Taxing Wages

2011-2012

SPECIAL FEATURE: AVERAGE PERSONAL INCOME TAX RATE AND TAX WEDGE PROGRESSION IN OECD COUNTRIES

OECD

2013

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OECD
BETTER POLICIES FOR BETTER LIVES

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Foreword

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

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

*The focus of the Report is the presentation of accurate estimates of the tax/benefit position of employees in 2012. In addition, the Report shows definitive data on the tax/benefit position of employees for the year 2011. It is important to note that, the average worker is designated as a full-time employee (including manual and non-manual) in either industry Sectors 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).***

The Report is structured as follows:

- *The Overview at the start of the Report reviews the main results for 2012.*
- *Part I (International Comparisons) reviews the main results for 2012 and 2011 and is divided into three sections. The first section reviews the main results for 2012, which are summarised in comparative tables and figures included at the end of that section. The second section presents a graphical exposition of the estimated tax burden on labour income in 2012 for gross wage earnings between 50 per cent and 250 per cent of the average wage. The third section reviews the main results for 2011, which are summarized in the comparative tables at the end of that section and compares them with the 2012 figures.*
- *Part II focuses on the historical trends in the tax burden for the period 2000-12.*
- *Part III contains individual country tables specifying the wage levels considered and the associated tax burdens for eight separate family types, together with descriptions of each tax/benefit system.*

* *Previous 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).*

** *Annex B.2 presents historical series using the old definition of the average production worker (1979-2004).*

- *Annex A describes the methodology and its limitations.*

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Executive summary

The tax burden on wages continued to rise in OECD countries in 2012, but more slowly than in 2011, rising by 0.1 percentage points to an average 35.6%. The tax burden or tax wedge is measured by taking the total taxes and social security contributions paid by employees and employers, minus family benefits received as a proportion of the total labour costs for employers. This makes it possible to examine how these levies and cash benefits affect net household income.

The main contributors to the 2012 increase were changes to employer social security contributions, with increases in the contribution rates in eight OECD countries. Increases in personal income tax rates also played a role in many countries. Reductions in personal income tax were also a key factor in those countries where the tax level fell in 2012.

Over the past two years, the tax burden has increased in 26 OECD countries and fallen in 7. At the same time, personal income tax burdens have risen in 23 out of 34 countries, largely because a higher proportion of earnings was subject to tax as the value of tax free allowances and tax credits fell relative to earnings. In 2012, only 6 countries had higher statutory income tax rates for workers on average earnings than in 2010.

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

It also looks at how progressive the tax system is in OECD countries – that is how far income tax systems operate to achieve a more equal distribution of income after tax than before it. On average across the OECD, the highest tax progression is found at lower income levels – for example among those earning between around half and two thirds of the average wage. The level of progression tends to decrease as the wage level rises, although there are considerable differences between countries.

Key findings

Tax burdens continued to rise in 2012

- Across OECD countries the average tax and social security burden on employment incomes increased by 0.1 of a percentage point to 35.6% in 2012. This followed a 0.5 percentage point rise in 2011, reversing the decline from 36.1% to 35.0% between 2007 and 2010.
- In 2012, the tax wedge increased in 19 of 34 countries, fell in 14 and remained unchanged in 1.
- Changes to employer social security contributions were the main contributor to the increase in the average OECD total tax wedge, with increases in 8 OECD countries, notably Poland (+1.2 percentage points), the Slovak Republic (+0.8) and the Netherlands (+0.6).

- In 13 of the 19 countries with an increased tax wedge, the personal income tax (PIT) wedge also rose. Increases in Spain (+1.4 percentage points) and Australia (+0.6) were respectively due to higher income tax rates and the introduction of a temporary additional levy to finance post-cyclone reconstruction.
- Changes to PIT were the primary factor in countries where the tax burden fell - the largest decrease was in Portugal (-1.3 percentage points) where there was a reduction in the surtax rate.
- The highest average tax burdens for childless single workers earning the average national wage were in Belgium (56.0%), France (50.2%), Germany (49.7%) and Hungary (49.4%). The lowest were in Chile (7%), New Zealand (16.4%), Mexico (19.0%) and Israel (19.2%).

Tax burdens in families with children

- The highest tax wedges for one-earner/two children families at the average wage were in France (43.1%), Greece (43.0%), Belgium (41.4%) and Italy (38.3%). New Zealand had the smallest tax wedge for these families (0.6%), followed by Ireland (6.4%), Chile (7%), and Switzerland (9.5%). The average for OECD countries was 26.1%.
- Due to the abolition of tax allowances for dependent children, Japan saw the largest increase in the tax burden for one earner families with children (+2.4 percentage points) compared with a 0.3 percentage points increase for the single average workers.
- In all OECD countries except Mexico and Chile, the tax wedge for families with children is lower than that for single individuals without children. The differences are particularly large in the Czech Republic, Luxembourg, Germany, Hungary, Ireland, New Zealand and Slovenia.

Tax progressivity

- Overall, personal income tax regimes are progressive in all OECD countries, though there are significant variations in the rate at which the average tax burden rises with income. In most OECD countries, progressivity is greatest at lower income levels through the impact of basic tax allowances and tax credits.
- Social security contributions (SSC) lower the progressivity of the tax system because there is usually a single bracket with a fixed contribution rate with either no or just a relatively small exemption for low incomes. SSC ceilings may also make the tax system regressive at high income levels, such as in Austria, Germany and Spain. However, SSC provisions and rates targeted at lower incomes increase progressivity at the bottom of the income distribution in some countries, especially in Ireland, Belgium and France, but also in Canada, the United Kingdom, Israel, the Netherlands.
- Cash benefits for children also increase tax progressivity, especially if they are phased out when income increases. At low and middle income levels, the impact from cash benefits on progressivity tends to be stronger than the flattening effect from SSCs.

Overview

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

The tables and charts present estimates of tax burdens and of the tax "wedge" between labour costs and net take-home pay for eight illustrative family types on comparable levels of income. The key results for 2012 are summarised in Section 2 below. Part I of the Report presents more detailed results for 2012, together with definitive results for 2011 and discusses the changes between the two years. Part II of the Report reviews historical changes in tax burdens between 2000 and 2012.

1. Introduction

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

For most OECD countries, the tax year is equivalent to the calendar year, the exceptions being Australia, New Zealand and the United Kingdom. In the case of New Zealand and the United Kingdom, where the tax year starts in April, the calculations apply a "forward looking" approach. This implies that, for example, the tax rates reported for 2012 are those for the fiscal year 2012-13. 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 2012 in respect of Australia has been defined to mean its fiscal year 2011-12.

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

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

2. Review of results for 2012

2.1. Tax wedge

Table 0.1 shows that the tax wedge between total labour costs to the employer and the corresponding net take-home pay for single workers without children, at average earnings levels, varied widely across OECD countries in 2012 (see column 1). While in Belgium, France, Germany and Hungary, the tax wedge is around 50 per cent or higher, it is under 20 per cent in Chile, Israel, Mexico and New Zealand. The highest tax wedge is observed in Belgium (56.0 per cent) and the lowest in Chile (7.0 per cent).

The changes in tax wedge between 2011 and 2012 for the average worker without children are described in column 2 of Table 0.1. The tax wedges increased in nineteen countries and fell in fourteen. The largest increases were in Spain (1.42 percentage points) and Poland (1.19 percentage points). Portugal (-1.26 percentage points) was the only country with a decrease of more than one percentage point. There was no change in the tax wedge for Chile.

In general, the rises in tax wedge rates are driven by higher income taxes (see column 3). This was the major factor in thirteen of the countries showing an overall increase. The largest increase in income taxes as a percentage of labour costs was in Spain (1.42 percentage points). In Portugal the whole of the 1 percentage point fall is attributed to income taxes. By contrast, higher employee and employer social security contributions account for virtually all of the increased tax wedge in Canada, Finland and Japan. In Poland and the Slovak Republic, the increases in the tax wedge are mainly due to employers' social security contributions that rose by more than one percentage point.

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

As % of labour costs[1]

Country[2]	Total tax wedge 2012	Annual change 2012/11 (in percentage points)[3]			
		Tax wedge	Income tax	Employee SSC	Employer SSC[4]
	(1)	(2)	(3)	(4)	(5)
Belgium	56.0	-0.04	-0.04	0.00	0.00
France	50.2	0.30	0.23	0.00	0.07
Germany	49.7	-0.02	0.19	-0.10	-0.10
Hungary	49.4	-0.06	-0.84	0.78	0.00
Austria	48.9	0.34	0.34	0.00	0.00
Italy	47.6	0.04	0.04	0.00	0.00
Sweden	42.8	0.03	0.02	0.01	0.00
Finland	42.5	0.25	-0.32	0.37	0.20
Czech Republic	42.4	-0.19	-0.19	0.00	0.00
Slovenia	42.3	-0.30	-0.30	0.00	0.00
Greece	41.9	-0.47	-0.69	0.23	0.00
Spain	41.4	1.42	1.42	0.00	0.00
Estonia	40.4	0.14	0.14	0.00	0.00
Slovak Republic	39.6	0.80	-0.10	-0.14	1.03
Netherlands	38.6	0.60	0.24	-0.10	0.46
Denmark	38.6	0.13	0.09	0.03	0.00
Turkey	38.2	-0.07	-0.07	0.00	0.00
Norway	37.6	-0.02	-0.02	0.00	0.00
Portugal	36.7	-1.26	-1.26	0.00	0.00
Luxembourg	35.8	-0.42	0.29	-0.71	0.00
Poland	35.5	1.19	-0.04	-0.27	1.49
Iceland	34.5	0.44	1.18	-0.01	-0.73
United Kingdom	32.3	-0.33	-0.21	-0.05	-0.07
Japan	31.2	0.32	-0.10	0.22	0.19
Canada	30.8	0.06	-0.12	0.05	0.14
United States	29.6	-0.02	-0.03	0.00	0.00
Australia	27.2	0.56	0.58	0.00	-0.02
Ireland	25.9	0.13	0.12	0.01	0.00
Switzerland	21.5	-0.41	-0.41	0.00	0.00
Korea	21.0	0.50	0.35	0.07	0.07
Israel	19.2	-0.21	-0.18	-0.04	0.00
Mexico	19.0	0.25	0.23	0.00	0.02
New Zealand	16.4	0.52	0.52	0.00	0.00
Chile	7.0	0.00	0.00	0.00	0.00

1. Single individual without children at the income level of the average worker.
2. Countries ranked by decreasing total tax wedge.
3. Due to rounding, the changes in tax wedge in column (2) may differ by one tenth of percentage point from the sum of columns (3)-(5). For Denmark, the Green Check (cash benefit) contributes to the difference as it is not included in columns (3)-(5).
4. Includes payroll taxes where applicable.

Sources: Country submissions, *OECD Economic Outlook Volume 2012* (No. 92).

StatLink http://dx.doi.org/10.1787/888932785814

Table 0.2 and Figure 0.1 show the constituent components of the tax wedge in 2012, 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 0.2 are expressed in terms of dollars with equivalent purchasing power. Figure 0.1 shows that the average tax wedge in OECD countries was 35.6 per cent in 2012.

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

As % of labour costs, 2012[1]

Country[2]	Total tax wedge[3]	Income tax	Social security contributions		Labour costs[5]
			Employee	Employer[4]	
	(1)	(2)	(3)	(4)	(5)
Belgium	56.0	22.1	10.8	23.2	69 066
Germany	49.7	16.0	17.3	16.4	67 031
Switzerland	21.5	9.7	5.9	5.9	64 863
Norway	37.6	19.1	6.9	11.6	62 601
Austria	48.9	12.3	14.0	22.6	62 223
Netherlands	38.6	14.9	13.9	9.7	61 631
France	50.2	10.2	9.5	30.6	61 194
Luxembourg	35.8	13.8	11.0	11.0	60 884
United Kingdom	32.3	14.0	8.5	9.8	58 477
Sweden	42.8	13.6	5.3	23.9	57 410
Finland	42.5	17.7	6.2	18.6	54 214
Japan	31.2	6.6	12.0	12.6	52 746
United States	29.6	15.6	5.1	8.9	52 286
Korea	21.0	4.4	7.4	9.2	52 042
Australia	27.2	21.6	0.0	5.6	51 062
Denmark	38.6	36.2	2.7	0.0	49 887
Italy	47.6	16.1	7.2	24.3	48 293
Spain	41.4	13.5	4.9	23.0	46 974
Iceland	34.5	26.8	0.4	7.2	46 092
Ireland	25.9	13.4	2.9	9.7	43 239
Canada	30.8	13.6	6.6	10.6	42 841
Greece	41.9	6.9	12.8	22.2	37 084
New Zealand	16.4	16.4	0.0	0.0	33 528
Portugal	36.7	8.7	8.9	19.2	31 359
Slovenia	42.3	9.4	19.0	13.9	31 107
Israel	19.2	7.5	7.3	4.4	30 899
Turkey	38.2	11.1	12.9	14.2	29 586
Czech Republic	42.4	8.8	8.2	25.4	29 202
Hungary	49.4	12.8	14.4	22.2	26 824
Estonia	40.4	12.7	2.1	25.6	26 700
Poland	35.5	5.8	15.3	14.4	24 047
Slovak Republic	39.6	7.4	10.5	21.8	23 669
Chile	7.0	0.0	7.0	0.0	15 666
Mexico	19.0	7.3	1.2	10.5	12 581

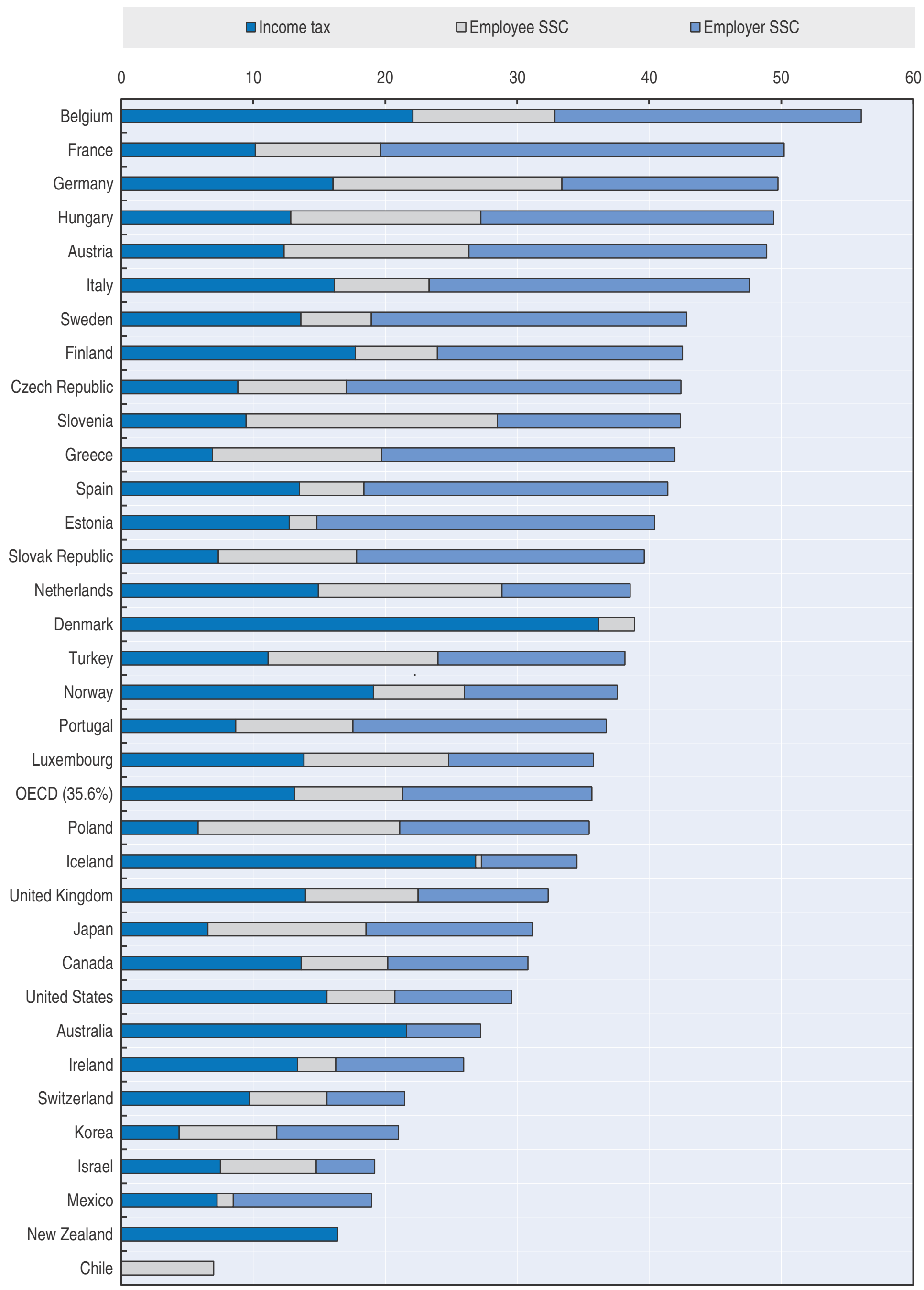
1. Single individual without children at the income level of the average worker.
2. Countries ranked by decreasing labour costs.
3. Due to rounding, the total in column(1) may differ by one or more percentage points from the sum of columns (2)-(4). For Denmark, the Green Check (cash benefit) contributes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

Sources: Country submissions, *OECD Economic Outlook Volume 2012* (No. 92).

