taxed in their country of residence.

With regards to measures not directly effecting labour taxation but from which the majority of taxpayers can benefit:

- Short-time working in the event « force majeure » in relation with the current COVID-19 crisis is possible from 18 March 2020 to 30 June 2020. The short-time working scheme is an accelerated procedure that is intended to protect jobs in companies that had to completely or partially cease their activities due to the crisis. The scheme applies to employees that can no longer be employed on a full-time basis. The state will pay a compensation up to 80% of the employee's wage, and the reimbursement is limited to 250% of the social minimum wage for unskilled workers aged 18 or over. Any difference between the amount of the compensation paid and the social minimum wage will be borne by the Unemployment Fund.
- A specific procedure has been set up to allow parents to take leave for family reasons if they have to look after their children
- Possibility to cancel the first two quarterly advance tax payments for 2020, tax types concerned: corporate income tax, communal business tax and personal income tax (only if profit from commercial or craft activities, from agricultural or forestry activities or from exercising a liberal profession)
- Possibility to postpone for 4 months the payment of PIT based on tax returns (concerns only tax returns with a payment deadline after 29 February 2020). Tax types concerned: corporate income tax, communal business tax, net wealth tax and personal income tax (only if profit from commercial or craft activities, from agricultural or forestry activities or from exercising a liberal profession). This does not affect e.g. the withholding of PIT for employees.
- The deadline for submitting a claim or a formal hierarchical appeal has been suspended until 30 June 2020

## 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.

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 58 040 | 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 | 13 137 |
| | | 0.09 | 15 009 |
| | | 0.10 | 16 881 |
| | | 0.11 | 18 753 |
| | | 0.12 | 20 625 |
| | | 0.14 | 22 569 |
| | | 0.16 | 24 513 |
| | | 0.18 | 26 457 |
| | | 0.20 | 28 401 |
| | | 0.22 | 30 345 |
| | | 0.24 | 32 289 |
| | | 0.26 | 34 233 |
| | | 0.28 | 36 177 |
| | | 0.30 | 38 121 |
| | | 0.32 | 40 065 |
| | | 0.34 | 42 009 |
| | | 0.36 | 43 953 |
| | | 0.38 | 45 897 |
| | | 0.39 | 100 002 |
| | | 0.40 | 150 000 |
| | | 0.41 | 200 004 |
| | | 0.42 | |
| Child credit maximum | ch_cred | 0 | |
| Social Minimum Salary | min_salary | 25 703.88 | |
| 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 | 128 519.40 | |
| | infirm | 0.014 | |
| | infirm_abatement | 0.25 | |
| Employer contributions | workhealth | 0.0011 | |
| | SSC_empr | 0.1105 | |
| | SSC_acc | 0.0075 | |
| | empr_mutual | 0.0185 | |
| Child benefit (1 child) | CB_1 | 185.6 | |
| 2 children | CB_2 | 440.72 | |
| extra age 6-11<br>extra age above 11 | CB_ex | 20<br>50 | |
| Child bonus | ch_bonus | 922.50 | |
| Worker tax credit | wtc_basic_1 | 300 | |
| | wtc_basic_2 | 600 | |
| | wtc_incomelim_1 | 936 | |

| | | | |
|---|---|---|---|
| | wtc_incomelim_2 | 11 265 | |
| | wtc_incomelim_3 | 40 000 | |
| | wtc_incomelim_4 | 80 000 | |
| | wtc_incr_rate | 0.029044438 | |
| | wtc_decr_rate | 0.015 | |
| Single parent tax credit | sptc_basic_1 | 1500 | |
| | sptc_basic_2 | 750 | |
| | sptc_incomelim_1 | 35 000 | |
| | sptc_incomelim_2 | 105 000 | |
| | sptc_decr_rate | 0.010714286 | |
| Minimum wage tax credit | smwtc_basic | 840 | |
| | smwtc_incomelim_1 | 18 000 | |
| | smwtc_incomelim_2 | 30 000 | |
| | smwtc_incomelim_3 | 36 000 | |
| | smwtc_decr_rate | 0.14 | |
| Class 1a Discount | discount | 0.50 | |
| Maximum Marginal Rate | max_rate | 0.42 | |

## 2020 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 | Positive(IF(earn_princ>wtc_incomelim_1,wtc_basic_1+(Positive(MIN(earn_princ, wtc_incomelim_2)-wtc_incomelim_1)*wtc_incr_rate)-(Positive(earn_princ-wtc_incomelim_3)*wtc_decr_rate),0))+ Positive(IF(earn_spouse>wtc_incomelim_1,wtc_basic_1+(Positive(MIN(earn_spouse,wtc_incomelim_2)-wtc_incomelim_1)*wtc_incr_rate)-(Positive(earn_spouse-wtc_incomelim_3)*wtc_decr_rate),0)) |
| | | monoparent_cr | J | IF(AND(Married=0,Children>0),IF(earn<sptc_incomelim_1,sptc_basic_1,sptc_basic_1-((MIN(earn,sptc_incomelim_2)-sptc_incomelim_1)*sptc_decr_rate)),0) |
| | | Minimum wage credit | J | if (earn_p> smwtc_incomelim_1,if (earn_p< smwtc_incomelim_2,smwtc_basic,Positive(smwtc_incomelim_3 -earn_p)*smwtc_decr_rate),0) + if (earn_s> smwtc_incomelim_1,if (earn_s< smwtc_incomelim_2,smwtc_basic,Positive(smwtc_incomelim_3 -earn_s)*smwtc_decr_rate),0) |
| | | tax_cr | J | worker_cr+monoparent_cr+minimum wage credit |
| 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)+empr_mutual*MIN(AA7,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 2020

### 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** | | 87 879 | 131 163 | 219 043 | 87 879 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | 2 968 | 3 145 | 3 507 | 2 968 |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | | | | |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 2 968 | 3 145 | 3 507 | 2 968 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 84 912 | 128 018 | 215 536 | 84 912 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 6 288 | 12 377 | 30 517 | 6 288 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 3 042 | 0 | 0 | 3 042 |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | 0 | 0 | 0 | 0 |
| | | Total | 3 042 | 0 | 0 | 3 042 |
| **7.** | **Central government income tax finally paid (5-6)** | | 3 245 | 12 377 | 30 517 | 3 245 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 1 098 | 1 784 | 3 234 | 1 098 |
| | Taxable income | | | | | |
| | | Total | 1 098 | 1 784 | 3 234 | 1 098 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 4 344 | 14 161 | 33 751 | 4 344 |
| **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)** | | 83 536 | 117 003 | 185 292 | 83 536 |
| **13.** | **Employers' compulsory social security contributions** | | 12 210 | 15 434 | 22 142 | 12 210 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 3.7% | 9.4% | 13.9% | 3.7% |
| | Employees' social security contributions | | 1.3% | 1.4% | 1.5% | 1.3% |
| | Total payments less cash transfers | | 4.9% | 10.8% | 15.4% | 4.9% |
| | Total tax wedge including employer's social security contributions | | 16.5% | 20.2% | 23.2% | 16.5% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 12.1% | 19.5% | 22.9% | 12.1% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 17.5% | 25.2% | 28.4% | 17.5% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Mexico 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 131 163 | 219 043 | 262 327 | 219 043 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | 3 145 | 6 113 | 6 291 | 6 113 |
| | Married or head of family | | | | |
| | Dependent children | | | | |
| | Deduction for social security contributions and income taxes | | | | |
| | Work-related expenses | | | | |
| | Other | | | | |
| | Total | 3 145 | 6 113 | 6 291 | 6 113 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 128 018 | 212 930 | 256 036 | 212 930 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 12 377 | 18 665 | 24 754 | 18 665 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | 0 | 3 042 | 0 | 3 042 |
| | Married or head of family | | | | |
| | Children | | | | |
| | Other | 0 | 0 | 0 | 0 |
| | Total | 0 | 3 042 | 0 | 3 042 |
| **7.** | **Central government income tax finally paid (5-6)** | 12 377 | 15 622 | 24 754 | 15 622 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 1 784 | 2 882 | 3 567 | 2 882 |
| | Taxable income | | | | |
| | Total | 1 784 | 2 882 | 3 567 | 2 882 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 14 161 | 18 504 | 28 322 | 18 504 |
| **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)** | 117 003 | 200 538 | 234 005 | 200 538 |
| **13.** | **Employers' compulsory social security contributions** | 15 434 | 27 645 | 30 869 | 27 645 |
| **14.** | **Average rates** | | | | |
| | Income tax | 9.4% | 7.1% | 9.4% | 7.1% |
| | Employees' social security contributions | 1.4% | 1.3% | 1.4% | 1.3% |
| | Total payments less cash transfers | 10.8% | 8.4% | 10.8% | 8.4% |
| | Total tax wedge including employer's social security contributions | 20.2% | 18.7% | 20.2% | 18.7% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 19.5% | 19.5% | 19.5% | 19.5% |
| | Total payments less cash transfers: Spouse | 4.9% | 12.1% | 19.5% | 12.1% |
| | Total tax wedge: Principal earner | 25.2% | 25.2% | 25.2% | 25.2% |
| | Total tax wedge: Spouse | 16.5% | 17.5% | 25.2% | 17.5% |

The national currency is the peso (MXN). In 2020, MXN 21.56 were equal to USD 1. That year, the estimated earnings of the average worker are MXN 131 163 (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% of six days of the worker's wage. The maximum exemption according to the Tax Law is equivalent to 15 UMAs.[1]
- End-of-year bonus: The minimum end-of-year bonus established in the Labour Law is 15 days of the worker's wage. The Tax Law exempts end-of-year-bonuses up to 30 UMAs.

#### 1.1.2.2. Main non-standard tax reliefs

Deductions:

- Compulsory school transportation costs.
- Medical expenses (doctor, dental, psychology and nutrition fees and hospital expenses): For expenses made by the taxpayer on behalf of his or her spouse and straight line relatives, the deduction is allowed only if the taxpayer´s relative earns less than the minimum annual wage.
- Complementary contributions of certain retirement accounts are considered eligible as long as they do not exceed 10% of taxable income and MXN 158 469 (5 annual UMAs).
- Funeral expenses: for the spouse and straight-line relatives up to 1 annual UMA.
- 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 of mortgage loans if the value of the property does not exceed MXN 4 843 991. Real interest expenditure is defined as 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 2016, the limit amount for personal deductions was increased. The new limit is the minimum between 15% of taxpayer's gross income and an amount equivalent to 5 annual UMAs (MXN 158 469 in 2020). The limit does not apply to private school´s tuition, charity donations, complementary contributions to retirement´s personal accounts, professional fees, and medical expenses in the event of incapacity or disability.

#### 1.1.2.3. Employment subsidy credit

The employment subsidy credit is decreasing on workers´ income and is assigned based on a table of income brackets. 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

| Taxable income (MXN) | | Fixed quota (MXN) | Tax on the amount in excess of the lower limit (%) |
|---|---|---|---|
| Lower Limit | Upper Limit | | |
| 0.01 | 6 942.20 | 0.00 | 1.92 |
| 6 942.21 | 58 922.16 | 133.28 | 6.40 |
| 58 922.17 | 103 550.44 | 3 460.01 | 10.88 |
| 103 550.45 | 120 372.83 | 8 315.57 | 16.00 |
| 120 372.84 | 144 119.23 | 11 007.14 | 17.92 |
| 144 119.24 | 290 667.75 | 15 262.49 | 21.36 |
| 290 667.76 | 458 132.29 | 46 565.26 | 23.52 |
| 458 132.30 | 874 650.00 | 85 952.92 | 30.00 |
| 874 650.01 | 1 166 200.00 | 210 908.23 | 32.00 |
| 1 166 200.01 | 3 498 600.00 | 304 204.21 | 34.00 |
| 3 498 600.01 | And over | 1 097 220.21 | 35.00 |

The income tax schedule are updated once the accumulated inflation reaches 10%. The last updated was in 2018.

#### 1.1.3.2. Employment subsidy credit table

For annual 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 2.53 %. 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% of the workers monthly wage, plus 0.40% of the amount in excess of 3 UMAs. For disability and life insurance, 0.625% of the monthly wage.

In 2020, a ceiling of 25 UMAs applies to the salary that is used to calculate the social security contributions.

### *2.2. Employers' contributions*

- For sickness and maternity 20.40% of the UMA, plus 1.10% of the amount in excess of 3 UMAs, plus 1.75% of the monthly wage.
- For disability and life insurance, 1.75% of worker's monthly wage.
- For social services and nursery, 1% of worker's monthly wage.
- For insurance for work injuries of employees, 2.033% of worker's monthly wage.[2]

In 2020, a ceiling of 25 UMAs 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 funds, because legally they are still considered as contributions to social security, independently of who manages the funds. 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, independently of the administration of the funds as well.

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

Federal Government.

- The Tax Administration Service extended the deadline for filing the individual 2019 annual tax return until June 30, 2020 (originally April 30).

Examples of tax measures at Subnational Governments.

- The Mexico City Government extended the deadline to obtain a discount on the payment of the Tax on Vehicle Ownership from the end of March to the end of July. The City Government also announced the deferral of tax returns and payments obligations included in the Mexico City Tax Code, extending the deadline to the end of the month. Tax inspection acts were suspended from March 23rd to May 29th.
- Individuals and companies were exempted of surcharges, fines and other expenses generated during the first three bimesters of 2020 for non-compliance with the payment of the property tax. Additionally, a 5% discount was granted on the payment of this tax for the fourth bimester, as well as for advance payments of the tax corresponding to the fifth and sixth bimesters.
- The State of Mexico also extended the deadline for the payment of the Tax on Vehicle Ownership to the end of July. The Government also granted a 100% discount in the tax on lodging for the months of April, May, June and July and a 50% discount for the payment of payroll tax for companies with up to 50 employees for April and May.
- The Government of the State of Sonora announced for March and April a 50% discount for the payment of payroll tax for companies with up to 50 employees and a 100% discount for the Tax on Lodging. The State Government also announced the deferral for the payment of permits for the sale of alcoholic beverages and for the revalidation of vehicles permits, and also the suspension of tax inspection acts. The measures were extended until June.

## 5. Memorandum Items

### *5.1. Method used to identify an average worker and to calculate his gross earnings*

The income data refer to average workers. It should be noted that in the sample used for this survey, medium and large size firms are over-represented. In Mexico, there are no state or local government income taxes. Information on non-standard tax reliefs is not available.

Figures for 1999 and subsequent years cannot be compared with preliminary figures from previous editions of this publication for two reasons: first, the wage level of the average worker is now based on observed

data instead of being estimated; second, social security contributions taken into account no longer include contributions made by employers and employees to privately managed individual accounts. Contributions no longer included in the calculation of social security contributions are specified in the table below.

### *5.2. Main employees' and employers' contributions to private pension, health, etc. schemes*

| | Account | % 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 |

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 131 163 | Secretariat estimate | |
|---|---|---|---|---|
| | | | | |
| Unit of Measure and Update | UMA | 86.88 | | |
| | | | | |
| | | | | |
| Income tax | tax_table | 0.00 | 0 | 0.0192 |
| | | 6 942.21 | 133.28 | 0.0640 |
| | | 58 922.17 | 3 460.01 | 0.1088 |
| | | 103 550.45 | 8 315.57 | 0.1600 |
| | | 120 372.84 | 11 007.14 | 0.1792 |
| | | 144 119.24 | 15 262.49 | 0.2136 |
| | | 290 667.76 | 46 565.26 | 0.2352 |
| | | 458 132.30 | 85 952.92 | 0.3000 |
| | | 874 650.01 | 210 908.23 | 0.3200 |
| | | 1 166 200.01 | 304 204.21 | 0.3400 |
| | | 3 498 600.01 | 1 097 220.21 | 0.3500 |
| | | | | |
| 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 | 0.06533 | | |
| | SSC_empr_min | 0.2040 | | |
| | SSC_empr_sur | 0.0110 | | |

## 2020 Tax equations

The equations for the Mexican system in 2020 are on an individual basis.

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

| | Line in country table and intermediate steps | Variable name | Range | Equation |
|---|---|---|---|---|
| 1. | Earnings | earn | | |
| 2. | Allowances | tax_al | B | MIN(earn, MIN(earn*(6/365)*0.25, UMA*15)+ MIN(earn*(15/365), UMA*30)) |
| 3. | Credits in taxable income | taxbl_cr | B | 0 |
| 4. | CG taxable income | tax_inc | B | Positive(earn-tax_al) |
| 5. | CG tax before credits | CG_tax_excl | B | Tax(tax_inc, Tax_sch) |
| 6. | Tax credits | tax_cr | B | VLOOKUP(tax_inc, Basic_crd, 2) |
| 7. | CG tax | CG_tax | B | CG_tax_excl-tax_cr |
| 8. | State and local taxes | local_tax | B | 0 |
| 9. | Employees' soc security | SSC | B | MIN(earn*ssc_rate, UMA*25*365*ssc_rate)+MIN(Positive(earn-(3*365*UMA))*ssc_rate_sur, UMA*(25-3)*365*ssc_rate_sur) |
| 11. | Cash transfers | cash_trans | B | 0 |
| 13. | Employer's soc security | SSC_empr | B | MIN(earn*ssc_empr, UMA*25*365*ssc_empr)+365*UMA*ssc_empr_min +MIN(Positive(earn-(3*365*UMA))*ssc_empr_sur, UMA*(25-3)*365*ssc_empr_sur) |
| | Memorandum item: Non-wastable tax credit | | | |
| | tax expenditure component | taxexp | B | tax_cr-transfer |
| | cash transfer component | transfer | B | IF(CG_tax<0, -CG_tax, 0) |

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation).

## Notes

[1] For 2020, the value of the UMA is 86.88, mean while the general minimum wage is 123.22 and 185.56 in the northern border region. The municipalities constituting the northern border region are as follows: Ensenada, Playas de Rosarito, Tijuana, Tecate and Mexicali in the state of Baja California; San Luis Río Colorado, Puerto Peñasco, General Plutarco Elías Calles, Caborca, Altar, Sáric, Nogales, Santa Cruz, Cananea, Naco and Agua Prieta in the state of Sonora; Janos, Ascensión, Juárez, Praxedis G. Guerrero, Guadalupe, Coyame del Sotol, Ojinaga and Manuel Benavides in the state of Chihuahua; Ocampo, Acuña, Zaragoza, Jiménez, Piedras Negras, Nava, Guerrero and Hidalgo in the state of Coahuila de Zaragoza; Anáhuac in the state of Nuevo León, and Nuevo Laredo; Guerrero, Mier, Miguel Alemán, Camargo, Gustavo Díaz Ordaz, Reynosa, Río Bravo, Valle Hermoso and Matamoros in the state of Tamaulipas.

[2] 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.

# 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 2020

### 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** | | 36 745 | 54 843 | 91 588 | 36 745 |
| **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 | | 1 517 | 2 711 | 5 136 | 1 517 |
| | | Total | 1 517 | 2 711 | 5 136 | 1 517 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 35 228 | 52 132 | 86 451 | 35 228 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 3 560 | 9 873 | 24 872 | 3 560 |
| **6.** | **Tax credits :** | | | | | |
| | Basic credit | | | | | |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | | | | |
| | | Total | 1 478 | 965 | 189 | 2 226 |
| **7.** | **Central government income tax finally paid (5-6)** | | 2 082 | 8 908 | 24 683 | 1 334 |
| **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) | | 5 385 | 6 846 | 9 058 | 3 253 |
| | | Total | 5 385 | 6 846 | 9 058 | 3 253 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 7 468 | 15 754 | 33 741 | 4 587 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 0 | 0 | 0 | 6 604 |
| | | Total | 0 | 0 | 0 | 6 604 |
| **12.** | **Take-home pay (1-10+11)** | | 29 277 | 39 089 | 57 847 | 38 762 |
| **13.** | **Employers' compulsory social security contributions** | | 4 487 | 6 641 | 7 290 | 4 487 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 5.7% | 16.2% | 26.9% | 3.6% |
| | Employees' social security contributions | | 14.7% | 12.5% | 9.9% | 8.9% |
| | Total payments less cash transfers | | 20.3% | 28.7% | 36.8% | -5.5% |
| | Total tax wedge including employer's social security contributions | | 29.0% | 36.4% | 41.5% | 6.0% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 45.8% | 45.8% | 51.8% | 52.1% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 51.6% | 51.6% | 51.8% | 57.2% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Netherlands 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 54 843 | 91 588 | 109 686 | 91 588 |
| **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 | | 2 711 | 4 228 | 5 422 | 4 228 |
| | | Total | 2 711 | 4 228 | 5 422 | 4 228 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 52 132 | 87 360 | 104 263 | 87 360 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 9 873 | 13 433 | 19 747 | 13 433 |
| **6.** | **Tax credits :** | | | | | |
| | Basic credit | | | | | |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | | | | |
| | | Total | 1 106 | 3 191 | 2 679 | 2 443 |
| **7.** | **Central government income tax finally paid (5-6)** | | 8 767 | 10 242 | 17 068 | 10 990 |
| **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) | | 6 445 | 10 099 | 11 559 | 12 232 |
| | | Total | 6 445 | 10 099 | 11 559 | 12 232 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 15 212 | 20 341 | 28 627 | 23 222 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 3 386 | 2 155 | 2 155 | 0 |
| | | Total | 3 386 | 2 155 | 2 155 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 43 017 | 73 402 | 83 214 | 68 366 |
| **13.** | **Employers' compulsory social security contributions** | | 6 641 | 11 128 | 13 281 | 11 128 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 16.0% | 11.2% | 15.6% | 12.0% |
| | Employees' social security contributions | | 11.8% | 11.0% | 10.5% | 13.4% |
| | Total payments less cash transfers | | 21.6% | 19.9% | 24.1% | 25.4% |
| | Total tax wedge including employer's social security contributions | | 30.0% | 28.5% | 32.3% | 33.4% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 52.1% | 45.8% | 45.8% | 45.8% |
| | Total payments less cash transfers: Spouse | | 17.3% | 45.8% | 45.8% | 45.8% |
| | Total tax wedge: Principal earner | | 57.2% | 51.6% | 51.6% | 51.6% |
| | Total tax wedge: Spouse | | 26.3% | 51.6% | 51.6% | 51.6% |

The national currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In that year, the average worker earned EUR 54 843 (Secretariat estimate).[1]

# 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

#### 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 2 150 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 is reduced to the specific costs as a result of a chronic illness. As specific costs are seen medical treatment (not paid for by insurance company), diet costs, special medicine described by a doctor, extra domestic care, special expenses for clothing and transportation costs. Visual tools and insurance premiums are not seen as specific costs and are therefore not deductible. Expenses for wheelchairs, scooters for the disabled and home adjustments made because of a chronic illness are not deductible.
- All expenses except for medical treatment expenses may be increased by a factor. This factor is income and age dependent. The factor amounts to 1.4 if the person is below the legal pension age and has an income on or below EUR 35 375. The factor amounts to 2.13 if the person is on

or above the legal pension age and has an income on or below EUR 35 375. People with an income above EUR 35 375 cannot apply the factor.

- For a single person: the specific expenses (after multiplication with the factor) in excess of 1.65% of income are deductible if income exceeds EUR 7 863 and is below EUR 41 765. If income is lower than or equal to EUR 7 863, the non-deductible limit is EUR 136. For a person with a partner: the joint income is used to determine the non-deductible amounts and the non-deductible limit is EUR 272.
- If income exceeds EUR 41 765 the specific expenses in excess of 1.65% of EUR 41 765 increased with 5.75% of income above EUR 41 765 are deductible.
- Some educational expenses: in direct connection with vocational education. Expenses above the threshold of EUR 250 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% of the income and in excess of EUR 60. No more than 10% 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 |
| 0–34 712 | 9.70 | 27.65 | 9.75 |
| 34 712–68 507 | 37.35 | - | - |
| 68 507 and over | 49.50 | | - |

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 above the pension age pay 9.75% (for widows and orphans pensions, and exceptional medical expenses). Individuals below the pension age pay 27.65%, (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 2020, this ratio was 25.97% (= 9.70% / (9.70% + 27.65%), implying that 25.97% of the (tax) credit is attributed to the personal income tax and the remaining 74.03% to 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 dependent on income since 2014, meaning that higher incomes receive less general tax credit. Since 2016, the general tax credit is fully phased out, meaning that higher incomes receive no general tax credit. In 2020, the maximum of the general

tax credit is EUR 2 711 when no reduction is applicable (people who are on or above the legal pension age receive less general tax credit, because they do not pay social contributions for the state pension) and taxable income is below or equal to EUR 20 711. For incomes above this threshold, the general tax credit is fully phased out at a rate of 5.672% (per euro). So incomes above EUR 68 507 receive no general tax credit.

- Work credit: The amount of work credit depends on taxable income from work and is phased in on three trajectories; the first one runs from EUR 0 to EUR 9 921. On this first trajectory, work credit equals 2.812% of taxable income from work. On the second trajectory, which runs from EUR 9 921 to EUR 21 430, the work credit equals EUR 279 plus 28.812% of the part of income that is above EUR 9 921. On the third trajectory, which runs from EUR 21 430 to EUR 34 954, the work credit equals EUR 3 595 plus 1.656% of the part of income that is above EUR 21 430. So at an income of EUR 34 954, the maximum of EUR 3 819 is reached. Above this income of EUR 34 954, the work credit is fully phased out at a rate of 6.0% (per euro) so that incomes above EUR 98 604 receive no work credit.
- Income dependant combination credit: A taxpayer who is either a single parent and working or the working partner with the lowest income, and who has children below the age of 12 and has his/her taxable income from work exceeding EUR 5 072, is entitled to an income dependent combination credit of 11.45% of taxable income from work above EUR 5 072. The maximum total combination credit is EUR 2 881 and reached at an income level of EUR 30 234.
- Single parent credit: abolished since 2015.
- Additional single parent credit: abolished since 2015.
- Elderly tax credit: individuals above the pension age receive a tax credit of EUR 1 622 if their income is below EUR 37 372. This tax credit is gradually phased out to 0 at a rate of 15.0% for incomes above EUR 37 372. Individuals above the pension age who do not have a partner receive an additional tax credit of EUR 4369 that is not income dependent.

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. The cap for this increase is at 20% of sum of the general tax credit, the work credit and the income dependent combination credit. 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*

General schemes (for everyone earning income from (former) employment)

- Old age pension: The age is adjusted such that elderly will receive Old Age (state) pension at the age of 66 years and 4 months old in 2020 and at 67 years old in 2024. The Old age premium percentage is 17.9% of taxable income in the first tax bracket. This scheme does not apply to individuals above the current pension age.

- Widows and orphans pension: 0.10% of taxable income in the first tax bracket.
- Long-term care: 9.65% of taxable income in the first tax bracket.

Schemes for employees:

- Unemployment: 0% of the gross earnings below EUR 57 232 (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 1 415 a year to a self-chosen private health insurance company. This premium is a non-tax compulsory payment and it is not included in the Taxing Wages calculations but only in the NTCP calculations.
- Employees might obtain compensation for the nominal contribution of on average EUR 1 415 for the basic health insurance, 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 1 415 (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). The care benefit is calculated as follows:
  - Single parent households: 1642 – 1.83% * 21 431 – 13.55% * (taxable income – 21 431)
  - Married couples: number of adults * 1642 – 4.14% * 21 431 – 13.55% * (taxable income principal and spouse – 21 431).

### *2.2. Employers' contributions*

Schemes for employers:

- Unemployment: 4.188% of gross earnings below EUR 57 232 for the general unemployment fund and a contribution of 0% of gross earnings below EUR 57 232 for the industrial insurance associations redundancy payments fund;
- Invalidity: 8.55% of gross earnings below EUR 57 232;
- For medical care employers contribute 6.70% of gross earnings net of employees' pension premiums and unemployment social security contributions until a maximum of gross earnings of EUR 57 232. This contribution is modelled as a NTCP from the employer to the Health Care 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 2 155 a year.

An additional income dependent child benefit exists (kindgebonden budget). 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. The

maximum value is EUR 1 185 per year for families with one child in 2020. The maximum value is EUR 2 190 a year for families with two children. The benefit is reduced at a rate of 6.75% per euro when the family's yearly taxable income exceeds a threshold. Since 2020 this threshold is different for single parents and couples. For single parents the threshold equals EUR 21 431, for couples it equals EUR 37 931. As from 2015 an extra benefit for single parents is introduced (independent of the number of children and the age of the children) which amounts to EUR 3 190 per year in 2020. This amount is also phased out at a rate of 6.75%. Therefore this benefit is completely phased out for families with two children when the taxable income exceeds EUR 101 134 for single parents and EUR 70 375 for couples.

## 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%) 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 introduces 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% to 5.85% 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 EURO 56 495 and EURO 19 645 per year. See also par 1.141.

In 2015, the child arrangements are reduced from 10 items to 4 items. For that reason Single parent credits have stopped. Cash transfers for parents with children and low income increase. And for single parents with children an extra cash benefit of EUR 3 050 is introduced to compensate the loss of single parent credits.

Not all child arrangements are part of the TW model because these are quite specific arrangements for disabled children and parents with low income with children.

Long term health care is modernised. The SSC rate for (AWBZ Dutch) reduced with 3% to 9.65% of taxable income. The tax rates in the first two brackets are raised with 3% because Social spending is still used but now for other general social purposes.

In 2016, as part of a EUR 5 billion package of tax reductions on work, the general tax credit and the work credit were phased out fully, meaning that higher incomes no longer receive the general tax credit and the work credit.

Multiple tax credits were increased and made more income dependent in 2019. The working credit is increased, but phased out at a faster rate of 6% (instead of 3.6%). The combination credit starts at EUR 0 instead of EUR 1052, but increases with 11.45% instead of 6.159%. The elderly tax credit has been increased and is now gradually phased out at a rate of 15%, instead of a sudden drop of more than EUR 1 300 above a threshold income. Also, a first step has been made to unify the tax rates in the first three brackets.