StatLink http://dx.doi.org/10.1787/888932785833

Figure 0.1. **Income tax plus employees' and employers' social security contributions, 2012**

As a % of labour costs[1, 2]



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

StatLink http://dx.doi.org/10.1787/888932783648

The percentage of labour costs paid in income tax varies considerably within OECD countries. The lowest figures are in Chile (zero) and Korea (4.4 per cent). The highest values are in Denmark (36.2 per cent), with Australia, Belgium and Iceland all over 20 per cent. The percentage of labour costs paid in employee social security contributions also varies widely ranging from zero in Australia and New Zealand to 17.3 per cent in Germany and 19 per cent in Slovenia. Employers in France pay 30.6 per cent of total labour costs in social security contributions, the highest amongst OECD countries. The corresponding figures are also more than 20 per cent in ten other countries – Austria, Belgium, Czech Republic, Estonia, Greece, Hungary, Italy, the Slovak Republic, Spain and Sweden.

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

2.2. Personal average tax rates

The personal average tax rate is defined as income tax plus employee social security contributions as a percentage of gross wage earnings.[2] Table 0.3 and Figure 0.2 show the personal average tax rates in 2012 for a single worker without children at the average earnings level. The gross wage earnings figures in Table 0.3 are expressed in terms of dollars with equivalent purchasing power. Figure 0.2 provides a graphical representation of the personal average tax rate decomposed between income tax and employee social security contributions.

Figure 0.2 shows that on average, the personal average tax rate in OECD countries is 25.3 per cent. Belgium at 42.8 per cent of gross earnings has the highest rate with Denmark, Germany and Hungary being the only other countries with rates of 35 per cent or more. Chile and Mexico have the lowest personal average tax rates with 7.0 and 9.5 per cent of gross average earnings respectively. Korea is the only other country with a rate of less than 15 per cent.

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

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

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

In 2012, the share of income tax within the personal average tax rate is more important than the share of the employee social security contributions for 22 of 34 OECD member countries. No employee social security contributions are levied in Australia and New Zealand and the rates are comparatively small in Denmark, Estonia, Iceland, Ireland and Mexico. In contrast, the single worker at the average wage level paid substantially more employee social security contributions than personal income tax in seven countries – Greece, Japan, Korea, Poland, the Slovak Republic and Slovenia plus Chile, where the average worker did not pay personal income tax in 2012. In 9 countries – Austria, the Czech Republic, France, Germany, Hungary, Israel, the Netherlands, Portugal and Turkey the income tax and employee social security contributions as percentages of gross earnings are almost equivalent (differences of less than 3 percentage points).

Table 0.3. **Income tax plus employee social security contributions, 2012**[1]

As % of gross wage earnings

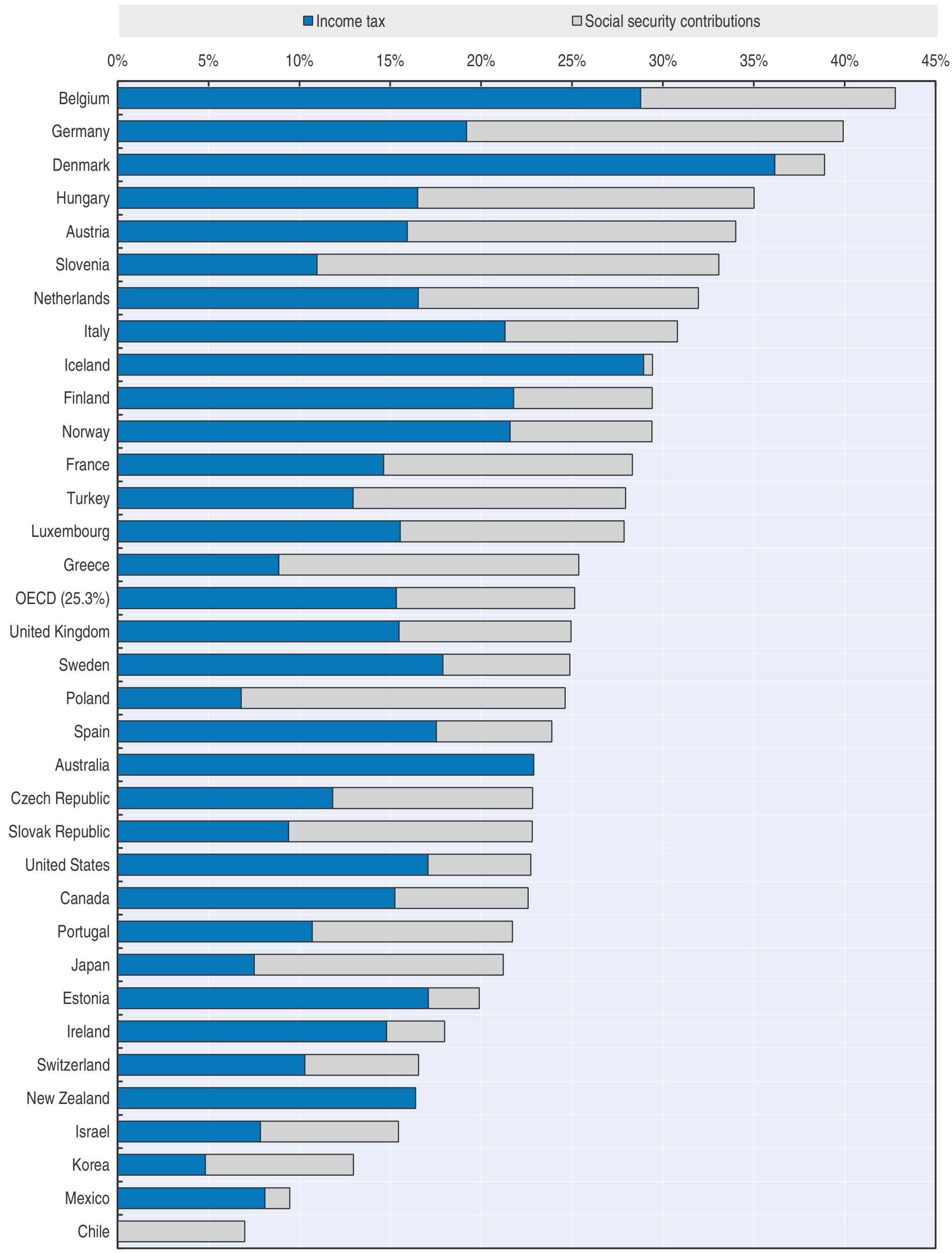
Country[2]	Total payment[3]	Income tax	Social security contributions	Gross wage earnings[4]
	(1)	(2)	(3)	(4)
Switzerland	16.5	10.3	6.3	61 048
Germany	39.9	19.2	20.7	56 058
Netherlands	31.9	16.5	15.4	55 640
Norway	29.4	21.6	7.8	55 350
Luxembourg	27.9	15.5	12.3	54 211
Belgium	42.8	28.8	14.0	53 047
United Kingdom	24.9	15.5	9.5	52 720
Denmark	38.9	36.2	2.7	49 887
Australia	22.9	22.9	0.0	48 199
Austria	34.0	15.9	18.1	48 187
United States	22.7	17.1	5.7	47 650
Korea	13.0	4.8	8.1	47 242
Japan	21.2	7.5	13.7	46 086
Finland	29.4	21.8	7.6	44 148
Sweden	24.9	17.9	7.0	43 685
Iceland	29.4	28.9	0.5	42 761
France	28.3	14.6	13.7	42 494
Ireland	18.0	14.8	3.2	39 042
Canada	22.6	15.2	7.3	38 291
Italy	30.8	21.3	9.5	36 563
Spain	23.9	17.5	6.4	36 162
New Zealand	16.4	16.4	0.0	33 528
Israel	15.5	7.9	7.6	29 531
Greece	25.4	8.9	16.5	28 846
Slovenia	33.1	11.0	22.1	26 793
Turkey	27.9	12.9	15.0	25 395
Portugal	21.7	10.7	11.0	25 341
Czech Republic	22.8	11.8	11.0	21 793
Hungary	35.0	16.5	18.5	20 875
Poland	24.6	6.8	17.8	20 591
Estonia	19.9	17.1	2.8	19 866
Slovak Republic	22.8	9.4	13.4	18 511
Chile	7.0	0.0	7.0	15 666
Mexico	9.5	8.1	1.4	11 262

1. Single individual without children at the income level of the average worker.
2. Countries ranked by decreasing gross wage earnings.
3. Due to rounding total may differ one percentage point from aggregate of columns for income tax and social security contributions
4. Dollars with equal purchasing power.

Sources: Country submissions, *OECD Economic Outlook Volume 2012* (No. 92).

StatLink http://dx.doi.org/10.1787/888932785852

Figure 0.2. **Percentage of gross wage earnings paid in income tax and employee social security contributions, 2012**[1, 2]



1. Countries ranked by decreasing tax burden
2. Single workers at the income level of the average production worker.

StatLink http://dx.doi.org/10.1787/888932783667

2.3. Family tax rates

Table 0.4 compares the tax wedges for a one-earner married couple with two children and a single individual without children, at average earnings levels. These tax wedges varied widely across OECD countries in 2012 (see columns 1 and 2). The size of the tax wedge for the family is generally lower than the one observed for the individual without children, since many OECD countries provide a fiscal benefit to families with children through advantageous tax treatment and/or cash transfers.

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

In 24 of 34 OECD countries, the change in the tax wedge of an average one-earner married couple with two children between 2011 and 2012 does not exceed plus or minus one percentage point (see column 3). There are increases of greater than 1 percentage point in eight countries – Japan (2.4), New Zealand (1.6), Iceland (1.4), Australia (1.3), Poland and the United Kingdom (1.2) and the Netherlands and Spain (1.1). The tax wedge fell by 1.6 percentage points in the Czech Republic and by 1.2 percentage points in Portugal. In 2012, the tax wedge of families also decreased by less than one percentage point in eight other countries: Canada, Greece, Israel, Italy, Luxembourg, Slovenia, Switzerland and Turkey. By comparison, the change in the tax wedge of a single taxpayer without children at the average wage level was greater than one percentage point or more in 3 OECD countries. Detailed explanations on the latter are given in the above Section 2.1.

A comparison of the changes in tax wedges between 2011 and 2012 between one-earner married couples with two children and single persons without children, at the average wage level, is shown in column 5 of Table 0.4. The fiscal preference for families increased in seven OECD member countries: Canada, the Czech Republic, France, Israel, Italy, Slovenia and Spain. Additionally, the effects of changes in the tax system on the tax wedge were independent of the family type in Belgium, Finland, Greece, Korea, Mexico, Poland, Switzerland and Turkey.

Figure 0.3 compares the net personal average tax rate for the average worker between single individuals and a one-earner married couple with two children. These results show the same pattern as those for the tax wedge results. This is because employer social security contributions which are not taken into account in the former but included in the latter are independent of family type. The savings realised by a one-earner married couple are equal to or greater than 20 per cent of earnings in five countries – the Czech Republic (29.1 per cent), Luxembourg (25.2 per cent), Slovenia (22.7 per cent), Ireland (21.7 per cent) and Hungary (20.3 per cent). In contrast, the savings as percentage of gross earnings are less than 10 per cent of earnings in eleven countries – Spain (7.7 per cent), the Netherlands (7.3 per cent), Norway and Sweden (7.0 per cent), Poland (6.8 per cent), Japan (6.5 per cent), Finland (6.3 per cent), the United Kingdom (4.9 per cent), Israel (4.3 per cent), Korea (2.8 per cent) and Turkey (1.4 per cent).The burden is the same in Chile and in Mexico. It is also interesting to note that when cash benefits are taken into account, the tax burden measure for the average one-earner married couples with two children becomes negative in the Czech Republic and Ireland because cash benefits exceed the income tax and social security payments.

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

As % of labour costs

Country[1]	Family[2] total tax wedge 2012	Single[3] total tax wedge 2012	Annual change 2012/11 (in percentage points)		
			Family tax wedge	Single tax wedge	Difference between single and family (4)-(3)[4]
	(1)	(2)	(3)	(4)	(5)
France	43.1	50.2	0.2	0.3	0.1
Greece	43.0	41.9	-0.4	-0.5	0.0
Belgium	41.4	56.0	0.0	0.0	0.0
Italy	38.3	47.6	-0.1	0.0	0.1
Austria	38.0	48.9	0.7	0.3	-0.3
Sweden	37.5	42.8	0.2	0.0	-0.2
Finland	37.3	42.5	0.3	0.3	0.0
Turkey	36.9	38.2	-0.1	-0.1	0.0
Spain	35.4	41.4	1.1	1.4	0.3
Germany	34.2	49.7	0.2	0.0	-0.2
Hungary	33.6	49.4	0.6	-0.1	-0.6
Estonia	32.3	40.4	0.6	0.1	-0.5
Netherlands	32.0	38.6	1.1	0.6	-0.5
Norway	31.3	37.6	0.1	0.0	-0.1
Poland	29.6	35.5	1.2	1.2	0.0
United Kingdom	27.9	32.3	1.2	-0.3	-1.5
Denmark	27.8	38.6	0.3	0.1	-0.1
Portugal	26.9	36.7	-1.2	-1.3	-0.1
Slovak Republic	25.8	39.6	1.0	0.8	-0.2
Japan	25.5	31.2	2.4	0.3	-2.1
Slovenia	22.8	42.3	-0.4	-0.3	0.1
Iceland	22.7	34.5	1.4	0.4	-1.0
Czech Republic	20.7	42.4	-1.6	-0.2	1.4
Mexico	19.0	19.0	0.2	0.2	0.0
Korea	18.5	21.0	0.4	0.5	0.0
United States	18.4	29.6	0.1	0.0	-0.1
Canada	18.2	30.8	-0.3	0.1	0.3
Australia	16.5	27.2	1.3	0.6	-0.8
Israel	15.1	19.2	-0.3	-0.2	0.1
Luxembourg	13.3	35.8	-0.4	-0.4	-0.1
Switzerland	9.5	21.5	-0.4	-0.4	0.0
Chile	7.0	7.0	0.0	0.0	0.0
Ireland	6.4	25.9	0.8	0.1	-0.6
New Zealand	0.6	16.4	1.6	0.5	-1.1

1. Countries ranked by decreasing tax wedge of the family
2. One earner married couple with two children and earnings at the average wage level.
3. Single individual without children and earnings at the average wage level.
4. Due to rounding total may differ one percentage point from the subtraction results of columns 4 and 3.

Sources: Country submissions, *OECD Economic Outlook Volume 2012* (No. 92).

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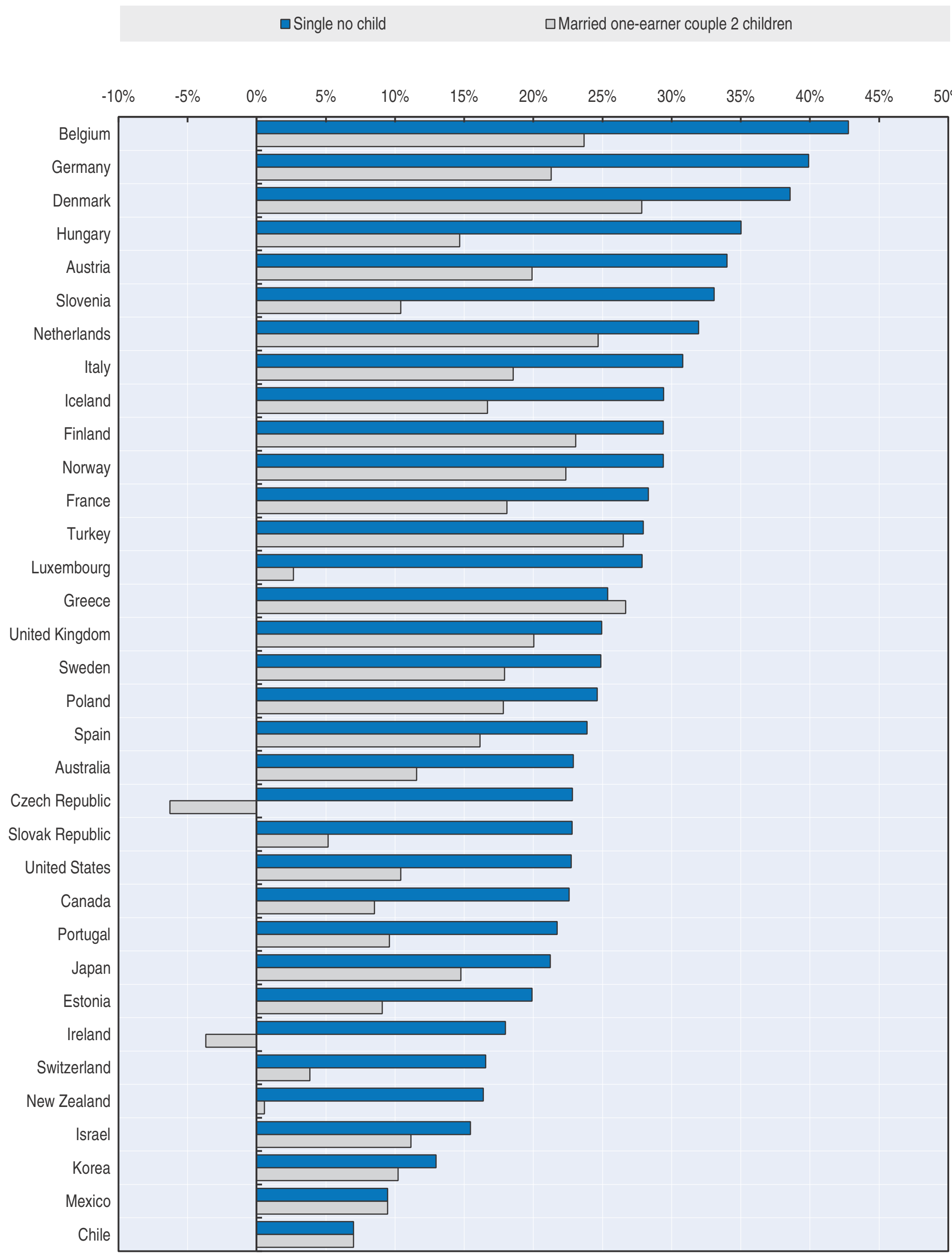
Figure 0.3. **Income tax plus employee contributions less cash benefits, 2012**

As % of gross wage earnings, by family-type[1, 2]



1. Countries ranked by decreasing rates for single taxpayer without children.
2. Family types: a single individual without children and earnings at the average wage level and a one earner married couple with two children and earnings at the average wage level.

StatLink http://dx.doi.org/10.1787/888932783686

2.4. Wages

Table 0.5 shows the gross wage earnings of the average worker in each OECD member country for 2011 and 2012. The figures for 2012 are estimated by the OECD Secretariat by applying the change in the compensation per employee in total economy as presented in the *OECD Economic Outlook 92 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 Annex A.1.5 of this Report.

The annual change in 2012 – shown in column 3 – varied between a decrease of -6.4 per cent (Greece) and an increase of 8.0 per cent in Iceland. To a large extent, the changes reflect the different inflation levels of individual OECD countries – see column 4 of Table 0.5. The annual change in real wage levels (before personal income tax and employee social security contributions) is found to be in the -2 to +2 per cent range for most countries; see column 5 of Table 0.5. Greece (-7.2 per cent), Portugal (-5.6 per cent), Slovenia (-3.5 per cent), Italy (-2.8 per cent), Korea (2.5 per cent), Iceland and New Zealand (2.7 per cent), Norway (3.2 per cent), Australia (3.3 per cent) and Chile (3.8 per cent) show changes that are outside this range.

When comparing wage levels, it is important to note that the definition of average wage earnings can vary between countries due to data limitations. For instance, some countries do not include the wages earned by supervisory and managerial workers and not all countries exclude the wage earnings from part-time workers.

Table 0.6 provides more information on whether the average wages for the years 2000 to 2012 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 since 2008. Some countries have revised the average wage values using the ISIC Rev. 4 Classification or any variant for prior years as well. This is the case, for example, in Australia, the Czech Republic, Estonia, Greece, Hungary, Iceland, Italy, Japan, the Slovak Republic, Slovenia, Spain, Sweden and Switzerland. Australia (for all years) and New Zealand (years 2004 to 2012) have provided values based on the 2006 ANZSIC industry classification, divisions B to N, which substantially overlaps the ISIC Rev. 4, Sectors B to N. For New Zealand, the years prior 2004 continue to be based on Sectors C-K in ANZSIC. In general, the change in the industry classification has had only a small impact on the level of the average wage earnings but the results reported in this Report for the years before 2012 May slightly deviate from the values reported in last year’s edition on this account.

Table 0.5. **Comparison of wage levels**

Country	Gross wage in national currency		Annual change 2012/11 (in percentage)			
	2011	2012	Gross wage	Inflation[1]	Real wage before tax	Change in personal average tax rate[2]
	(1)	(2)	(3)	(4)	(5)	(6)
Australia	69 903	73 494	5.1	1.8	3.3	0.6
Austria	39 693	40 855	2.9	2.4	0.5	0.4
Belgium	44 636	46 065	3.2	2.6	0.6	-0.1
Canada	45 816	46 857	2.3	1.6	0.7	-0.1
Chile	5 804 093	6 218 640	7.1	3.2	3.8	0.0
Czech Republic	294 987	300 421	1.8	3.2	-1.4	-0.3
Denmark	386 457	392 456	1.6	2.4	-0.9	0.1
Estonia	10 368	10 950	5.6	4.3	1.3	0.2
Finland	39 936	41 478	3.9	3.1	0.7	0.1
France	35 928	36 673	2.1	2.2	-0.1	0.4
Germany	43 681	44 811	2.6	2.1	0.4	0.1
Greece	21 449	20 086	-6.4	1.0	-7.2	-0.6
Hungary	2 645 040	2 749 566	4.0	5.8	-1.7	-0.1
Iceland	5 628 000	6 079 006	8.0	5.2	2.7	1.0
Ireland	32 264	32 626	1.1	2.0	-0.9	0.1
Israel	116 484	119 880	2.9	1.8	1.1	-0.2
Italy	28 820	28 908	0.3	3.2	-2.8	0.1
Japan	4 821 385	4 788 323	-0.7	0.0	-0.7	0.2
Korea	36 816 740	38 546 380	4.7	2.2	2.5	0.5
Luxembourg	50 549	51 312	1.5	2.8	-1.2	-0.5
Mexico	91 014	94 136	3.4	4.1	-0.6	0.3
Netherlands	45 898	46 418	1.1	2.8	-1.7	0.3
New Zealand	49 395	51 278	3.8	1.1	2.7	0.5
Norway	492 015	510 739	3.8	0.6	3.2	0.0
Poland	37 537	38 910	3.7	3.6	0.1	0.1
Portugal	16 208	15 720	-3.0	2.7	-5.6	-1.6
Slovak Republic	9 592	9 821	2.4	3.7	-1.2	0.0
Slovenia	17 373	17 227	-0.8	2.8	-3.5	-0.3
Spain	25 515	25 558	0.2	2.2	-2.0	1.8
Sweden	376 309	387 294	2.9	1.0	1.9	0.0
Switzerland	85 984	86 920	1.1	-0.6	1.7	-0.4
Turkey	25 633	27 547	7.5	9.1	-1.5	-0.1
United Kingdom	34 968	35 883	2.6	2.6	0.0	-0.3
United States	46 671	47 650	2.1	2.1	0.0	0.0

1. Estimated percentage change in the total consumer price index.
2. Difference in the personal average tax rate of the average worker (single without children) between 2012 and 2011.

Sources: Country submissions, *OECD Economic Outlook Volume 2012* (No. 92).

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Table 0.6. Average Wage Industry Classification

	Years for which ISIC Rev. 3.1 or any variant (Sectors C-K) has been used to calculate the AW	Years for which ISIC Rev. 4 or any variant (Sectors B-N) has been used to calculate the AW
Australia*		2000-12
Austria*	2004-07	2008-12
Belgium	2000-07	2008-12
Canada	2000-12	
Chile*	2000-12	
Czech Republic		2000-12
Denmark	2000-07	2008-12
Estonia		2000-12
Finland	2000-05	2006-12
France	2000-07	2008-12
Germany	2000-05	2006-12
Greece*		2000-12
Hungary		2000-12
Iceland*		2000-12
Ireland*	2000-07	2008-12
Israel	2000-12	
Italy		2000-12
Japan		2000-12
Korea*	2000-07	2008-12
Luxembourg	2000-04	2005-12
Mexico*		
Netherlands	2000-07	2008-12
New Zealand*	2000-03	2004-12
Norway	2000-08	2009-12
Poland	2000-07	2008-12
Portugal	2000-05	2006-12
Slovak Republic*		2000-12
Slovenia		2000-12
Spain		2000-12
Sweden		2000-12
Switzerland		2000-12
Turkey		
United Kingdom	2000-06	2007-12
United States	2000-06	2007-12

* Australia: Based on ANZSIC06 such that the categories subtantially overlap with ISIC 4, Sectors B-N.
Austria: 2000-03 average wage values are not based on the NACE (ISIC) classification.
Chile: The AW values are based on Sectors C to O from years 2006 to 2012. From 2010 onwards Sectors L (7522) and L (7523) are excluded.
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.
Iceland: Using national classification system that corresponds with the NACE Rev. 2 classification system.
Ireland: Values from 2000 to 2007 are based on Sectors C-E (NACE). From 2008 onwards, they are based on Sectors B-E (NACE Rev. 2).
Korea: Average wage values are based on 6th Korean Standard Industrial Classification (KSIC) C-K for 2000-01, 8th KISC C-M for 2002 to 2007 and 9th KISC B-N except E for 2008 onwards.
Mexico: 2000-12 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.
New Zealand: See the note for Australia which applies from 2004.
Slovak Republic: Average wage values based on ISIC Rev. 4 classification (B to N) and still include the self-employment data.
Turkey: The average wage is based on the average production worker wage ISIC Rev. 3.1 Sector D.

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Notes

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

Special Feature: Average personal income tax rate and tax wedge progression in OECD countries

The statutory progressivity of the income taxes paid by wage earners, net of the standard cash benefits they receive, depend on the design and interaction of personal income taxes, social security contributions (SSCs) and cash benefits. In order to capture their combined impact, this paper presents statutory tax progressivity indicators for the 34 OECD member countries on the basis of average effective income tax rates and tax wedges which are calculated using the OECD's Taxing Wages framework. The analysis shows a decreasing pattern of tax progressivity across income levels. In some countries, the tax system becomes regressive when the SSC ceiling has been reached. Also, child benefits increase progressivity (especially at low income levels) and their effect is larger than the flattening impact of SSCs, except at top income levels. Reductions in SSCs targeted at low-incomes and dependant spouse allowances increase progressivity in some OECD countries. Income-splitting systems typically have the opposite effect.

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1. Introduction

Progressive income taxes play an important role in achieving a more equal distribution of income after than before taxation. This Special Feature calculates structural tax progressivity measures at different income levels and for different families using the *Taxing Wages* country calculation models and results. The Special Feature also provides comparisons across OECD countries.

Progressivity can be defined in a number of ways. In this Special Feature, a tax is progressive if the average tax rate increases with income or, equivalently, if the marginal tax rate is higher than the average tax rate at a particular income level. A tax is proportional or regressive if the average tax rate is constant or decreases with income.

The progressivity of the taxes on wage earnings depends on the design and interaction of the personal income tax (PIT) system, social security contributions (SSCs) and the benefit system. First, the progressivity of the PIT depends on the progressivity of the statutory PIT rate schedule, which depends on the number and width of the tax brackets and on the difference between the tax rates and especially between the top and bottom tax rate. Second, the progressivity also depends on the specific design of PIT provisions that reduce the taxpayer's tax liability. Provisions can take the form of allowances, deductions, exemptions and credits and may depend on the level of income (e.g. in-work tax credits and other make-work-pay provisions) and/or specific family characteristics (e.g. the number of children, a dependent spouse, etc.).

Third, in addition to PIT, wage earnings are also subject to employee and employer SSCs and possibly payroll taxes. As these are often levied at flat rates, they tend to reduce the progressivity of the tax system. SSC ceilings may even result in regressive taxes on wage earnings. SSC ceilings will typically have an impact on the social security benefits that can be received, but a discussion of this impact goes beyond the scope of this Special Feature. On the other hand, provisions in social security contributions, which are typically targeted at low-income earners, may (locally) increase the tax system's progressivity.