In 2020, the number of tax brackets has been reduced from four to three. For people below the retirement age there are effectively only two different brackets, since their combined rate of tax and social security contributions is the same in the first and second bracket. Secondly, a new phase in trajectory has been introduced for the work credit. Thirdly, the threshold after which the income dependent child benefit is phased out is now higher for couples than for single parents.

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

The covid-19 pandemic has not led to changes in labour taxation for employees. Employers and self-employed do have the option to postpone payment of labour taxes. Also, some of the requirements for self-employed to qualify for certain deductibles (e.g. a minimum number of hours to qualify for a self-employed deduction) have been temporarily loosened.

## 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.

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).

No new data is found on EU site
http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database.

The average wages from 2012 onwards include the private and the public sectors, since values on the private sectors only (sectors B to N) are not available. The values were provided by Statistics Netherlands.

### *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% 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.

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 54 843 | Secretariat estimate |
|---|---|---|---|
| minimum wage | min_wage | 21602 | |
| Social security contributions | SSC_ceil | 57232 | |
| Employees' schemes | Unemp_rate1 | 0 | |
| | Unemp_franchise1 | 0 | |
| Medical care | Med_rate | 0,067 | |
| | Med_limit | 999999 | |
| | Med_ceil | 57232 | |
| | Med_adult | 1415 | |
| | Med_child | 0 | |
| | Med_compensation1 | 0,01830 | |
| | Med_compensation2 | 0,13550 | |
| | Med_compenation 3 | 0,04140 | |
| | Med_compensation 4 | 0,13550 | |
| | Med_key | 21431 | |
| | Med_adult for care benefit | 1642 | |
| General schemes | Old_rate | 0,179 | |
| | Wid_rate | 0,001 | |
| | Ex_med_rate | 0,0965 | |
| | Gen_Schemes_thrsh | 34712 | |
| | Unemp_empr1 | 0,04188 | |
| | Unemp_empr2 | 0 | |
| | Unemp_unempr_franchise1 | 0 | |
| | Unemp_unempr_franchise2 | 0 | |
| | Inv_empr_rate | 0,0855 | |
| | Inv_empr_franchise | 0 | |
| | Med_empr | 0,067 | |
| | Med_franchise | 0 | |
| Payroll tax | Extra_wage_tax | 0 | |
| | EWT_threshold | 0 | |
| Tax schedule | Tax_sch | 0,0970 | 20711 |
| | "tax_sch_lowest" | 0,097 | 34712 |
| | "tax_thrsh_1" | 0,3735 | 68507 |
| | "tax_sch_2" | 0,495 | |
| Tax credits | Gen_credit_1 | 2711 | |
| | Gen_credit_2 | 0 | |
| | Gen_credit1_thr | 20711 | |
| | Gen_credit2_thr | 68507 | |
| | Gen_credit_per | 0,05672 | |
| | Red_gen_credit | 542 | |
| | Emp_credit1 | 279 | |
| | Emp_credit2 | 3316 | |
| | Emp_credit3 | 224 | |
| | | 0 | |
| | Emp_credit1_thr | 9921 | |
| | Emp_credit2_thr | 21430 | |
| | Emp_credit3_thr | 34954 | |
| | Emp_credit4_thr | 98604 | |
| | Comb_credit | 0 | |
| | Comb_credit_franchise | 5072 | |
| | add_comb_credit | 0 | |
| | income_dependant_comb_credit1 | 0 | |

| | | | |
|---|---|---|---|
| | income_dependant_comb_credit_max | 2881 | |
| Family cash transfers | income_dependant_comb_par_credit_per | 0,1145 | |
| | Sing_par_credit | 0 | |
| | Ex_sing_par_credit_per | 0 | |
| | Ex_sing_par_credit_max | 0 | |
| | Ch1_trans | 1078 | |
| | Ch2_trans | 2155 | |
| | Child_ben_1child | 1185 | |
| | Child_ben_2children | 2190 | |
| | Extra_cash_sing_par | 3190 | |
| | Child_ben_redn | 0,0675 | |
| | Child_ben_ceil | 21431 | |
| | Child_ben_incr_ceil_couple | 16500 | |
| Non-tax compulsory payments | dummyNTCP | 0 | |
| | NTCP_pension_ee | 0,066 | |
| | NTCP_pension_er | 0,099 | |
| | NTCP_pension_franchise | 13765 | |
| | NTCP_pension_max | 110111 | |

## 2020 Tax equations

The equations for the tax system in the Netherlands in 2020 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 adjustments of the work credit in 2016 and 2020, the function Emp_credit(Value) was altered in those years. 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_credit_1,(Gen_credit_1-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) |
| | | 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_credit_1,(Gen_credit_1-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) |
| | | tax_cr_inc | B | =tax_sch_lowest/SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)*tax_cr_spouse |
| 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 | =SUM(Old_rate+Wid_rate+Ex_med_rate)/SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)*tax_cr_spouse |
| | 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))+ IF(Children=2;1;0)*MAX(0;(Child_ben_2children+IF(Married='0;1;0)* Extra_cash_sing_par-IF((tax)inc+tax_inc_spouse)>Child_ben_ceil+IF(Married=1;1;0)*Child_ben_incr_ceil_couple;1;0)*Child_ben_redn*(tax_inc+tax_inc_spouse-(Child_ben_ceil+IF(Married=1;1;0)*Child_ben_incr_ceil_couple)))) |
| 13. | Employer's soc security | SSC_empr | B | SSC_f(earn-(positive(earn-NTCP_franchise*MIN(earn/min_wage,1))*NTCP_pension_ee),Unemp_empr1,SSC_ceil,Unemp_unempr_franchise1)+SSC_f(earn-(positive(earn-NTCP_franchise*MIN(earn/min_wage,1))*NTCP_pension_ee),Unemp_empr2,SSC_ceil,Unemp_unempr_franchise2)+SSC_f(earn-(positive(earn-NTCP_franchise*MIN(earn/min_wage,1))*NTCP_pension_ee),Inv_empr_rate,SSC_ceil,Inv_empr_franchise) |
| | | | | Function Emp_credit(Value)<br>If Value <= 0 Then<br>Emp_credit = 0<br>ElseIf Value <= Range("Emp_credit1_thr").Value Then<br>Emp_credit = (Value / Range("Emp_credit1_thr").Value) * Range("Emp_credit1").Value<br>ElseIf Value <= Range("Emp_credit2_thr").Value Then<br>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<br>ElseIf Value <= Range("Emp_credit3_thr").Value Then<br>Emp_credit = Range("Emp_credit1").Value + Range("Emp_credit2").Value + ((Value - Range("Emp_credit2_thr").Value) / (Range("Emp_credit3_thr").Value - Range("Emp_credit2_thr").Value)) * Range("Emp_credit3").Value<br>ElseIf Value <= Range("Emp_credit4_thr").Value Then<br>Emp_credit = Range("Emp_credit1").Value + Range("Emp_credit2").Value + Range("Emp_credit3").Value - ((Value - Range("Emp_credit3_thr").Value) / (Range("Emp_credit4_thr").Value - Range("Emp_credit3_thr").Value)) * (Range("Emp_credit1").Value + Range("Emp_credit2").Value + Range("Emp_credit3").Value - Range("Emp_credit4").Value) Else<br>Emp_credit = 0<br>End If<br>End Function |

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.

## Note

[1] 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.

# New Zealand (2020-21 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 2020

### 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** | 42 981 | 64 150 | 107 131 | 42 981 |
| **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)** | 42 981 | 64 150 | 107 131 | 42 981 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 6 542 | 12 265 | 26 273 | 6 542 |
| **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)** | 6 022 | 12 265 | 26 273 | 6 542 |
| **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)** | 6 022 | 12 265 | 26 273 | 6 542 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 0 | 0 | 0 | 14 323 |
| | Total | 0 | 0 | 0 | 14 323 |
| **12.** | **Take-home pay (1-10+11)** | 36 959 | 51 885 | 80 857 | 50 762 |
| **13.** | **Employer's compulsory social security contributions** | 0 | 0 | 0 | 0 |
| **14.** | **Average rates** | | | | |
| | Income tax | 14.0% | 19.1% | 24.5% | 15.2% |
| | Employees' social security contributions | 0.0% | 0.0% | 0.0% | 0.0% |
| | Total payments less cash transfers | 14.0% | 19.1% | 24.5% | -18.1% |
| | Total tax wedge including employer's social security contributions | 14.0% | 19.1% | 24.5% | -18.1% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 17.5% | 30.0% | 33.0% | 42.5% |
| | Total payments less cash transfers: Spouse | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | 17.5% | 30.0% | 33.0% | 42.5% |
| | Total tax wedge: Spouse | n.a. | n.a. | n.a. | n.a. |

## New Zealand 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 64 150 | 107 131 | 128 300 | 107 131 |
| **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)** | 64 150 | 107 131 | 128 300 | 107 131 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 12 265 | 18 807 | 24 530 | 18 807 |
| **6.** | **Tax credits :** | | | | |
| | Basic credit | 0 | 0 | 0 | 520 |
| | Married or head of family | | | | |
| | Children | | | | |
| | Other | | | | |
| | Total | 0 | 0 | 0 | 520 |
| **7.** | **Central government income tax finally paid (5-6)** | 12 265 | 18 807 | 24 530 | 18 287 |
| **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)** | 12 265 | 18 807 | 24 530 | 18 287 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 9 031 | 0 | 0 | 0 |
| | Total | 9 031 | 0 | 0 | 0 |
| **12.** | **Take-home pay (1-10+11)** | 60 916 | 88 324 | 103 770 | 88 844 |
| **13.** | **Employer's compulsory social security contributions** | 0 | 0 | 0 | 0 |
| **14.** | **Average rates** | | | | |
| | Income tax | 19.1% | 17.6% | 19.1% | 17.1% |
| | Employees' social security contributions | 0.0% | 0.0% | 0.0% | 0.0% |
| | Total payments less cash transfers | 5.0% | 17.6% | 19.1% | 17.1% |
| | Total tax wedge including employer's social security contributions | 5.0% | 17.6% | 19.1% | 17.1% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 55.0% | 30.0% | 30.0% | 30.0% |
| | Total payments less cash transfers: Spouse | 36.2% | 17.5% | 30.0% | 17.5% |
| | Total tax wedge: Principal earner | 55.0% | 30.0% | 30.0% | 30.0% |
| | Total tax wedge: Spouse | 36.2% | 17.5% | 30.0% | 17.5% |

The national currency is the New Zealand dollar (NZD). In 2020, NZD 1.55 was equal to USD 1 on average. The average worker earned NZD 64 150 (Country estimate[1]).

# 1. Personal Income Tax System

## *1.1. Central/federal government income taxes*

### *1.1.1. Tax unit*

Members of the family are taxed separately.

### *1.1.2. Tax allowances and tax credits*

#### 1.1.2.1. Standard reliefs

Refer to section 3.

#### 1.1.2.2. Main non-standard tax reliefs applicable to an average wage

Refer to section 3.

### *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%;
  - On so much of the income as exceeds NZD 14 000 but does not exceed NZD 48 000: 17.5%;
  - On so much of the income as exceeds NZD 48 000 but does not exceed NZD 70 000: 30%;
  - On so much of the income as exceeds NZD 70 000: 33%.

## *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 1.21% 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 0.72%). This scheme is not considered as a compulsory social security contribution for the purposes of the Report.

## 3. Universal Cash Transfers

The main entitlements in New Zealand are targeted at families under the blanket title 'Working for Families' ('WFF'). There are four main payments that constitute WFF, which are described in 3.2 – 3.5 below.

### *3.1. Amount for marriage*

None.

### *3.2. Amount for children*

For all families with children born, or due to be born, on or after 1 July 2018, the Best Start payment provides NZD 60 per week (3 120 per year) for the first year of the child's life. The Best Start payment continues to provide NZD 3 120 per year for the second and third year of a child's life, but abates at 21.00 cents in the dollar for every dollar by which a family's income exceeds the abatement threshold of NZD 79 000. For families receiving paid parental leave, the Best Start payment begins after paid parental leave ends.

### *3.3. Family Tax Credit*

From 1 July 2018, for an eldest child, the rate of the Family Tax Credit is NZD 5 878 per year. For subsequent children the rate is NZD 4 745. The total credit is abated by 25.00 cents on each dollar earned over NZD 42 700. 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 in paid employment and not receiving an income-tested benefit or student allowance. The level of assistance it provides is NZD 3 770 per family per year (or NZD 72.50 a week for up to three children), plus an additional NZD 780 per year for fourth and subsequent children. Prior to 1 July 2020, it was 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. From 1 July 2020 these hours-tests are removed to allow payment to a wider group of people (see further explanation below). It is also uses the same abatement regime used with the Family Tax Credit, although it does not begin to abate 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 MFTC provides a top-up to after-tax income for eligible working families and ensures families do not face a reduction in after-tax income when they move off a benefit and into paid employment.

The household income threshold for the minimum family tax credit ("MFTC"), which guarantees eligible low-income families a minimum level of after-tax income, rose from NZD 26, 572 to NZD 27, 768 per year, on 1 April 2020.

### *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 Personal Tax/Benefit Systems Since 2019/20

## *4.1. Changes to labour taxation and benefits due to the covid-19 pandemic*

The following changes were announced on 17 March 2020 as part of the Government's initial response to the COVID-19 pandemic.

### *4.1.1. Main benefits increased by $25 per week*

Main benefits increased on 1 April 2020 in line with wage growth (indexation) and then by an additional $25 per week. This is a permanent increase.

### *4.1.2. Doubling of Winter Energy Payment*

Since 1 July 2018, the Winter Energy Payment (WEP) has been implemented and supports those in receipt of a main benefit, New Zealand Superannuation or a Veteran's Pension to heat their homes in winter by increasing the amount of money available to them over the winter months (1 May to 1 October). The WEP is a payment of NZD 450 a year for single people, and NZD 700 for couples or those with dependent children.

WEP rates have been temporarily doubled in response to the COVID-19 pandemic. The payment is made either weekly or fortnightly between 1 May and 1 October. The new rates are:

- NZD 40.91 per week (NZD 900 for 2020) for single people with no dependent children; and
- NZD 63.64 for couples (NZD 1 400 for 2020), and people with dependent children. Couples are paid NZD 63.64 whether they live together or separately.
- Approximately 1 million people will be eligible for the WEP. Recipients can choose to opt out.

(Main benefits include Jobseeker Support, Supported Living Payment, Sole Parent Support, Youth Payment, and Young Parent Payment).

### *4.1.3. Removal of hours test from the In-Work Tax Credit*

The requirement to work a minimum number of hours in order to receive the In-Work Tax Credit has been removed. This allows families that work variable hours or less than 20 (sole) or 30 (couple) hours per week to receive the In-Work Tax Credit. The remaining eligibility criteria for the In-Work Tax Credit remain unchanged. Therefore, recipient families must still be deriving income from work and cannot be receiving an income-tested benefit or student allowance.

### *4.1.4. Working for Families (WFF) tax credits for emergency benefit recipients*

Previously, emergency benefit recipients with dependent children and who were on a temporary visa, did not qualify for WFF tax credits. This is because they do not meet the residency criteria for WFF. This resulted in a difference in the financial support that these families could access, compared with other main benefit recipients with children.

In general, to receive a main benefit (including an emergency benefit) a person must be a New Zealand citizen or permanent resident and have resided in New Zealand for at least two years since becoming a citizen or resident. However, the Ministry of Social Development has discretion to grant an emergency benefit in other circumstances when those residency criteria are not met. These circumstances can include not being eligible for another benefit, that they are in hardship and unable to earn a sufficient livelihood. The amendment ensures that families on a temporary visa who are granted an emergency benefit are able to access a comparable level of financial support to other recipients of main benefits.

#### 4.1.5. Wage Subsidy and Wage Subsidy Extension

The original wage subsidy was implemented to support firms that might otherwise be unable to keep their workforce employed. The goal was to maintain workforce attachment throughout the COVID-19 pandemic and was paid at a flat rate of:

- NZD 585.80 for people working 20 hours or more per week (full-time rate)
- NZD 350.00 for people working less than 20 hours per week (part-time rate).

The subsidy was paid as a lump sum and covered 12 weeks per employee from the date of application. Businesses were eligible to apply for the Wage Subsidy provided that they:

- experienced a minimum 30% decline in actual or predicted revenue, which was related to COVID- 19;
- took active steps to mitigate the effects of COVID-19; and
- retained the employees named in the application for the period of the subsidy. This included a best endeavours clause to continue to pay at least 80% of each employees' usual wage.
- applied between 17 March and 9 June 2020.

The Wage Subsidy was extended for the period 10 June to 1 September 2020. The extension provides an additional 8 weeks subsidy provided that employers:

- experienced a minimum 40% decline in revenue for a continuous 30-day period within the 40 days before the date of application, which was related to COVID-19;
- took active steps to mitigate the effects of COVID-19; and
- retained the employees named in the application for the period of the subsidy. This included a best endeavours clause to continue to pay at least 80% of each employees' usual wage.

#### 4.1.6. Goods and Services Tax (GST) on COVID-19 related social assistance payments

Legislation was passed that ensures that COVID-19 Leave Payments and the COVID-19 Wage Subsidy are not subject to GST. The relevant legislation is the Goods and Services Tax (Grants and Subsidies) Amendment Order 2020 and section 89 of the Goods and Services Tax Act 1985.

#### 4.1.7. The COVID-19 Income Relief Payment

A further announcement of a redundancy benefit on 25 May 2020. The COVID-19 Income Relief Payment (CIRP) is a non-taxable temporary payment made to those who have lost their job between 1 March and 30 October 2020. It is available for 12 weeks and pays NZD 490 per week to those who lost full-time work and NZD 250 per week for those who lost part-time work. First applications opened 8 June. It is available while a person is out of paid work and not receiving a main benefit payment, has not received a redundancy payment of NZD 30 000 or more, and who does not have a partner who earns more than NZD 2 000 a week in wages or salary. People who qualify and who are already receiving a main benefit can transfer to the CIRP.

## 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.

## 2020 Parameter values

| | | | |
|---|---|---|---|
| | Ave_earn | 64 150 | 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 | 5 878 | |
| | Fam_sup_oth | 4 745 | |
| | Fam_sup_thrsh | 42 700 | |
| | Fam_sup_rate | 0.25 | |
| In-work tax credit | In_work_children123 | 3 770 | |
| | In_work_children4plus | 780 | |
| Minimum Family Tax Credit | Min_inc | 27 768 | |
| Independent Earner Tax Credit | IETC | 520 | |
| | IETC_thrsh1 | 24 000 | |
| | IETC_thrsh2 | 44 000 | |
| | IETC_rate | 0.13 | |

## 2020 Tax equations

The equations for the New Zealand system in 2020 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.

## Note

[1] In the year to March 2020.

# 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 2020

### 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** | | 420 338 | 627 370 | 1 047 707 | 420 338 |
| **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 | 155 750 | 155 750 | 155 750 | 207 554 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable (ordinary) income (1 - 2 + 3)** | | 264 588 | 471 620 | 891 957 | 212 784 |
| **5.** | **Central government income tax liability (ordinary + personal)** | | 30 723 | 56 913 | 148 246 | 26 346 |
| **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)** | | 30 723 | 56 913 | 148 246 | 26 346 |
| **8.** | **State and local taxes (net of tax credits)** | | 35 852 | 63 904 | 120 860 | 28 832 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 34 468 | 51 444 | 85 912 | 34 468 |
| | Taxable income | | | | | |
| | | Total | 34 468 | 51 444 | 85 912 | 34 468 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 101 042 | 172 261 | 355 018 | 89 646 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 0 | 0 | 0 | 37 944 |
| | | Total | 0 | 0 | 0 | 37 944 |
| **12.** | **Take-home pay (1-10+11)** | | 319 295 | 455 108 | 692 689 | 368 636 |
| **13.** | **Employer's compulsory social security contributions** | | 54 644 | 81 558 | 136 202 | 54 644 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 15.8% | 19.3% | 25.7% | 13.1% |
| | Employees' social security contributions | | 8.2% | 8.2% | 8.2% | 8.2% |
| | Total payments less cash transfers | | 24.0% | 27.5% | 33.9% | 12.3% |
| | Total tax wedge including employer's social security contributions | | 32.8% | 35.8% | 41.5% | 22.4% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 34.4% | 34.4% | 46.4% | 34.4% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 41.9% | 41.9% | 52.6% | 41.9% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Norway 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 627 370 | 1 047 707 | 1 254 739 | 1 047 707 |
| **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 | 155 750 | 311 500 | 311 500 | 311 500 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable (ordinary) income (1 - 2 + 3)** | | 471 620 | 736 207 | 943 239 | 736 207 |
| **5.** | **Central government income tax liability (ordinary + personal)** | | 56 913 | 87 636 | 113 825 | 87 636 |
| **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)** | | 56 913 | 87 636 | 113 825 | 87 636 |
| **8.** | **State and local taxes (net of tax credits)** | | 63 904 | 99 756 | 127 809 | 99 756 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 51 444 | 85 912 | 102 889 | 85 912 |
| | Taxable income | | | | | |
| | | Total | 51 444 | 85 912 | 102 889 | 85 912 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 172 261 | 273 304 | 344 523 | 273 304 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 25 296 | 25 296 | 25 296 | 0 |
| | | Total | 25 296 | 25 296 | 25 296 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 480 404 | 799 699 | 935 512 | 774 403 |
| **13.** | **Employer's compulsory social security contributions** | | 81 558 | 136 202 | 163 116 | 136 202 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 19.3% | 17.9% | 19.3% | 17.9% |
| | Employees' social security contributions | | 8.2% | 8.2% | 8.2% | 8.2% |
| | Total payments less cash transfers | | 23.4% | 23.7% | 25.4% | 26.1% |
| | Total tax wedge including employer's social security contributions | | 32.2% | 32.5% | 34.0% | 34.6% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 34.4% | 34.4% | 34.4% | 34.4% |
| | Total payments less cash transfers: Spouse | | 24.0% | 34.4% | 34.4% | 34.4% |
| | Total tax wedge: Principal earner | | 41.9% | 41.9% | 41.9% | 41.9% |
| | Total tax wedge: Spouse | | 32.8% | 41.9% | 41.9% | 41.9% |

The national currency is the Kroner (NOK). In 2020, NOK 9.50 were equal to 1 USD. In that year the average worker earned NOK 627 370 (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. 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.

#### *1.1.2. Tax allowances applicable to an AW*

There are no tax allowances applicable to an AW under the central government income bracket tax. The tax base is personal income from which no deductions are allowed. As part of the overall tax rate of 22% on ordinary income, 8.45% is considered to be the central government income tax.

#### *1.1.3. Rate schedule of the bracket tax*

| Rate (%) | NOK |
|---|---|
| 0 | 0–180 800 |
| 1.9 | 180 800–254 500 |
| 4.2 | 254 500–639 750 |
| 13.2 | 639 750–999 550 |
| 16.2 | 999 550 and over |

### *1.2. Local government income tax*

The overall tax rate on ordinary income is 22%. The local government (municipal and county) income tax is 13.55% points of the overall rate. Tax on ordinary income is levied after taking into account a standard allowance of NOK 51 300 (class 1), while class 2 was abolished in 2018. Single parents are eligible to an additional special tax allowance of NOK 51 804. The deductions in the computation of ordinary income are:

#### *1.2.1. Standard reliefs*

- Basic allowance: each individual receives a minimum allowance equal to 45% of personal income, with a minimum of NOK 4 000 and a maximum of NOK 104 450. 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 23 100;
- Labour union fees up to NOK 3 850;
- Donations to voluntary organisations up to NOK 50 000;
- Contributions to individual pension agreement schemes, maximum NOK 40 000;
- 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% of annual savings up to NOK 25 000 in special accounts is granted. Total savings may not exceed NOK 300 000.

## 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% of personal wage income. Employees do not make contributions if their wage income is less than NOK 54 650. Once wage income exceeds this floor, an alternative calculation is made where the contributions equal 25% of the wage income in excess of the floor. The actual contributions made would represent the minimum between the alternative calculation and 8.2% of the total wage income.

Contributions from the self-employed are 11.4% 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% 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%.

## 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 13 848 per child aged 0–5 years (NOK 1 054 per month January–August, NOK 1 354 per month September–December).

NOK 12 648 per child aged 6–18 years (NOK 1 054 per month).

Single parents receive transfers for one more child (NOK 12 648) than their actual number of children.

## 4. Main Changes in Tax/Benefit Systems Since 2002

- Most important changes related to wage taxation in 2020:
  - The standard allowance was reduced from NOK 56 550 to NOK 51 300 to accompany the NRK financing reform. Until 2019, the public broadcaster NRK was financed by a fee levied on households owning a TV. From 2020, direct transfers from the central government replace the broadcasting fee. The tax increase implied by the standard allowance reduction intends to pay for the NRK transfers. If the broadcasting fee is regarded as a tax, the overall effect of the NRK financing reform is reduced taxation for households with two or less tax paying members.
- Most important changes related to wage taxation in 2019:
  - The general tax rate on ordinary income was reduced from 23% to 22%.
  - The progressive bracket tax increased in all four brackets, less than the reduction in the rate of ordinary income so as the marginal tax was reduced for all income levels.
  - Employers are required to report, withhold taxes and pay employer's social security contributions on wages in the form of tax-exempted employee discounts with a market value exceeding NOK 8 000. Gifts received from the employer are tax free when the value exceeds NOK 2 000.
  - Employers are required to report, withhold taxes and pay employer's social security contributions on tip/gratuities received from customers (previously tip was to be reported by the employers).
  - A withholding tax on the gross income for foreign employees at 25% was introduced.
- Most important changes related to wage taxation in 2018:
  - The general tax rate on ordinary income was reduced from 24% to 23%.
  - The progressive bracket tax increased in all four brackets, less than the reduction in the rate of ordinary income so as the marginal tax was reduced at all income levels.
  - The upper limit of the basic allowance for wage income/social security benefits was increased by NOK 2 860 and the rate was increased to 44%.
  - The standard allowance for class 2 was abolished, tax exemptions for employees on hire in shipping vessels was abolished, and the rules for commuters expenses were tighten.

- Most important changes related to wage taxation in 2017:
  - The general tax rate on ordinary income was reduced from 25% to 24%.
  - The rates under the bracket tax was increased with 0.71-0.82 percentage points, which is less than the reduction in the rate of ordinary income.
  - The upper limit of the basic allowance for wage income/social security benefits was increased by NOK 3 300 and the rate was increased to 44%.
  - The lower threshold for the payment of employee's social security contributions was increased from NOK 49 650 to NOK 54 650.
- Most important changes related to wage taxation in 2016:
  - The general tax rate on ordinary income was reduced from 27% to 25%.
  - A bracket tax with on personal income with 4 tax brackets was introduced and replaced the former surtax on personal income.
- Most important changes related to wage taxation in 2015:
  - The threshold in surtax bracket 1 was increased by NOK 5 750.
  - The upper limit of the basic allowance for wage income/social security benefits was increased by NOK 2 100.
  - The lower threshold for the payment of employee's social security contributions was increased from NOK 39 600 to NOK 49 650.
- Most important changes related to wage taxation in 2014:
  - The general tax rate on ordinary income was reduced from 28% to 27%.
  - 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%.
  - 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% of their labour income.
  - The taxable value of second homes and commercial property for the purposes of net wealth tax was increased from 40% to 50% 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% 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% 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% 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% of the documented fair market value (60% for second homes). In addition, the tax-assessed values of recreational properties are increased by 10%.
- Most important changes in 2009 were the abolition of the 80% 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% 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% to 11.0%.
- 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% 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 August 1, 2003.
- An allowance of maximum NOK 6 000 for donations to voluntary organisations was introduced as of 1 January, 2003. Previously this allowance was coordinated with the allowance for labour union fees (with a combined maximum allowance). The allowance was increased to NOK 12 000 as of 1 January, 2005.
- As of 1 July, 2002 the employer's social security contribution rates for employees aged 62 years or older were reduced by 4 percentage points, although not below 0%. From 2007 the reduction was abolished.

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

There have been no labour taxation reductions, but the payment of the employer's social security contribution have been postponed (August 15th.)