Also, taxpayers may receive direct benefits, which are typically targeted at lower income households and especially families with children. These benefits make the tax system more progressive as a given benefit will reduce the average tax burden more for low income households. If benefits are reduced with income, as often is the case, they also result in higher marginal tax rates for families with income in the tapering interval.

In order to capture the impact and interaction of all features of the tax and benefit system, this Special Feature focuses on the average-rate progression indicator, which measures the change in the average tax rates over a particular income interval and for different family types. As average PIT rates and average tax wedges are (amongst) the key indicators included in the OECD's *Taxing Wages* report, the tax progressivity indicators that are presented in this Special Feature have been built within the *Taxing Wages* framework.

This Special Feature is organised as follows. Section 2 provides an overview of the main tax progressivity indicators, which can be found in the literature. Section 3 briefly focuses on the tax progressivity indicators which are included in the *Taxing Wages* report. Section 4 provides more information on the assumptions underlying the average-rate progression indicator which is calculated in this Special Feature. Numerical results for tax progressivity in OECD countries are presented and discussed in Section 5. Section 6 concludes.

2. Different ways to measure tax progressivity

In their seminal paper, Musgrave and Thin (1948) present several progressivity indicators. They distinguish between structural progressivity indicators and effective progressivity indicators, sometimes also referred to as local and global progressivity measures, respectively.

2.1. Structural versus effective tax progressivity indicators

The main difference between the two types of progressivity indicators is that structural indicators measure progressivity based on statutory tax schedules, while effective indicators measure progressivity based on some measure of before- and after-tax inequality, usually the Gini index. As indicated by the terms local and global progressivity, structural indicators measure progressivity at a particular income level or income interval, while effective indicators measure overall progressivity by estimating how the tax (and benefit) system affects the distribution of income across the entire population.

Effective tax progressivity indicators

Effective progressivity indicators require data on the before- and after-tax distribution of all types of income and ideally take the effect of the PIT system as well as employee and employer social security contributions, indirect taxes, and cash and in-kind benefits into account. The data used for calculating effective indicators is mainly collected from household surveys. It is thus an advantage that estimations of effective indicators are based on real data. However, the use of household survey data for estimating tax progressivity is not without its limitations.

One main limitation is that household surveys are based on a sample of households, which will not perfectly represent the entire population. Household surveys also tend to be biased at both ends of the income scale. High-income households will often under-report their income or do not respond to surveys, and very low-income households might not be reached or they do not respond, although they also might understate benefit income as well as income earned in the informal sector. Overall, however, inequality tends to be underestimated. In addition, differences in the quality and scope of household surveys may reduce the comparability of the progressivity estimates they provide. First, non-response rates as well as the degree of misreporting may vary across countries and surveys. Second, social security contributions paid by employers are often not included while social security contributions paid by households typically are. Moreover, particular income components may not be treated consistently across household surveys. Thus, calculations based on different household surveys can yield different tax progressivity estimates. Another limitation is that varying natures of tax systems across countries may affect cross-country progressivity comparisons. For instance, the extent to which entrepreneurs declare income under the PIT or CIT may differ across countries.

Recent OECD work has analyzed the effective progressivity of the tax/benefit system in OECD countries and their overall redistributional impact (see the OECD “Divided We Stand: Why Inequality Keeps Rising” report and the OECD working papers “Less Income

Inequality and More Growth – Are They Compatible?").[1] See also Tomarelli and Acciari (2011) for an analysis of the redistributive impact of the personal income tax system in Italy.

Structural tax progressivity indicators

Structural tax progressivity indicators are calculated using statutory tax rate schedule information instead of actual taxpayer data. Relying on statutory tax schedules improves the comparability of tax progressivity estimates across countries. However, also this approach faces some limitations.

First, the calculated statutory tax liabilities will typically differ from the actual taxes paid, for instance because only standard allowances and benefits are included in the analysis (as is currently the case in *Taxing Wages*). The omission of non-standard allowances, which are typically used more by richer than poorer households, may overestimate the tax liabilities at higher income levels, thereby leading to biased structural tax progressivity measures.

Second, structural indicators are often used to estimate the progressivity of one tax in isolation, as for instance PIT, thereby not taking into account that the progressivity of a particular tax might be mitigated or strengthened by other taxes as, for instance, VAT and other consumption taxes. This limitation, however, also applies to effective progressivity indicators as household surveys typically do not take consumption taxes into account either.

Third, statutory tax rate schedule information does not provide information on the number of taxpayers who actually face the different tax rates, and can thus not be used to calculate a tax system's overall progressivity. Ideally, the structural indicators would be combined with information on the actual distribution of income. While the calculation of effective progressivity indicators requires information on both the before- and after-tax income distribution, structural progressivity indicators only require information on the before-tax income distribution.

Recent empirical work has estimated structural progressivity without relying on data of the actual income distribution. Joumard et al. (2012), for instance, uses *Taxing Wages* data and imposes a fixed income distribution between countries by applying fixed weights to income ranges as multiples of the average wage. These weights then allow calculating overall labour tax progression indicators by weighting the tax progression values over the income ranges (per family type, country and year).

Which indicator to choose?

Both effective and structural progressivity indicators have strengths and weaknesses, and the choice for a particular type of progressivity indicator will depend on the objectives of the analysis. In fact, effective and structural progressivity indicators are not substitutes but rather complements as they provide insights into different aspects of tax progressivity and the redistribution of income. While effective indicators are best suited to measure the overall progressivity of the tax and benefit system, structural indicators can be used to measure progressivity of certain taxes in isolation and to provide estimates of progression rates along the income scale. Structural indicators can also help standardize cross-country comparisons.

This Special Feature complements previous OECD work and analyzes in more detail structural labour income tax progressivity in OECD countries, building on the *Taxing Wages* framework.

2.2. Overview of main structural tax progressivity indicators

This section provides an overview of the most commonly used structural tax progressivity indicators (following Musgrave & Musgrave, 1989):

- Average-rate progression: $(T_1/Y_1 - T_0/Y_0)/(Y_1 - Y_0)$
- Liability progression:[2] $((T_1\text{-}T_0)/T_0) * (Y_0/(Y_1\text{-}Y_0))$
- Residual income progression: $[((Y_1 - T_1) - (Y_0 - T_0))/(Y_0 - T_0)] * [Y_0/(Y_1 - Y_0)]$

Where Y_0 and Y_1 represent the lower and higher levels of income and T_0 and T_1 are the corresponding tax liabilities.

The *average-rate progression* indicator measures the ratio of change in the effective tax rate associated with a change in income. The value of this indicator is zero, and hence the slope of the average effective tax rate curve is flat, in case of a proportional tax. A progressive tax is reflected by a positive value of the indicator, and a regressive tax by a negative value. The higher is the value of this indicator, the higher is the increase in the average tax rate with income and therefore the more progressive is the tax system. (Average tax rates that increase with income or marginal tax rates that are higher than average tax rates at any income level are similar definitions of tax progressivity.)

The *liability progression* indicator measures the elasticity of tax payable with respect to income, i.e. the percentage increase (decrease) in tax liability when before-tax income increases (decreases) by 1 currency unit. This indicator equals 1 for a proportional tax, exceeds 1 if a tax is progressive, and is below 1 when a tax is regressive.

The *residual income progression* indicator measures the elasticity of after-tax income with respect to pre-tax income, i.e. the percentage increase (decrease) in after-tax income when before-tax income increases (decreases) by 1 currency unit. It thus measures responses in disposable income to changes in pre-tax income. This indicator will also equal 1 for a proportional tax. However, progressivity will now be identified by a coefficient less than 1 and a regressive tax by a coefficient exceeding 1. The residual progressivity indicator is the structural indicator that is closest related to the concept of effective progression and distribution of income, as it reflects not only the way the tax burden is distributed but also the distribution of after-tax income.

These three indicators will respond differently to a given tax change. Also, increases or decreases in income levels will have a different impact on progressivity measured by the different indicators. The impact of changes in income and/or tax liabilities (ignoring the actual underlying tax system) on the values of the progression rates are illustrated in Table S.1.

Table S.1. **Changes in progression rates for the different structural indicators when all income levels or/and tax liabilities increase by 5 per cent**

	Starting point	Income levels increase by 5% (but tax liability does not change)	Tax liabilities increase by 5% (but income does not change)	Income levels and tax liabilities increase by 5%
Income level 0	100	105	100	105
Income level 1	101	106.05	101	106.05
Tax liability 0	30	30	31.5	31.5
Tax liability 1	30.5	30.5	32.025	32.025
Average rate progression	0.002	0.0018	0.0021	0.0019
Liability progression	1.6667	1.6667	1.6667	1.6667
Residual income progression	0.7143	0.7333	0.6934	0.7143

StatLink http://dx.doi.org/10.1787/888932783705

The liability progression indicator has the particular feature that progressivity stays constant if all liabilities or income levels are changed by the same percentage; this is not the case for the average-rate and the residual income indicators. If all income levels increase by the same percentage, the average progression indicator will decrease and the residual income progression indicator will increase, thereby indicating that progressivity has decreased. If all tax liabilities increase by the same percentage, the average progression indicator will increase and the residual income progression indicator will decrease, thereby indicating that progressivity has increased.

If income levels as well as tax liabilities change by the same percentage, progression calculated both by the liability progression indicator and the residual income progression indicator remain unchanged. The average-rate progression indicator, however, decreases. For the average-rate progression indicator the starting point is exactly 5 per cent higher than the new progression level after all income levels and tax liabilities have been increased by 5 per cent.

3. Tax progressivity measures included in the main *Taxing Wages* report

The *Taxing Wages* report presents measures of labour tax progressivity in Tables I.8 and I.9. Both tables measure residual income progression for the eight family types included in the report, where the income changes considered are for the principal earner of the family.

Table I.8 shows the percentage increase in net income when gross wage earnings increase by 1 currency unit, i.e. the elasticity of after-tax income with respect to pre-tax gross wage income. The elasticities are calculated as (1-METR)/(1-AETR) where METR is the marginal PIT rate plus employee SSCs less cash benefits and AETR is the average PIT rate plus employee SSCs less cash benefits. Under a proportional tax system, the elasticity is equal to 1. The more progressive is the system – at the income level considered – the lower this elasticity will be.

Table I.9 show similar results, but the focus is on the average tax wedge, i.e. the difference between total labour costs to the employer and the corresponding net take-home pay of the employee as a percentage of total labour costs. The calculations thus also include employer social security contributions, payroll taxes and cash benefits. The table shows the percentage increase in net income when labour costs (i.e. gross wage earnings plus employer social security contributions and payroll taxes) rise marginally as a result of a 1 currency unit increase in gross wage earnings. The elasticities are calculated as (1-METR)/(1-AETR) where METR is the marginal tax wedge and AETR the average tax wedge.

The *Taxing Wages* report also briefly discusses progressivity in Section II.5 which compares the average PIT burden faced by single persons earning 67 per cent of the average wage with the tax burden faced by single persons earning 167 per cent of the average wage (comparing Table II.1b with Table II.3b). This is thus a simple expression of average-rate progression. This Special Feature will further develop this approach by comparing the average tax burden at several multiples of the average wage.

4. The average PIT rate and average tax wedge progression indicator

This Special Feature presents results for the average personal income tax (PIT) rate and average tax wedge progression indicator, which are calculated as:

$(AETR_{X2\%\,AW} - AETR_{X1\%\,AW})/(X2\%AW - X1\%AW)$

$AETR_{X1\%AW}$ and $AETR_{X2\%AW}$ are the average effective tax rates or wedges corresponding to two different income levels X1 and X2, respectively. The income levels are expressed as multiples of the average wage (AW). The indicator measures how the average PIT rate/tax wedge increases per percentage point increase in income, measured as a multiple of the AW, over the X2%AW – X1%AW income range.

The indicator will be calculated using i) average PIT rates in order to capture the progressivity of the PIT system in isolation and ii) average tax wedges in order to take into account the effect on progressivity of employee and employer social security contributions, payroll taxes and cash benefits.

The following example shows how to interpret the progression rates. An average personal income tax rate progression of 0.4 over the 50%-67% of the AW income interval means that the personal average tax rate increases with 0.4 percentage points per percentage point increase in the AW over the 50%-67% income level. The increase in the average PIT rate at 67% of the AW compared to the rate at 50% of the AW then equals 0.4 multiplied by 17, i.e. 6.8 percentage points.

This example shows that values of progression rates are dependent on the level of the average tax burden. Information on progression rates should therefore be complemented with levels of average effective tax rates. This information is included in the main *Taxing Wages* report.[3] It implies that no normative conclusions should be drawn from the tax progression results presented in this Special Feature. Whether it would be feasible to construct a measure which would take the progression as well as the level of the tax burden into account is left for future work.

Progression rates will be calculated for 4 different household types: singles without children, one-earner married couples without children, single parents with 2 children and one-earner married couples with 2 children. The year of reference is 2011, which is the most recent year for which updated models were available at the time this Special Feature was prepared. The calculations will distinguish between the following 5 income intervals, which are defined as intervals between two multiples of the average wage:

- First (bottom) interval: 50%-67% of the AW.
- Second interval: 67%-100% of the AW.
- Third interval: 100%-133% of the AW.
- Fourth interval: 133%-167% of the AW.
- Fifth (top) interval: 167%-200% of the AW.

The start and end income levels of these intervals are the income levels which are used throughout the *Taxing Wages* report. A different choice of income levels, however, might have an impact on the progression results presented in this Special Feature, although the effect is expected to be relatively small because the progression indicators are based on average rather than marginal ETRs.

The analysis does not focus on income levels above 200% of the AW in order to limit the number of data points to be included in the figures. In many countries, however, the top statutory PIT rate only hits at earnings exceeding 200% of the AW. Future work may therefore extend the analysis in this Special Feature by focusing on earnings up to 400% of the AW, for instance.

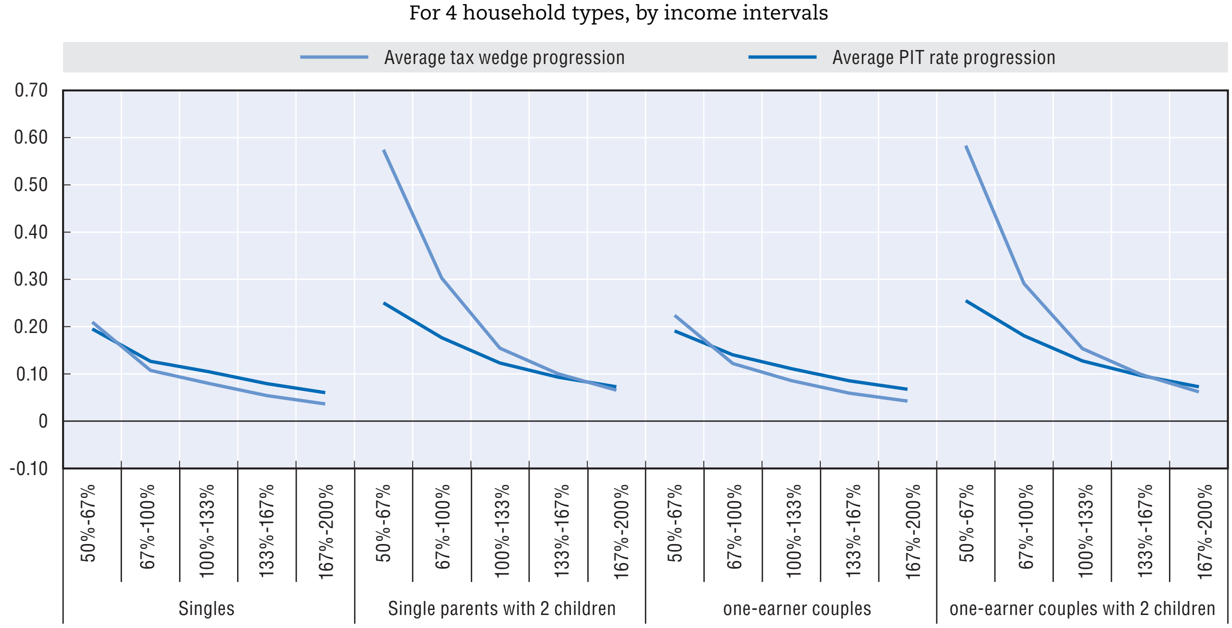
The overall progression rate for the 50%-200% of the AW income interval is also presented in this Special Feature. Countries with a similar overall PIT rate progression over the 50%-200% of the AW income interval may nevertheless show great disparity when it comes to how progression rates vary over the 5 income intervals. This variation is captured by the standard deviation in the progression rates over the 5 income intervals.

5. PIT progressivity in 2011

Figure S.1 shows average PIT rate and tax wedge progression on average across the OECD for the four family types and the five income intervals that are considered in the analysis. The graph indicates that when only PIT is considered, the OECD average progression rate is the highest at the bottom income interval and that it decreases with income regardless of the family situation. The average tax wedge progression, which takes social security contributions and cash transfers into account, shows a similar pattern. However, some differences between the two indicators can be observed. First, the average tax wedge progression is lower than the average PIT rate progression for households without children except at the bottom income interval. As families without children usually do not receive benefits, this result shows that SSCs tend to reduce tax progressivity because they are typically levied at flat rates (and in some cases because ceilings apply). The higher tax wedge progression at the bottom income interval is the result of SSC provisions targeted at lower income levels. Second, the average tax wedge progression is higher than the average PIT rate progression for households with children, except at the top income interval. Thus, for households with children, the effect of cash benefits, which

Figure S.1. **Average PIT rate and tax wedge progression on average across the OECD**

For 4 household types, by income intervals



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reduce the tax wedge, and the fact that these benefits are typically phased out when income increases, result in an increase in tax progressivity. This effect tends to be stronger than the flattening effect from social security contributions, except at the top income interval.

5.1. Personal income taxes

5.1.1. Single taxpayers without children

The highest average PIT rate progression. For single taxpayers without children, Figure S.1 shows that, on average across the OECD, the average PIT rate progression reaches its highest level (0.195) at the bottom income interval; it decreases for each higher income interval and reaches its lowest level (0.060) at the top income interval. This pattern of progression for singles without children is observed in 13 OECD countries (Australia, Austria, Belgium, Czech Republic, Estonia, Germany, Iceland, Israel, Luxembourg, Poland, Slovak Republic, Switzerland and Turkey), although the level of progression differs across countries (see Figure S.A.1 in Annex S.A). There are 12 other countries where the highest average PIT rate progression for singles without children is found at the bottom income interval, but in these countries progression does not continuously decrease over the higher income intervals. These countries are Canada, Denmark, Finland, France, Hungary, Ireland, Italy, Mexico, Norway, Slovenia, Spain and the United States.

Amongst these 25 countries, the highest progression rates are observed in Spain (0.435), Ireland (0.356), France (0.353), Australia (0.339), Slovenia (0.332), Iceland (0.323) and Austria (0.321) In Spain, Ireland and France, for instance, the high bottom average PIT rate progression is caused by income dependent tax provisions targeted at low income workers. In Spain, workers with earnings below about 60% of the AW benefit from an income-tested work-related tax deduction. In Ireland, the value of the basic tax credit and the employee tax credit drops from 20% of gross earnings for workers earning 50% of the AW to 15% for workers earning 67% of the AW. In France, workers earning 50% of the AW benefit from a special tax rebate as well as from an employment tax credit (the "Prime Pour l'Emploi") which are exhausted for workers earning 67% of the AW. In France, the high PIT rate progression is also caused by an increase in the statutory PIT rate which hits at 45% of the AW. These examples show that high bottom PIT rate progression is typically caused by PIT provisions that lower the tax burden on especially low-income workers because *i)* they are fixed amounts such that they reduce the average tax rates for low-income workers more strongly than for other workers and/or *ii)* because these provisions are reduced when income increases. This effect may also be strengthened by increases in statutory PIT rates.

In the other 9 OECD countries, the highest PIT rate progression is reached at higher income intervals; i.e. at the second income interval in Greece (0.121), Korea (0.087), the Netherlands (0.327) and Portugal (0.216); at the third income interval in New Zealand (0.106) and Sweden (0.210) and at the fourth income interval in Chile (0.024), Japan (0.086), and the United Kingdom (0.131). In the Netherlands, the PIT rate progression is relatively low in the bottom income interval compared to the PIT rate progression in the second income interval. Workers earning between 50% and 67% of the AW remain within the same income bracket, whereas workers that have earnings within the 67%-100% of the AW income range face an increase in their statutory PIT rate from 10.8% to 42% at about 70% of the AW. In Chile, the PIT rate progression is zero over the first three income intervals as a result of a general basic allowance which exceeds the AW income level combined with deductions for pension and unemployment insurance contributions, thereby exempting the workers from PIT on income below 134% of the AW.

The lowest average PIT rate progression. In 23 OECD countries, the lowest PIT rate progression is found at the top income interval. In addition to the 13 countries that follow the OECD average declining progression pattern shown in Figure S.1, the lowest progression is observed at the highest income interval also in Denmark, France, Greece, Ireland, Italy, Mexico, the Netherlands, New Zealand, Norway, Portugal and the United States. The lowest PIT rate progression at the top income interval is observed in France (0.048), Mexico (0.046), the United States (0.044), Turkey (0.037), the Czech Republic (0.024), the Slovak Republic (0.022), Estonia (0.011) and Poland (0.006).

In the other 11 countries, the lowest average PIT rate progression is observed at lower income intervals; i.e. at the bottom income interval in Korea (0.030) and Chile (0); at the second income interval in Sweden (0.083) and the United Kingdom (0.065); at the third income interval in Slovenia (0.073) and Japan (0.044); and at the fourth income interval in Hungary (0), Canada (0.078), Spain (0.077) and Finland (0.079). In Hungary, where a single tax rate is levied on labour income, the tax structure becomes fully proportional as from earnings at around 120% of the AW onwards when the employee tax credit is completely exhausted.

Top PIT rates. When the top PIT rate is reached, the effect of the rate structure on progressivity is exhausted. Disregarding other provisions that may affect progressivity, progression rates will thus tend to decline when the top rate is reached. Table S.2 lists the OECD countries where the top statutory PIT rate is reached within the 50%-200% of the AW income range. For most countries not included in the list, the top statutory tax rate is reached at higher income levels. The exceptions are the Czech Republic, Estonia and the Slovak Republic, which have flat PIT systems and where the top rate is reached at lower income levels (see Table I.7 of the *OECD Tax Database*). Amongst these countries, the PIT rate progression is declining once the top statutory PIT rate has been reached, but not in Denmark, Finland and Slovenia, where the PIT rate progression increases after the top statutory PIT rate has been reached.

Overall PIT rate progression (for the 50%-200% of the AW income interval) and standard deviation. Figure S.2 shows the overall PIT rate progression level over the 50% to 200% of the AW income interval. The highest overall PIT progression is observed in Ireland (0.191) and the Netherlands (0.189) while the lowest overall PIT rate progression is observed in Estonia (0.037), Poland (0.021) and Chile (0.009).

The standard deviations in Figure S.2[4] show the degree of variation in the PIT rate progression across the five income intervals for each country. Countries with similar overall PIT rate progression (over the 50% to 200% of the AW income range) may differ considerably in their rate progression across the five income intervals. France and Canada, for instance, face almost the same overall PIT rate progression for earnings ranging from 50% to 200% of the AW (around 0.105), but the PIT rate progression is relatively more constant across income intervals in Canada than it is in France (see also Figure S.A.1).

The smallest variation in PIT rate progression across income intervals (i.e. the lowest standard deviation in Figure S.2) can be found in Canada, Chile, Denmark, Estonia, Germany, Greece, Israel, Japan, Korea, New Zealand, Poland, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The largest variation in PIT rate progression across income intervals (i.e. the highest standard deviation in Figure S.2) is found in the Czech Republic, France, Iceland, Ireland, Italy, Slovenia and Spain (see also Figure S.A.1).

Table S.2. **Countries where the top statutory PIT rate is reached within the 50% to 200% of the AW income range in 2011**

%

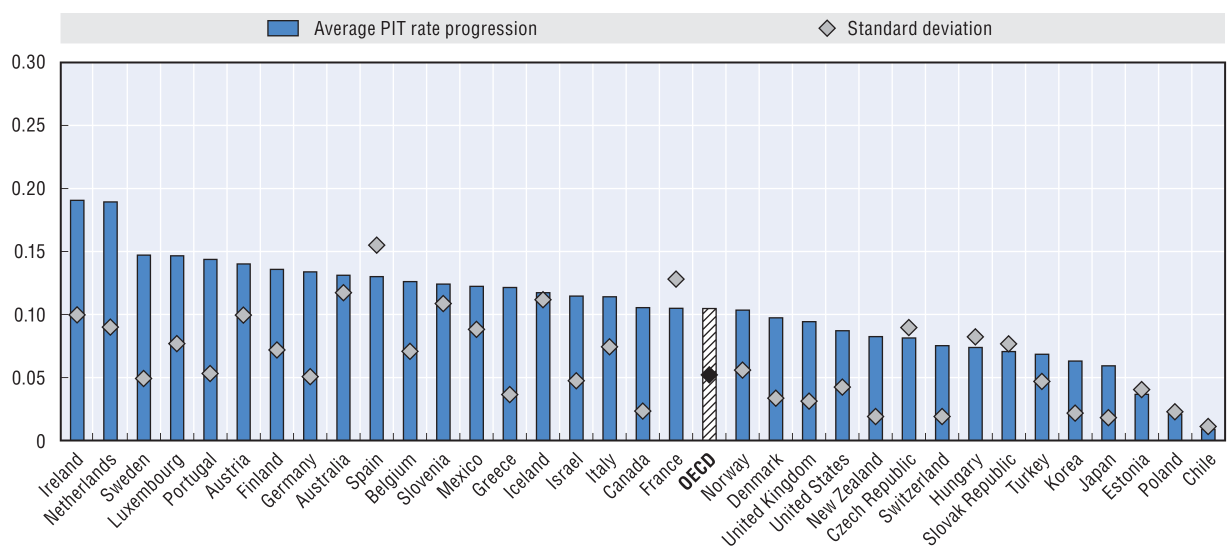
Country	Top statutory PIT rates[1]	
	Top tax rates	Threshold (expressed as percentage of the average wage)
(1)	(2)	(3)
Belgium	53.70	102.50
Denmark	52.20	111.00
Finland	49.20	177.00
Hungary	16.00	82.50
Iceland	46.20	152.50
Ireland	48.00	100.00
Netherlands	52.00	120.50
New Zealand	33.00	142.00
Norway	40.00	157.00
Slovenia	41.00	136.00
Sweden	56.60	149.00

1. **Topstatutory PIT rate – Top tax rates:** These are the top statutory tax rates for the combined central and sub-central governments, for a single person without dependants based on the earnings level where the top statutory PIT rate first applies. The results, which use tax rates applicable to the tax year, take into account basic/ standard income tax allowances and tax credits.

StatLink http://dx.doi.org/10.1787/888932785928

Figure S.2. **Overall average PIT rate progression and standard deviation across income intervals**[1]

For single taxpayers without children, income ranging from 50% to 200% of the AW



1. The standard deviation indicates the level of variation in the average PIT rate progression across the five income intervals for each country. Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

StatLink http://dx.doi.org/10.1787/888932783743

5.1.2. *One-earner married couples without children*

Figure S.1 shows that on average across the OECD, average PIT rate progression for one-earner married couples without children – as is the case for single workers without children – is the highest at the lowest income interval and decreases for each higher income interval. This pattern of PIT rate progression for one-earner married couples without children can be observed in 14 OECD countries: Australia, Austria, Belgium, Estonia, France, Germany, Greece, Iceland, Israel, Italy, Norway, Poland, Switzerland and Turkey.

The highest PIT rate progression is found at the bottom and the lowest PIT rate progression is found at the top income interval in a majority of OECD countries. In addition to the 14 countries mentioned above, the highest PIT rate progression is observed at the bottom income interval in another 11 countries: Canada, Denmark, Finland, Hungary, Japan, Mexico, Portugal, Slovenia, Spain, the United Kingdom and the United States. In these countries, however, the progression does not follow the decreasing pattern across income intervals as shown in Figure S.1. In the 10 remaining countries, the highest PIT rate progression is found at one of the three income intervals between the bottom and the top. Thus, there is no country where the highest PIT rate progression can be found at the top income interval.

Among these countries the highest progression rates are found in Iceland (0.486), Canada (0.416), Australia (0.342), Belgium (0.327), Italy (0.326), Austria (0.321) and Spain (0.309). As a comparison, the average PIT rate progression at the bottom interval, on average across the OECD, is 0.191.

In 20 OECD countries, the lowest PIT rate progression for one-earner married couples is found at the top income interval. These include the 14 countries which follow the OECD average progression pattern shown in Figure S.1 plus Denmark, Hungary, Mexico, the Netherlands, New Zealand and Portugal. Among these, the lowest progression rates can be found in Hungary (0), Poland (0.011), Estonia (0.022), France (0.024) and Turkey (0.039).

PIT rate progression for one-earner married couples compared to single taxpayers without children. Figure S.1 shows that the OECD average PIT rate progression pattern for one-earner married couples without children is similar to the pattern for singles without children. On average, however, progression rates are higher for one-earner couples at all income intervals, although the differences are very small. The higher tax progressivity is typically the result of tax reliefs for dependant spouses, which are tapered out with income or which reduce the average effective tax rate more for lower income earners (e.g. in case of a lump-sum tax credit).

The PIT rate progression for one-earner married couples is higher than or equal to the rates for singles at all income intervals in 21 countries: Australia, Austria, Belgium, Canada, Chile, Denmark, Estonia, Finland, Greece, Hungary, Iceland, Israel, Italy, Mexico, the Netherlands, New Zealand, Norway, Poland, Sweden, Turkey and the United Kingdom. In some of these countries (Canada, Denmark, Greece, Iceland, Italy, the Netherlands, Norway, Poland, Turkey and the United Kingdom) the most notably higher rate progression can be found at the bottom income interval(s). This is also the case in Japan. The difference in PIT rate progression at the bottom income interval is the largest in Canada as a result of the working income tax credit which is more generous for couples than for singles without dependants. In 8 of these countries (Austria, Chile, Finland, Hungary, Israel, Mexico, New Zealand and Sweden), the PIT rate progression for one-earner married couples and for singles is exactly the same at all income intervals, implying that no special provisions are granted for dependent spouses.