## 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.

## 2020 Parameter values

| | | | |
|---|---|---|---|
| Average earnings/yr | Ave_earn | 627 370 | Secretariat estimate |
| Central rate (pers) | Tax_sch | 0 | 180 800 |
| | | 0.019 | 254 500 |
| | | 0.042 | 639 750 |
| | | 0.132 | 999 550 |
| | | 0.162 | |
| Central rate (ord) | Cent_rate_ord | 0.0845 | |
| Local rate (ord) | Local_rate | 0.1355 | |
| Allowances | Class_al | 51 300 | |
| | Special_al | 51 804 | |
| Basic relief | Basic_min | 4 000 | |
| | Basic_max | 104 450 | |
| | Basic_rel_rate | 0.45 | |
| | Basic_min_wage | 31 800 | |
| Soc security contribs | SSC_rate | 0.082 | |
| Employer | SSC_empr | 0.13 | |
| Trygd. low.lim | SSC_low_lim | 54 650 | |
| pct.rate | SSC_low_rate | 0.25 | |
| Ref. Income "G" | SSC_G | 100 853 | |
| "G" Multiple | SSC_Gmult | 16 | |
| Supplemental Rate | SSC_rate_sup | 0 | |
| Child cash transfer | Child_sup | 12 648 | |

## 2020 Tax equations

The equations for the system for Norway in 2020 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 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 allowance (ordinary) | tax_al_princ | P | MIN(MAX(Basic_min_wage, MIN(earn_princ*Basic_rel_rate, Basic_max)) +Class_al+IF(AND(Married='0,Children>0),Special_al,o),' earn_princ) |
| | tax allowance (ordinary) | tax_al_spouse | S | MIN(MAX(Basic_min_wage, MIN(earn_spouse*Basic_rel_rate, Basic_max)) +Class_al, earn_spouse) |
| | | | | |
| 3. | Credits in taxable income | taxbl_cr | J | 0 |
| 4. | CG taxable income (ordinary) | tax_inc | B | Positive(earn-tax_al) |
| | | | | |
| | | | | |
| 5. | CG tax (personal+ordinary) | CG_tax | B | Tax(earn, Tax_sch)+Cent_rate_ord*tax1_inc |
| | | | | |
| | | | | |
| 6. | Tax credits : | tax_cr | P | 0 |
| 7. | CG tax | CG_tax | B | CG_tax |
| 8. | State and local taxes | local_tax | B | (Local_rate*(tax_inc_princ+tax_inc_spouse))-tax_cr |
| | | | | |
| | | | | |
| | | | | |
| 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 2020

### 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** | 40 813 | 60 915 | 101 728 | 40 813 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | | | | |
| | Married or head of family | | | | |
| | Dependent children | | | | |
| | Deduction for social security contributions and income taxes | 5 595 | 8 351 | 13 947 | 5 595 |
| | Work-related expenses | 3 000 | 3 000 | 3 000 | 3 000 |
| | Other | | | | |
| | Total | 8 595 | 11 351 | 16 947 | 8 595 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 32 217 | 49 563 | 84 781 | 32 217 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 5 477 | 8 426 | 14 413 | 5 477 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | 525 | 525 | 525 | 1 050 |
| | Married or head of family | | | | |
| | Children | 0 | 0 | 0 | 2 224 |
| | Other (health insurance) | 2 729 | 4 074 | 6 803 | 2 729 |
| | Total | 3 254 | 4 599 | 7 328 | 6 004 |
| **7.** | **Central government income tax finally paid (5-6)** | 2 222 | 3 827 | 7 085 | - 527 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 4 106 | 6 128 | 10 234 | 4 106 |
| | Taxable income | 3 170 | 4 731 | 7 900 | 3 170 |
| | Total | 7 275 | 10 859 | 18 134 | 7 275 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 9 498 | 14 686 | 25 218 | 6 749 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 0 | 0 | 0 | 15 097 |
| | Total | 0 | 0 | 0 | 15 097 |
| **12.** | **Take-home pay (1-10+11)** | 31 315 | 46 229 | 76 509 | 49 162 |
| **13.** | **Employer's wage dependent contributions and taxes** | | | | |
| | Employer's compulsory social security contributions | 5 665 | 8 455 | 14 120 | 5 665 |
| | payroll taxes | 1 041 | 1 553 | 2 594 | 1 041 |
| | Total | 6 705 | 10 008 | 16 714 | 6 705 |
| **14.** | **Average rates** | | | | |
| | Income tax | 5.4% | 6.3% | 7.0% | -1.3% |
| | Employees' social security contributions | 17.8% | 17.8% | 17.8% | 17.8% |
| | Total payments less cash transfers | 23.3% | 24.1% | 24.8% | -20.5% |
| | Total tax wedge including employer's social security contributions | 34.1% | 34.8% | 35.4% | -3.5% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 25.8% | 25.8% | 25.8% | 96.3% |
| | Total payments less cash transfers: Spouse | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | 36.3% | 36.3% | 36.3% | 96.9% |
| | Total tax wedge: Spouse | n.a. | n.a. | n.a. | n.a. |

## Poland 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 60 915 | 101 728 | 121 829 | 101 728 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | | | | |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | 8 351 | 13 947 | 16 703 | 13 947 |
| | Work-related expenses | | 3 000 | 6 000 | 6 000 | 6 000 |
| | Other | | | | | |
| | | Total | 11 351 | 19 947 | 22 703 | 19 947 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 49 563 | 81 781 | 99 127 | 81 781 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 8 426 | 13 903 | 16 852 | 13 903 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 1 050 | 1 050 | 1 050 | 1 050 |
| | Married or head of family | | | | | |
| | Children | | 2 224 | 2 224 | 2 224 | 0 |
| | Other (health insurance) | | 4 074 | 6 803 | 8 147 | 6 803 |
| | | Total | 7 348 | 10 077 | 11 422 | 7 853 |
| **7.** | **Central government income tax finally paid (5-6)** | | 1 078 | 3 825 | 5 430 | 6 049 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 6 128 | 10 234 | 12 256 | 10 234 |
| | Taxable income | | 4 731 | 7 900 | 9 461 | 7 900 |
| | | Total | 10 859 | 18 134 | 21 717 | 18 134 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 11 936 | 21 959 | 27 147 | 24 183 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 12 600 | 12 600 | 12 600 | 0 |
| | | Total | 12 600 | 12 600 | 12 600 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 61 578 | 92 368 | 107 282 | 77 544 |
| **13.** | **Employer's wage dependent contributions and taxes** | | | | | |
| | Employer's compulsory social security contributions | | 8 455 | 14 120 | 16 910 | 14 120 |
| | payroll taxes | | 1 553 | 2 594 | 3 107 | 2 594 |
| | | Total | 10 008 | 16 714 | 20 016 | 16 714 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 1.8% | 3.8% | 4.5% | 5.9% |
| | Employees' social security contributions | | 17.8% | 17.8% | 17.8% | 17.8% |
| | Total payments less cash transfers | | -1.1% | 9.2% | 11.9% | 23.8% |
| | Total tax wedge including employer's social security contributions | | 13.2% | 22.0% | 24.4% | 34.5% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 25.8% | 25.8% | 25.8% | 25.8% |
| | Total payments less cash transfers: Spouse | | 24.6% | 25.8% | 25.8% | 25.8% |
| | Total tax wedge: Principal earner | | 36.3% | 36.3% | 36.3% | 36.3% |
| | Total tax wedge: Spouse | | 35.2% | 36.3% | 36.3% | 36.3% |

The national currency is the Zloty (PLN). In 2020, PLN 3.93 were equal to USD 1. In that year, the average worker earned PLN 60 915 (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[1] 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% 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 (since 1st October 2019): A non-refundable tax credit of:[2]

  – PLN 1 360 – for the tax base not higher than PLN 8 000;

  – PLN 1 360 minus the amount resulting from the following formula: PLN 834.88 × (tax base PLN 8 000) ÷ PLN 5 000, for the tax base higher than PLN 8 000 and not higher than PLN 13 000;

  – PLN 525.12 - for the tax base higher than PLN 13 000 and not higher than PLN 85 528;

  – PLN 525.12 minus the amount resulting from the following formula: PLN 525.12 × (tax base– PLN 85 528) ÷ PLN 41 472, for the tax base higher than PLN 85 528 and not higher than PLN 127 000,

  ,
- Marital status relief: None.
- Relief for children: Yes[3].

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) does not 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 166.67 (annually PLN 2 000.04) for the third child;
- PLN 225.00 (annually PLN 2 700.00) for the fourth and every next child.

Since 1st of January 2015 taxpayers whose due tax is lower than the amount of relief for children, may claim for cash refund for amount of relief which has not been utilized. However, such cash refund cannot exceed the amount of deductible social security and health insurance contributions paid by taxpayer (with some exceptions).

- 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% of the calculation basis whereas the tax credit is 7.75% 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 | [4] 3 000 since 1st October 2019 | (4 500 since 1st October 2019 |
| Workplace in different town/city as place of residence | 3 600 since 1st October 2019 | 5 400 since 1st October 2019 |

Note: If the actual commuting expenses exceed standard deduction, relief can be determined by the actual expenses incurred solely on personal season tickets.

#### 1.1.2.2. Main non-standard tax reliefs

**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% 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 expenses for the use of the Internet (up to PLN 760);
- Expenses incurred during undertaking of thermo-modernization project for single-family residential building up to 53 000 PLN,
- 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 2017.

**Tax credits:**

- Donation made to public benefit organizations – up to 1% of due tax.[5]

- 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.

**Exemptions**:

- Gross wages up to 85 528 PLN for people under 26 years old are exempted from PIT.

#### *1.1.3. Tax schedule*

The tax schedule is as follows:

| Tax base (in PLN) | | Tax amount | |
|---|---|---|---|
| Over | Below | | less a basic tax credit |
| 0 | 85 528 | 17% since 1st October 2019 | |
| 85 528 | | PLN 14 539.76+ 32% of surplus over PLN 85 528 (since 1st October 2019) | |

### *1.2. State and local income tax*

There are no regional or local income taxes.

### *1.3. Wealth tax*

There is no wealth tax.

### *1.4. Solidarity surcharge*

The act on the Solidarity Support Fund for Disabled Persons entered into force on 1 January 2019. The purpose of a new legislative proposal is to introduce a new institution in a form of fund, managed by the Minister of Family, Labour and Social Policy, which will be focused on social support for people with disabilities. The source of the Fund's revenues are primarily a compulsory contribution to the Fund representing since 2020 0.45% of the base of the contribution rate to the Labour Fund (the compulsory contribution to the Labour Fund has decreased from 2.3% of the basis for the calculation of contributions to pension and disability insurance to 2% since 2020), as well as the solidarity contribution on the income of individuals - in the amount of 4% from a surplus of income (gross income minus SSC of employee) over PLN 1 million for a tax year.

## 2. Social Security Contributions

### *2.1. Employees' contributions*

Employees pay 13.71% of the gross wage. This contribution includes:

- Pension insurance contribution – 9.76% of the gross wage.[6] 3.65 percentage points of the pension contribution are treated as non-tax compulsory payments because these payments are either made to the OPF (1.46%) and to personal sub-account in ZUS (2.19%) or only to sub-account in ZUS (3.65%).
- Disability insurance contribution – 1.5% of the gross wage,
- Sickness/maternity insurance contribution – 2.45% of the gross wage,
- In case of pension and disability insurance, contributions are not paid on the part of the wage that exceeds PLN 156 810.[7]

### 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 and payroll taxes equal to 20.08% of gross wage. This value consists of:

A) Social security contributions:

- 9.76 % are aimed for pension insurance[8]. 3.65 % of the pension contribution are treated as non-tax compulsory payments because these payments are either made to the OPF (1.46%) and to personal sub-account in ZUS (2.19%) or only to sub-account in ZUS (3.65%),
- 6.5 % are aimed for disability insurance,
- 1.27 percentage points (on average) accident insurance,
- In case of pension and disability insurance, contributions are not paid on the part of the wage that exceeds PLN 156 810.

B) Payroll taxes:

- 2 % for Labour Found,
- 0,45% for Solidarity Support Fund for Disabled Persons,
- and 0.1% for the Guaranteed Employee Benefit Fund.

## 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 1st of November 2015 the income criteria will be as high as PLN 674 and PLN 764. Families receive PLN 89 (from 1st of November 2016 – PLN 95) monthly for a child no older than 5 years, PLN 118 (from 1st of November 2016 – PLN 124) monthly for a child of 5 up to 18 years old, and PLN 129 (from 1st of November 2016 – PLN 135) 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 6 and 11 years inclusive.

Single parents are entitled to a supplement of PLN 185 (from 1st of November 2016 – PLN 193) for each child up to a maximum of PLN 370 (from 1st of November 2016 – PLN 386) for all children (and PLN 265 (from 1st of November 2016 – PLN 273) for a disabled child up to a maximum of PLN 530 (from 1st of November 2016 – PLN 546) for all children).

There are several supplements to family allowances:

- for large families – PLN 90 (from 1st of November 2016 – PLN 95) monthly for the 3rd and next children in the family;
- for education of disabled children – PLN 80 (from 1st of November 2016 – PLN 90) monthly for children not older than 5 years and PLN 100 (from 1st of November 2016 – PLN 110) for children older than 5 years.

### 3.2.1. Parental benefit

On 1 January 2016 a parental benefit was introduced, aside from the already existing family and care benefits. The parental benefit is provided to families to which a child is born but whose members had not been eligible to a parental or maternity leave: students, the unemployed (regardless of registration with a labour office), people employed on the basis of civil law contracts, employees and people pursuing non-agricultural economic activity if they are not collecting maternity benefit. The parental benefit is granted regardless of income in the amount of PLN 1,000 a month for 52 weeks (after giving birth to one child in one labour), 65 weeks (after giving birth to two children in one labour), 67 weeks (after giving birth to three or four children in one labour) and for 71 weeks (after giving birth to five or more children in one labour).

### 3.2.2. Family 500 Plus Programme

Financial support for families with children

1 April 2016 (Act on state support for upbringing children entered into force 1 April 2016)

The Act on state support for upbringing children introduced new benefits- in amount of 500 PLN monthly per child until the child turns 18, which would be means-tested for the first child and available for all families for every additional child. The new benefit of PLN 500 a month (untaxed) is available for parents, actual guardian or legal guardian of a child until the child turns 18. The benefit will also be paid for the second child and any subsequent child without application of any income criteria. It will be paid for the first child if income of the family per one member does not exceed PLN 800 a month (PLN 1,200 if there is a disabled child in the family)[9]. Eligibility to this benefit is established for a year (from 1 October to 30 September).

Since 1st July 2019 the extension of 500+ programme came into force: there is no income testing hence every child is eligible for the benefit so the transfer has become universal.

### 3.2.3. Good Start Programme

Since 2019 a new benefit of 300 PLN was introduced. Every child that is attending school until it turns 20 is eligible for this benefit which is paid once a year at the start of the school year. There is no income test.

## 4. Main Changes in Tax/benefit Systems Since 2012

Since January 2017, the tax schedule has been changed by introduction of degressive basic tax credit. The work-related expenses, tax allowances, relieves are the same as in previous years.

Since 2012, there were also 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.

On 1st January 2019 as the solidarity contribution on the income of individuals - in the amount of 4% from a surplus of income (gross income minus SSC of employee) over PLN 1 million for a tax year was introduced.

Since August 2019 gross wages up to 85 528 PLN for people under 26 years old are exempted from PIT. Since October 2019 the first marginal tax rate has been lowered from 18% to 17%.and work-related expenses were more than doubled.

### 4.1. Changes to labour taxation due to the covid-19 pandemic

Exemption from social security contributions (employee's and employer's part) for up to 3 months period for enterprises registered before February 2020:

- exemption of 50% from SSC in enterprises that have reported to Social Security Fund from 10 to 49 people
- exemption of 100% from SSC in enterprises that have reported to Social Security Fund from 1 to 9 people,

Since less than half of the full-time workers within sectors B to N are affected by the temporary exemption of social security contributions, the measure is not considered in the Taxing Wages calculations.

Subsidies for employee remuneration costs and social security contributions up to three months period:

- a subsidy to downtime pay in the amount of 50% of minimum wage plus social security contributions
- a subsidy up to half of the salary of employees, but no more than 40% of the average monthly salary from the previous quarter plus social security contributions

The subsidy can be granted if the decline in sales revenues amounted to:

- not less than 15% - calculated as the ratio of total sales revenues in the following two months period after Jan 2020, to the total sales revenues from the corresponding 2 months of the previous year (i.e. 2019); or
- not less than 25% - calculated as the ratio of total sales revenues in any given month in the period after Jan 2020 compared to the turnover from the previous month.

Subsidies for employee remuneration costs and social security contributions for micro, small and medium-sized enterprises for up to 3 month period in the amount of:

- 50% of minimum wage plus social security contributions per employee, if the decline in sales revenues amounted to 30%,
- 70% of minimum wage plus social security contributions per employee, if the decline in sales revenues amounted to 50%,
- 90% of minimum wage plus social security contributions per employee, if the decline in sales revenues amounted to 80%.

A decline in total sales revenues is calculated based on the following two months of 2020 compared to the total sales revenues from the corresponding 2 months of 2019.

## 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.

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 60 915 | Secretariat Estimate |
|---|---|---|---|
| Work expenses | work_exp | 3 000[10] | |
| Income tax schedule | tax_sch | | |
| | | 0.17 | 85 528 |
| | | 0.32 | |
| Tax credits | | | |
| Basic credit | basic_cr1 | 1 360 | |
| | basic_cr2 | 525.12 | |
| | basic_cr_lim1 | 8 000 | |
| | basic_cr_lim2 | 13 000 | |
| | basic_cr_lim3 | 85 528 | |
| | basic_cr_lim4 | 127 000 | |
| | red_rate_1 | 0.166976 | |
| | red_rate_2 | 0.012662037 | |
| Health insurance | health_ins | 0.09 | |
| | health_ins_credit | 0.0775 | |
| Children | Child_cr | 1 112.04 | |
| | Child_cr_lim | 112 000 | |
| Social security contributions | | | |
| Employers | SSC_empr | 0.2008 | |
| old-age pension and disability pension insurance | SSC_old | 0,0976 | |
| | SSC_old_ZUS | 0.0611 | |
| | SSC_old_ZUSII | 0.0365 | |
| | SSC_old_OPF | 0 | |
| | SSC_dis | 0.065 | |
| other insurances | SSC_a | 0.0127 | |
| Payroll_tax | Payroll_tax | 0.0255 | |
| Employees | SSC | 0.1371 | |
| old-age pension and disability pension insurance | SSC_old_e | 0.0976 | |
| | SSC_old_e_ZUS | 0.0611 | |
| | SSC_old_e_ZUSII | 0.0365 | |
| | SSC_old_e_OPF | 0 | |
| | SSC_dis_e | 0.015 | |
| sickness insurance | SSC_s | 0.0245 | |
| Contribution ceiling | SSC_c | 156 810 | |
| | | | |
| Family benefit | fam_ben | 1 588 | |
| single parent additional family benefit | fam_ben_Spsup | 2 316 | |
| single parent additional family benefit ceiling | fam_ben_Spsup_lim | 4 632 | |
| income limit | fam_ben_lim | 8 088 | |
| income limit for single parent | fam_ben_lim_sp | 8 088 | |
| Family 500 Plus Programme | plus_ben | 6 000 | |
| “Good start” benefit | gs_ben | 300 | |
| Solidarity surcharge rate | solid_sur_rate | 0.04 | |
| Solidarity surcharge threshold | solid _thr | 1 000 000 | |

## 2020 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% of Central Government tax and is also allowed as a deduction when calculating taxable income. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

| | Line in country table and intermediate steps | Variable name | Range | Equation |
|---|---|---|---|---|
| 1. | Earnings | earn | | |
| | Quotient for tax calculation | quotient | J | 1+MAX(Married,(Children>0)) |
| 2. | Allowances: | tax_al | J | work_exp+MIN(earn_spouse,work_exp)+SSC+SSC_old_e_OPF*MIN(earn, SSC_c) |
| 3. | Credits in taxable income | taxbl_cr | J | 0 |
| 4. | CG taxable income | tax_inc | J | Positive(earn-tax_al) |
| 5. | CG tax before credits | CG_tax_excl | J | quotient*Tax(tax_inc/quotient,tax_sch) |
| 6. | Tax credits : | | | |
| | Basic credit | basic_cr | J | =IF(quotient=1,Positive(IF(TAX_INC>basic_cr_lim1,basic_cr1-(Positive(MIN(TAX_INC,basic_cr_lim2)-basic_cr_lim1)*red_rate_1)-(Positive(TAX_INC-basic_cr_lim3)*red_rate_2),basic_cr1))*quotient,Positive(IF((TAX_INC/2)>basic_cr_lim1,basic_cr1-(Positive(MIN((TAX_INC/2),basic_cr_lim2)-basic_cr_lim1)*red_rate_1)-(Positive((TAX_INC/2)-basic_cr_lim3)*red_rate_2),basic_cr1))*quotient) |
| | Health insurance | health_ins_cr | B | health_ins_credit*(earn-SSC-SSC_old_e_OPF*MIN(earn, SSC_c)) |
| | Child credit | child_cr | J | If(earn_total<Child_cr_lim,children*child_cr,0) |
| | Total tax credits | tax_cr | J | basic_cr+health_ins_cr+child_cr |
| 7. | CG tax | CG_tax | J | MAX(0,Positive(CG_tax_excl-basic_cr-health_ins)-child_cr)-(child_cr>Positive(CG_tax_excl-basic_cr-health_ins))*MIN(SSC_al+health_ins,child_cr-Positive(CG_tax_excl-basic_cr-health_ins)) |
| 8. | State and local taxes | local_tax | J | 0 |
| 9. | Employees' soc security | health_ins | B | (earn-(MIN(earn, SSC_c)*(SSC_old_e+SSC_dis_e)+earn*SSC_s))*health_ins |
| . | | SSC | B | (SSC_old_e_ZUS+SSC_dis_e)*MIN(earn,SSC_c)+SSC_s*earn |
| 11. | Cash transfers | cash_tran | J | ='MAX(0,(fam_net_inc<fam_ben_lim*(1+Married+Children)-240+(Children*fam_ben+(1-Married)*(Children>0)*MIN(fam_ben_Spsup*Children,fam_ben_Spsup_lim)))*(Children*fam_ben+(1-Married)*(Children>0)*MIN(fam_ben_Spsup*Children,fam_ben_Spsup_lim))-IF(fam_net_inc>fam_ben_lim*(1+Married+Children),fam_net_inc-fam_ben_lim*(1+Married+Children),0))+(Children*plus_ben)+(gs_ben*Children) |
| | | fam_net_inc | J | =Positive(earn-SSC_al-health_ins-CG_tax-work_exp) |
| 13. | Employer's soc security | SSC_empr | B | (SSC_old_ZUS+SSC_dis)*MIN(earn,SSC_c)+SSC_a*earn |
| | | Payroll tax | B | Earn*Payroll_tax |

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.

## Notes

[1] However, a widowed spouse is entitled to apply the joint income taxation.

[2] Applicable only in a tax return.

[3] 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.

[4] For the purpose of the calculations in this publication, it is assumed that the worker has the same town/city as place of residence.

[5] This relief is distinct from an allowance for donations deducted from income.

[6] Since July 2014 out of total 19.52% of social contributions 7.3% goes to subaccount in ZUS either – if voluntarily stated by insured person – 2.92% goes to account in open ended funds and 4.38% to subaccount in ZUS.

[7] 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.

[8] Since July 2014 out of total 19.52% of social contributions 7.3% goes to subaccount in ZUS either – if voluntarily stated by insured person – 2.92% goes to account in open ended funds and 4.38% to subaccount in ZUS.

[9] Some of the features (namely, joint taxation and child tax credit) of the Polish tax system are optional and therefore can influence eligibility to “500+” family, and in a consequence tax wedge, in a non-linear way. As they both determine “net income for income test” and because of no tapering of “500+” sometimes it may be preferable not to use joint taxation or child tax credit (or to use it partially) in order to get the most appropriate net income to maximize the family benefit payments. As for now model treats both joint taxation and child tax credit as obligatory. With the parameters in the excel file (average wage etc.) it does not alter the results. However, if any of the parameters change, the previous statement may not hold.

[10] 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 3 600 PLN annually.

# 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 2020

### 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** | 13 050 | 19 478 | 32 528 | 13 050 |
| **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)** | 8 946 | 15 374 | 28 424 | 8 946 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 1 453 | 3 187 | 7 500 | 1 453 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | 0 | 0 | 0 | 0 |
| | Married or head of family | | | | |
| | Children | 0 | 0 | 0 | 1 200 |
| | Other | | | | |
| | Total | 0 | 0 | 0 | 1 200 |
| **7.** | **Central government income tax finally paid (5-6)** | 1 453 | 3 187 | 7 500 | 253 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 1 436 | 2 143 | 3 578 | 1 436 |
| | Taxable income | | | | |
| | Total | 1 436 | 2 143 | 3 578 | 1 436 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 2 889 | 5 329 | 11 078 | 1 689 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 0 | 0 | 0 | 1 002 |
| | Total | 0 | 0 | 0 | 1 002 |
| **12.** | **Take-home pay (1-10+11)** | 10 162 | 14 148 | 21 450 | 12 364 |
| **13.** | **Employer's compulsory social security contributions** | 3 099 | 4 626 | 7 725 | 3 099 |
| **14.** | **Average rates** | | | | |
| | Income tax | 11.1% | 16.4% | 23.1% | 1.9% |
| | Employees' social security contributions | 11.0% | 11.0% | 11.0% | 11.0% |
| | Total payments less cash transfers | 22.1% | 27.4% | 34.1% | 5.3% |
| | Total tax wedge including employer's social security contributions | 37.1% | 41.3% | 46.7% | 23.4% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 34.0% | 39.5% | 48.0% | 34.0% |
| | Total payments less cash transfers: Spouse | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | 46.7% | 51.1% | 58.0% | 46.7% |
| | Total tax wedge: Spouse | n.a. | n.a. | n.a. | n.a. |

## Portugal 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 19 478 | 32 528 | 38 956 | 32 528 |
| **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)** | | 15 374 | 24 320 | 30 748 | 24 320 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 2 327 | 4 542 | 6 373 | 4 542 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 0 | 0 | 0 | 0 |
| | Married or head of family | | | | | |
| | Children | | 1 200 | 1 200 | 1 200 | 0 |
| | Other | | | | | |
| | | Total | 1 200 | 1 200 | 1 200 | 0 |
| **7.** | **Central government income tax finally paid (5-6)** | | 1 127 | 3 342 | 5 173 | 4 542 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 2 143 | 3 578 | 4 285 | 3 578 |
| | Taxable income | | | | | |
| | | Total | 2 143 | 3 578 | 4 285 | 3 578 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 3 269 | 6 920 | 9 459 | 8 120 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 672 | 0 | 0 | 0 |
| | | Total | 672 | 0 | 0 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 16 880 | 25 608 | 29 497 | 24 408 |
| **13.** | **Employer's compulsory social security contributions** | | 4 626 | 7 725 | 9 252 | 7 725 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 5.8% | 10.3% | 13.3% | 14.0% |
| | Employees' social security contributions | | 11.0% | 11.0% | 11.0% | 11.0% |
| | Total payments less cash transfers | | 13.3% | 21.3% | 24.3% | 25.0% |
| | Total tax wedge including employer's social security contributions | | 30.0% | 36.4% | 38.8% | 39.4% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 34.0% | 39.5% | 39.5% | 39.5% |
| | Total payments less cash transfers: Spouse | | 33.1% | 39.5% | 39.5% | 39.5% |
| | Total tax wedge: Principal earner | | 46.7% | 51.1% | 51.1% | 51.1% |
| | Total tax wedge: Spouse | | 46.0% | 51.1% | 51.1% | 51.1% |

The national currency is the Euro (EUR). In 2020, EUR 0.88 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 19 478 (Secretariat estimate).

# 1. Personal income tax system

## *1.1. Taxes levied by central government*

### *1.1.1. Tax unit*

The standard rule is separate taxation. However, families may opt for joint taxation. 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 EUR 4 104. If compulsory contributions to social protection schemes and statutory sub-schemes for health care exceed that limit, the deduction will equal the amount of those contributions.

#### 1.1.2.2. Non-standard reliefs

For income received from 1 January 1999 onwards, the majority of the standard reliefs have been replaced by tax credits (see Section 1.1.4.).

Non-standard reliefs still in effect:

A deduction is provided for the portion of trade union dues not constituting consideration for benefits in the realm of health care, education, assistance for the elderly, housing, insurance or social security, up to 1% of the taxpayer's gross income, increased by 50%. 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 1.1.2.1.).

### *1.1.4. Tax credits*

Basic credits

- EUR 600 for each dependent child. This tax credit is increased by EUR 126 for dependent children whose age does not exceed 3 years old. The value is increased to EUR 300 and EUR 150 for the second and third dependent whose age does not exceed 3 years old.
- EUR 525 for each ascendant whose income does not exceed the minimum pension benefit. When there is only one ascendant, the tax credit increases by EUR 110.

Other tax credits

- 35% of household general expenses up to a limit of EUR 250, per taxpayer; this limit is increased to 45% and EUR 335, respectively, for single parents.
- Non-reimbursed health care costs, not covered by Social Security: 15% of health care costs, with a limit of EUR 1 000

- Expenditures for educating the taxpayer or the taxpayer's dependants: 30% of outlays, up to EUR 800.
- 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% of expenses up to EUR 403.75.
- 15% of the amount spent (up to EUR 296,00) on interest regarding the acquisition, construction or improvement of the taxpayer's primary residence, or leasing contracts (applicable to contracts up to 31/12/2011); and 15% of the amount spent (up to EUR 502,00) on rents paid by a tenant for his permanent residence under an agreement typified by the law. These limits are also increased for taxpayers in the first tax rate bracket and for taxpayers with income above the first rate bracket upper limit and below EUR 30.000, according to the formula below.

$$296 + \left[(450 - 296) * \left(\frac{30000 - liable\ income}{30000 - 7112}\right)\right]$$

- 20% of alimony payments compulsory under court order or court-approved agreement.
- 30% of education expenditures and 25% of life insurance premiums, up to a limit of 15% of the tax liability, for handicapped taxpayers or dependents.
- 15% 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.

Tax credits from tax benefits

- Individual Retirement Savings Plans (PPRs): 20% 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% 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% of donations, limited in certain cases to 15% of the donor's tax liability. However the total of tax credits related to health care costs, education and training, alimony, retirement homes, VAT paid, house expenses and tax benefits cannot exceed the values of the following amounts:

| Taxable income (EUR) (R) | Limit |
|---|---|
| Up to 7 112 | Without limit |
| Between 7 112 and 80 882 | $1000 + \left[(2500 - 1000) * \left(\frac{80882 - liable\ income}{80882 - 7112}\right)\right]$ |
| Over 80 882 | EUR 1 000 |

Limits are increased in 5% for each dependent.

### *1.1.5. Family status- determination of taxable income*

The default status is individual taxation. Couples can opt for joint taxation based on the income-splitting system as it is described below. In the Taxing Wages calculations, the most favourable system is chosen.

### 1.1.6. Tax rate schedule (applicable to 2020 income)

| Taxable income (EUR) (R) | Marginal tax rate (%) (T) | Amount to deduct (EUR) (K) |
|---|---|---|
| Up to 7 112 | 14.50 | --- |
| Over 7 112 up to 10 732 | 23.00 | 604.52 |
| Over 10 732 up to 20322 | 28.50 | 1194.79 |
| Over 20 322 up to 25 075 | 35.00 | 2515.66 |
| Over 25 075 up to 36 967 | 37.00 | 3017.27 |
| Over 36 967 up to 80 882 | 45.00 | 5974.61 |
| Over 80 882 | 48.00 | 8401.21 |

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, EUR 9 215.01 that was 1.5 times the annual value of the Social Benefits Index per taxpayer in 2020.

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 x T - K - C

Married taxpayers can opt for joint taxation based on the income splitting method (with one or two earned incomes/see Section 1.1.5):

- I ={[ (R : 2) x T - K] x 2 } – C

Where:

R = Taxable income, after deduction of standard and non-standard reliefs (see Sections 1.1.2)

T = Tax rate corresponding to the taxable income bracket

K = Amount to be deducted from each bracket

C = Tax credits (see Section 1.1.4)

**Surtax:**

An additional surtax, solidarity tax rate, was introduced by the 2012 State Budget and is applicable on highest income bracket. The surtax tax rate is now 2.5% applicable to taxable income between EUR 80 882 and EUR 250 000 and 5% for taxable income above EUR 250 000.

### 1.1.7. Special family situations

#### 1.1.7.1. Handicapped taxpayer/spouse, with a disability rating of 60% 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% or more:

A tax credit corresponding to 2.5 times the social benefits index[1] (EUR 1 187.50) is granted for each dependent child.

#### 1.1.7.3. Handicapped taxpayer/spouse or dependent children, with a disability rating of 90% 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% or 60% 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% of gross pay, with no ceiling.

### *2.2. Employer contributions*

The employer's rate of social security contributions is 23.75% 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% of 14 times the reference value (i.e. under EUR 3071.67);
- Level 2: Families whose reference income is over 50% and under 100% of 14 times the reference value( i.e. over EUR 3071.67 and under EUR 6143.34);
- Level 3: Families whose reference income is over 100% and under 150% of 14 times the reference value (i.e. over EUR 6143.34 and under EUR 9215.01);
- Level 4: Families whose reference income is over 150% (i.e. over EUR 9215.01).

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 (until June 2020):

| | Child under 12 months | Child over 12 months old and under 36 months old | Benefit per child under12 months in a family with 2 children | Benefit per child under 12 months in a family with 3 or more children | Benefit per child over 12 months and under 36 months in a family with 2 children | Benefit per child over 12 months and under 36 months in a family with 3 or more children | Child over 36 months and under 72 months old | Child over 72 months old |
|---|---|---|---|---|---|---|---|---|
| Level 1 | 149.85 | 130.31 | 187.31 | 224.77 | 167.77 | 205.23 | 43.44 | 37.46 |
| Level 2 | 123.69 | 107.56 | 154.62 | 185.55 | 138.48 | 169.42 | 35.85 | 30.93 |
| Level 3 | 97.31 | 85.22 | 125.31 | 153.31 | 113.22 | 141.22 | 28.41 | 28.00 |
| Level 4 | 48.35 | 48.35 | 62.95 | 77.55 | 62.95 | 77.55 | 16.12 | - |

Monthly social benefits per child are as follows (from July 2020):

| | Child under 36 months In a family with one child | Child under 36 months In a family with two children | Child under 36 months In a family with three or more children | Child over 36 months and under 72 months old | Child over 72 months old |
|---|---|---|---|---|---|
| Level 1 | 149.85 | 187.31 | 224.77 | 49.95 | 37.46 |
| Level 2 | 123.69 | 154.62 | 185.55 | 41.23 | 30.93 |
| Level 3 | 97.31 | 125.31 | 153.31 | 32,44 | 28.00 |
| Level 4 | 48.35 | 72.99 | 87.59 | 19,46 | - |

Monthly social benefits per child in a single-parent family are increased by 35%.

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% of their resident taxpayers' tax liability. If this rate is set below 5%, 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.
- A family coefficient was introduced in 2015 and abolished in 2016.
- From 2016, the tax unit is the individual. However, couples can opt for joint taxation.

### 4.1. Changes to labour taxation due to the covid-19 pandemic

2/3 of remuneration, min. EUR 635 and max. EUR 1905, supported equally by the Social Security (a group of seven institutions under the Ministry of Labor, Solidarity and Social[2]) and the employer, for employees that have to quarantine at home with their dependent children, under 12 years old, during the school period. For self-employed it is 1/3 of contributions, with a min. of EUR 438.81 and a max. of EUR 1097.03. It has lasted from mid-March to mid-June.

Several measures for loss of activity, depending on employment status.

## 5. Memorandum items

### 5.1. Method used to identify and compute gross wages of the average worker

The operative concept of monthly compensation is that of amounts paid to full time staff before deductions for tax and compulsory contributions. It therefore includes wages and basic salaries of staff paid by the hour, by the job, or by tasks; benefits in kind or housing, if they are considered an integral part of compensation; cash subsidies for meals, housing or transport; bonuses for regular night shifts and seniority, as well as incentive pay and rewards for diligence and productivity; family allowances, compensation for overtime and work on holidays. Benefits, subsidies and bonuses are taken into account only if paid regularly at each pay period.

Payments in kind are incorporated into the concept of compensation. The statistics record such advantages in kind at their taxable value.

All managerial and supervisory workers are included in the computations.

Average annual pay is based on the average of monthly earnings for April and October multiplied by an adjustment coefficient representing the share of annual bonuses and allowances (including vacation subsidies and the Christmas allowance), which is provided by the labour cost survey.

The following formula is applied:

- Average annual pay = Average monthly pay adjusted by the coefficient x 12.

### 5.2. Description of the employer's main contributions to private retirement, health insurance schemes, etc.

Outside the social security system, employers are required to insure their employees against work-related accidents (with private insurance companies). They may also provide their employees with life insurance, although this is optional.

## 2020 Parameter values

| | | | | |
|---|---|---|---|---|
| Average earnings/yr | Ave_earn | 19 478 | Secretariat estimate | |
| Tax allowances | perc | 1 | | |
| | max_al | 4 104 | | |
| Tax credits | | | | |
| Married (basic) | married_cred | 0 | | |
| Single (basic) | single_cred | 0 | | |
| Single parent | singlepar_cred | 0 | | |
| Each child credit | child_cred | 600 | | |
| Tax schedule | tax_sch | 0.145 | 7 112 | |
| | | 0.23 | 10 732 | |
| | | 0.285 | 20 322 | |
| | | 0.35 | 25 075 | |
| | | 0.37 | 36 967 | |
| | | 0.45 | 80 882 | |
| | | 0.48 | | |
| | tax_floor | na | | |
| Surtax | surtax_rate | 0.025 | | |
| | surtax_rate2 | 0.05 | | |
| | surtax_thrs | 250 000 | | |
| Social security contributions | SSC_rate | 0.11 | | |
| ceiling | SSC_empr | 0.2375 | | |
| Child benefit - Schedule | ch_ben_sch | 0 | 449.52 | 1st echelon |
| | | 3071.67 | 371.16 | 2nd echelon |
| | | 6143.34 | 336.00 | 3rd echelon |
| | | 9215.09 | 0 | 4th echelon |
| Extra child benefit for lone parents | ch_ben_lone | 0.35 | | |
| Minimum Wage | MW | 8890 | | |
| Minimum Disposable Income | MinDispY | 9215.01 | | |

## 2020 Tax equations

The equations for the Portuguese system in 2020 are calculated on individual basis. Couples can opt for joint taxation based on the income-splitting system. In the Taxing Wages calculations, the two systems are modelled and the most favourable system is chosen.

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 | MAX(MIN(perc*earn, max_al), SSC) |
| | | | 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 | | 0 |
| 4. | CG taxable income | tax_inc | B | earn-tax_al |
| | Adjusted taxable income | tax_inc_adj | J | tax_inc/(1+Married) |
| 5. | CG tax before credits | CG_tax_excl | B | IF(tax_inc>tax_floor,Tax(tax_inc,tax_sch),0) |
| | | | J | IF(tax_inc_adj>tax_floor,Tax(tax_inc_adj,tax_sch)*(1+Married), 0) |
| 6. | Tax credits : | | | |
| | Basic credit | basic_cr | B/J | 0 |
| | Child credit | child_cr | B | IF(AND(Married>0,earn_spouse>0),Children*child_cred/2,Children*child_cred) |
| | | | J | Children*child_cred |
| | Total | tax_cr | B/J | basic_cr+child_cr |
| | Surtax | surtax | B | IF(tax_inc>surtax_thrs,(surtax_rate*(surtax_thrs-TopIncBracket)+surtax_rate2*(tax_inc-surtax_thrs)),surtax_rate*Positive(tax_inc-TopIncBracket)) |
| | | | J | IF(tax_inc_adj>surtax_thrs,(surtax_rate*(surtax_thrs-TopIncBracket)+surtax_rate2*(tax_inc_adj-surtax_thrs))*(1+Married),surtax_rate*Positive(tax_inc_adj-TopIncBracket)*(1+Married)) |
| 7. | CG tax | CG_tax | B | IF(earn-CG-tax-excl> MinDispY,Positive(CG_tax_excl-tax_cr),0)+surtax |
| | | | | IF(earn-CG-tax-excl> MinDispY*(1+(Married*earn_spouse>0)),Positive(CG_tax_excl-tax_cr),0)+surtax |
| 8. | State and local taxes | local_tax | B/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) +IF(earn/(Children+1)<inc_level1,IF(married>0,(ben_level1/12)*children,( ben_level1/12)*(children*(1+ch_ben_lone)),0) |
| 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.

## Notes

[1] The 2010 minimum wage (EUR 475) until de SBI reaches that value.

[2] Direção Geral da Segurança Social, Instituto de Gestão de fundos de capitalização da Segurança Social, Instituto de Gestão Financeira da Segurança Social, Instituto de Informática, Instituto de Segurança Social, Instituto de Segurança Social da Madeira and Instituto de Segurança Social dos Açores.

# 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 2020

### 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** | 8 844 | 13 200 | 22 045 | 8 844 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | 4 414 | 4 414 | 4 414 | 4 414 |
| | Married or head of family | 0 | 0 | 0 | 0 |
| | Dependent children | 0 | 0 | 0 | 0 |
| | Deduction for social security contributions and income taxes | 1 185 | 1 769 | 2 954 | 1 185 |
| | Work-related expenses | | | | |
| | Other | | | | |
| | Total | 5 599 | 6 183 | 7 368 | 5 599 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 3 245 | 7 017 | 14 676 | 3 245 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 617 | 1 333 | 2 789 | 617 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | 0 | 0 | 0 | 0 |
| | Married or head of family | 0 | 0 | 0 | 0 |
| | Children | 0 | 0 | 0 | 545 |
| | Other (ETC) | 0 | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 | 545 |
| **7.** | **Central government income tax finally paid (5-6)** | 617 | 1 333 | 2 789 | 71 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 1 185 | 1 769 | 2 954 | 1 185 |
| | Taxable income | | | | |
| | Total | 1 185 | 1 769 | 2 954 | 1 185 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 1 802 | 3 102 | 5 742 | 1 256 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 0 | 0 | 0 | 599 |
| | Total | 0 | 0 | 0 | 599 |
| **12.** | **Take-home pay (1-10+11)** | 7 043 | 10 098 | 16 302 | 8 187 |
| **13.** | **Employers' compulsory social security contributions** | 2 671 | 3 986 | 6 657 | 2 671 |
| **14.** | **Average rates** | | | | |
| | Income tax | 7.0% | 10.1% | 12.6% | 0.8% |
| | Employees' social security contributions | 13.4% | 13.4% | 13.4% | 13.4% |
| | Total payments less cash transfers | 20.4% | 23.5% | 26.0% | 7.4% |
| | Total tax wedge including employer's social security contributions | 38.8% | 41.2% | 43.2% | 28.9% |
| **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 | 46.1% | 46.1% | 46.1% | 46.1% |
| | Total tax wedge: Spouse | n.a. | n.a. | n.a. | n.a. |

## Slovak Republic 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 13 200 | 22 045 | 26 401 | 22 045 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | 4 414 | 8 828 | 8 828 | 8 828 |
| | Married or head of family | | 4 036 | 0 | 0 | 0 |
| | Dependent children | | 0 | 0 | 0 | 0 |
| | Deduction for social security contributions and income taxes | | 1 769 | 2 954 | 3 538 | 2 954 |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 10 219 | 11 782 | 12 366 | 11 782 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 2 981 | 10 262 | 14 035 | 10 262 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 566 | 1 950 | 2 667 | 1 950 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 0 | 0 | 0 | 0 |
| | Married or head of family | | 0 | 0 | 0 | 0 |
| | Children | | 545 | 545 | 545 | 0 |
| | Other (ETC) | | 0 | 0 | 0 | 0 |
| | | Total | 545 | 545 | 545 | 0 |
| **7.** | **Central government income tax finally paid (5-6)** | | 21 | 1 405 | 2 121 | 1 950 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 1 769 | 2 954 | 3 538 | 2 954 |
| | Taxable income | | | | | |
| | | Total | 1 769 | 2 954 | 3 538 | 2 954 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 1 790 | 4 358 | 5 659 | 4 904 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 599 | 599 | 599 | 0 |
| | | Total | 599 | 599 | 599 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 12 009 | 18 285 | 21 340 | 17 141 |
| **13.** | **Employers' compulsory social security contributions** | | 3 986 | 6 657 | 7 973 | 6 657 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 0.2% | 6.4% | 8.0% | 8.8% |
| | Employees' social security contributions | | 13.4% | 13.4% | 13.4% | 13.4% |
| | Total payments less cash transfers | | 9.0% | 17.1% | 19.2% | 22.2% |
| | Total tax wedge including employer's social security contributions | | 30.1% | 36.3% | 37.9% | 40.3% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 29.9% | 29.9% | 29.9% | 29.9% |
| | Total payments less cash transfers: Spouse | | 29.0% | 29.9% | 29.9% | 29.9% |
| | Total tax wedge: Principal earner | | 46.1% | 46.1% | 46.1% | 46.1% |
| | Total tax wedge: Spouse | | 45.5% | 46.1% | 46.1% | 46.1% |

As from 1.1.2009 Slovakia has joined the Euro zone; the national currency became the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In that year, the average worker earned EUR 13 200 (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 21 times the minimum living standard (MLS) for a basic adult as of January 1, 2020 (EUR 4 414.20). In 2020, the basic personal allowance for taxpayers with gross earnings net of employee social security contributions in excess of the threshold of EUR 19 506.56 per year (19 506.56 = 92.8 x MLS, which is approximately equal to an employee's monthly gross wage of EUR 1 877) is gradually withdrawn. If gross earnings net of employee social security contributions exceed EUR 19 506.56, 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 37 163.36 per year (employee's monthly gross wage of approximately EUR 3 576). The value of the basic tax allowance cannot become negative.
- The regressive 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 4 035.84. As from January 1, 2008 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 the 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 the 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 2020 are lower or equal to EUR 37 163.36 (= 176.8 times MLS) and the spouse's gross earnings net of employee social security contributions are lower than EUR 4 035.84, 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 4 035.84, the spouse allowance is 0. If the principal's gross earnings net of employee social security contributions exceed EUR 37 163.36 (= 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 the spouse allowance (spouse income does not influence any equations of the 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 1st July when also the new amount of MLS comes into force. Since 2015 the monthly tax credit is automatically indexed by MLS growth from the previous year. Monthly tax credit in 2020 is EUR 22.72 per child for the whole year. The annual amount will be EUR 272.64. 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 2020 is set at EUR 580.0 (the total annual earnings must therefore be at least EUR 3 480.0). The credit can be taken only by one partner. It can be taken by one partner for a 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). Since 2019, the tax credit on dependent children is doubled for each child below the age of 6 years. For children aged 6 or more, the tax credit remains unchanged (EUR 22.72 in 2020).
- 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 was repealed as from January 2011. As of 2014 an allowance for supplementary pension insurance has been reintroduced. Supplementary pension contributions are tax-deductible up to the maximum limit of EUR 180 per year.

#### 1.1.2.3. Non-wastable tax credit: employee tax credit (ETC / zamestnanecká prémia)

Prior to 2015 low-income workers were eligible for employee tax credit. The employee tax credit was effective since 2009 and depended on the employee's earnings and the number of months worked. In order to receive the employee tax credit, earnings should be at least 6 times of the minimum wage. The credit was then calculated as 19% of the difference between the basic allowance and the tax base (gross earnings net of employee SSC) calculated from 12 times the minimum wage or from the actual income (whichever is higher). In 2020 the tax base at the level of the minimum wage (EUR 6 027.36) is higher than the basic allowance (EUR 4 414.20). The tax credit is therefore automatically zero (so effectively nobody can be eligible).

#### *1.1.3. Tax schedule*

As from 2013 the previous flat tax rate of 19% was replaced by a new tax schedule with two tax brackets. The ceiling for the first bracket is set out as 176.8 times MLS (equal to EUR 37 163.36), which secures its automatic indexation. The tax schedule is as follows:

| Annual taxable income (EUR)* | Rate (%) |
|---|---|
| 0–37 163.36 | 19 |
| 37 163.36 and over | 25 |

* Employee's social security contributions (see 1.12.) are deductible for income tax purposes.

### *1.2. State and local income tax*

Personal income tax (PIT) is redirected solely to the local governments. The share of PIT yield which is transferred to municipalities is 70%. The share of PIT yield transferred to self-governing regions is 30%.

## 2. Compulsory Social Security Contributions to Schemes Operated within the Government Sector

### *2.1. Employees' contributions*

Compulsory contributions of 13.4% 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% |
| -- Social Insurance | | 9.4% |
| of which: | | |
| -- Sickness | 1.4% | |
| -- Retirement | 4.0% | |
| -- Disability | 3.0% | |
| -- Unemployment | 1.0% | |

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. Since 2017 MSSAB for health insurance contributions are abolished. As of 2020, the monthly MSSAB for social insurance contributions are calculated as: 7 x AW(t-2), where AW(t-2) is the average wage two years ago (previous equation for calculating MSSAB was 5 x AW(t-2)). The average wage (AW) is determined by the Statistical Office of the Slovak Republic – for 2018 it was EUR 1013 per month.

As of 2015 the health insurance contribution (HIC) allowance has been introduced. The allowance decreases the employee's and employer's assessment base for the health insurance. It amounts to EUR 380 per month (EUR 4 560 annually) and decreases with rising income up to EUR 570 (EUR 6 840 annually) when it reaches zero. With EUR 1 rise in the monthly income the monthly allowance is reduced by EUR 2. The HIC allowance is applicable only on standard employment income (not self-employed income or income based on temporary contracts). However, to determine the amount of allowance all types of incomes are assessed, to target only low income workers. Since 2018 HIC allowance for employers was abolished.

### 2.2. Employers' contributions

The total contribution for employers is 35.2% of gross wages and salaries. The contribution comprises the health insurance contribution (10% of gross wages and salaries) and the social insurance contribution (25.2%). The social insurance rate reflects contributions to sickness insurance (1.4%), disability insurance (3%), retirement insurance (14%), the Guaranteed Fund (0.25%), accident insurance (0.8%), for unemployment (1%) and to the Reserve Fund (4.75%). All contributions are rounded down to 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 the 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% to 4% (for more see pension contribution sharing scheme table below). As from 2017 contribution rate to the II. pillar automatically increases by 0.25 p.p. per year (i.e. contribution rate to the I. pillar decreases in the same volume), stopping at 6% to the II. pillar and 8% to the I. pillar in 2024. Private pension funds are treated outside of the 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 2020 is 30.2% with contributions to the second pension pillar not included in the rate.

As of 2015 the health insurance contribution (HIC) allowance has been introduced and in 2018 it has been abolished for employers, while for employees it remains unchanged (for more see 2.1).

The MSSAB also applies to the employer's SSC. The next table presents the annual values of MSSAB:

| | Formula for MSSAB | Value of MSSAB |
|---|---|---|
| Health insurance | | No limit |
| Social insurance | | |
| of which | | |
| -- sickness, retirement, unemployment, disability, Guarantee fund, Reserve fund | 7.0 x AW (t-2) | 85 092. 00 |
| -- accident | | No limit |

Social security contributions: Pension – contribution sharing in case of II. Pillar participation

| Period | Percentage of gross earnings | | |
|---|---|---|---|
| | I Pillar | II Pillar | Total |
| System up to September 2012 | 9% (5% employer + 4% employee contribution) | 9% (employer contribution) | 18% |
| System up to December 2016 | 14% (10% employer + 4% employee contribution) | 4% (employer contribution) | 18% |
| System up to December 2017 | 13.75% (9.75% employer + 4% employee contribution) | 4.25% (employer contribution) | 18% |
| System up to December 2018 | 13.5% (9.5% employer + 4% employee contribution) | 4.5% (employer contribution) | 18% |
| System up to December 2019 | 13.25% (9.25% employer + 4% employee contribution) | 4.75% (employer contribution) | 18% |
| Current system from January 2020 | 13% (9% employer + 4% employee contribution) | 5% (employer contribution) | 18% |

## 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 24.95 per month in 2020. 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 11.70 in 2020. For the purpose of the tax wedge calculations this allowance is not relevant, as only non-workers and taxpayers with annual earnings lower than six times the minimum monthly wage (which is the condition for eligibility for the non-wastable child tax credit) are entitled to the extra allowance.

The non-wastable tax credit mentioned in Section 1.1.2.1 is part of the social support for families with dependent children. However, it is not considered as a transfer for the purposes of this Report.

### 3.3. Transfers related to social status

To determine the claim to state social benefits (for example the allowance for housing costs), the minimum living standard amounts are relevant as they form the basis of the income test. For 2020, these amounts are:

| | MLS monthly (1.1.2020 – 31.12.2020) |
|---|---|
| First adult | 210.20 |
| Second adult | 146.64 |
| Child | 95.96 |

A family is entitled to a social allowance if the total combined monthly disposable income of the family is less than the calculated MLS for this family. In the calculation of the benefit eligibility, only 75% of net income from employment is taken into account. The allowance varies with the family type.

The benefits available to a family in material need (valid since 1st of January 2020) are:

- EUR 66.30 per month for an individual.
- EUR 126.20 per month for an individual with between one and four children.
- EUR 115.30 per month for a couple without children.
- EUR 172.60 per month for a couple with between one and four children.
- EUR 184.30 per month for an individual with more than four children.
- EUR 232.60 per month for a couple with more than four children.
- activation allowance: EUR 67.90 per month – for people who become active either by accepting qualifying employment opportunities or participating in retraining courses.
- housing allowance: EUR 57.20 per month for individual in material need, EUR 91.40 for a household in material need (if household has more than 1 person).
- protection allowance: EUR 67.90 per month for an individual in material need where employment is not possible due to such circumstances as a disability or old age, EUR 37.30 per month for individual on sick leave for at least 30 consecutive days and EUR 14.60 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 67.90 for each individual).
- specific allowance: EUR 67.90 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 18.60 per month for a child who properly fulfils compulsory school attendance.

## 4. Main Changes in Tax/Benefit Systems since 2017

Automatic growth of the contribution rate to the II. pension pillar by 0.25 p.p. per year was introduced in 2017. The contribution rate to the I. pillar decreases by the same amount. In 2020 the contribution rate to the II. pillar is 5 % and contribution to the I. Pillar is 9% (see Section 2.2). Moreover, the MLS value was revised up in July 2017 after 4 years of no change, which led to changes in the tax system allowances, credits and brackets from January 2018. Since 2018 the HIC allowance for employers was abolished.

There are also legislative changes which do not directly affect calculations of the tax wedge used in this Report. The first is a new spa tax allowance for the PIT. Each taxpayer who spent at least EUR 50 on domestic spa services is allowed to reduce their tax base by EUR 50.

The second change is related to support for housing mortgage interest payments for young people. Since 2018 taxpayer is allowed to deduct mortgage interest payment (maximum amount is EUR 400 per year) from their own tax liability. Previously, support for housing was in the form of a public subsidy.

Third, pensioners who earn income from special short term labour contracts (*dohoda o vykonaní práce*) benefit from an SSC allowance of EUR 200 per month from July 2018.

New exemptions of the 13th and 14th salaries were introduced in 2018. This measure has a negative impact on revenues, which is increasing with gradual phasing of exemption from health insurance contributions, the PIT, and from 2019 onwards also from social insurance contributions. Maximum exemption is EUR 500 per additional salary.

Overview and timing of PIT and SSC exemptions of 13th and 14th salary (Y = exemption)

| | 2018 | | | 2019 | | | 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | SIC | HIC | PIT | SIC | HIC | PIT | SIC | HIC | PIT |
| 13th salary (June) | | Y | | | Y | Y | | Y | Y |
| 14th salary (December) | | Y | Y | Y | Y | Y | Y | Y | Y |

Since 2019, the tax credit on dependent children is doubled for each child below the age of 6 years (Section 1.1.2.1). In addition, an exemption for recreational vouchers was introduced. Employers can provide maximum EUR 275 per year as a cash benefit exempted from social security contributions and the PIT to employees who spent at least EUR 500 on recreation in the Slovak Republic. Provision of this benefit is compulsory for employers who have at least 50 employees.

The amount of the basic allowance was increased in 2020 from 19.2 times the MLS to 21 times the MLS. The threshold when then basic allowance is gradually withdrawn was adjusted accordingly from 100 times the MLS to 92.8 times the MLS.

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

The deadline for the annual tax clearing and filing of tax returns for the year 2019 was moved from the end of March 2020 to the end of October 2020. Any outstanding tax liability is payable by the new deadline as well. In addition, payment of employer contributions for certain months was deferred if the business suffered at least 40% loss of revenue in that month. Moreover, businesses that were compulsorily closed by the order of the government do not have to pay employer social insurance contributions for April 2020. This one-off abatement is not modelled for the purpose of this Report because it affected only about 15% of the workforce.

## 5. Memorandum items

### *5.1. Identification of AW and valuation of earnings*

The average earnings of the AW are estimated by the Ministry of Finance of the Slovak Republic based on the data provided by the Statistical Office of the Slovak Republic. The source of the information is the quarterly survey of employers which covers:

- all financial corporations and public sector organizations,
- around 50% of firms with at least 20 employees or firms with annual revenue at least €5 mil. regardless of the number of employees, and
- around 7% of firms with less than 20 employees

The average earnings are calculated as the mean of the monthly average wages in industry sectors B-N according to the SK NACE Rev. 2 classification, weighted by the number of employed in the given sector. The earnings data are not adjusted to full-time equivalents, but part-time workers are included only if they have a standard employment contract. Workers with non-standard temporary contracts[1] are excluded completely. Managerial workers are also included only if they have a standard employment contract. The self-employed are not included in the earnings data, but they are included in the sectoral employment figures.

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 13 200 | Secretariat estimate |
|---|---|---|---|
| w | basic_adult | 210.20 | |
| | basic_adult1 | 146.64 | |
| | basic_child | 95.96 | |
| Basic allowance | basic_al_mult | 21.0 | |
| | basic_al | 4414.20 | |
| | basic_al_mult1 | 92.8 | |
| | basic_al_mult2 | 44.2 | |
| | basic_al_redn | 0.25 | |
| Spouse allowance | spouse_al_limit | 4035.84 | |
| | spouse_al_mult | 19.2 | |
| | spouse_al_mult1 | 176.8 | |
| | spouse_al_mult2 | 63.4 | |
| | spouse_al_redn | 0.25 | |
| Income tax rate | tax_sch/tax_rate | 0.19 | 37163.36 |
| | | 0.25 | |
| Tax credits - nonwastable | tax_cr | 272.64 | |
| | min_wage | 580 | |
| | minwage_mult | 6 | |
| | etc_thresh | 6017.76 | |
| Employee social security contributions | SSC_rate | 0.094 | |
| | 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 | 0.194 | |
| | SSC_empsick | 0.014 | |
| | SSC_empret | 0.09 | |
| | SSC_empdis | 0.03 | |
| | SSC_empunemp | 0.01 | |
| | SSC_emphealth | 0.1 | |
| | SSC_gua | 0.0025 | |
| | SSC_acc | 0.008 | |
| | SSC_fund | 0.0475 | |
| Health Insurance Contribution allowance | HIC_treshold | 4560 | |
| | HIC_rate | 2 | |
| Maximum assessment base | MSSAB | 85092 | |
| Cash transfers | transf_1 | 299.40 | |
| | transf_indiv | 795.60 | |
| | transf_indiv_child | 1514.40 | |
| | transf_couple | 1383.60 | |
| | transf_couple_child | 2071.20 | |
| | transf_hous_indiv | 686.40 | |
| | transf_hous_couple | 1096.80 | |
| | transf_dep | 223.20 | |

## 2020 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 | | |
| 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, spouse_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+ MAX(0;(earn-MAX(0;HIC_treshold-MAX(0;(earn-HIC_treshold)*HIC_rate))))*SSC_health |
| 11. | Cash transfers | cash_trans | J | Children*transf_1+Positive(IF(0,75*((earn-SSC-CG_tax_excl)/12)<(basic_adult+Married*basic_adult1+ Children*basic_child); ((1-Married)* (IF(Children>0;transf_indiv_child;transf_indiv))+Married*(IF(Children>0;transf_couple_child;transf_couple))+IF((Married+Children)>0;transf_hous_couple;transf_hous_indiv)+(Children*transf_dep)-0,75*(earn-SSC-CG_tax_excl));0)) |
| 13. | Employer's soc security | SSC_empr | B | MINA(earn,MSSAB)*SSC_empr+earn*SSC_acc+earn*SSC_emphealth |

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.