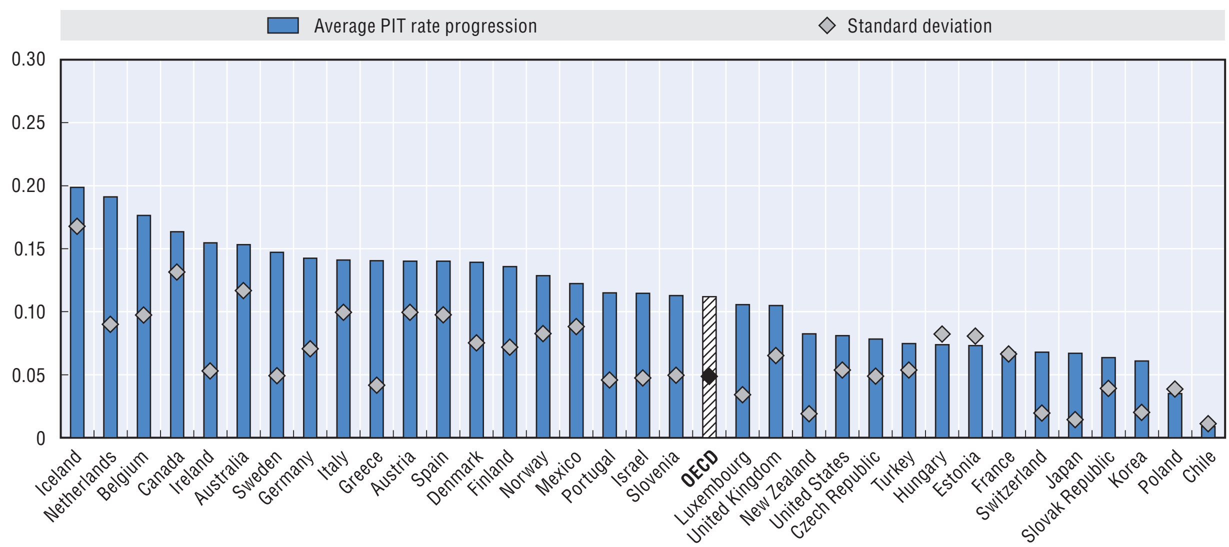
In 13 countries (the Czech Republic, France, Germany, Ireland, Japan, Korea, Luxembourg, Portugal, the Slovak Republic, Slovenia, Spain, Switzerland and the United states) PIT rate progression is lower for one-earner couples than for singles at one or several income intervals. In the Czech Republic, France, Ireland, Korea, Luxembourg, Portugal, Slovak Republic, Slovenia and Switzerland, the PIT rate progression is lower for one-earner couples than for singles at the lowest income interval(s). Only two countries, France and

Portugal, have significantly lower progression for one-earner couples than for singles at the top income interval. In both countries, the reduction in progressivity also at higher income levels is the result of *i)* the joint taxation system which allows the total household income to be split between the partners and *ii)* the fact that we focus on one-earner couples.

Overall PIT rate progression (for the 50%-200% of the AW income interval) and standard deviation. Figure S.3 shows the overall PIT rate progression over the 50%-200% of the AW income interval for one-earner married couples without children as well as the standard deviation across income intervals for each country. In line with previous observations, we find that the OECD average overall PIT rate progression is somewhat larger for one-earner couples without children (0.111) than for singles without children (0.104), while the OECD average standard deviation is slightly lower (0.49 versus 0.52).

Figure S.3. **Overall average PIT rate progression and standard deviation across income intervals**[1]

For one-earner married couples without children, income ranging from 50% to 200% of the AW



1. The standard deviation indicates the level of variation in the average PIT rate progression across the five income intervals for each country. Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

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The position of countries in Figures S.2 (for single tax payers) and S.3 (for one-earner married couples) is very similar, with a few notable exceptions. The largest difference in the overall PIT rate progression for singles and one-earner couples for the 50%-200% of the AW income interval can be found in Iceland – the rates are 0.117 for singles and 0.199 for one-earner couples – because of the standard marital status relief which allows principal earners in married couples to use their spouse's unutilized basic tax credit. The overall PIT rate progression is also significantly higher for one-earner couples than for singles in Belgium (0.173 versus 0.126) and Canada (0.163 versus 0.106). In Belgium a notional amount of income can be transferred between spouses if one of them earns no more than 30% of the couples' combined income. Also, for taxpayers with dependent spouses a larger amount of income is exempt from income tax. Canada provides a tax credit for dependent spouses (or other eligible dependants) which is decreasing in the income of the dependant; in addition, the province used for calculations (Ontario) has a low-income tax reduction that is more generous for taxpayers with dependent spouses than for those with no dependents.

A few countries have notably higher PIT rate progression over the 50%-200% of the AW income interval for singles than for one-earner couples. In Luxembourg, the overall PIT rate progression is 0.147 for singles without children and 0.106 for one-earner couples without children. In France, these figures are respectively 0.105 and 0.068. Both these countries have joint taxation for spouses, and the tax liability for one-earner couples without children is calculated in a similar way; the statutory tax rate schedule is applied to one half of total household income, and the resulting tax liability is then doubled. As both countries have progressive rate schedules, the marginal tax rate will be lower for one-earner couples than for singles with the same income.In Ireland the overall PIT rate progression is 0.191 for singles without children and 0.155 for one-earner couples without children. The lower progression for married couples in Ireland, which also taxes spouses jointly, is the result of the higher amount of taxable income which is taxed at the bottom statutory PIT rate.

Many of the countries for which the difference in overall PIT rate progression between singles and one-earner married couples without children is relatively large are also characterized by large differences in standard deviations. The largest difference in standard deviations can be found in Canada (standard deviation of 0.023 for singles versus 0.131 for one-earner couples without children). Large differences in standard deviations also exist in France and Slovenia.

5.1.3. One-earner married couples with children and single parents

Figure S.1 shows that the OECD average PIT rate progression pattern for single parents is very similar to the pattern for one-earner couples with children, and that progression rates are higher for households with children than for singles without children. As for families without children, the OECD average PIT rate progression for households with children is the highest at the bottom income interval and then decreases for each higher income interval.

As is the case for households without children, the highest level of PIT rate progression for households with children is found at the bottom income interval in a majority of OECD countries. This is the case in 21 countries: Australia, Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Iceland, Israel, Italy, Japan, Mexico, Norway, Slovak Republic, Switzerland, Turkey and the United States.

A pattern of decreasing rates of progression over the 5 income intervals for one-earner married couples with children is observed in 15 countries: Australia, Austria, Belgium, Czech Republic, Estonia, Germany, Greece, Iceland, Israel, Italy, Norway, Slovak Republic, Switzerland, Turkey and the United States. These countries have a similar decreasing pattern for single parents, except for Israel and the United States.

PIT rate progression for households with children compared to singles without children. The OECD average PIT rate progression for households with children is higher than for singles without children mainly because many OECD countries provide tax reliefs for children. There are 16 countries where the PIT rate progression for one-earner married couples with children is higher than for singles without children at all income intervals. These countries are Australia, Austria, Belgium, Canada, Denmark, Estonia, Germany, Iceland, Israel, Italy, Japan, the Netherlands, Norway, Turkey, the United Kingdom and the United States. In 4 countries (Chile, Finland, Mexico and Sweden), the level of PIT rate progression for one-earner couples with children is the same as for singles without children at all income intervals. These countries have no PIT reliefs for dependent children;

they do have (except for Mexico) cash transfers for children, which will be reflected in higher tax wedge progression (see below).

A comparison of PIT rate progression for single parents versus single taxpayers without children shows that in 14 countries (Australia, Austria, Belgium, Canada, Czech Republic, Estonia, Greece, Germany, Italy, Japan, Norway, Slovak Republic, Turkey and the United Kingdom), the PIT rate progression is higher for single parents at all income intervals, while in 6 countries (Chile, Denmark, Finland, Iceland, Mexico and Sweden) the progression rates are the same at all income intervals. Only Switzerland has lower progression for single parents than for singles without children at all income intervals. In New Zealand the PIT rate progression is lower for single parents at the two lowest income intervals while there is no difference in progression rates at the remaining intervals.

The largest increase in progression rates for households with children relative to singles without children can be found in the two first income intervals. This reflects that in many countries tax reliefs for children are tapered with income, but also that lump sum provisions contribute to progressivity because they reduce average tax rates more for low-income households.

The largest increase in PIT rate progression for households with children compared to singles without children can be found in the United Kingdom and the United States. In these countries, the PIT rate progression for singles without children at the bottom income interval is 0.130 and 0.154, respectively. In the United Kingdom the comparable rates for one-earner married couples with children and single parents are 1.036 and 0.975 respectively. In the United States the rate is 1.258 for both household types with children. The higher progression rates for households with children in the United Kingdom are the result of the Child Tax Credit (CTC), which is a non-wastable tax credit available to low- and middle-income families. Low-income workers with children in the United States are also entitled to a tax credit that is tapered with income. Unlike the CTC in the United Kingdom, which is granted solely based on household income, the tax credit in the United States also depends on marital status.

In two other countries (Estonia and Germany), the PIT rate progression is at least twice as high for households with children than it is for singles without children. In Estonia, the PIT rate progression at the bottom interval is 0.109 for singles without children, 0.218 for single parents and 0.237 for one-earner married couples with children. These figures are respectively 0.220, 0.524 and 0.554 in Germany. Both countries have lump-sum tax allowances/credits for children. In addition, in Greece and Israel progression is more than twice as high for one-earner couples, but not for single parents. The PIT rate progression at the bottom interval in Israel is 0.197 for singles without children and 0.482 for one-earner couples with children. In Greece these figures are 0.120 and 0.265, respectively.

However, in some countries the PIT rate progression at the bottom interval is lower for households with children than for singles without children. The largest decrease in progression for households with children compared to singles without children can be found in Slovenia (0.332 for singles without children, 0.002 for single parents and 0 for one-earner couples with children), where the family allowance is based on the number of children and not on household income, thereby avoiding high marginal ETRs while strongly reducing the average ETR. There is also a large decrease in Spain (from 0.435 for singles without children to 0.133 for single parents and 0 for one-earner couples with children), where single parents and one-earner married couples do not have to pay income tax on earnings below 63% and 68% of the AW, respectively, as a result of the combined effect of joint taxation allowances, tax provisions for children and a work related tax credit.

Ireland is among the countries with the highest PIT rate progression for singles without children (rate of 0.356) in the bottom income interval, while the PIT rate progression for one-earner couples with children and single parents at the same income interval is amongst the lowest (0.066 and 0.062, respectively). This is because of a wider bottom rate taxable income band for families with children.

In Hungary and Poland, the PIT rate progression at the bottom income interval is positive for singles without children, but it is zero for both household types with children. Also, in Luxembourg the PIT rate progression at the bottom income interval is positive for singles without children, but zero for single parents (but not for one-earner couples with children). In these countries, tax reliefs related to marital status and/or children are large enough to ensure that the households with children pay no income tax throughout the entire bottom income interval.

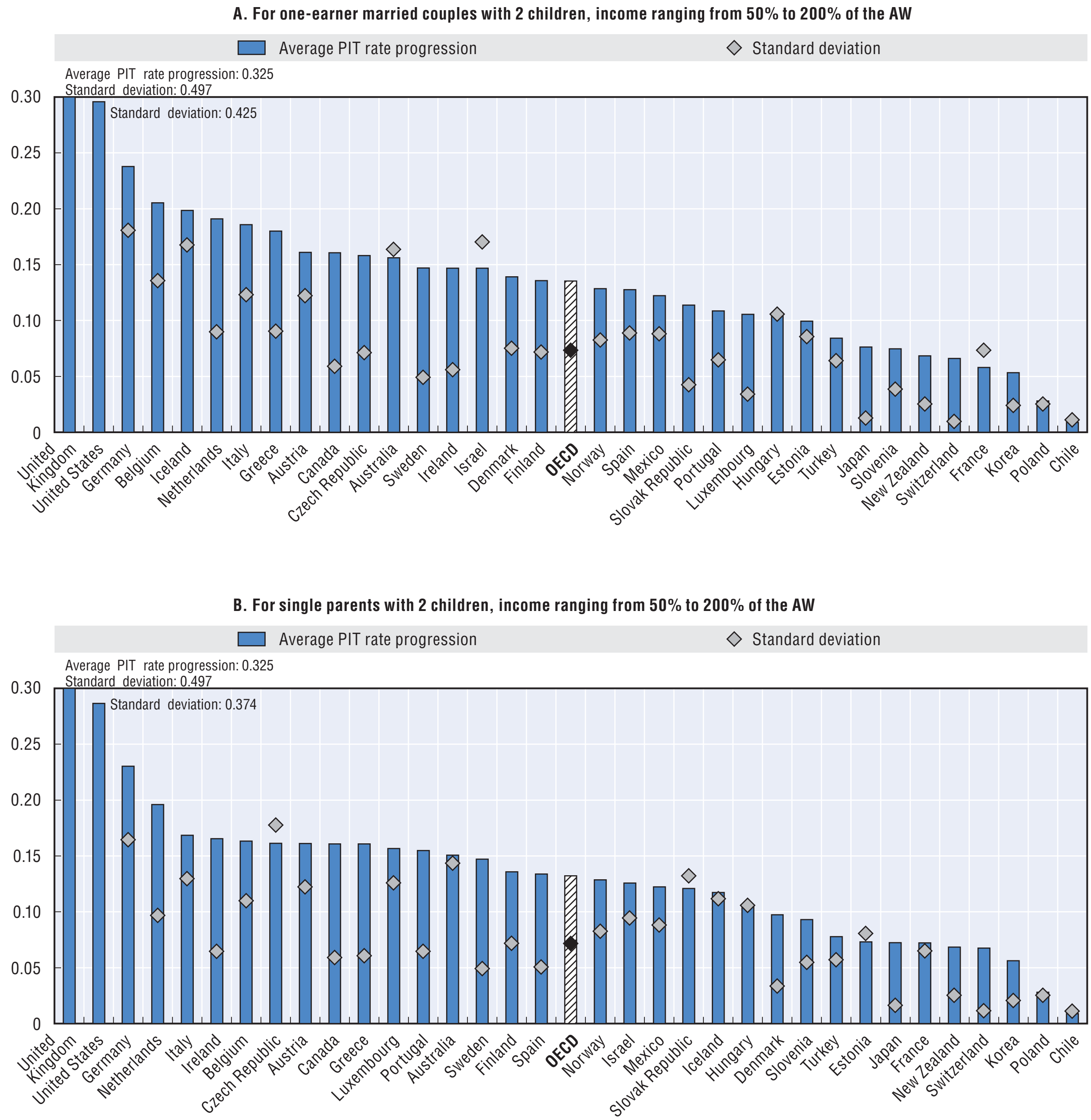
Overall PIT rate progression (for the 50%-200% of the AW income interval) and standard deviation. Figures S.4a) and b) show that the overall PIT rate progression over the 50%-200% of the AW income interval is higher for single parents (0.131) and one-earner couples with children (0.135) than for singles without children (0.104). Overall progression is at least twice as high for households with children than for singles without children in Estonia, the United Kingdom and the United States. Some countries are characterized by lower overall progression for households with children; this is the case in France, Ireland, Korea, New Zealand, Slovenia and Switzerland. In Luxembourg, Portugal and Spain, the overall progression for one-earner couples with children is lower than for singles without children.