## Notes

[1] Agreements on work performed outside employment relationship - *Dohody o prácach vykonávaných mimo pracovného pomeru*

# 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 2020

### 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** | 13 684 | 20 424 | 34 109 | 13 684 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | 3 500 | 3 500 | 3 500 | 3 500 |
| | Married or head of family | | | | |
| | Dependent children | | | | 5 086 |
| | Deduction for social security contributions and income taxes | 3 024 | 4 514 | 7 538 | 3 024 |
| | Work-related expenses | 0 | 0 | 0 | 0 |
| | Other | | | | |
| | Total | 6 524 | 8 014 | 11 038 | 11 610 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 7 160 | 12 411 | 23 071 | 2 074 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 1 146 | 2 377 | 5 148 | 332 |
| **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)** | 1 146 | 2 377 | 5 148 | 332 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 3 024 | 4 514 | 7 538 | 3 024 |
| | Taxable income | | | | |
| | Total | 3 024 | 4 514 | 7 538 | 3 024 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 4 170 | 6 891 | 12 686 | 3 356 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 0 | 0 | 0 | 3 287 |
| | Total | 0 | 0 | 0 | 3 287 |
| **12.** | **Take-home pay (1-10+11)** | 9 514 | 13 534 | 21 422 | 13 615 |
| **13.** | **Employer's wage dependent contributions and taxes** | 2 203 | 3 288 | 5 491 | 2 203 |
| | Employer's compulsory social security contributions | 2 203 | 3 288 | 5 491 | 2 203 |
| | Payroll taxes | 0 | 0 | 0 | 0 |
| **14.** | **Average rates** | | | | |
| | Income tax | 8.4% | 11.6% | 15.1% | 2.4% |
| | Employees' social security contributions | 22.1% | 22.1% | 22.1% | 22.1% |
| | Total payments less cash transfers | 30.5% | 33.7% | 37.2% | 0.5% |
| | Total tax wedge including employer's social security contributions | 40.1% | 42.9% | 45.9% | 14.3% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 34.6% | 42.4% | 42.4% | 34.6% |
| | Total payments less cash transfers: Spouse | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | 43.6% | 50.3% | 50.3% | 43.6% |
| | Total tax wedge: Spouse | n.a. | n.a. | n.a. | n.a. |

## Slovenia 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 20 424 | 34 109 | 40 849 | 34 109 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | 3 500 | 7 000 | 7 000 | 7 000 |
| | 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 | | 4 514 | 7 538 | 9 028 | 7 538 |
| | Work-related expenses | | 0 | 0 | 0 | 0 |
| | | Total | 15 537 | 19 624 | 21 114 | 14 538 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 4 887 | 14 484 | 19 735 | 19 571 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 782 | 2 318 | 3 549 | 3 522 |
| **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)** | | 782 | 2 318 | 3 549 | 3 522 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 4 514 | 7 538 | 9 028 | 7 538 |
| | Taxable income | | | | | |
| | | Total | 4 514 | 7 538 | 9 028 | 7 538 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 5 296 | 9 856 | 12 576 | 11 060 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 2 529 | 1 279 | 842 | 0 |
| | | Total | 2 529 | 1 279 | 842 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 17 657 | 25 532 | 29 115 | 23 048 |
| **13.** | **Employer's wage dependent contributions and taxes** | | 3 288 | 5 491 | 6 577 | 5 491 |
| | Employer's compulsory social security contributions | | 3 288 | 5 491 | 6 577 | 5 491 |
| | Payroll taxes | | 0 | 0 | 0 | 0 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 3.8% | 6.8% | 8.7% | 10.3% |
| | Employees' social security contributions | | 22.1% | 22.1% | 22.1% | 22.1% |
| | Total payments less cash transfers | | 13.5% | 25.1% | 28.7% | 32.4% |
| | Total tax wedge including employer's social security contributions | | 25.5% | 35.5% | 38.6% | 41.8% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 34.6% | 34.6% | 34.6% | 42.4% |
| | Total payments less cash transfers: Spouse | | 42.5% | 34.6% | 42.4% | 34.6% |
| | Total tax wedge: Principal earner | | 43.6% | 43.6% | 43.6% | 50.3% |
| | Total tax wedge: Spouse | | 50.4% | 43.6% | 50.3% | 43.6% |

The Slovenian currency is the euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In that year, the average worker in Slovenia earned EUR 20 424 (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 3 500.00 is deductible from income in 2020. For lower income groups whose taxable income equals up to EUR 13 316.83 an additional general allowance is determined linearly by the following equation: 18 700.38 – 1.40427×total income.
- Family allowances are also deductible from the tax base in the same way as for the general allowance. The allowances for 2020 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;
  - for the sixth and all additional dependent children the allowance is higher by EUR 1 769.30 relating to the amount of allowance for the preceding maintained children;
  - 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 2020 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.
- The reduction of PIT on the part of a salary paid on the basis of business performance. The income paid on the basis of business performance is exempt from the taxable base of employment income (but not from social security contributions) up to amount corresponding to 100% of the last published average monthly salary in the Republic of Slovenia. 'The part of a salary paid on the basis of business performance' is defined as income which should be paid once in a calendar year to all eligible employees at the same time, and under the condition that the right to receive such income is provided:
  - in the employer's general legal acts, with the same eligibility conditions for all employees; or
  - in the collective labour agreement including or serving as basis for eligibility criteria for receiving such income.
- The exemption of PIT on the payment for holiday leave up to 100% of the latest known average monthly wage in the Republic of Slovenia.

#### *1.1.3. Tax schedule*

The tax schedule for 2020 is as follows:

| Taxable income (EUR) | Tax rate (in %) |
|---|---|
| Up to 8 500.00 | 16 |
| 8 500.00–25 000.00 | 26 |
| 25 000.00–50 000.00 | 33 |
| 50 000.00–72 000.00 | 39 |
| Above 72.000.00 | 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 | 0.1 |
| Total | 16.1 |

The only change to these rates since 1996 has been the 0.2 percentage points increase in the employers' contribution rates for health insurance in 2002.

Slovenia implements a minimum SSC base for workers earning less than a minimum income threshold. For gross earnings below the minimum income threshold, SSCs are calculated on the basis of the minimum SSC base and not on actual gross wage earnings. Employees are liable to pay employee SSCs on their actual gross earnings, however, the employers are liable to pay (in addition to the employer SSC on gross earnings) the employee *and* employer SSC rate on the gross wage earnings below the minimum income threshold.

## 3. Payroll tax

None.

## 4. Universal cash transfers

### 4.1. Transfers related to marital status

None.

### *4.2. Transfers for dependent children*

On 1 January 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 percentage of the average net wage in the previous year.

The new legislation changed relevant 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 reduced 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 benefit are made on an annual basis and the payments are not taxable.

- The amount of the benefit is calculated for each child separately according to the level of net family income per family member and the ranking of the child in the family. Each family is assigned to one of 8 income brackets. From 1 January 2018 the thresholds between brackets are defined in nominal terms whereas before that date the brackets were defined according to some percentage of the previous year average net wage.
- Each child is allocated in one of three 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 30%. 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 have been 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.
- 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 for the year 2020 are as follows:

| Number of income bracket | Net family income per family member (above – to) | 1st Child | 2nd Child | 3rd and subsequent Child |
|---|---|---|---|---|
| | | Monthly ( EUR) | Monthly (EUR) | Monthly (EUR) |
| 1 | Up to 2 296.80 | 117.05 | 128.75 | 140.47 |
| 2 | 2 296.00 – 3 828.12 | 100.08 | 110.63 | 121.12 |
| 3 | 3 828.12 – 4 593.84 | 76.27 | 85.25 | 94.19 |
| 4 | 4 593.84 – 5 359.44 | 60.16 | 68.64 | 77.28 |
| 5 | 5 359.44 – 6 763.20 | 49.19 | 57.41 | 65.57 |
| 6 | 6 763.20 – 8 166.72 | 31.17 | 39.01 | 46.81 |
| 7 | 8 166.72 – 10 463.76 | 23.38 | 31.17 | 39.01 |
| 8 | 10 463.76 – 12 633.00 | 20.36 | 28.16 | 35.95 |
| | | | | |

- The monthly amounts of child benefit for a child included in the secondary school (but only for the child younger than 18) in the income brackets 7 and 8 are different than those in the table above and are as follows:

| Number of income bracket | Net family income per family member (above – to) | Monthly ( EUR) | Monthly (EUR) | Monthly (EUR) |
|---|---|---|---|---|
| 7 | 8 166.72 – 10 463.76 | 29.52 | 37.31 | 50.84 |
| 8 | 10 463.76 – 12 633.00 | 23.43 | 31.23 | 40.85 |

In 2020, the maximum annual benefit levels for children in a two-parent family till the end of primary school are set by:

- EUR 1 404.60 for the first child;
- EUR 1 545.00 for the second child;
- EUR 1 685.64 for the third or subsequent child.

The amounts decline as the level of income per family member increases.

## 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 of 50% was introduced for incomes above EUR 70 907.20.

- 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 scheduler 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 another amendments were also introduced 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).
- In 2014, the amendments to the Law on Parenthood and Family Incomes increased child benefit for each child who lives in a single-parent family. Namely, the uplift of child benefit was increased from 10 to 30%. In this year were also introduced the different amounts of transfers for children included in the secondary school in the sixth income bracket.
- The scale of assessment for income tax as a temporary measure that applies to 2013 and 2014, with the addition of a fourth class tax rate of 50% was extended for the year 2015.
- In 2015 the annual threshold between 2nd and 3rd tax bracket (above which the income tax is paid at the rate of 41%) was increased to EUR 20 400 (from EUR 18 960) for the years 2016 and 2017. The corresponding tax rate remained unchanged (i.e. 27%). The validity of the tax rate of 50% for the fourth tax bracket (for incomes above EUR 70 907) is extended also for tax years 2016 and 2017.
- In 2016 for the year 2017 the additional tax bracket between previous second and third tax brackets with the rate of 34% has been introduced, and the second highest tax rate has been lowered from 41% to 39%. The highest rate of 50 %, which used to be a temporary measure, has been maintained. The threshold for the additional basic allowance has been increased from EUR 10 866 to EUR 11 166.
- In 2016 and valid from 2017 the reduced taxation on performance bonuses (13th salary) was introduced meaning that salary paid on the basis of business performance is exempt from the income tax up to 70% of the average wage.
- From 2018 the additional general tax allowance for incomes between EUR 11 166.67 and EUR 13 316.83 is determined linearly.
- From 2018 the PIT exemption for the income paid as a reward for the business performance was increased from 70% to 100% of the latest known average monthly wage in the Republic of Slovenia.
- From 2018 the thresholds of the income brackets used for the calculation of child benefits are defined nominally; before that the thresholds were defined as percentage of the previous year average net wage. In addition, child benefits have been re-introduced also for income brackets 7 and 8.
- From 2019 the payment for holiday leave is tax and SSCs free up to 100% of the latest known average monthly wage in the Republic of Slovenia. Before 2019 it was burdened only by PIT while the SSCs exemption was only up to 70 % of the latest average monthly wage.
- The amendments to the personal income tax legislation valid from 1 January 2020 include increase of tax brackets thresholds (in first bracket to EUR 8 500, in second to EUR 25 000, in third to EUR 50 000 and in fourth bracket to EUR 72 000), reduction of tax rates in second (from 27 % to 26 %) and third (from 34 % to 33 %) tax bracket, increase of the general tax allowance (to EUR 3 500)

and introduction of additional linear general tax allowance for the whole income interval up to €13,316.83. The linear function was updated accordingly.

### *5.1. Changes to labour taxation due to the covid-19 pandemic*

The following measures were implemented to lowering the burden on labour for the time of covid-19 pandemic.

- For temporarily "inactive" but still employed workers and for the workers who are unable to work due to force majeure (ie. caring for children, their own inability to come to work and due to other epidemic-related reasons) the state budget finances social security contributions, ie. contributions for pension and disability insurance as well as health insurance.
- The state budget covers the contributions for pension and disability insurance of the insured persons and the employer's contributions for all employees receiving wages. According to the data published by the Statistical Office of the Republic of Slovenia, in 2018 there were app. 200,000 natural or legal persons in Slovenia that reported some revenue or employees. Among them app. 147,000 worked within sectors B to N. The data from the Financial Administration of the Republic of Slovenia show that app. 49,000 firms used the benefit of State budget coverage of the employee's and employer's pension and disability insurance contributions from 3 April 2020 till 31 May 2020. Among those 49,000 firms there were 45,000 (90 %) firms from sectors B to N but overall, only little more than 30 % of all firms benefited from the measure. Taking into account this data, we can say that this measure should not be considered in the Taxing Wages model for 2020.

## 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.

## 2020 Parameter values

| Ave_earn | 20 424 | Secretariat estimate | | | | | |
|---|---|---|---|---|---|---|---|
| Ave_earn_1 | 20 265 | | | | | | |
| Ave_net_earnfam | | | | | | | |
| Ave_gross_earnSSC | 21 046.08 | | | | | | |
| Basic_al1 | 3 500 | | | | | | |
| Basic_al2 | | | | | | | |
| Income_lim | | | | | | | |
| Add_al | 18 700,38 | | | | | | |
| Red_rate | 1.40427 | | | | | | |
| | | | | | | | |
| 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 | 8 500 | | | | | |
| | 0.26 | 25 000 | | | | | |
| | 0.33 | 50 000 | | | | | |
| | 0.39 | 72 000 | | | | | |
| | 0.50 | | | | | | |
| SSC_rate1 | 0.221 | | | | | | |
| SSC_minbase | 12 206.73 | | | | | | |
| SSC_rate2 | 0.161 | | | | | | |
| | | Ist child | 2nd child | 3rd child | 1 child-total | 2 children-total | 3 children-total |
| | | monthly | monthly | monthly | annual | annual | annual |
| Fam_allow_mc | 0 | 117.05 | 128.75 | 140.47 | 1404.60 | 2949.60 | 4635.24 |
| | 2 296.80 | 100.08 | 110.63 | 121.12 | 1200.96 | 2528.52 | 3981.96 |
| | 3 828.12 | 76.27 | 85.25 | 94.19 | 915.24 | 1938.24 | 3068.52 |
| | 4 593.84 | 60.16 | 68.64 | 77.28 | 721.92 | 1545.60 | 2472.96 |
| | 5359.44 | 49.19 | 57.41 | 65.57 | 590.28 | 1279.20 | 2066.04 |
| | 6 763.20 | 31.17 | 39.01 | 46.81 | 374.04 | 842.16 | 1403.88 |
| | 8 166.72 | 23.38 | 31.17 | 39.01 | 280.56 | 654.60 | 1122.72 |
| | 10 463.76 | 20.36 | 28.16 | 35.95 | 244.32 | 582.24 | 1013.64 |
| | 12 633.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Fam_allow_spup | 0.3 | | | | | | |
| | | Ist child | 2nd child | 3rd child | 1 child-total | 2 children-total | 3 children-total |
| | | monthly | monthly | monthly | annual | annual | annual |
| Fam_allow_sp | 0 | 152.17 | 167.38 | 182.61 | 1825.98 | 3834.48 | 6025.81 |
| | 2 296.8 | 130.10 | 143.82 | 157.46 | 1561.25 | 3287.08 | 5176.55 |
| | 3 828.12 | 99.15 | 110.83 | 122.45 | 1189.81 | 2519.71 | 3989.08 |
| | 4 593.84 | 78.21 | 89.23 | 100.46 | 938.50 | 2009.28 | 3214.85 |
| | 5 359.44 | 63.95 | 74.63 | 85.24 | 767.36 | 1662.96 | 2685.85 |
| | 6 763.2 | 40.52 | 50.71 | 60.85 | 486.25 | 1094.81 | 1825.04 |
| | 8 166.72 | 30.39 | 40.52 | 50.71 | 364.73 | 850.98 | 1459.54 |
| | 10 463.76 | 26.47 | 36.61 | 46.74 | 317.62 | 756.91 | 1317.73 |
| | 12 633.0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| numdays | 365 | | | | | | |

## 2020 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 | | | |
| | Current year | earn | | |
| | Net earnings Year-1 | net_earn_1 | | |
| 2. | Allowances: | | | |
| | Principal | tax_al_princ | P | Basic_al1+Positive(add_al-red_rate*earn)+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(Basic_al1+Positive(add_al-red_rate*AD7)+SSC, 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 (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_mc),IF(Children=1,5,IF(Children=2,6,7)))) |
| 13. | Employer's wage dependent | | | |
| | contributions and taxes | | | |
| | Employer's soc security | SSC_empr | B | earn*SSC_rate2++IF(earn<SSC_minbase,(SSC_rate2*(SSC_minbase-earn))+(SSC_rate1*(SSC_minbase-earn)),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.

# 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 2020

### 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** | 18 046 | 26 934 | 44 980 | 18 046 |
| **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 | 1 146 | 1 710 | 2 856 | 1 146 |
| | Work-related expenses | 2 000 | 2 000 | 2 000 | 2 000 |
| | Other | | | | |
| | Total | 3 146 | 3 710 | 4 856 | 5 296 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central and state government taxable income (1 - 2 + 3)** | 14 900 | 23 224 | 40 124 | 12 750 |
| **5.** | **Central and state government income tax liability (exclusive of tax credit** | 2 872 | 5 009 | 10 292 | 2 373 |
| **6.** | **Central and state government tax credits** | | | | |
| | Basic credit | 1 027 | 1 027 | 1 027 | 3 170 |
| | Married or head of family | | | | |
| | Children | | | | |
| | Other | | | | |
| | Total | 1 027 | 1 027 | 1 027 | 3 170 |
| **7.** | **Central government income tax finally paid (5-6)** | 950 | 2 039 | 4 746 | - 993 |
| **8.** | **State and local taxes** | 895 | 1 944 | 4 519 | 196 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 1 146 | 1 710 | 2 856 | 1 146 |
| | Taxable income | | | | |
| | Total | 1 146 | 1 710 | 2 856 | 1 146 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 2 991 | 5 693 | 12 121 | 349 |
| **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)** | 15 055 | 21 241 | 32 859 | 17 697 |
| **13.** | **Employer's compulsory social security contributions** | 5 396 | 8 053 | 13 449 | 5 396 |
| **14.** | **Average rates** | | | | |
| | Income tax | 10.2% | 14.8% | 20.6% | -4.4% |
| | Employees' social security contributions | 6.35% | 6.35% | 6.35% | 6.35% |
| | Total payments less cash transfers | 16.6% | 21.1% | 26.9% | 1.9% |
| | Total tax wedge including employer's social security contributions | 35.8% | 39.3% | 43.8% | 24.5% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 28.1% | 32.9% | 40.4% | 28.1% |
| | Total payments less cash transfers: Spouse | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | 44.6% | 48.3% | 54.1% | 44.6% |
| | Total tax wedge: Spouse | n.a. | n.a. | n.a. | n.a. |

## Spain 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| 1. | **Gross wage earnings** | 26 934 | 44 980 | 53 868 | 44 980 |
| 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 | 1 710 | 2 856 | 3 421 | 2 856 |
| | Work-related expenses | 2 000 | 4 000 | 4 000 | 4 000 |
| | Other | | | | |
| | Total | 7 110 | 6 856 | 7 421 | 6 856 |
| 3. | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| 4. | **Central and state government taxable income (1 - 2 + 3)** | 19 824 | 38 124 | 46 448 | 38 124 |
| 5. | **Central and state government income tax liability (exclusive of tax credit** | 4 058 | 7 881 | 10 019 | 7 881 |
| 6. | **Central and state government tax credits** | | | | |
| | Basic credit | 1 970 | 2 997 | 2 997 | 2 054 |
| | Married or head of family | | | | |
| | Children | | | | |
| | Other | | | | |
| | Total | 1 970 | 2 997 | 2 997 | 2 054 |
| 7. | **Central government income tax finally paid (5-6)** | 1 056 | 2 504 | 3 594 | 2 989 |
| 8. | **State and local taxes** | 1 032 | 2 380 | 3 428 | 2 839 |
| 9. | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 1 710 | 2 856 | 3 421 | 2 856 |
| | Taxable income | | | | |
| | Total | 1 710 | 2 856 | 3 421 | 2 856 |
| 10. | **Total payments to general government (7 + 8 + 9)** | 3 799 | 7 740 | 10 442 | 8 684 |
| 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)** | 23 136 | 37 240 | 43 426 | 36 296 |
| 13. | **Employer's compulsory social security contributions** | 8 053 | 13 449 | 16 107 | 13 449 |
| 14. | **Average rates** | | | | |
| | Income tax | 7.8% | 10.9% | 13.0% | 13.0% |
| | Employees' social security contributions | 6.35% | 6.35% | 6.35% | 6.35% |
| | Total payments less cash transfers | 14.1% | 17.2% | 19.4% | 19.3% |
| | Total tax wedge including employer's social security contributions | 33.9% | 36.3% | 37.9% | 37.9% |
| 15. | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 30.0% | 32.9% | 32.9% | 32.9% |
| | Total payments less cash transfers: Spouse | 21.8% | 28.1% | 32.9% | 28.1% |
| | Total tax wedge: Principal earner | 46.1% | 48.3% | 48.3% | 48.3% |
| | Total tax wedge: Spouse | 39.8% | 44.6% | 48.3% | 44.6% |

The national currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In that year the average worker earned EUR 26 934 (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 single-parent 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,which may be increased up to EUR 1 000 where the taxpayer has incurred qualifying expenses related to nursery schools/kindergartens
- Large families (3 or more children) or dependent family members with disabilities tax credits: this additional non-wastable tax credit (up to EUR 1 200, in general, or EUR 2 400 for special large families, with 5 or more children) has been raised by EUR 600 for each child exceeding the minimum number of children required for both large families types listed above. It also may be claimed (within the Taxing Wages framework) by single-parent households with two children.
- Relief for social security contributions: All social security payments are fully deductible.
- Other expenses allowance: up to EUR 2 000, which may be increased by the same amount in case of an unemployed accepting a job in a different location implying a change of residence.
- Employment related allowance: Net employment income (gross income - employee social security contributions) may be reduced according to the following rules:
  - Taxpayers with net employment income equal or less than EUR 13 115: EUR 5 565.
  - Taxpayers with a net employment income between EUR 13 115 and EUR 16 825: EUR 5 565 less the result of multiplying by 1.5 the difference between net employment income and EUR 13 115.
- Disabled workers allowance: an additional allowance of EUR 3 500 for disabled salary earners. Those with reduced mobility may claim an augmented allowance of EUR 7 750.

As a result of the application of the above rules, net income cannot become negative.

#### 1.1.2.2. Main non-standard reliefs applicable to an average wage

- Contributions to Pension Plans. Contributions made by each member of the household may reduce taxable income up to the lower of the following amounts:
  - 30% of the sum of labour and economic activities net incomes;
  - EUR 8 000.

Moreover, those households whose second earner has net labour income below EUR 8 000 may reduce taxable income up to a maximum of EUR 2 500 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: With effect from 1 January 2013, the 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.

  Gifts: 75% of the amounts (below EUR 150) donated to non-profit entities, public administration, public universities and other qualifying institutions. For larger gifts, 30% on the excess, which may be increased to 35% when meeting certain conditions (for fidelity cases) and 10% of the amount donated non-qualifying foundations or associations.
- Investments and expenses in goods of cultural interest: 15% 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% of taxable income.

#### 1.1.2.3. Exempt Income

- The base amount is EUR 5 550 per taxpayer. The same amount is granted for family units filing jointly. Taxpayers aged over 65 years may add EUR 1 150 to the former amount. Those aged over 75 years may claim additionally EUR 1 400.
- Dependent children (under 25 years, in general; for each age, in case of disability): EUR 2 400 for the first dependent child; EUR 2 700 for the second one; EUR 4 000 for the third, and EUR 4 500 for any additional child.
- Child care allowance: an additional allowance of EUR 2 800 for each of the above dependent children under 3 years of age.
- In case of disabled workers and additional amount of EUR 3 000 also applies. In case of great disability prior amount reaches EUR 9 000.

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 (%) |
|---|---|---|
| 0–12 450 | 0 | 9.50 |
| 12 450–20 200 | 1 182.75 | 12.00 |
| 20 200–35 200 | 2 112.75 | 15.00 |
| 35 200–60 000 | 4 362.75 | 18.50 |
| Over 60 000 | 8 950.75 | 22.50 |

### *1.2. State and local income taxes*

The Autonomous Communities (Regional Governments) are liable to set up their own personal income tax schedule to tax the general income tax base. For 2020, those tax rate schedules vary from five to ten brackets and their marginal rates from 9.0 to 25.5%. Up to 2009, the tax autonomous share (regional share of the tax) on the general tax base was determined by applying a progressive tax ladder with default values laid down by the Law regulating this tax, and fixed by Government. However, the Autonomous Communities (Regional Governments) were competent to modify these values under certain limitations. The complementary tax scale, fixed by the Central Government and applied in default as explained, was removed in 2010, which leaves a State-level ladder and each Autonomous Community determining their own tax scale, subject only to the progressivity requirement. From that moment on, by exercising their legislative competences, the Autonomous Community have been approving their tax scales that, although identical to the State-level tax scale in the beginning, as time elapsed they became increasingly different. These differences have grown since 2015, coinciding with the entry into force of the reform of this tax, up to the point that in 2016 and 2017 each Autonomous Community applies a different tax scale, with currently only one matching the Central Government tax scale.

Therefore, instead of taking into account a tax rate determined by an Autonomous Community equal to that applied by the Central Government, as past years, the new criteria followed since 2017 is to consider that of the Autonomous Community of Madrid (Madrid Region), which is thought as the most representative tax scale on different grounds, among which it is worth mentioning that this Autonomous Community comprises the Spain capital city and its relative significance as regards this tax, both in terms of number of taxpayers, income level and income tax roughly amounting to one quarter of the total revenues. All these make of it a potential stable criteria over time.

#### Madrid Schedule for general tax base in 2020

| Taxable income (EUR) | Tax at the lower limit (EUR) | Tax rate on taxable income in excess of the lower limit (%) |
|---|---|---|
| 0–12 450 | 0 | 9.00 |
| 12 450–17 707.20 | 1 120.50 | 11.20 |
| 17 707.20–33 007.20 | 1 709.31 | 13.30 |
| 33 007.20-53 407.20 | 3 744.21 | 17.90 |
| Over 53 407.20 | 7 395.81 | 21.00 |

Now, there is not any local tax rate or schedule in the Spanish PIT. However, some Local Governments (the bigger and province capital cities) receive a fixed percentage of the PIT revenues.

## 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 2020, these ceilings are:

- Lower ceiling: EUR 12 600.00
- Upper Ceiling: EUR 48 841.20

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%
- Unemployment: 1.55%
- Professional Training: 0.1%

### *2.2. Employers' contributions*

- Old age pension/sickness and disability: 23.6%
- Unemployment/Work injuries: 5.50%
- Wages fund: 0.2%
- Professional Training: 0.6%

## 3. Universal Cash Transfers

### *3.1. Transfers related to marital status*

None.

### *3.2. Transfers for dependent children*

EUR 341 for 1-child families with annual gross earnings below EUR 12 424.00; the child transfer decreases with income between EUR 12 424.00 and EUR 12 765.00; the value is 0 for gross earnings exceeding EUR 12 765.00. EUR 682 for families with 2 children with annual gross earnings below EUR 14 287.60; the child transfer decreases with income between EUR 14 287.60 and EUR 14 969.60; the value is 0 for gross earnings exceeding EUR 14 969.60.

## 4. Main Changes in Tax/Benefit Systems in 2017

None

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

There were no COVID 19 related changes in the labour taxation.

## 5. Memorandum Items

### *5.1. Identification of an AW and calculation of earnings*

Refer to the information provided in the Annex of this Report.

## 2020 Parameter values

| | | | | |
|---|---|---|---|---|
| Average earnings/yr | Ave_earn | 26 934 | Secretariat estimate | |
| Work related allowance | wr_rate | 1.5 | | |
| | wr_lim_max | 16 825 | | |
| | wr_lim_min | 13 115 | | |
| | wr_allow_max | 5 565 | | |
| Other deductible expenses | oth_ded_exp | 2 000 | | |
| Personal & family exempt income | Per_fam_exempt_inc | 5 550 | | |
| Joint taxation allowance | Joint_tax_allow_fam1 | 3 400 | | |
| | Joint_tax_allow_fam2 | 2 150 | | |
| Dependent children | dep_child | 2 400 | | |
| | dep_child2 | 2 700 | | |
| | dep_child3 | 4 000 | | |
| | dep_child4 | 4 500 | | |
| Single parent tax credit (chld>=2) | SP_tax_credit | 1 200 | | |
| Tax Schedule | tax_sch_sg | 0 | 0 | 9.50% |
| | | 12 450 | 1 182.75 | 12.00% |
| | | 20 200 | 2 112.75 | 15.00% |
| | | 35 200 | 4 362.75 | 18.50% |
| | | 60 000 | 8 950.75 | 22.50% |
| | tax_sch_sa (Madrid) | 0 | 0 | 9.00% |
| | | 12 450 | 1 120.50 | 11.20% |
| | | 17 707.20 | 1 709.31 | 13.30% |
| | | 33 007.20 | 3 744.21 | 17.90% |
| | | 53 407.20 | 7 395.81 | 21.00% |
| 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 | 12 600 | |
| | top_lim | 48 841.2 | | |
| Child benefit | SS_child_benefit | 341 | | |
| | SS_child_table | 1 | 12 424.00 | 12 765.00 |
| | | 2 | 14 287.60 | 14 969.60 |
| | | 3 | 18 699.00 | 19 722.00 |
| | | 4 | 21 728.00 | 23 092.00 |
| | | 5 | 24 757.00 | 26 462.00 |

## 2020 Tax equations

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

| | Line in country table and intermediate steps | Variable name | Range | Equation |
|---|---|---|---|---|
| 1. | Earnings | earn | B | for individual taxation: earn=earn_princ, or earn='earn_sp' for joint (family) taxation: earn=earn_princ+earn_sp |
| 2. | Allowances: | | | |
| | Work related, individual | work_ind | B | IF(earn-SSC<=wr_lim_min,wr_allow_max+oth_ded_exp,IF(earn-SSC<=wr_lim_max,wr_allow_max-wr_rate*((earn-SSC)-(wr_lim_min))+oth_ded_exp,oth_ded_exp)) |
| | Work related, family | work_fam | J | IF(AND(earn_sp=0,married=0,children=0),0,IF(earn_total-SSC_fam<=wr_lim_min,wr_allow_max+oth_ded_exp,IF(earn_total-SSC_fam=wr_lim_max,wr_allow_max-wr_rate*((earn_total-SSC_fam)-(wr_lim_min))+oth_ded_exp,oth_ded_exp))) |
| | Joint taxation allowance | joint_allow_fam | J | IF(AND(Married=0,Children=0),0,IF(AND(Married=0,Children>0),joint_tax_allow_fam2,joint_tax_allow_fam1)) |
| | Personal and family exempt income, individual | ex_inc_ind | B | per_fam_exempt_inc |
| | Personal and family exempt income, family | ex_inc_fam | J | IF(AND(Married=0,Children=0),0,per_fam_exempt_inc) |
| | Children exempt income, individual | child_ex_inc_ind | P | IF(earn_sp='0,' (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4), (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4)/2) |
| | | | S | IF(earn_sp='0,' 0, (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4)/2) |
| | Children exempt income, family | child_ex_inc_fam | J | (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4) |
| 3. | Credits in taxable income | taxbl_cr | B, J | 0 |
| 4. | CG taxable income | tax_inc | B, J | IF(AND(Married='0,' Children='0),' tax_inc_princ, MINA(tax_inc_princ+tax_inc_sp, tax_inc_fam)) |
| | | tax_inc_ind | B | Positive(earn-(work_ind+SSC)) |
| | | tax_inc_fam | J | IF(AND(Married='0,' Children), 0, Positive(earn-(work_fam+joint_allow_fam+SSC_princ+SSC_sp))) |
| 5. | CG tax before credits | CG_tax_ind_excl | B | MAXA(0, VLOOKUP(tax_inc_ind, tax_sch_sg, 2)+(tax_inc_ind-VLOOKUP(tax_inc_ind, tax_sch_sg, 1))*VLOOKUP(tax_inc_ind, tax_sch_sg, 3)) |
| | | CG_tax_fam_excl | J | MAXA(0, VLOOKUP(tax_inc_fam, tax_sch_sg, 2)+(tax_inc_fam-VLOOKUP(tax_inc_fam, tax_sch_sg, 1))*VLOOKUP(tax_inc_fam, tax_sch_sg, 3)) |
| 6. | CG tax credits : | CG_tax_cr_ind | B | MAXA(0,VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sg,2)+((ex_inc_ind+child_ex_inc_ind)-VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sg,1))*VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sg,3)+IF(AND(earn>0,married=0,children>=2),MIN(SP_tax_credit,(SSC+SSC_empr)),0) |
| | | CG_tax_cr_fam | J | MAXA(0,VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sg,2)+((ex_inc_fam+child_ex_inc_fam)- |

| | Line in country table and intermediate steps | Variable name | Range | Equation |
|---|---|---|---|---|
| | | | | 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(earn_total>0,married=0,children>=2),MIN(SP_tax_credit,(SSC_fam+SSC_empr_fam)),0) |
| 7. | CG tax | CG_tax_ind | B | CG_tax_ind_excl-CG_tax_cr_ind |
| | | CG_tax_fam | J | 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 2020

### 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** | | 312 064 | 465 767 | 777 831 | 312 064 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | 20 000 | 13 900 | 13 900 | 20 000 |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | 0 | 0 | 0 | 0 |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 20 000 | 13 900 | 13 900 | 20 000 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 292 000 | 451 800 | 763 900 | 292 000 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 0 | 0 | 50 920 | 0 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | | | | |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | 47 905 | 63 581 | 64 560 | 47 905 |
| | | Total | 47 905 | 63 581 | 64 560 | 47 905 |
| **7.** | **Central government income tax finally paid (5-6)** | | - 47 905 | - 63 581 | - 13 640 | - 47 905 |
| **8.** | **State and local taxes** | | 94 257 | 145 841 | 246 586 | 94 257 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 21 800 | 32 600 | 37 700 | 21 800 |
| | Taxable income | | | | | |
| | | Total | 21 800 | 32 600 | 37 700 | 21 800 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 68 152 | 114 860 | 270 646 | 68 152 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 0 | 0 | 0 | 31 800 |
| | | Total | 0 | 0 | 0 | 31 800 |
| **12.** | **Take-home pay (1-10+11)** | | 243 912 | 350 907 | 507 185 | 275 712 |
| **13.** | **Employer's wage dependent contributions and taxes** | | | | | |
| | Employer's compulsory social security contributions | | 61 789 | 92 221 | 154 011 | 61 789 |
| | payroll taxes | | 36 261 | 54 122 | 90 383 | 36 261 |
| | | Total | 98 050 | 146 343 | 244 394 | 98 050 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 14.9% | 17.7% | 29.9% | 14.9% |
| | Employees' social security contributions | | 7.0% | 7.0% | 4.8% | 7.0% |
| | Total payments less cash transfers | | 21.8% | 24.7% | 34.8% | 11.6% |
| | Total tax wedge including employer's social security contributions | | 40.5% | 42.7% | 50.4% | 32.8% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 28.1% | 32.3% | 55.3% | 28.1% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 45.3% | 48.5% | 66.0% | 45.3% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Sweden 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 465 767 | 777 831 | 931 534 | 777 831 |
| **2.** | **Standard tax allowances:** | | | | | |
| | Basic allowance | | 13 900 | 33 900 | 27 800 | 33 900 |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | 0 | 0 | 0 | 0 |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 13 900 | 33 900 | 27 800 | 33 900 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 451 800 | 743 800 | 903 600 | 743 800 |
| **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 | | 63 581 | 111 486 | 127 162 | 111 486 |
| | | Total | 63 581 | 111 486 | 127 162 | 111 486 |
| **7.** | **Central government income tax finally paid (5-6)** | | - 63 581 | - 111 486 | - 127 162 | - 111 486 |
| **8.** | **State and local taxes** | | 145 841 | 240 098 | 291 682 | 240 098 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 32 600 | 54 400 | 65 200 | 54 400 |
| | Taxable income | | | | | |
| | | Total | 32 600 | 54 400 | 65 200 | 54 400 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 114 860 | 183 012 | 229 720 | 183 012 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 31 800 | 31 800 | 31 800 | 0 |
| | | Total | 31 800 | 31 800 | 31 800 | 0 |
| **12.** | **Take-home pay (1-10+11)** | | 382 707 | 626 619 | 733 614 | 594 819 |
| **13.** | **Employer's wage dependent contributions and taxes** | | | | | |
| | Employer's compulsory social security contributions | | 92 221 | 154 010 | 184 442 | 154 010 |
| | payroll taxes | | 54 122 | 90 383 | 108 244 | 90 383 |
| | | Total | 146 343 | 244 393 | 292 686 | 244 393 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 17.7% | 16.5% | 17.7% | 16.5% |
| | Employees' social security contributions | | 7.0% | 7.0% | 7.0% | 7.0% |
| | Total payments less cash transfers | | 17.8% | 19.4% | 21.2% | 23.5% |
| | Total tax wedge including employer's social security contributions | | 37.5% | 38.7% | 40.1% | 41.8% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 32.3% | 32.3% | 32.3% | 32.3% |
| | Total payments less cash transfers: Spouse | | 21.8% | 28.1% | 32.3% | 28.1% |
| | Total tax wedge: Principal earner | | 48.5% | 48.5% | 48.5% | 48.5% |
| | Total tax wedge: Spouse | | 40.5% | 45.3% | 48.5% | 45.3% |

The national currency is the Swedish Kronor (SEK). In 2020, SEK 9.27 were equal to USD 1. In that year, the average worker earned SEK 465 767(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 13 900 and SEK 36 500, depending on income. When individuals pay central government income tax, the basic allowance is at its lowest level, which equals SEK 13 900. The basic allowance depends on the assessed earned income and the basic amount, which equals SEK 47 300 in 2020.

| 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 | |

For taxpayers older than 65, the basic relief is calculated differently:

| Assessed-Earned- Income (SEK) Relative to Basic Amount (BA) | Share of BA at lower bracket | For exceeding income |
|---|---|---|
| —1.11 | 1.11 | |
| 1.11—2.72 | 1.11 | +0.257 |
| 2.72—3.21 | 1.526 | +0.34 |
| 3.21-4.45 | 1.699 | +0.128 |
| 4.45-8.08 | 1.858 | +0.065 |
| 8.08-11.06 | 2.094 | -0.05 |
| 11.06-12.15 | 1.945 | -0,5 |
| 12.15-29.65 | 1.400 | -0.045 |
| 29.65-34 | 0.612 | -0.024 |
| 34— | 0.508 | |

- 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;

- Medical expenses: None. Other allowances are given for: the amount of commuting expenses exceeding SEK 11 000;
- 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—509300 | 0 | 0 |
| Over 509300 | 0 | 20 |

### *1.1.4. Tax credits*

A tax credit equal to 100% 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 approximately SEK 31 000 at the average local tax rate is granted on labour income. For those older than 65, a credit worth up to SEK 30 000 is granted. For a person aged 65 or less the EITC is connected to the basic allowance (BAL), the basic amount (BA) and the local tax rate (LTR). For those older than 65 a simplified EITC was introduced in 2009 which is not 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 2020 is SEK 47300. A phase-out of the EITC for those with incomes above around SEK 600 000 a year was introduced in 2016.

The tax credits are wastable in the sense that they cannot reduce the individual's tax payments to less than zero. The EITC is deducted from the local government income tax, whereas the tax credit for the social security contributions is deducted from other taxes as well. However, the central government covers the expenses for the tax credits.

For taxpayers younger than 65, the EITC is calculated as follows:

| Earned Income (EI) | EITC |
|---|---|
| —0.91 BA | (EI—BAL)*LTR |
| 0.91 BA—3.24 BA | (0.91 BA + 0.3405 * (EI—0.91 BA)—BAL)*LTR |
| 3.24 BA—8.08 BA | (1.703 BA + 0.128 * (EI—3.24 BA)—BAL)*LTR |
| 8.08 BA—13.54 BA | (2.323 BA—BAL)*LTR |
| 13.54 BA- | (2.323BA—BAL)*LTR—0.03*(EI—13.54 BA) |

For taxpayers older than 65, the EITC is calculated differently:

| Earned Income (EI) | EITC |
|---|---|
| – 100 000 SEK | 0.2*EI |
| 100 001—300 000 SEK | 15 000 SEK + 0.05*EI |
| 300 001—600 000 SEK | 30 000 SEK |
| 600 001—1 600 000 SEK | 30 000 –0,03*(EI-600 000) |
| 1 600 001 SEK - | 0 |

### *1.2. Local government income taxes*

#### *1.2.1. General description of the systems*

Sweden has both a central government and a local government personal income tax. They are completely coordinated in the assessment process and refer to the same period, i.e. the income year coincides with the calendar year.

#### *1.2.2. Tax base*

The tax base is the same as for the central government income tax. The basic allowance for individuals paying local government tax varies between SEK 13 900 and SEK 36 500; it depends on the taxpayer's income. For a taxpayer earning the AW, this basic allowance amounts to SEK 13 900.

#### *1.2.3. Tax rates*

The local government personal income tax is proportional and differs between municipalities. The average rate amounts to 32.28% in 2020, with the maximum and minimum rates being 35.15% and 29.18%, respectively.

## 2. Compulsory Social Security Contributions to Schemes Operated within the Government Sector

### *2.1. Employees' contributions*

A general pension contribution of 7% of personal income is paid by employees and the self-employed when income is equal to or greater than 42.3% of the basic amount underlying the basic allowance (see Section 1.121). The contribution cannot exceed SEK 37 700 since the general pension contributions are not paid for income over SEK 539 076 708 (=8.07*66 800). 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 2020 are listed below.

| Program | Employer (%) | Self-employed (%) |
|---|---|---|
| Retirement pension | 10.21 | 10.21 |
| Survivor's pension | 0.60 | 0.60 |
| Parental insurance | 2.60 | 2.60 |
| Health insurance | 3.55 | 3.64 |
| Labour market | 2.64 | 0.10 |
| Occupational health | 0.20 | 0.20 |
| General wage tax | 11.62 | 11.62 |
| Total | 31.42 | 28.97 |

In certain regions, a reduction of 10% 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 who are over 65 years old and born after 1937 only the retirement pension contribution (10.21%) is applicable. For persons born in 1937 or earlier no employers' social security contributions, is applied.

There is a reduction of the employers' contributions for employees between the ages of 15 and 17 (by the beginning of the year). For salaries and benefits less than SEK 25 000 per month the employers' contributions are reduced to the retirement pension fee.

On premiums for occupational pensions paid by the employer a special wage tax (24.26%) is applied.

For self-employed a general reduction of 7.5% on the SSC is applicable if the income exceeds SEK 40 000 per year. The maximal reduction is SEK 15 000 per year.

A temporary reduction of the employers' social security contributions was in place between 1st of March to the 30th of June 2020. For salaries and benefits less than SEK 25 000 per month, for up to 30 employees per firm, the employers' contributions were reduced to the retirement pension fee (10.21%).

For self-employed there is a temporary reduction of the social security contributions for income up SEK 100 000 for 2020. Only the retirement pension fee (10.21%) is to be paid for income below this level.

## 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:

| | 2020 |
|---|---|
| First child | 15 000 |
| Second child | 16 800 |
| Third child | 21 960 |
| Fourth child | 27 120 |
| Fifth and subsequent child | 30 000 |

## 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% 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% 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% 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%. However, some restrictions to the increases were applied in 2004, 2005, 2006, 2016 and 2017. Additional increases were applied in 2009 and 2019. In 2020 the additional central government income tax over the upper bracket was abolished.

The child allowance was increased in 2000, 2001, 2006, 2010, 2017 and 2018.

The basic allowance has been increased in 2001, 2002, 2003, 2005 and 2006. For persons 65 years or older the basic allowance was increased in 2009, 2010, 2011, 2013, 2014, 2016, 2018, 2019 and 2020.

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, 2014 and 2019. In 2016 a phase-out of the EITC was introduced for persons with incomes above around SEK 600 000.

In 2018 a tax credit for income from sickness and activity compensation (corresponding to disability pension) was introduced.

In 2007, the social security contributions for 18-24-year-old employees and self-employed were reduced. In 2009 the reduction was increased and expanded to include all aged under 26. From 1st August 2015 the reduction was reduced by half and the 1st of June 2016 the reduction was abolished. A reduction of the SSC was reintroduced for 15-17-year-old employees from 1st August 2019.

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. In 2016 the special wage tax for older persons was reintroduced at a rate of 6.15%. This was abolished as of 1st July 2019.

A general reduction on the SSC for self-employed was introduced in 2010 and increased in 2014.

The deduction for premiums paid to private pension arrangements was lowered in 2015 from SEK 12 000 to SEK 1 800 and abolished in 2016.

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

A temporary reduction of the employers' social security contributions was in place between 1st of March to the 30th of June 2020. For salaries and benefits less than SEK 25 000 per month, for up to 30 employees per firm, the employers' contributions were reduced to the retirement pension fee (10.21%). The temporary measure did not affect the majority of full-time workers within sectors B to N in ISIC rev.4. Therefore, it is not included in the Taxing Wages model for 2020.

For self-employed there is a temporary reduction of the social security contributions to only the retirement pension fee for income below SEK 100 000 for 2020.

Short-term layoffs entered into force in April 2020 but could be applied for retroactively from March 16. The short-term layoffs give employers with temporary economic difficulties the possibility to have their labour costs reduced by up to 52.5% while the central government covers a large share of the employee's wage bill. Working hours can be reduced by up to 60% while employees keep 92.5% or more of their regular salary. During May–July the program is temporarily reinforced and employers' labour costs can be reduced by up to 72%., During this period working hours can be reduced by up to 80%, while employees keep 88 per cent of their regular salary.

Companies can defer a maximum of three months payment of employers' social security contributions, preliminary tax on salaries and value-added tax that are reported monthly or quarterly. The deferral can last up to a year and can be retroactively applied from 1 January 2020.

## 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% of wage earnings in 2007. For white-collar workers in the private sector the employers' contributions to private social security schemes were 14% in 2007. These figures are based on the statistics of labour costs in the private sector, published by Statistics Sweden.

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 465 767 | Secretariat estimate |
|---|---|---|---|
| Central income tax | | | |
| | tax_rate | 0.2 | |
| | | | |
| | tax_thrsh | 509300 | |
| 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 | 0.3228 | |
| | min_taxl | 0 | |
| Soc. security amount | | | |
| | basic_amt | 47300 | |
| | basic_ant | 66800 | |
| Soc. security contributions | | | |
| employee | SSC_rate | 0.07 | |
| employer | SSC_empr | 0.3142 | |
| ceiling | SSCC | 8.07 | |
| Child benefit | | | |
| | Child 1 | 15 000 | |
| | Child 2 | 16 800 | |
| | CB | 15 900 | |
| Tax credits | | | |
| | TC1 | 0 | |
| | TC1gr1 | 0 | |
| | TC1gp1 | 0 | |
| | TC2gp1 | 1 | |
| EITC | er_1 | 0.91 | |
| | er_2 | 3.24 | |
| | er_3 | 8.08 | |
| | er_4 | 13.54 | |
| | ep_1 | 1.703 | |
| | ep_2 | 0.3405 | |
| | ep_3 | 0.128 | |
| | ep_4 | 2.323 | |
| | ep_5 | 0.03 | |
| Employer payroll tax | PRT | 0.1162 | |

## 2020 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 | | |
| | | truncearn | B | TRUNC(earn, -2) |
| 2. | Allowances: | basic_al | B | IF(truncearn<=gr_2*basic_amt, MINA(ROUNDUP(MAXA(gp_1*basic_amt, (gp_1+gp_2*(gr_2-gr_1))*basic_amt-gp_2*MAXA(gr_2*basic_amt-truncearn, 0)), -2), truncearn), MINA(ROUNDUP(MAXA(gp_4*basic_amt, gp_5*basic_amt-gp_2*MAXA(gr_2*basic_amt-truncearn, 0)-gp_3*MAXA(truncearn-gr_3*basic_amt, 0)), -2), truncearn)) |
| | | ssc_al | B | 0 |
| | Total | tax_al | B | basic_al |
| 3. | Credits in taxable income | taxbl_cr | B | 0 |
| 4. | CG taxable income | tax_inc | B | Positive(earn-basic_al) |
| 5. | CG tax before credits | CG_tax_excl | B | tax_rate*Positive(tax_inc-tax_thrsh) |
| 6. | Tax credits : | ssc_credit | B | Trunc(SSC, -2) |
| | | localtax_credit | B | 0 |
| | | eitc | B | =TRUNC(MAX((((TRUNC(IF(earned_income>er_2*basic_amt; IF(earned_income>er_3*basic_amt;ep_4*basic_amt;ep_1*basic_amt+ep_3*( earned_income-er_2*basic_amt));MIN(earned_income;er_1*basic_amt+ep_2*(earned_income-er_1*basic_amt)));0))-basic_allowance)*local_rate)-(IF(earned_income>er_4*basic_amt;ep_5*(earned_income-er_4*basic_amt);0));0);0) |
| | | Final_eitc | B | MIN(eitc, CG_tax_excl+ local_tax- ssc_credit) |
| | | tax_cr | B | ssc_credit+localtax_credit+final_eitc |
| 7. | CG tax | CG_tax | B | CG_tax_excl-tax_cr |
| 8. | State and local taxes | local_tax | B | IF(tax_inc>0, TRUNC(local_rate*tax_inc, 0)+min_taxl, 0) |
| 9. | Employees' soc security | SSC | B | (truncearn>=gp_1*basic_amt)*MINA(ROUNDSSC(truncearn*SSC_rate), ROUNDSSC(SSCC*basic_ant*SSC_rate)) |
| 11. | Cash transfers | cash_trans | J | Children*CB |
| 13. | Employer's contributions | | B | |
| | Employer's SSC | SSC_empr | B | TRUNC(earn*SSC_empr)-Payroll_empr |
| | Employer's payroll tax | Payroll_empr | B | TRUNC(earn*PRT) |
| | Total | Cont_empr | B | SSC_empr+Payroll_empr |

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

# 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 2020

### 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** | | 58 533 | 87 363 | 145 896 | 58 533 |
| **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 | | 6 400 | 10 524 | 18 897 | 6 400 |
| | Work-related expenses | | 2 000 | 2 454 | 4 000 | 2 000 |
| | Other | | 1 700 | 1 700 | 1 700 | 3 100 |
| | | Total | 10 100 | 14 678 | 24 597 | 24 500 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 6 000 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 48 400 | 72 600 | 121 200 | 40 000 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 403 | 1 102 | 4 660 | 117 |
| **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)** | | 403 | 1 102 | 4 660 | 0 |
| **8.** | **State and local taxes** | | 4 211 | 8 263 | 18 137 | 1 288 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 3 731 | 5 569 | 9 301 | 3 731 |
| | Taxable income | | | | | |
| | | Total | 3 731 | 5 569 | 9 301 | 3 731 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 8 345 | 14 934 | 32 099 | 5 019 |
| **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)** | | 50 188 | 72 429 | 113 797 | 59 514 |
| **13.** | **Employer's compulsory social security contributions** | | 3 731 | 5 569 | 9 301 | 3 731 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 7.9% | 10.7% | 15.6% | 2.2% |
| | Employees' social security contributions | | 6.4% | 6.4% | 6.4% | 6.4% |
| | Total payments less cash transfers | | 14.3% | 17.1% | 22.0% | -1.7% |
| | Total tax wedge including employer's social security contributions | | 19.4% | 22.1% | 26.7% | 4.4% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 21.8% | 25.8% | 32.7% | 13.9% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 26.5% | 30.3% | 36.7% | 19.0% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Switzerland 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 87 363 | 145 896 | 174 726 | 145 896 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | | | | |
| | Married or head of family | | 2 600 | 16 000 | 16 000 | 16 000 |
| | Dependent children | | 13 000 | 13 000 | 13 000 | 0 |
| | Deduction for social security contributions and income taxes | | 10 524 | 18 924 | 23 502 | 18 924 |
| | Work-related expenses | | 2 454 | 2 454 | 2 454 | 2 454 |
| | Other | | 4 900 | 4 900 | 4 900 | 3 500 |
| | | Total | 33 478 | 55 277 | 59 855 | 40 877 |
| **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)** | | 59 800 | 96 600 | 120 800 | 105 000 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 418 | 1 798 | 3 243 | 2 234 |
| **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)** | | 0 | 1 296 | 2 741 | 2 234 |
| **8.** | **State and local taxes** | | 3 749 | 10 538 | 14 780 | 13 096 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 5 569 | 9 301 | 11 139 | 9 301 |
| | Taxable income | | | | | |
| | | Total | 5 569 | 9 301 | 11 139 | 9 301 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 9 318 | 21 135 | 28 660 | 24 631 |
| **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)** | | 84 044 | 130 761 | 152 066 | 121 265 |
| **13.** | **Employer's compulsory social security contributions** | | 5 569 | 9 301 | 11 139 | 9 301 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 4.3% | 8.1% | 10.0% | 10.5% |
| | Employees' social security contributions | | 6.4% | 6.4% | 6.4% | 6.4% |
| | Total payments less cash transfers | | 3.8% | 10.4% | 13.0% | 16.9% |
| | Total tax wedge including employer's social security contributions | | 9.6% | 15.7% | 18.2% | 21.9% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 17.3% | 25.0% | 28.5% | 25.9% |
| | Total payments less cash transfers: Spouse | | 20.2% | 25.7% | 28.5% | 26.5% |
| | Total tax wedge: Principal earner | | 22.2% | 29.5% | 32.8% | 30.3% |
| | Total tax wedge: Spouse | | 25.0% | 30.1% | 32.8% | 30.9% |

The national currency is the Swiss franc (CHF). In 2020, CHF 0.94 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned CHF 87 363 (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 (5.275% of gross earned income) and for unemployment insurance (1.1% for income up to CHF 148 200, 0.5% for income over CHF 148 200) are deductible in full. Compulsory contributions of approximately 7.93% 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 | 5.275% | 5.275% |
| Unemployment insurance | 1.1%[2] | 1.1%[2] |
| Pension fund | 7.93% | 7.93% |
| 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 148 200; 0.5% of income beyond CHF 148 200.
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 (non-refundable) 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)[1] | Base amount (CHF) | Plus % of excess (CHF) | |
|---|---|---|---|
| Up to 14 500 | -- | -- | -- |
| 14 500 to 31 600[2] | | 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 |
| 778 100 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[3] | -- | 11.5 of total income | |

1. Fractions of less than CHF 100 are disregarded.
2. Tax ymounts of less than CHF 25 are not billed.
3. 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)[1] | 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[2] | 226 | 2 | 50 900 |
| 58 400 to 75 300 | 376 | 3 | 58 400 |
| 75 300 to 90 300 | 883 | 4 | 75 300 |
| 90 300 to 103 400 | 1 483 | 5 | 90 300 |
| 103 400 to 114 700 | 2 138 | 6 | 103 400 |
| 114 700 to 124 200 | 2 816 | 7 | 114 700 |
| 124 200 to 131 700 | 3 481 | 8 | 124 200 |
| 131 700 to 137 300 | 4 081 | 9 | 131 700 |
| 137 300 to 141 200 | 4 585 | 10 | 137 300 |
| 141 200 to 143 100 | 4 975 | 11 | 141 200 |
| 143 100 to 145 000 | 5 184 | 12 | 143 100 |
| 145 000 to 895 800 | 5 412 | 13 | 145 000 |
| For 895 900 | 1 030 029 | | |
| Over 895 900[3] | -- | 11.5 of total income | |

1. Fractions of less than CHF 100 are disregarded.
2. Tax amounts of less than CHF 25 are not billed.
3. 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[1] | 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 | 5.275% | 5.275% |
| -- Unemployment insurance | 1.1%[2] | 1.1%[2] |
| -- Pension fund | 7.93% | 7.93% |
| Maximum deductions for health insurance premiums and loan interest[3] | 2 600 plus 1 300 per child | 5 200 plus 1 300 per child |
| Deduction for two-income couples | | 5 900 |

1. 3% of net income, minimum CHF 2 000 CHF, maximum CHF 4 000.
2. 1.1% of income up to CHF 148 200; 0.5% of income beyond CHF 148 200.
3. 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) | Base amount (CHF) | Plus % of the excess (CHF) | |
|---|---|---|---|
| Up to 13 500 | -- | 0 | -- |
| 13 500 to 19 600 | -- | 2 | 13 500 |
| 19 160 to 27 300 | 122 | 3 | 19 600 |
| 27 300 to 36 700 | 353 | 4 | 27 300 |
| 36 700 to 47 400 | 729 | 5 | 36 700 |
| 47 400 to 61 300 | 1 264 | 6 | 47 400 |
| 61 300 to 92 100 | 2 098 | 7 | 61 300 |
| 92 100 to 122 900 | 4 254 | 8 | 92 100 |
| 122 900 to 169 300 | 6 718 | 9 | 122 900 |
| 169 300 to 224 700 | 10 984 | 10 | 169 300 |
| 224 700 to 284 800 | 16 434 | 11 | 224 700 |
| 284 800 to 354 100 | 23 045 | 12 | 284 800 |
| Over 354 100 | 31 361 | 13 | 354 100 |

b) Basic income tax rates for other taxpayers (single without children).

| Taxable income (CHF)[1] | Base amount (CHF) | Plus % of the excess (CHF) | |
|---|---|---|---|
| Up to 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 |

1. Fractions below CHF 100 are disregarded.

c) Annual multiple as a percentage of basic tax rates:

| | |
|---|---|
| -- Canton of Zurich | 100 |
| -- Commune of Zurich | 119 |
| -- Roman Catholic church tax | 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*

5.275% of gross income for old age insurance.

#### *2.1.2. Health insurance*

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#### *2.1.3. Unemployment*

1.1% on the portion of income up to CHF 148 200; 0.5% for income over CHF 148 200.

#### *2.1.4. Work-related accidents*

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#### *2.1.5. Family allowances*

--

#### *2.1.6. Other*

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### *2.2. Employer contributions*

#### *2.2.1. Retirement pensions*

5.275% 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 148 200; 0.5% for income over CHF 148 200.

#### *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*

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## 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.

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

None.

## 5. Memorandum item

### *5.1. Identification of the average worker*

The population includes men and women working in industry, arts and crafts. The stated income is for the average of workers in the same sector. The geographical scope is the entire country, whereas the amount of tax is computed in respect of the canton and commune of Zurich.

### *5.2. Method of calculation used*

- Unemployment benefits: not included;

- Sick leave payments: not included;
- Paid leave allowances: included;
- Overtime: included;
- Periodic cash bonuses: included;
- Fringe benefits: not included;
- Basic method used for calculation: monthly wages are multiplied by 12;
- Close of the income tax year: 31 December;
- Reference period for computing wages: from 1 January to 31 December of the year in question.

### *5.3. Calculation of non-tax compulsory payments*

Switzerland imposes some important non-tax compulsory payments (NTCPs). These NTPCs are not included in the Taxing Wages models except when they qualify as standard personal income tax reliefs. Compulsory payments indicators, which combine the effect of taxes and NTCPs, are calculated by the OECD Secretariat and presented in the OECD Tax Database (See: www.oecd.org/ctp/taxdatabase). Switzerland levies the following employee and/ or employer NTCPs:

- Contributions to the second pillar of the pension system (occupational pension funds): Occupational pension funds are mandatory for salaried persons earning at least CHF 21 330 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 amounted to 7.93% for employees and 10.77% for employers in 2017.
- 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 2020 amount to CHF 5 779.20 for adults and CHF 1 380.00 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 2020 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.