The OECD average standard deviations for single parents (0.072) and one-earner married couples with children (0.073) are higher than for singles without children (0.052). Countries in which the overall progression for households with children is higher than for singles without children also tend to have higher standard deviations – this is especially the case in the United Kingdom, the United States and Germany – but there are some exceptions. In the Czech Republic, Japan and the Slovak Republic, the overall progression for one-earner couples with children exceeds the level for singles without children, but the standard deviations are smaller. This is also the case in France and Spain when comparing overall progression and standard deviations for single parents and singles without children. New Zealand, on the other hand, has a lower overall progression for both household types with children than for singles without children, but the standard deviation is slightly higher. This also holds for one-earner couples with children in Portugal.

5.2. Tax wedge

This section focuses on the average tax wedge progression across the five income intervals. In addition to the progressivity of the PIT system, the average tax wedge progression also takes the impact of employee and employer social security contributions as well as cash transfers on tax progressivity into account.

Figure S.4. **Overall average PIT rate progression and standard deviation across income intervals**[1]



1. The standard deviation indicates the level of variation in the average PIT rate progression across the five income intervals for each country. Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

StatLink *http://dx.doi.org/10.1787/888932783781*

Figure S.1 shows that the OECD average tax wedge progression follows the same pattern as the OECD average PIT rate progression. The highest OECD tax wedge progression is observed at the bottom income interval; it decreases over higher income intervals and reaches its lowest level at the top income interval regardless of the taxpayer's family situation. However, the level of progression differs considerably. For households *without children*, the average tax wedge progression is lower than the average PIT rate progression except at the bottom income interval. In contrast, for households *with children*, the average tax wedge progression is higher than the average PIT rate progression except at the top income interval.

5.2.1. Single taxpayers

Highest and lowest tax wedge progression levels. In line with the OECD average, the tax wedge progression decreases over higher income intervals in 16 countries: Australia, Austria, Belgium, the Czech Republic, Estonia, France, Germany, Iceland, Israel, Luxembourg, the Netherlands, Poland, the Slovak Republic, Spain, Switzerland and Turkey. In these countries and in 10 other countries (Canada, Finland, Hungary, Ireland, Italy, Mexico, Norway, Slovenia, the United Kingdom and the United States), the highest tax wedge progression is found at the bottom income interval. Among those countries, the highest tax wedge progression is found in France (0.701), Ireland (0.641), Belgium (0.534), Israel (0.339), Spain (0.335), Australia (0.320), the Netherlands (0.318) (see Figure S.A.1).

In the countries that do not follow the OECD average decreasing tax wedge progression pattern, the highest tax wedge progression is observed either at the second income interval – in Portugal (0.175), Greece (0.0.94) and Korea (0.079)), at the third income interval – in Sweden (0.134), New Zealand (0.106) and Denmark (0.096), or at the fourth income interval – in Japan (0.052) and Chile (0.024), but not at the top income interval.

The lowest tax wedge progression is found at the top income interval in the 16 countries which follow the OECD average progression pattern and also in Greece, Ireland, Italy, Japan, Mexico, New Zealand, Norway, Portugal, the United Kingdom and the United States. The tax wedge progression turns negative at the top income interval (i.e. the tax system becomes regressive) in Spain (-0.022), Germany (-0.031) and Austria (-0.041). These countries have an income ceiling for employee and employer SSCs which is reached at around 150% of the AW. In other words, while the income tax continues to increase with income, the amount of SSCs does not increase for earnings exceeding the SSC ceiling, resulting in decreasing average tax wedges.

Comparing tax wedge with PIT rate progression. For single taxpayers without children, on average across the OECD, the average tax wedge progression is lower than the average PIT rate progression except at the bottom income interval (see Figure S.1). With respect to individual countries, this result can be observed in Belgium, Ireland and the Netherlands (see Figure S.A.1). In Canada and France, the tax wedge progression is lower than the PIT rate progression from the third income interval onwards. For the United Kingdom, it falls below the PIT rate progression at the fourth income interval. In Israel, the tax wedge progression remains higher than the PIT rate progression across the five income intervals. All of these countries implement special provisions that reduce employee and/or employer SSCs for low incomes.

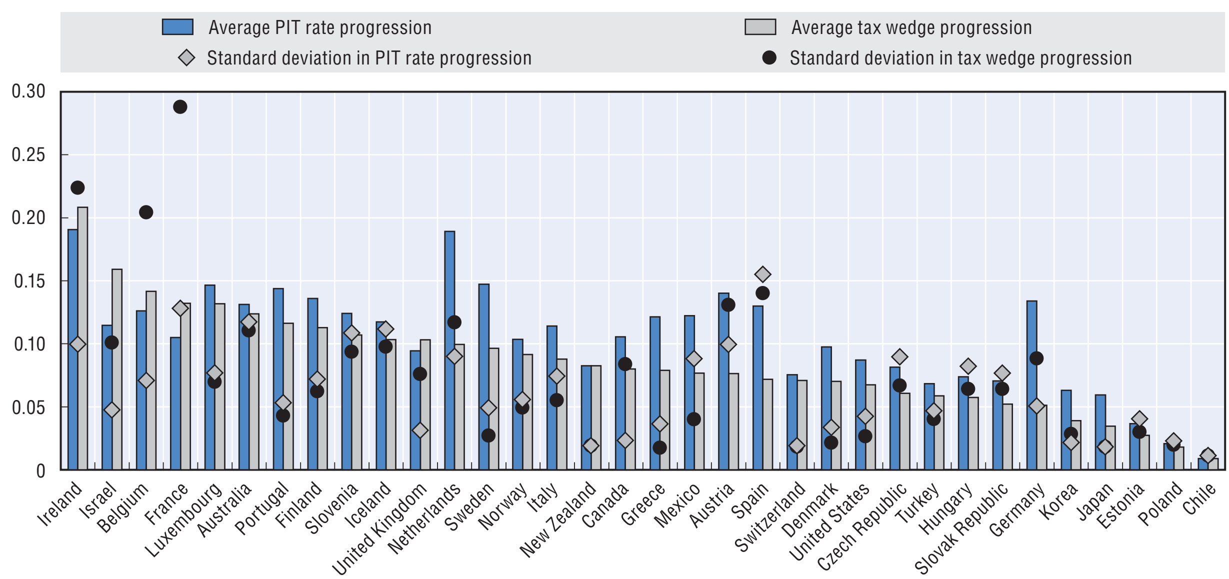
In the other 25 countries, the tax wedge progression is lower than (or in a few cases equal to) the PIT rate progression at all income levels. In Hungary the tax wedge and PIT rate progression are zero at the 2 last income intervals because of a flat average effective tax rate at higher income levels. In Chile and New Zealand, the tax wedge progression is equal to the PIT rate progression for each income interval. New Zealand does not levy SSCs and SSCs in Chile are only levied on earnings exceeding 3 times the AW.

These results show that social security contributions tend to reduce tax progressivity, basically because they are levied at a flat rate. However, some countries have employee and employer SSC provisions explicitly targeted at low-income workers and/or a basic exemption for SSCs from which low-income workers benefit relatively more; this explains the higher tax progressivity at the bottom income interval in some countries (and for the OECD on average).

Overall tax wedge and PIT rate progression for the 50%-200% of the AW income interval. This conclusion is confirmed when comparing the overall PIT rate and tax wedge progression for the 50% to 200% of the AW income interval. Figure S.5 shows that the overall progression decreases for most OECD member countries when social security contributions are taken into account. However, overall progression increases in Belgium (+0.016 percentage points), France (+0.027 percentage points), Ireland (+0.018 percentage points), Israel (+0.044 percentage points) and the United Kingdom (+0.009 percentage points) mainly because of social security reductions targeted at low incomes. This also explains why in those countries, the standard deviation in tax wedge progression across income levels is substantially higher than the standard deviation in PIT rate progression.

Figure S.5. **Overall average PIT rate and tax wedge progression and standard deviation across 5 income intervals**[1]

For single taxpayers without children, income ranging from 50% to 200% of the AW



1. The standard deviation indicates the level of variation in the average PIT and tax wedge progression across the five income intervals for each country.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

StatLink *http://dx.doi.org/10.1787/888932783800*

In most of the other OECD countries, the overall PIT rate progression is higher than the overall tax wedge progression, while at the same time the standard deviation in PIT rate progression is higher than the standard deviation in tax wedge progression. This does not, however, apply to Austria, Canada, Germany, Korea and the Netherlands. Although social security contributions reduce the tax progressivity in those countries, the variation in tax wedge progression between the bottom and top income intervals is particularly large. The tax wedge progression measure is negative in Austria and Germany at the highest income interval (Figure S.A.1).

5.2.2. One-earner married couples without children

Highest and lowest tax wedge progression levels for one-earner couples without children. In line with the OECD average, the wedge progression decreases at higher income intervals in 16 OECD countries: Australia, Austria, Belgium, Estonia, France, Greece, Germany, Iceland, Israel, Italy, the Netherlands, Norway, Poland, Spain, Switzerland and Turkey. There are 6 other countries where the highest tax wedge progression is found at the bottom income interval and the lowest progression at the top income interval (Denmark, Ireland, Japan, Mexico, Portugal, and the United Kingdom). In Canada, Finland, Hungary, Slovenia and the United States, the highest tax wedge progression is also observed at the bottom income interval but the lowest progression is found in the fourth income interval. As it is for single workers, the tax wedge progression is negative at the top income interval in Austria (-0.041), Germany (-0.031) and Spain (-0.013).

Comparing tax wedge progression with PIT rate progression. As for single taxpayers, Figure S.1 shows that, on average across the OECD, tax progressivity is lowered with the inclusion of social security contributions except at the bottom income interval; this pattern can be found in Belgium, Canada, France, Ireland, the Netherlands and the United Kingdom. The country charts in Annex S.A also reveal that in most other countries, the average tax wedge progression is lower than the average PIT rate progression at all income intervals. There are however some exceptions. In Israel, the tax wedge progression remains higher than the PIT rate progression across the five income intervals. In Chile and New Zealand, the tax wedge progression is equal to the PIT rate progression at all income intervals. Finally, in Hungary, the tax wedge progression is lower than the PIT rate progression in the first three income intervals after which the rates become the same.

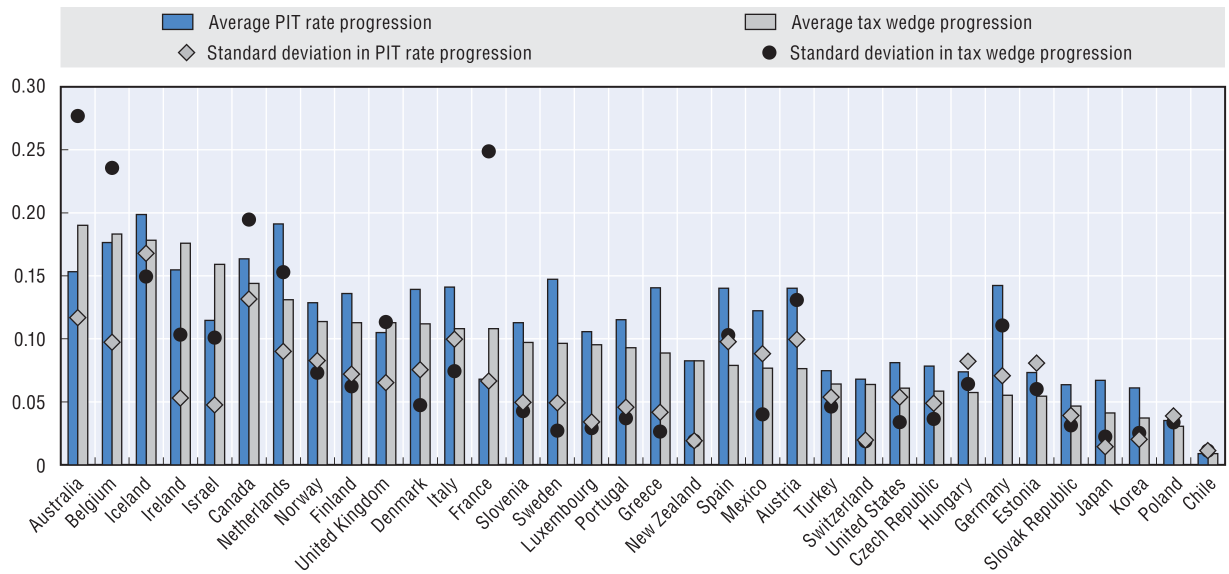
The very high tax wedge progression in Australia at the bottom income interval is the result of the "Newstart Allowance", which is an income tested cash transfer towards the non-employed spouse.

Overall tax wedge and PIT rate progression for the 50%-200% of the AW income interval. In most countries, the overall average tax wedge progression for income ranging from 50% to 200% of the AW is lower than the overall average PIT progression (see Figure S.6). Similar to the results for single taxpayers, however, tax wedge progression higher than PIT rate progression is found in Belgium, France, Ireland, Israel and the United Kingdom. In contrast with the results for single taxpayers, in Australia the overall average tax wedge progression exceeds the overall average PIT rate progression as a result of the "Newstart Allowance". The variation in the tax wedge progression across income levels in these countries is also higher than the variation in PIT rate progression.

In most of the other OECD countries, the overall PIT rate progression is higher than the overall tax wedge progression, while at the same time the standard deviation in the PIT rate progression is higher than the standard deviation in the tax wedge progression. In Austria, Canada, Germany, Japan, Korea, the Netherlands and Spain, however, the standard deviation in tax wedge progression is higher than in PIT rate progression.

Figure S.6. **Overall average PIT rate and tax wedge progression and standard deviation across 5 income intervals**[1]

For one-earner married couples without children, income ranging from 50% to 200% of AW



1. The standard deviation indicates the level of variation in the average PIT and wedge progression across the five income intervals for each country.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

StatLink http://dx.doi.org/10.1787/888932783819

5.2.3. *One-earner married couples with children and single parents*

Figure S.1 shows that, in contrast to the results for households without children, the OECD average tax wedge progression exceeds the OECD average PIT rate progression except at the top income interval. The difference is very large at the second but especially at the bottom income interval. These results are confirmed in the country charts in Annex S.A.