## 2020 Parameter values

| | | | |
|---|---|---|---|
| Average earnings/yr | Ave_earn | 87 363 | 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 |
| | | 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 | 137 700 |
| | | 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 Mutiple | statetax_mult | 2.19 | |
| Social security contributions | old_age | 0.05275 | |
| Pension | pension_rate | 0 | |
| Pillar 2 pension | NTCP_old_age_max | 28 440 | |
| | NTCP_pension_ee | 0.0793 | |
| Unemployment | unemp_rate | 0.011 | |
| | unemp_rate2 | 0.005 | |
| income ceiling | unemp_ciel | 148 200 | |
| 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 | |

## 2020 Tax equations

The equations for the Swiss system in 2020 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,unemp_ciel*unemp_rate+(earn-unemp_ciel)*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 2020

### 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** | | 50 083 | 74 751 | 124 834 | 50 083 |
| **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 | | 7 512 | 11 213 | 18 725 | 7 512 |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 7 512 | 11 213 | 18 725 | 7 512 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 42 571 | 63 538 | 106 109 | 42 571 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 7 414 | 12 625 | 24 119 | 7 414 |
| | Stamp tax | | 380 | 567 | 947 | 380 |
| | | Total | 7 794 | 13 193 | 25 067 | 7 794 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 2 649 | 2 649 | 2 649 | 3 443 |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | | | | |
| | | Total | 2 649 | 2 649 | 2 649 | 3 443 |
| **7.** | **Central government income tax finally paid (5-6)** | | 5 146 | 10 544 | 22 418 | 4 351 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 7 512 | 11 213 | 18 725 | 7 512 |
| | Taxable income | | | | | |
| | | Total | 7 512 | 11 213 | 18 725 | 7 512 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 12 658 | 21 757 | 41 143 | 11 863 |
| **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)** | | 37 425 | 52 994 | 83 691 | 38 220 |
| **13.** | **Employer's compulsory social security contributions** | | 8 765 | 13 081 | 21 846 | 8 765 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 10.3% | 14.1% | 18.0% | 8.7% |
| | Employees' social security contributions | | 15.0% | 15.0% | 15.0% | 15.0% |
| | Total payments less cash transfers | | 25.3% | 29.1% | 33.0% | 23.7% |
| | Total tax wedge including employer's social security contributions | | 36.4% | 39.7% | 42.9% | 35.1% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 32.8% | 38.7% | 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% | 47.8% | 47.8% | 42.8% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## Turkey 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|---|
| | Number of children | | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | | 74 751 | 124 834 | 149 502 | 124 834 |
| **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 | | 11 213 | 18 725 | 22 425 | 18 725 |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 11 213 | 18 725 | 22 425 | 18 725 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 63 538 | 106 109 | 127 077 | 106 109 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 12 625 | 20 039 | 25 251 | 20 039 |
| | Stamp tax | | 567 | 567 | 567 | 567 |
| | | Total | 13 193 | 20 607 | 25 818 | 20 607 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 3 973 | 6 092 | 6 092 | 5 297 |
| | Married or head of family | | | | | |
| | Children | | | | | |
| | Other | | | | | |
| | | Total | 3 973 | 6 092 | 6 092 | 5 297 |
| **7.** | **Central government income tax finally paid (5-6)** | | 9 220 | 14 895 | 20 293 | 15 690 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 11 213 | 18 725 | 22 425 | 18 725 |
| | Taxable income | | | | | |
| | | Total | 11 213 | 18 725 | 22 425 | 18 725 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 20 432 | 33 620 | 42 719 | 34 415 |
| **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)** | | 54 319 | 91 214 | 106 783 | 90 419 |
| **13.** | **Employer's compulsory social security contributions** | | 13 081 | 21 846 | 26 163 | 21 846 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 12.3% | 11.9% | 13.6% | 12.6% |
| | Employees' social security contributions | | 15.0% | 15.0% | 15.0% | 15.0% |
| | Total payments less cash transfers | | 27.3% | 26.9% | 28.6% | 27.6% |
| | Total tax wedge including employer's social security contributions | | 38.2% | 37.8% | 39.2% | 38.4% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 38.7% | 38.7% | 38.7% | 38.7% |
| | Total payments less cash transfers: Spouse | | 25.3% | 32.8% | 38.7% | 32.8% |
| | Total tax wedge: Principal earner | | 47.8% | 47.8% | 47.8% | 47.8% |
| | Total tax wedge: Spouse | | 36.4% | 42.8% | 47.8% | 42.8% |

The national currency unit is the “Türk Lirası” (TL). In 2020, TL 7.12 were equal to USD 1. In that year, the average worker earned TL 74 751 (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% of gross income as stated by the Social Insurance Act. The contribution to the unemployment fund is included in this amount and equals 1% 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% for the taxpayer him or herself;
  - 10% for the spouse who neither works nor has an income;
  - 7.5% for each of the first two children;
  - 10% for third child;
  - 5% for each additional child.

This total amount is then multiplied by the rate (15%) 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.

According to Article 6 of Law No: 7103 (dated: 21.03.2018) when the net wages of minimum wage earners fall below the amount determined for the month of January of the current year because of moving into the second tax bracket (rate: 20%), minimum living relief will be increased by the same amount for the months when the net wage falls below net minimum wage determined for the month of January.

#### 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% 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%. In these cases, the following amounts are deductible from monthly wages:
  - Disabled in the 1st degree: TL 1 400
  - Disabled in the 2nd degree: TL 790

  - Disabled in the 3rd degree: TL 350
- 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% 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 2020 is as follows:

| Taxable income (TL) | Tax on lower threshold (TL) | Tax on excess amount above lower threshold (%) |
|---|---|---|
| Up to 22 000 | | 15 |
| 22 000 up to 49 000 | 3 300 | 20 |
| 49 000 up to 180 000 | 8 700 | 27 |
| 180 000 up to 600 000 | 44 070 | 35 |
| Over 600 000 | 191 070 | 40 |

A new tax bracket has been added to the 2020 tax schedule.

### *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% in 2020

## 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%*

#### *2.1.2. Sickness: 5%*

#### *2.1.3. Unemployment: 1%*

### *2.2. Employers' contributions*

#### *2.2.1. Pensions (disability, old age and death insurance): 11%*

#### *2.2.2. Sickness: 7.5%*

#### *2.2.3. Unemployment: 2%*

### *2.2.4. Pensions (for short term insurance branches): 2%*

In order to increase employment and reduce regional imbalances in Turkey; various incentives policies have been implemented by state, by laws 4447, 4857, 5084, 5225, 5510, 5746, 6111, 6486 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, Law On The Restricting Of Certain Receivables and Amendment To The Law Of Social Insurance and General Health Insurance and Certain Other Laws And Decree Laws No: 6111, Amendment To The Law Of Social Insurance and General Health Insurance and Certain Other Laws No: 6486, Council of Minister's Decree No: 2012/3305 on Government Subsidies for Investments, Law On Amendments To Tax Laws And Certain Other Laws And Decrees: 7103).

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% of total 11% premiums are paid by state on behalf of employers. (5% discount applied in employers share). In addition to 5% discount, 6% discount is implemented from 2013 in the working places located in 51 provinces, Gökçeada and Bozcaada determined by taking into account the social-development index.

With law no: 7103 (dated: 21.03.2018) Provisional Article 19 has been added to Unemployment Law (Law no: 4447). Additional employment incentive is being implemented in order to increase the employment rate. This incentive's objective group consists of unemployed persons who have no more than 10 insured days in last three months.

The support will be applied until December 2020 and benefiting period for each employee, consists of 12 months (if the insured is disabled, or if the insured is woman older than 18 years old or man between 18-25 years old, it is 18 months).

In 2020, the incentive provides SSC support up to TL 2 943 (for employees with gross wages of TL 7 848) and income and stamp tax support of TL 176.84 for every additional employee in establishments operating in the manufacturing or information technologies sectors. For other sectors; the support is TL 1 103.63 for SSC premiums, and 176.84 TL for income and stamp tax (1 280.47 TL in total).

The Provisional Article 80 is added to Law No 5510 by the Law No 7226/29 issued in the Official Gazette on 26 March 2020. For employees whose daily gross earnings are below TL128 (TL 256 in workplaces with collective bargaining agreements) TL 75 (TL 2.5 per day) of Employers SSC will be covered by Government in 2020.

For employees whose gross earnings are below the base or above ceiling earnings, which are determined once in a year, these contribution rates are applied to the base or ceiling amounts respectively. In 2020, the base amount is approximately TL 35 316 and the ceiling amount is approximately TL 264 870. 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.

With law no:7252 (dated: 28.07.2020) Insured persons working in the private sector workplaces who benefited from short – time working allowance before 1/7/2020; In case short time working in the work place ends and normal weekly working hours proceed in the same workplace, full amount of employee's and employer's premium shares calculated over minimum wage is covered by the Fund for three months beginning from the month following the end of short working on condition that it does not exceed 31/12/2020.

## 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, 6327 and 6645 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.
- According to Act No: 6645, "Minimum Living Relief" rate is changed from 5% to 10% which is used for third child's rate.

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

Due to force majeure, the wage withholding payments of the sectors determined in the tax procedure law notification No.518 dated March 24, 2020 for April, May and June have been postponed to October, November and December.

## 5. Memorandum Items

### *5.1. Identification of an AW*

Weighted mean, by the number of employees, of the monthly average wage[1] information obtained from 'Structure of Earnings Survey, 2010', published by TURKSTAT, according to NACE Rev.2 classification for B-N sections is calculated[2] 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 2011-2017 is reached by using 2010=100 base year 'Hourly Earnings Index' and 2010 annual average wage data.

The data from 2018-2020 is reached by using 2015=100 base year 'Hourly Earnings Index' and 2015 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.

## 2020 Parameter values

| Average earnings/yr. | Ave_earn | 74 751 | Country estimate |
|---|---|---|---|
| | | | |
| Income tax | Tax_sch | 0 .15 | 22 000 |
| | | 0 .20 | 49 000 |
| | | 0 .27 | 180 000 |
| | | 0 .35 | 600 000 |
| | | 0 .40 | |
| Stamp tax | Stamp_rate | 0 .00759 | |
| Employees SSC | SSC_rate | 0 .15 | |
| | SSC_ceil | 264 870 | |
| | SSC_support | 900 | |
| | SSC_supp_lim | 46 080 | |
| 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 | |
| | third_child_allow | 0 .1 | |
| | add_child_allow | 0 .05 | |
| | min_wage | 35 316 | |

## 2020 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='3;(2*child_allow)' +(Children-2)*third_child_allow;0)+IF(Children>3;(2*child_allow) +(1*third_child_allow)+(1*add_child_allow);0))+IF(AND(earn<=min_wage;tax_inc>1st_inc_tax_thrsld);(tax_inc-1st_inc_tax_thrsld)*(2nd_inc_tax_rate-1st_inc_tax_rate);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 | Positive(Min(earn,SSC_ceil)*SSC_empr-IF(earn<SSC_supp_lim,SSC_support,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.

## Notes

[1] 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.

[2] The average wage amount from 2010 is calculated as a result of a joint working performed by authorities from TURKSTAT and Ministry of Finance.

# United Kingdom (2020-21 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 2020

### 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** | | 28 011 | 41 807 | 69 818 | 28 011 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | 12 500 | 12 500 | 12 500 | 12 500 |
| | Married or head of family | | | | | |
| | Dependent children | | | | | |
| | Deduction for social security contributions and income taxes | | | | | |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 12 500 | 12 500 | 12 500 | 12 500 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 15 511 | 29 307 | 57 318 | 15 511 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 3 102 | 5 861 | 15 427 | 3 102 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | | | | |
| | Married or head of family | | | | | |
| | Children | | 0 | 0 | 0 | 3 322 |
| | Other | | | | | |
| | | Total | 0 | 0 | 0 | 3 322 |
| **7.** | **Central government income tax finally paid (5-6)** | | 3 102 | 5 861 | 15 427 | - 220 |
| **8.** | **State and local taxes** | | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 2 221 | 3 877 | 5 256 | 2 221 |
| | Taxable income | | | | | |
| | | Total | 2 221 | 3 877 | 5 256 | 2 221 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 5 323 | 9 738 | 20 684 | 2 002 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 0 | 0 | 0 | 1 825 |
| | | Total | 0 | 0 | 0 | 1 825 |
| **12.** | **Take-home pay (1-10+11)** | | 22 687 | 32 069 | 49 135 | 27 834 |
| **13.** | **Employer's compulsory social security contributions** | | 2 653 | 4 557 | 8 422 | 2 653 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 11.1% | 14.0% | 22.1% | -0.8% |
| | Employees' social security contributions | | 7.9% | 9.3% | 7.5% | 7.9% |
| | Total payments less cash transfers | | 19.0% | 23.3% | 29.6% | 0.6% |
| | Total tax wedge including employer's social security contributions | | 26.0% | 30.8% | 37.2% | 9.2% |
| **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 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 41 807 | 69 818 | 83 615 | 69 818 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | 13 750 | 25 000 | 25 000 | 25 000 |
| | Married or head of family | | | | |
| | Dependent children | | | | |
| | Deduction for social security contributions and income taxes | | | | |
| | Work-related expenses | | | | |
| | Other | | | | |
| | Total | 13 750 | 25 000 | 25 000 | 25 000 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 28 057 | 44 818 | 58 615 | 44 818 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 5 611 | 8 964 | 11 723 | 8 964 |
| **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)** | 5 611 | 8 964 | 11 723 | 8 964 |
| **8.** | **State and local taxes** | 0 | 0 | 0 | 0 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 3 877 | 6 098 | 7 754 | 6 098 |
| | Taxable income | | | | |
| | Total | 3 877 | 6 098 | 7 754 | 6 098 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 9 488 | 15 062 | 19 477 | 15 062 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 1 825 | 1 825 | 1 825 | 0 |
| | Total | 1 825 | 1 825 | 1 825 | 0 |
| **12.** | **Take-home pay (1-10+11)** | 34 144 | 56 581 | 65 963 | 54 756 |
| **13.** | **Employer's compulsory social security contributions** | 4 557 | 7 209 | 9 113 | 7 209 |
| **14.** | **Average rates** | | | | |
| | Income tax | 13.4% | 12.8% | 14.0% | 12.8% |
| | Employees' social security contributions | 9.3% | 8.7% | 9.3% | 8.7% |
| | Total payments less cash transfers | 18.3% | 19.0% | 21.1% | 21.6% |
| | Total tax wedge including employer's social security contributions | 26.4% | 26.5% | 28.9% | 28.9% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 32.0% | 32.0% | 32.0% | 32.0% |
| | Total payments less cash transfers: Spouse | 19.9% | 32.0% | 32.0% | 32.0% |
| | Total tax wedge: Principal earner | 40.2% | 40.2% | 40.2% | 40.2% |
| | Total tax wedge: Spouse | 26.8% | 40.2% | 40.2% | 40.2% |

The national currency is the Pound Sterling (GBP). In 2020, GBP 0.78 was equal to USD 1. In 2020-2021, the Average Worker is estimated to earn GBP 41 807 (Secretariat estimate).

# 6. Personal Income Tax System

## *6.1. Central government income taxes*

### *6.1.1. Tax unit*

The tax unit is the individual, but certain reliefs depend on family circumstances (see Section 1.1.2.1.).

### *6.1.2. 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 12 500 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: Marriage Allowance – Allows the transfer of 10% of an individual's personal allowance to their husband, wife or civil partner. The allowance is restricted to couples where the higher earner is a basic rate taxpayer and is only beneficial if the lower earner owes below the personal allowance. The allowance has to be claimed and is given only to those who meet the eligibility criteria.
- 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 5910 per year (assuming neither the adult(s) nor the child were disabled) before taking into account eligible childcare costs[1]. This credit is reduced by 41 pence for each GBP 1 of net income above a threshold of GBP 6 530 per year. WTC was introduced on 6th April 2003. Most people can no longer make a new claim for WTC as it has been replaced by the Universal Credit, a means-tested benefit paid to those out of work or in-work on a low income[2]. In 2020-21, as part of the UK government's response to the COVID-19 pandemic, the maximum credit of 5910 includes an increase of GBP 1045 per year above inflation, with a similar increase applying in Universal Credit. These additional increases will be reviewed when considering rates for 2021-22.
- Relief for social security contributions and other taxes: None.
- Child Tax Credit (CTC): A non-wastable tax credit available to low and middle income families with children. It provides support for children until 1st September following their 16th birthday, and beyond that date to the age of 19 for those who continue in full-time non-advanced education. The amount depends on gross income, the number and age of the children and whether a family is making a new claim for CTC or already claiming CTC. A family with two eligible children would get a maximum credit GBP 6 205 per year, which is reduced by 41 pence for each GBP 1 of gross income above a threshold of GBP 16 385 if the family is not working. A lower 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 6th April 2003. Most people can no longer make a new claim for CTC as it has been replaced by the Universal Credit, a means-tested benefit paid to those out of work or in-work on a low income[3].

#### 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% tax relief for policies entered into force before 13 March 1984.

### *6.1.3. Tax schedule*

In 2020-21 all taxpayers are liable on taxable income other than savings and dividend income at the basic rate of 20% on the first GBP 37 500, 40% over the basic rate limit of GBP 37 500 and 45% 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 7.5% up to the basic rate limit of GBP 37 500, 32.5% above GBP 37 500 and 38.1% above GBP 150 000. The Dividend Allowance is GBP 2 000 in 2020-21, meaning that dividend taxpayers will not have to pay tax on the first GBP 2 000 of their dividend income, no matter what non-dividend income they have. Savings income is charged at 0% up to the starting rate limit on the first GBP 5 000, at 20% up to GBP 37 500, 40% above GBP 37 500 and 45% above GBP 150 000. From 2016-17, a new Personal Savings Allowance was introduced giving GBP 1 000 of savings income tax free for taxpayers with total income below the basic rate limit or GBP 500 for those with total income below the higher rate limit.

| Taxable income (GBP) | Rate % |
|---|---|
| 0–37 500 | 20 |
| 37 500–150 000 | 40 |
| Over 150 000 | 45 |

## *6.2. State and local income tax*

From 2018-19 the Scottish Government has introduced a starter rate band for non-savings non-dividend income of Scottish taxpayers. In 2020-21, the starter rate band applied from GBP 12 500 to GBP 14 585. The basic rate band for non-savings non-dividend income is set from GBP 14 585 to GBP 25 158. The Scottish Government has an intermediate rate band for non-savings non-dividend income of Scottish taxpayers from GBP 24 944 to GBP 43 430. The higher rate band for non-savings non-dividend income of Scottish taxpayers in 2020-21 is from GBP 43 430 to GBP 150 000. In 2020-21 all Scottish taxpayers are liable on taxable income other than savings and dividend income at the starter rate of 19% on the first GBP 2 085, 20% over the starter rate limit of GBP 2 085, 21% over the basic rate limit of GBP 12 658, 41% over the intermediate rate limit of GBP 30 930 and 46% 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.)

## 7. Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

### *7.1. Employees' contributions*

National Insurance contributions are payable by employees earning more than GBP 183 in any week. These are 12% of earnings between GBP 183 and GBP 962 and 2% of earnings above GBP 962. Depending on eligibility, members of the National Insurance scheme qualify for pensions, sickness, industrial injury, unemployment benefits, etc. All employees earning under GBP 183 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 120 and GBP 183 to protect benefit entitlement.

### *7.2. Employers' contributions*

Employer's contributions are not payable for employees earning less than GBP 169 per week. The rate of employers' contributions for employees is 13.8% of earnings above GBP 169 per week.

The apprenticeship levy was introduced in April 2017. The apprenticeship levy is charged at a rate of 0.5% on the gross pay bill of employers. Employers will receive an allowance of GBP 15 000 per year to offset against the levy meaning that only employers with a gross pay bill of over GBP 3m will end up paying the levy. Due to the fact that the apprenticeship levy does not apply to all employers, it is not included in the Taxing Wages calculations

## 8. Universal Cash Transfers

### *8.1. Transfers related to marital status*

None (widows' benefit is covered by the government pensions scheme noted above).

### *8.2. Transfers for dependent children*

A child benefit of GBP 21.05 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 13.95 per week paid for each subsequent child.

Since January 2013, a tax charge has applied for any taxpayer who has income over GBP 50 000 and either they or their partner are in receipt of Child Benefit. For those with adjusted net income (ANI, pre-tax income less certain allowances) 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. Child Benefit recipients can opt out of receiving payments as an alternative to paying the charge. Where both adults are over the threshold, the liability falls on the adult with the highest ANI.

## 9. Recent changes in the tax/benefit system

### *9.1. Changes to labour taxation due to the covid-19 pandemic*

Working Tax Credit (WTC): In 2020-21, as part of the UK government's response to the COVID-19 pandemic, the maximum credit of 5910 (see section 1.1.2.1) includes an increase of GBP 1045 per year

above inflation, with a similar increase applying in Universal Credit. These additional increases will be reviewed when considering rates for 2021-22.

## 10. Memorandum Items

### *10.1. 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).

### *10.2. 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.

## 2020 Parameter values

| Average earnings/yr | Ave_earn | 41 807 | Secretariat Estimate | |
|---|---|---|---|---|
| Allowances | Basic_al | 12 500 | | |
| | PA taper start | 100 000 | | |
| | Married_al | 1 250 | | |
| | Married_rate | 0 | | |
| Income tax | Tax_sch | 0.2 | 37 500 | |
| | | 0.4 | 150 000 | |
| | | 0.45 | | |
| Employees SSC | | | | |
| Primary threshold | SSC_sch | 0 | 9 500 | PT |
| Upper earnings limit | | 0.12 | 50 000 | UEL |
| | | 0.02 | | |
| Employers SSC | SSC_rate2 | 0.138 | | |
| | ST | 8 788 | | |
| Child benefit (first) | CB_first | 21.05 | | |
| Child benefit (others) | CB_others | 13.95 | | |
| | CB_1st_thres | 50 000.00 | | |
| | CB_2nd_thres | 60 000.00 | | |
| | CB_taper1 | 0.01 | | |
| | CB_taper2 | 100.00 | | |
| TAX CREDITS | | | | |
| WTC | | | | |
| Basic element | WTC_Basic | 3040 | | |
| Couple/Lone parent | WTC_couple_or_lone | 2 045 | | |
| 30 Hour element | WTC_30hr | 825 | | |
| CTC | | | | |
| Family element | CTC_family | 545 | | |
| Child element | CTC_child | 2 830 | | |
| Baby element | CTC_baby | | | |
| Threshold | NTC_1st_thres | 6 530 | | |
| | NTC_1st_taper | 0.41 | | |
| Days in tax year | Numdays | 365 | | |

## 2020 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,IF(AND(earn<(BRL+Basic_al),earn_spouse<Basic_al,Married='1'),IF(earn>earn_spouse,Basic_al+Married_al,Basic_al-Married_al),Basic_al),IF(earn>(PA_taper+(Basic_al*2)),0,MAX(0,(Basic_al-((earn-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

## Notes

[1] 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.

[2] At April 2020, there were 1.5 million individuals in employment receiving Universal Credit. In contrast, there were 1.9 million individuals in employment receiving tax credits. Therefore in 2020, WTC is expected to remain more representative of the tax/benefit situation faced by the majority of people in the UK. The position will be reviewed for future editions of *Taxing Wages* as the use of tax credits continues to decline and use of Universal Credit increases.

[3] See previous note.

# 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 2020

### 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** | | 40 348 | 60 220 | 100 568 | 40 348 |
| **2.** | **Standard tax allowances** | | | | | |
| | Basic allowance | | 12 400 | 12 400 | 12 400 | 18 650 |
| | Married or head of family | | | | | |
| | Dependent children | | 0 | 0 | 0 | 0 |
| | Deduction for social security contributions and income taxes | | | | | |
| | Work-related expenses | | | | | |
| | Other | | | | | |
| | | Total | 12 400 | 12 400 | 12 400 | 18 650 |
| **3.** | **Tax credits or cash transfers included in taxable income** | | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | | 27 948 | 47 820 | 88 168 | 21 698 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | | 3 156 | 6 310 | 15 240 | 2 322 |
| **6.** | **Tax credits** | | | | | |
| | Basic credit | | 0 | 0 | 0 | 1 494 |
| | Married or head of family | | | | | |
| | Children | | 0 | 0 | 0 | 4 000 |
| | Other | | | | | |
| | | Total | 0 | 0 | 0 | 5 494 |
| **7.** | **Central government income tax finally paid (5-6)** | | 3 156 | 6 310 | 15 240 | - 3 172 |
| **8.** | **State and local taxes** | | 2 467 | 3 788 | 6 472 | 1 945 |
| **9.** | **Employees' compulsory social security contributions** | | | | | |
| | Gross earnings | | 3 087 | 4 607 | 7 693 | 3 087 |
| | Taxable income | | | | | |
| | | Total | 3 087 | 4 607 | 7 693 | 3 087 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | | 8 710 | 14 706 | 29 405 | 1 859 |
| **11.** | **Cash transfers from general government** | | | | | |
| | For head of family | | | | | |
| | For two children | | 1 200 | 1 200 | 0 | 2 200 |
| | | Total | 1 200 | 1 200 | 0 | 2 200 |
| **12.** | **Take-home pay (1-10+11)** | | 32 838 | 46 715 | 71 163 | 40 688 |
| **13.** | **Employer's compulsory social security contributions** | | 3 404 | 4 924 | 8 011 | 3 404 |
| **14.** | **Average rates** | | | | | |
| | Income tax | | 13.9% | 16.8% | 21.6% | -3.0% |
| | Employees' social security contributions | | 7.7% | 7.7% | 7.7% | 7.7% |
| | Total payments less cash transfers | | 18.6% | 22.4% | 29.2% | -0.8% |
| | Total tax wedge including employer's social security contributions | | 24.9% | 28.3% | 34.5% | 7.0% |
| **15.** | **Marginal rates** | | | | | |
| | Total payments less cash transfers: Principal earner | | 26.3% | 36.3% | 38.3% | 48.6% |
| | Total payments less cash transfers: Spouse | | n.a. | n.a. | n.a. | n.a. |
| | Total tax wedge: Principal earner | | 31.5% | 40.8% | 42.7% | 52.3% |
| | Total tax wedge: Spouse | | n.a. | n.a. | n.a. | n.a. |

## United States 2020

### The tax/benefit position of married couples

| | Wage level (per cent of average wage) | 100-0 | 100-67 | 100-100 | 100-67 |
|---|---|---|---|---|---|
| | Number of children | 2 | 2 | 2 | none |
| **1.** | **Gross wage earnings** | 60 220 | 100 568 | 120 441 | 100 568 |
| **2.** | **Standard tax allowances** | | | | |
| | Basic allowance | 24 800 | 24 800 | 24 800 | 24 800 |
| | Married or head of family | | | | |
| | Dependent children | 0 | 0 | 0 | 0 |
| | Deduction for social security contributions and income taxes | | | | |
| | Work-related expenses | | | | |
| | Other | | | | |
| | Total | 24 800 | 24 800 | 24 800 | 24 800 |
| **3.** | **Tax credits or cash transfers included in taxable income** | 0 | 0 | 0 | 0 |
| **4.** | **Central government taxable income (1 - 2 + 3)** | 35 420 | 75 768 | 95 641 | 75 768 |
| **5.** | **Central government income tax liability (exclusive of tax credits)** | 3 855 | 8 697 | 12 621 | 8 697 |
| **6.** | **Tax credits** | | | | |
| | Basic credit | 0 | 0 | 0 | 0 |
| | Married or head of family | | | | |
| | Children | 4 000 | 4 000 | 4 000 | 0 |
| | Other | | | | |
| | Total | 4 000 | 4 000 | 4 000 | 0 |
| **7.** | **Central government income tax finally paid (5-6)** | - 145 | 4 697 | 8 621 | 8 697 |
| **8.** | **State and local taxes** | 3 140 | 5 823 | 7 144 | 6 255 |
| **9.** | **Employees' compulsory social security contributions** | | | | |
| | Gross earnings | 4 607 | 7 693 | 9 214 | 7 693 |
| | Taxable income | | | | |
| | Total | 4 607 | 7 693 | 9 214 | 7 693 |
| **10.** | **Total payments to general government (7 + 8 + 9)** | 7 602 | 18 213 | 24 979 | 22 646 |
| **11.** | **Cash transfers from general government** | | | | |
| | For head of family | | | | |
| | For two children | 3 400 | 3 400 | 3 400 | 2 400 |
| | Total | 3 400 | 3 400 | 3 400 | 2 400 |
| **12.** | **Take-home pay (1-10+11)** | 56 019 | 85 755 | 98 862 | 80 322 |
| **13.** | **Employer's compulsory social security contributions** | 4 924 | 8 328 | 9 849 | 8 328 |
| **14.** | **Average rates** | | | | |
| | Income tax | 5.0% | 10.5% | 13.1% | 14.9% |
| | Employees' social security contributions | 7.7% | 7.7% | 7.7% | 7.7% |
| | Total payments less cash transfers | 7.0% | 14.7% | 17.9% | 20.1% |
| | Total tax wedge including employer's social security contributions | 14.0% | 21.3% | 24.1% | 26.2% |
| **15.** | **Marginal rates** | | | | |
| | Total payments less cash transfers: Principal earner | 26.3% | 26.3% | 36.3% | 26.3% |
| | Total payments less cash transfers: Spouse | 26.3% | 26.3% | 36.3% | 26.3% |
| | Total tax wedge: Principal earner | 31.5% | 31.5% | 40.8% | 31.5% |
| | Total tax wedge: Spouse | 32.0% | 31.5% | 40.8% | 31.5% |

The national currency is the dollar (USD). In 2020, the average worker earned USD 60 220 (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 2020 a married couple filing a joint tax return is entitled to a standard deduction of USD 24 800. The standard deduction is USD 18 650 for heads of households and USD 12 400 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.
- Standard marital status reliefs: Married couples generally benefit from a more favourable schedule of tax rates for joint returns of spouses (see Section 1.1.3). There are no other general tax reliefs for marriage.
- Relief for children: Low income workers with dependents are allowed a refundable (non-wastable) earned income credit. For taxpayers with one child, the credit is 34% of up to USD 10 540 of earned income in 2020. The credit phases down when income exceeds USD 19 330 (25 220 for married taxpayers) and phases out when it reaches USD 41 756 (47 646 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% of up to USD 14 800 of earned income in 2020. The credit phases down when income exceeds USD 19 330 (25 220 for married taxpayers) and phases out when it reaches USD 47 440 (53 330 for married taxpayers). For taxpayers with three or more children the credit is 45% of up to USD 14 800 of earned income. The credit phases down when income exceeds USD 19 330 (25 220 for married taxpayers) and phases out when it reaches USD 50 954 (56 844 for married taxpayers).
- Since 1998, taxpayers are permitted a tax credit for each qualifying child under the age of 17. In 2020 the maximum credit is USD 2 000. The refundable (non-wastable) child credit is the lesser of 15% of earned income in excess of USD 2 500 and USD 1 400 per child. The refundable portion of the credit (USD 1 400) is indexed for inflation and rounds down to the next lowest multiple of USD 100 but is capped at USD 2 000.
- Other dependent tax credit: For qualifying dependents other than qualifying children for whom a child tax credit was claimed, there is a USD 500 non-refundable credit. The Taxing Wages calculations do not include the other dependent tax credit.
- Phase out of child tax credit and other dependent tax credit: The maximum credit is reduced for taxpayers with income in excess of certain thresholds. The total of the child tax credit and other

dependent tax credit is reduced by USD 50 for each USD 1 000 by which modified aggregate gross income exceeds USD 400 000 for married taxpayers filing jointly (USD 200 000 for single and head of household taxpayers). These threshold amounts are indexed for inflation.

- Relief for low income workers without children: In 1994 and thereafter, low income workers without children are eligible for the earned income credit. In 2020 low income workers without children are permitted a non-wastable earned income credit of 7.65% of up to USD 7 030 of earned income. The credit phases down when income exceeds USD 8 790 (14 680 for married taxpayers) and phases out when income reaches USD 15 820 (21 710 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 2020, the withholding rate for Social Security taxes and Medicare for employees is 7.65%. The earned income credits described above are sometimes considered an offset to Social Security and Medicare 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% of income (7.5% in 2017 through 2019);
- State and local income taxes, real property taxes, and personal property taxes are capped at USD 10 000 per return;
- Home mortgage interest on USD 750 000 of qualified residence loans;
- 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% of income;
- Miscellaneous expenses such as gambling losses, casualty and theft losses of income-producing property, and impairment related work expenses of disabled persons to the extent that, in aggregate; they exceed 2% of income.
- In 2017 based on preliminary statistics[1], the most recent year for which such statistics are available, the 43% of taxpayers with income between USD 50 000 and USD 100 000 (the AW range) who itemised their deductions claimed average deductions as follows: taxes paid, USD 6 559; charitable contributions, USD 3 454; home mortgage interest expense, USD 6 906;
- 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 9 875 | 0 to 19 750 | 0 to 14 100 | 10 |
| 9 875 to 40 125 | 19 750 to 80 250 | 14 100 to 53 700 | 12 |
| 40 125 to 85 525 | 80 250 to 171 050 | 53 700 to 85 500 | 22 |
| 85 525 to 163 300 | 171 050 to 326 600 | 85 500 to 163 300 | 24 |
| 163 300 to 207 350 | 326 600 to 414 700 | 163 300 to 207 350 | 32 |
| 207 350 to 518 400 | 414 700 to 622 050 | 207 350 to 518 400 | 35 |
| 518 400 and over | 622 050 and over | 518 400 and over | 37 |

1. The taxable income brackets are indexed for inflation.

There is a 3.8% tax on the lesser of certain net investment income or income in excess of 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.

Beginning in 2018, owners of sole proprietorships, partnerships, S corporations, and some trusts and estates are eligible to deduct 20 percent of qualified business income (QBI). QBI is subject to limitations, depending on the taxpayer's taxable income, that may include the type of trade or business, the amount of wages paid by the business and the unadjusted basis of qualified property held by the trade or business.

## 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.[2] 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 Taxing Wages calculations assume that the average worker lives in Detroit, Michigan. The state of Michigan permits a personal exemption of USD 4 750 for the taxpayer, the taxpayer's spouse and each child, and taxes income at the rate of 4.25%. 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% 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%.

## 2. Compulsory Social Security Contributions to Schemes Operated within the Government Sector

### *2.1. Employees' contributions*

#### *2.1.1. Pensions*

In 2020, the rate for employee contributions is 7.65% (6.2% for old age, survivors, and disability insurance, and 1.45% for old age hospital insurance). The 6.2% rate applies to earnings up to USD 137 700. Beginning in 1994, there is no limit on the amount of earnings subject to the 1.45% rate. There is an additional 0.9% 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% on earnings up to USD 137 700 and 1.45% of all earnings (without limit).

#### *2.2.2. Unemployment*

Employers are required by the federal government to pay unemployment tax of 6% 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 2019 the estimated average unemployment insurance tax rate in Michigan was 3.06% of the first USD 9 000 of wages. The Taxing Wages model considers that the Federal government allows employers to take a credit for state unemployment taxes of up to 5.4%, resulting in a net Federal tax of 0.6% 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 2017

In December 2017, Congress passed and the President signed the Tax Cuts and Jobs Act – the most significant change in U.S. tax law in a generation, incorporating change to the taxation of individuals and businesses. For individuals, the Act temporarily lowers income tax rates, increases the standard deduction, increases the child tax credit, and adds a credit for other dependents. The Act also temporarily eliminates some deductions, credits and exemptions for individuals. In addition the individual alternative minimum tax (AMT) exemption and phase-out thresholds are temporarily increased so that fewer taxpayers are subject to the AMT. Pass-through entities that are generally taxed at the individual level only and may be eligible for a new temporary deduction. These temporary provisions expire at the end of 2025. In addition, inflation adjustments of amounts and thresholds are changed to be determined by the chained consumer price index. Finally, there are substantial changes in business taxation, many that are permanent, such as lowering the top corporate tax rate from 35 to 21 percent and moving the U.S. international tax system towards a territorial system.

### *4.1. Changes to labour taxation due to the covid-19 pandemic*

Families First Coronavirus Response Act enacted 18 March 2020 provides employers with less than 500 employees with a refundable tax credit to offset the cost of providing a worker with paid sick and family leave through 2020. The Act caps the amount of qualified sick leave wages taken into account for each employee at USD 511 per day for 10 work days. Similarly, the family leave credit offsets USD 200 per day of wages for employees who must care for a loved one or whose child is home because of a school or day care closing. Self-employed workers would also qualify for the same level of refundable sick and family leave tax credits to offset wages. Businesses can retain and access funds that they would otherwise paid in the employer's Social Security taxes. If those amounts are not sufficient to cover the cost of paid leave, employers can seek an expedited advance from the IRS by submitting a streamlined claim form. Employers with U.S. Small Business Administration Loans are not eligible for employee retention credit.

The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted on 27 March 2020 in response to the pandemic. Among other provisions, there is a tax credit paid in general to citizens, the so-called Economic Impact Payment (EIP). While the EIP can be claimed on the 2020 tax return filed in 2021, an advance payment of the credit was made in 2020 of USD 1 200 per taxpayer (USD 2 400 for married couples) plus USD 500 per child under age 17. While there is no cap on the EIP credit, it phases out at 5 percent of Adjusted Gross Income (AGI) in excess of USD 150 000 for married couples, USD 112 500 for head of household, and USD 75 000 for all other filers.

The CARES Act also delays the timing of required federal tax deposits for certain employer payroll taxes and self-employment taxes incurred between March 27, 2020 (the date of enactment) and December 31, 2020. Fifty percent of the deferred amount has to be paid by 31 December 2021 and the remainder by 31 December 2022. These taxes include the 6.2 percent Social Security tax for wage earners and comparable 6.2 percent Self-Employment Contributions Act tax due on net earnings from self-employment.

The CARES Act also provides businesses with a refundable Social Security tax credit for 50 percent of qualified wages up to USD 10 000 for each employee for qualifying calendar 2020 quarters during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year. For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances described above. For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order. The credit is provided for the first USD 10 000 of compensation, including health benefits, paid to an eligible employee. The credit is provided for wages paid or incurred from 13 March

2020 through 31 December 2020. Employers with Small Business Administration Loans under the CARES Act are not eligible for the employee retention credit.

Finally, for 2020, taxpayers can deduct USD 300 of cash contributions to charities whether or not the taxpayer itemizes or takes standard deduction.

## 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 is estimated to be USD 56 577 for 2019.

### *5.2. Employer contributions to private social security arrangements*

Employers commonly contribute to private pension plans (both defined benefit and defined contribution), 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 2019 for employees in private industry:

| | Pension | Health | Life |
|---|---|---|---|
| % of workers covered | 52 | 55 | 55 |
| USD employer portion per covered employee | n.a. | 8 645 (family)<br>4 269 (single) | n.a. |

## 2020 Parameter values

| | | | | | | |
|---|---|---|---|---|---|---|
| Average earnings/yr | Ave_earn | 60 220 | Secretariat estimate | | | |
| Standard deductions | Married_al | 24 800 | | | | |
| | hh_al | 18 650 | | | | |
| | single_al | 12 400 | | | | |
| Federal tax schedules | Fed_sch_s | 0.1 | 9 875 | | | |
| | | 0.12 | 40 125 | | | |
| Single individuals | | 0.22 | 85 525 | | | |
| | | 0.24 | 163 300 | | | |
| | | 0.32 | 207 350 | | | |
| | | 0.35 | 518 400 | | | |
| | | 0.37 | | | | |
| Married filing jointly | Fed_sch_m | 0.1 | 19 750 | | | |
| | | 0.12 | 80 250 | | | |
| | | 0.22 | 171 050 | | | |
| | | 0.24 | 326 600 | | | |
| | | 0.32 | 414 700 | | | |
| | | 0.35 | 622 050 | | | |
| | | 0.37 | | | | |
| Head of household | Fed_sch_h | 0.1 | 14 100 | | | |
| | | 0.12 | 53 700 | | | |
| | | 0.22 | 85 500 | | | |
| | | 0.24 | 163 300 | | | |
| | | 0.32 | 207 350 | | | |
| | | 0.35 | 518 400 | | | |
| | | 0.37 | | | | |
| Earned income credit | EIC_sch | rate | income limit | threshold | thresh-married | phase-out |
| | no children | 0.0765 | 7 030 | 8790 | 14 680 | 0.0765 |
| | 1 child | 0.34 | 10 540 | 19 330 | 25 220 | 0.1598 |
| | 2 children | 0.4 | 14 800 | 19 330 | 25 220 | 0.2106 |
| | 3 or more children | 0.45 | 14 800 | 19 330 | 25 220 | 0.2106 |
| Child credit | chcrd_max | 2 000 | | | | |
| | Chcrd_lim | 1 400 | | | | |
| | chcrd_rdn | 50 | | | | |
| | chcrd_thrsh_m | 400 000 | | | | |
| | chcrd_thrsh_oth | 200 000 | | | | |
| | chcrd_ref_perct | 0.15 | | | | |
| | chcrd_ref_thresh | 2 500 | | | | |
| Detroit | Detroit_ex | 600 | | | | |
| | Detroit_rate | 0.024 | | | | |
| Michigan | Mich_ex | 4 750 | | | | |
| | 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 | | | | |
| | pens_rate_ee | 0.062 | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | hosp_rate | 0.0145 | | | | |
| | add_hosp_rate | 0.009 | | | | |
| Ceiling for employers and employees | pens_ceil | 137 700 | | | | |
| | add_hosp_thresh_m | 250 000 | | | | |
| | add_hosp_thresh_oth | 200 000 | | | | |
| Unemployment insurance tax | Unemp_rate | 0.006 | | | | |
| | Unemp_dedn_rate | 0.054 | | | | |
| | Unemp_max | 7 000 | | | | |
| Michigan unemploy insur | Mich_unemp_rate | 0.0306 | | | | |
| | Mich_unemp_max | 9 000 | | | | |
| | Covid EIP adult | 1200 | | | | |
| | Covid EIP child | 500 | | | | |
| | Covid_EIP_limit_married | 150000 | | | | |
| | Covid_EIP_limit_head | 112500 | | | | |
| | Covid_EIP_limit_others | 75000 | | | | |
| | Covid_EIP_red | 0.05 | | | | |

## 2020 Tax equations

The equations for the US system in 2020 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)) |
| 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) |
| | | 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(MIN(ch_crd_max-ch_crd_tax,chcrd_lim*children), MAX(chcrd_ref_perct*(earn-chcrd_ref_thresh), 0)), 0) |
| | | tax_cr | J | EIC+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 | TAPER((IF(Married=0,Covid_EIP_adult,2*Covid_EIP_adult))+(Children*Covid_EIP_child),total_earn,IF(Married,Covid_EIP_limit_married,IF(Children>0,Covid_EIP_limit_head, Covid_EIP_limit_others)),Covid_EIP_red) |
| 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.

## Notes

[1] These statistics do not reflect the effects of the Tax Cuts and Jobs Act where more individual taxpayers do not itemize deductions but instead use the standard deduction.

[2] New Hampshire and Tennessee tax only interest and dividend income received by individuals.

# Annex A. 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[1]. The framework of the methodology is as follows:

- The Report focuses on eight different household types which vary by 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 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 A.2. Any children in the household are assumed to be aged between six and eleven inclusive.

The household 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)[2] (see Table A.A.3). Many countries (for more detailed country information, see Table 1.8) have now adopted this approach.

## Table A 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 A.2. Characteristics of taxpayers

| Marital status | Children | Principal earner | Second 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 | 67% of average earnings |
| Married couple | 2 children | 100% of average earnings | 100% of average earnings |
| Married couple | No children | 100% of average earnings | 67% of average earnings |

## Table A 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 |

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 2003-2004.

### *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 A.4. Further

information on the calculation of the earnings figures is provided in the country chapters in Part II. The sources of the statistical data for each country are set out in Table A.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.
- 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 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 full-time employees' earnings in 2014 were on average 12% higher than earnings of all employees and 4% higher than earnings of all employees expressed in full-time equivalent units). 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.
- 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* (50% to 250% of average earnings). Table A 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 been taken because:
    - these types of benefits are difficult to evaluate in a consistent way (they may be valued at the actual cost to the employer, their value to the employee or their fair market value).
    - in most countries, 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 II indicate of the existence of schemes which may be relevant for an average worker.

## Table A A.4. Method used to calculate average earning

| Country | 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 | Average annual earnings | 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 |
| Colombia | Exc | Inc | Inc | Inc | Exc | Inc | Inc | Exc | 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 | Inc | Inc | Exc | Average Annual Earnings | 31st December | Calendar year |
| Israel | Exc | Inc | Inc | Inc | Exc | Inc | Inc | Exc | Average earnings | 31st December | Calendar year |
| Italy | Exc[3] | Inc | Inc | Inc | Exc [4] | Inc | Inc | Inc [6] | Average monthly earnings x 12 | 31st December | Calendar year |
| Japan | Exc | Inc | Inc | Inc | Exc | Inc | Inc | Exc | Monthly earnings in June x 12 | 31st December | Calendar year |
| Korea | Exc | Inc | Inc | Inc | Exc | Inc | Inc | Exc | Average monthly earnings x 12 | 31st December | Calendar year |
| Latvia | Inc | Inc | Inc | Inc | Exc | Inc | Inc | Exc | Average monthly earnings x 12 | 31st December | Calendar year |
| Lithuania | 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 | 31st December | Calendar year |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | that exceed the upper social contribution limit (7 times the minimum wage) are not recorded. | | |
| 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 | Exc | Inc | Inc[5] | Inc[6] | Average monthly earnings x 12 | 31st December | Calendar year |
| Slovenia | Inc | Inc | Inc | Inc | Exc | Inc | Inc | Inc | Average monthly earnings * 12 | 31st December | Calendar year |
| Spain | Exc | Inc | Inc | Inc | Exc | Inc | Inc | Exc | Weighted monthly average x 12 | 31st December | Calendar year |
| Sweden | Exc | Inc | Inc | Inc | Actual value Inc | Inc | Inc | Inc [6] | Average hourly earnings in September x hours worked; and monthly earnings in September * 12 | 31st December | Calendar year |
| Switzerland | Exc | Inc | Inc | Inc | Exc | Inc | Inc | Inc [6] | Monthly earnings x 12 | 31st December | Calendar year |
| Turkey | Exc | Inc | Inc | Inc | Actual value inc | Exc | Exc | Inc | Average annual earnings | 31st December | Calendar year |
| United Kingdom | Exc | Inc | Inc | Inc | Exc | Inc | Inc | Exc | Average gross annual earnings | 5th April | Fiscal year |
| United States | Exc | Inc | Inc | Inc [2] | Exc | Inc | Inc | Inc [6] | Average weekly earnings x 52 | 31st December | Calendar year |

Notes: 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 sole-proprietors (New Zealand); only income earned based on a standard employment contract is included (Slovak Republic).
6. Part-time wages are converted to full-time equivalents before calculating the average wage measure. For the Slovak Republic, part-time workers with non-standard temporary employment contracts are excluded.

## Table A A.5. Source of earnings data, 2020

| Country | Type of sample | Source |
|---|---|---|
| Australia | Quarterly survey of firms resulting in a representative sample of wage and salary earners in each industry. | Australian Bureau of Statistics “Average Weekly Earnings, Australia” and "Labour Force, Australia". |
| Austria | Annual Wage Tax Statistics. | "Lohnsteuerstatistik". |
| Belgium | Data collected or estimated on the basis of an annual establishment survey and social insurance registers of employees. | Statistics Division of the Ministry of Economy (Federal Public Service, Economy, SMEs, Self-employed and Energy). Same source as for Eurostat "Annual gross earnings" data. |
| Canada | Monthly survey of all firms. | Statistics Canada, “Survey of Employment Payrolls and Hours”. |
| Chile | Monthly sample of businesse with 10+ employees. | National Statistics Institute of Chile (INE). |
| Colombia | The Great Integrated Household Survey | National Administrative Department of Statistics (DANE) |
| 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 Sociales Nominatives" (DSN). |
| 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. |
| Latvia | Average monthly wages and salaries (DSG01) | The Latvian Central Statistical Bureau. |
| Lithuania | - | Statistics Lithuania. |
| 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 | Structure of Earnings Survey. | Ministry of Labour. |
| Poland | Estimates for different sectors. | Monthly Statistical Bulletin. |
| Slovak republic | Quarterly survey of employers. | Slovak Statistical Office. |
| Slovenia | Monthly survey of employees. | Statistical Office of the Republic of Slovenia. |
| Spain | Quarterly survey of firms. | Instituto Nacional de Estadistica “Encuesta Trimestral de Coste Laboral” (Labour Cost Survey). |
| Sweden | September survey of Swedish employers. | Statistics Sweden. |
| Switzerland | Swiss Statistics Office. Personnes actives occupées selon la branche économique. | La vie économique, SECO (Secrétariat d’État à l’économie) table B.8.1, |

| | | |
|---|---|---|
| | | http://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. |

### *Calculating average gross wage earnings*

Table A.A.4 indicates the basic calculation method used in each country while more details are, where relevant, provided in the country chapters in Part II. 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 2020 were not available when the current Report was written. For most countries, estimates of gross wage earnings of average workers in 2020 were therefore derived by the Secretariat on the basis of a uniform approach: year 2019 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* (i.e. *OECD Economic Outlook Volume 2020 issue 2*) . This transparent procedure is intended to avoid any bias in the results. In some countries, there were varying approaches;

- The final 2020 average gross wage earnings was used for Australia.
- National estimates were used for the Chile, Colombia, New Zealand and Turkey as the *OECD Economic Outlook Volume 2020 Issue 2* did not provide percentages changes in wages for those countries.
- In some countries, average wage earnings were also estimated for prior years - France (2018 and 2019), the Netherlands (2019), Poland (from 2017onwards), Portugal (from 2013 onwards) and Switzerland (2007, 2009, 2011, 2013, 2015, 2017 and 2019) as no country information on average wage earnings levels was available for these years in these particular countries.

Twenty-one OECD countries have opted to provide national estimates of the level of gross wage earnings of average workers in 2020. These estimates were not used in the Taxing Wages calculations (except for the countries listed above) because of potential inconsistency with the Secretariat estimates derived for other countries. However they are included in Table A 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 A.6. Estimated gross wage earnings, 2019-2020 (in national currency)

| | Average wage 2019 | Average wage 2020 (Secret. estimates) | Average wage 2020 (country estimates) | EO 2020 (issue 2) forecasted rates for 2020[1] |
|---|---|---|---|---|
| Australia[2] | 87 766 | 90 504 | 90 861 | 3.1 |
| Austria | 48 398 | 48 658 | 49 075 | 0.5 |
| Belgium | 49 783 | 47 720 | 50 604 | -4.1 |
| Canada | 55 459 | 57 292 | | 3.3 |
| Chile[2] | 10 042 281 | | 10 279 535 | |
| Colombia[2] | 18 499 302 | | 16 033 240 | |
| Czech Republic | 404 764 | 402 261 | | -0.6 |
| Denmark | 432 900 | 437 094 | 441 601 | 1.0 |
| Estonia | 16 817 | 16 637 | 17 050 | -1.1 |
| Finland | 45 813 | 45 719 | 46 510 | -0.2 |
| France | 39 196 | 38 188 | | -2.6 |
| Germany | 52 000 | 52 104 | | 0.2 |
| Greece | 21 621 | 21 139 | | -2.2 |
| Hungary | 4 677 521 | 5 011 590 | 4 846 244 | 7.1 |
| Iceland | 9 048 000 | 9 247 101 | 9 156 000 | 2.2 |
| Ireland | 48 722 | 46 685 | | -4.2 |
| Israel | 161 028 | 157 093 | 157 812 | -2.4 |
| Italy | 31 472 | 30 233 | | -3.9 |
| Japan | 5 221 704 | 5 185 181 | | -0.7 |
| Korea | 46 285 248 | 46 020 316 | 46 174 356 | -0.6 |
| Latvia | 12 804 | 12 913 | 12 672 | 0.8 |
| Lithuania | 15 436 | 16 426 | 15 713 | 6.4 |
| Luxembourg | 60 896 | 58 040 | | -4.7 |
| Mexico | 133 131 | 131 163 | 142 738 | -1.5 |
| Netherlands | 53 054 | 54 843 | 54 380 | 3.4 |
| New Zealand[2] | 62 181 | | 64 150 | |
| Norway | 620 035 | 627 370 | | 1.2 |
| Poland | 58 779 | 60 915 | | 3.6 |
| Portugal | 19 331 | 19 478 | | 0.8 |
| Slovak Republic | 13 154 | 13 200 | 13 365 | 0.4 |
| Slovenia | 20 265 | 20 424 | 20 593 | 0.8 |
| Spain | 27 292 | 26 934 | | -1.3 |
| Sweden | 455 072 | 465 767 | 463 400 | 2.4 |
| Switzerland | 91 628 | 87 363 | | -4.7 |
| Turkey[2] | 61 841 | | 74 751 | |
| United Kingdom | 41 128 | 41 807 | | 1.7 |
| United States | 56 577 | 60 220 | | 6.4 |

1. Increase of compensation per employee in the total economy (Economic Outlook Volume 2020, issue 2)
2. The country AW estimate is used instead of the OECD Secretariat's AW estimate in the Taxing Wages calculations.

StatLink https://stat.link/395nqb

## Table A A.7. Purchasing power parities and exchange rates for 2020

| | Monetary unit | Exchange rates[1] | Purchasing power parities |
|---|---|---|---|
| Australia | AUD | 1.47 | 1.43 |
| Austria | EUR | 0.88 | 0.76 |
| Belgium | EUR | 0.88 | 0.75 |
| Canada | CAD | 1.34 | 1.18 |
| Chile | CLP | 792.94 | 427.43 |
| Colombia | COP | 3737.29 | 1340.51 |
| Czech Republic | CZK | 23.38 | 12.72 |
| Denmark | DKK | 6.57 | 6.73 |
| Estonia | EUR | 0.88 | 0.53 |
| Finland | EUR | 0.88 | 0.85 |
| France | EUR | 0.88 | 0.73 |
| Germany | EUR | 0.88 | 0.74 |
| Greece | EUR | 0.88 | 0.55 |
| Hungary | HUF | 309.76 | 146.94 |
| Iceland | ISK | 136.85 | 140.26 |
| Ireland | EUR | 0.88 | 0.81 |
| Israel | ILS | 3.46 | 3.68 |
| Italy | EUR | 0.88 | 0.68 |
| Japan | JPY | 106.89 | 101.10 |
| Korea | KRW | 1185.03 | 863.68 |
| Latvia | EUR | 0.88 | 0.49 |
| Lithuania | EUR | 0.88 | 0.45 |
| Luxembourg | EUR | 0.88 | 0.87 |
| Mexico | MXN | 21.56 | 9.42 |
| Netherlands | EUR | 0.88 | 0.79 |
| New Zealand | NZD | 1.55 | 1.47 |
| Norway | NOK | 9.50 | 9.92 |
| Poland | PLN | 3.93 | 1.79 |
| Portugal | EUR | 0.88 | 0.58 |
| Slovak Republic | EUR | 0.88 | 0.51 |
| Slovenia | EUR | 0.88 | 0.57 |
| Spain | EUR | 0.88 | 0.63 |
| Sweden | SEK | 9.27 | 8.76 |
| Switzerland | CHF | 0.94 | 1.14 |
| Turkey | TRL | 7.12 | 2.02 |
| United Kingdom | GBP | 0.78 | 0.72 |
| United States | USD | 1.00 | 1.00 |

1. Average of 12 months daily rates.

StatLink https://stat.link/14zxgr

### *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 Payroll taxes) 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. In this Report, tax and benefit measures that are related to the COVID-19 pandemic and that are consistent with the assumptions detailed in this Annex have been included in the calculations. Further information is available in the Chapter 2, the Special Feature.

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 Report, 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 II. 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.[1]
- 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, France, 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. Concerning France, the local tax rates, which vary widely depending on the municipalities, are not assessed and are not included in the *Taxing Wages* calculations. The local rates do not vary in practice in Korea and Norway. 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, Denmark 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 http://www.oecd.org/tax/tax-policy/tax-database/

### 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. Sixteen OECD countries report revenue from payroll taxes: Australia, Austria, Canada, Denmark, France, Hungary, Iceland, Ireland, Israel, Korea, Latvia, Lithuania, Mexico, 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.

Seven of the OECD member countries include payroll taxes in the *Taxing Wages* calculations: Australia, Austria, Hungary, Latvia, Lithuania, Poland 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.

### *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. The implications of this are illustrated below - 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 (given that children are between 6 and 11) 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. The Special Feature in the 2016 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. It also provides figures which show the impact of different treatments on tax to GDP ratios.[2]

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)[3] 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 the taxpayer (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.[4]

In *Taxing Wages*, the situation is different as 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 67% 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. It 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, et cetera), 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.

### *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 household 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’).

Any analysis of the results over time 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.

There have been changing definitions of the average worker over time. 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 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 each 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 spouse (i.e. second earner) at wage earnings equal to or lower than the principal earner's wage earnings.
  - **J** The calculation is carried out only once on the basis of joint income. This applies to systems of joint or household 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 household consists of a married couple and 0 in the case of a single individual, and "Children" which denotes the number of children. Sometimes there is a reference to a variable with the affix "_total" which indicates the sum of the relevant variable values for the principal earner and the spouse. Similarly, the affixes "_princ" and "_spouse" indicate the value for the principal earner and spouse, respectively.

In the equations a number of functions are used. Some of these are used in the same way as in a number of widely available 'spreadsheet' computer packages. For example, MAX(X,Y) and MIN(X,Y) find the maximum and minimum of the two values, respectively. IF(condition X,Y) chooses the expression X if the condition is true and the expression Y if it is false. Boolean expressions are also used and are taken to have the value 1 if true and 0 if false. As an example, (Children=2*CB_2 is equivalent to IF(Children=2, CB_2,0).

There are also three special functions commonly used which denote calculations often required in tax and social security systems. These are:

- Tax (taxinc, tax_sch): This calculates the result of applying the schedule of tax rates and thresholds in "tax_sch" to the value of taxable income represented by "taxinc". This function may be used in any part of the equations, not just in the income tax calculation. For some countries it is used for social security contributions or even for allowance levels which may be income dependent.
- Positive (X): This gives the result X when this value is positive and zero otherwise. It is therefore equivalent to MAX(0,X).
- Taper (value, income, threshold, rate): This gives the amount represented by "value" if "income" is less than "threshold". Otherwise, it gives "value" reduced by "rate" multiplied by (income-threshold), unless this produces a negative result in which case zero is returned. This provides the calculation which is sometimes required when a tax credit, for example, is available in full provided that total income is below a threshold but is then withdrawn at a given rate for each currency unit in excess of the threshold until it is withdrawn completely.

In some circumstances, there are country specific special VBA functions. These VBA 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 II. For example, the Earned Income Credit in the United States is calculated using the VBA function called EIC.

Anyone wishing to make their own implementation of the equations will have to write VBA functions corresponding to these special functions or make appropriate modifications to any equations that use them.

## Notes

[1] 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.

[2] 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.

[3] In this case, the amount of tax relief is related to actual social security contributions paid by the employee or withheld from her/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 1965–2017*, p. 62.

[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 1.6 in *OECD Revenue Statistics 2020*.

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## 2019-2020

This annual publication provides details of taxes paid on wages in OECD countries. It covers personal income taxes and social security contributions paid by employees, social security contributions and payroll taxes paid by employers, and cash benefits received by workers. It illustrates how these taxes and benefits are calculated in each member country and examines how they impact household incomes. The results also enable quantitative cross-country comparisons of labour cost levels and the overall tax and benefit position of single persons and families on different levels of earnings. The publication shows average and marginal effective tax rates on labour costs for eight different household types, which vary by income level and household composition (single persons, single parents, one or two earner couples with or without children). The average tax rates measure the part of gross wage earnings or labour costs taken in tax and social security contributions, both before and after cash benefits, and the marginal tax rates the part of a small increase of gross earnings or labour costs that is paid in these levies.

*Taxing Wages 2021* includes a special feature entitled: “Impact of COVID-19 on the Tax Wedge in OECD Countries”.

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The data in this publication are also available on line via ***www.oecd-ilibrary.org*** under the title *OECD Tax Statistics* (***https://doi.org/10.1787/tax-data-en***).

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