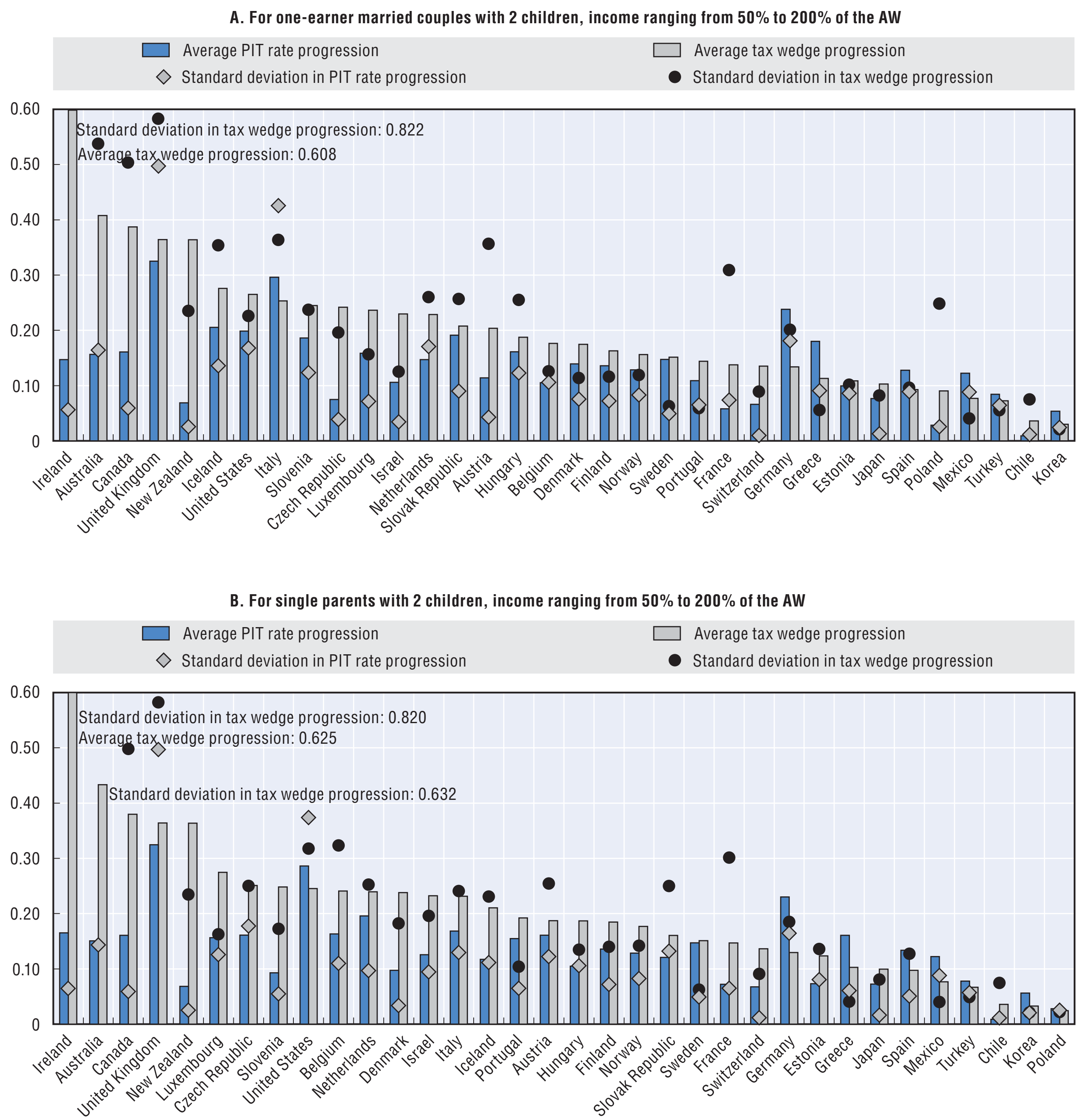
Figures S.7a) and b) show that the overall average tax wedge progression over the 50% to 200% of the AW income range exceeds the overall average PIT rate progression in more than 25 countries for both single parents and one-earner couples with 2 children. In fact, the overall average tax wedge progression is at least twice as high as the overall average PIT rate progression in Australia, Canada, Chile, France, Ireland, New Zealand, Slovenia and Switzerland for both one-earner couples and single parents with children, in Luxembourg and Poland only for one-earner couples with children and in Denmark only for single parents.

These results demonstrate that cash benefits, which are mainly provided to households with children, strongly increase tax progressivity. Moreover, the effect of cash benefits on progressivity considerably outweighs the flattening effect of SSCs for all except the top income level.

Figures S.7 also confirm the positive correlation between the overall average PIT rate/tax wedge progression and the corresponding standard deviation in progression over the 5 income intervals.

However, as was the case for households without children, the overall average tax wedge progression is lower than the overall average PIT rate progression for both household types with children in Germany, Greece, Korea, Mexico, Spain, Turkey and the United Sates, and only for single parents in Poland.

Figure S.7. **Overall average PIT rate and tax wedge progression and standard deviation across 5 income intervals**[1]



1. The standard deviation indicates the level of variation in the average PIT and tax wedge progression across the five income intervals for each country.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

StatLink http://dx.doi.org/10.1787/888932783838

5.2.4. Differences between PIT and tax wedge progression for households with and without children

Figures S.8a) and b) show values for the average tax wedge progression *net of* the average PIT rate progression at the bottom income interval for families without and with 2 children. A positive value implies that the average tax wedge progression exceeds the PIT rate progression. Figures showing the difference between the average tax wedge and PIT rate progression for the other income intervals are included in Annex S.B. There are separate figures for single taxpayers (panel a) and one-earner married couples (panel b).

The differences between the average tax wedge and PIT rate progression show the impact of social security contributions, payroll taxes and cash benefits on tax progressivity. As families without children typically do not receive cash benefits, the difference in the tax wedge and PIT rate progression for families without children isolates, to a large extent, the effect of SSCs and payroll taxes on progressivity. The change in progression rates for families with children shows the combined impact of SSCs/payroll taxes and cash benefits. A comparison of panels a) and b) indicates the impact of marital status, and especially *i)* whether SSC provisions and especially cash benefits have a stronger impact on progressivity for married couples than for single taxpayers and *ii)* how tax provisions targeted at low-income or dependant spouses, which are typically implemented through the PIT, interact with SSCs and cash benefit provisions.

Figures S.8 show that, for families without children at the bottom income interval, SSCs tend to reduce progressivity in a majority of OECD countries. However, in Canada, the United Kingdom, Israel, the Netherlands, and especially in Ireland, Belgium and France, SSCs strongly increase tax progression at the bottom income interval. As SSCs tend to be levied at flat rates, these results indicate that these countries have special SSC provisions (i.e. reductions) which are targeted at low-income workers. The average tax wedge progression is considerably higher than the PIT rate progression also in Australia but only for one-earner married couples. This is the result of the "Newstart Allowance", as indicated before.

When focusing on the difference in progression for families with children, Figure S.8 shows that the impact of cash benefits strongly outweighs the flattening impact of SSCs in most OECD countries. Cash benefits reduce the average tax wedge especially for low-income earners because benefits are typically larger as a percentage of wage earnings for lower income levels, thereby leading to higher progression when income increases. This impact on progressivity is strengthened if benefits are tapered out with income. The average tax wedge progression is below the average PIT rate progression for single parents at the bottom income interval only in Greece, Germany, Turkey, Mexico and the United States.

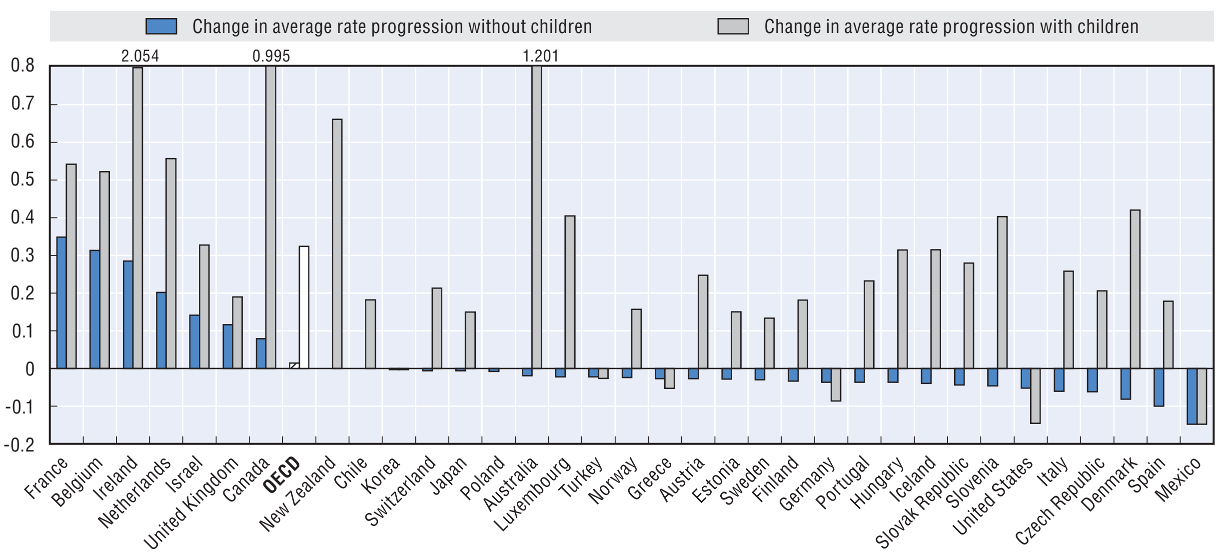
Although the differences are very small, a comparison of panel a) and b) also shows that the difference in the progression is slightly higher for one-earner married couples without children at the bottom income interval especially in France and the Netherlands. For families with children, the change in tax progression is considerably higher for one-earner married couples than for single taxpayers in the Slovak Republic, Poland and Slovenia, while it is significantly lower in Iceland and Denmark.

Annex S.B shows that the effect of SSC provisions targeted at low incomes on tax progression is completely exhausted in the second income interval in Belgium, Ireland and the Netherlands or is strongly reduced in Canada, France, Israel and the United Kingdom. The flattening effect of SSCs continues to be observed in the figures for higher income intervals.

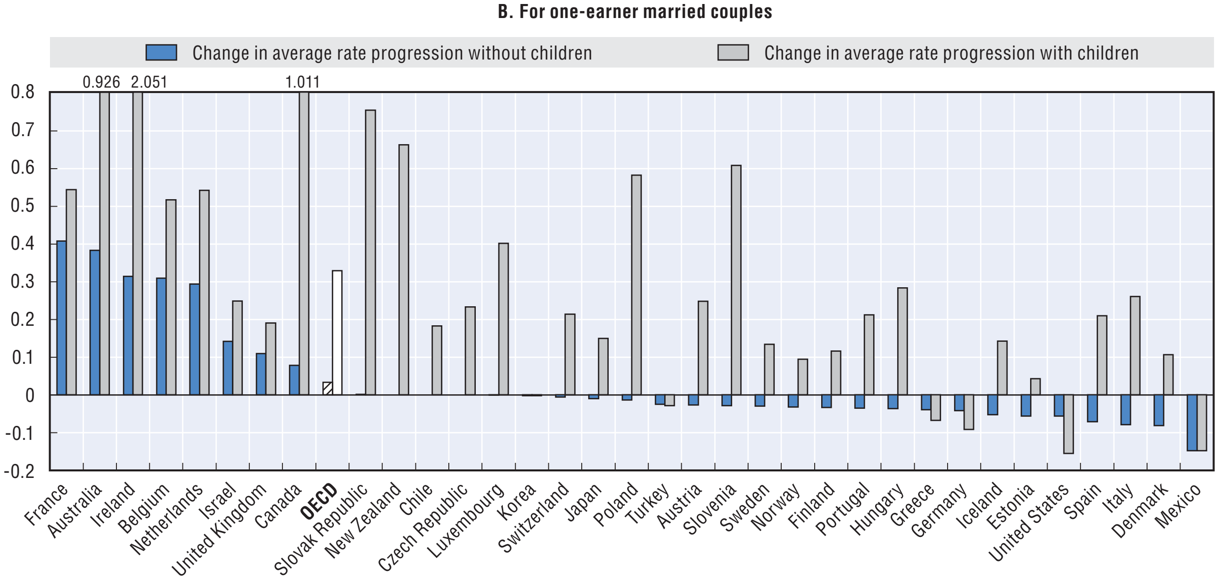
Also the impact of cash transfers on tax progression is considerably smaller in the second income interval in most countries. However, cash transfers continue to increase tax progression, although to a smaller extent than in the bottom income interval, in Australia, Canada, Ireland, New Zealand and Slovenia, which are countries with generous benefits. This indicates that these benefits continue to be tapered out over the second income interval.

Figure S.8. **Average tax wedge net of PIT rate progression for households with and without children at the bottom income interval**

A. For single taxpayers



B. For one-earner married couples



Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

StatLink *http://dx.doi.org/10.1787/888932783857*

From the third income interval onwards, no large progression increases are observed as a result of SSCs and benefits. However, cash benefits continue to increase progression to some extent especially in Australia, Denmark, Ireland, New Zealand and Slovenia. The SSC flattening effect remains relatively significant in Austria, Germany, and Spain whereas it becomes marginal in other countries.

This analysis has demonstrated that SSC provisions and cash benefits increase tax progression especially at the bottom and to a smaller extent the middle income intervals. Tax progression at higher income intervals is more influenced by the progressivity of the PIT rate schedule.

6. Conclusion

This Special Feature has presented results on average PIT rate and average tax wedge progression for 5 income intervals (50%-67%, 67%-100%, 100%-133%, 133%-167%, 167%-200% of the AW) in OECD countries in 2011. The average PIT rate progression captures the progressivity of the PIT system in isolation. The average tax wedge progression takes also the effect of employee and employer social security contributions, payroll taxes and cash benefits on progressivity into account. Average rate progression has been calculated for 4 different household types: singles without children, one-earner married couples without children, single parents with 2 children and one-earner married couples with 2 children. The overall progression rate for the 50%-200% of the AW income interval has also been presented, as well as the standard deviation in progression across the 5 income intervals.

The results show a clear pattern of progression rates across the 5 income intervals. On average across the OECD, the highest tax progression can be observed at the bottom income interval, while progression decreases for each higher income interval. This pattern emerges for the 4 household types considered and for the average PIT rate as well as average tax wedge progression. These results indicate that this pattern is observed in many OECD countries, although considerable differences among countries exist. In most countries, however, the top average rate progression can be found at the bottom income interval and the lowest average rate progression is reached at the top income interval.

The highest average PIT rate progression for single taxpayers over the 50% to 200% of the AW income range is observed in Ireland and the Netherlands, while the lowest progression can be found in Estonia, Poland and Chile. One-earner married couples without children face the highest PIT rate progression in Iceland, the Netherlands and Belgium while Korea, Poland and Chile have the lowest progression. The ranking differs considerably for families with children. In this case, the United Kingdom, the United States and Germany have the highest PIT rate progression while Korea, Poland and Chile have the flattest PIT. The OECD average progression over the 50% to 200% of the AW income range is slightly above 0.1 for both single taxpayers and for one-earner married couples without children, thereby indicating that the presence of a dependent spouse does not increase progressivity to a large extent over the 50% to 200% of the AW income range. The presence of children, however, does strongly increase the OECD average progression to about 0.135 for both single parents and one-earner couples with 2 children.

Although tax progression tends to be relatively similar for both one-earner married couples and single taxpayers without children, some countries do have a more progressive PIT system for married couples as a result of a dependent spouse allowance. However, progressivity might also decrease if some taxable income can be transferred from the principal earner to the spouse.

The analysis has found considerable differences between average PIT rate and average tax wedge progression on average across the OECD, thereby indicating the strong impact of SSCs and cash benefits on tax progressivity. The direction of the difference in these rates strongly depends on whether the taxpayer has children or not.

First, the average tax wedge progression is lower than the average PIT rate progression for households without children except at the bottom income interval. As families without children typically do not receive cash benefits, this result shows that SSCs tend to reduce tax progressivity because they are typically levied at flat rates. A SSC ceiling even leads to overall regressivity at the top income interval in Spain, Germany and Austria. The higher tax wedge progression at the bottom income interval is the result of SSC provisions targeted at lower income levels in some countries. This result is driven by the low-income SSC provisions in Canada, the United Kingdom, Israel, the Netherlands, and especially in Ireland, Belgium and France. The effect of these SSC provisions on tax progression is completely exhausted in the second income interval in Belgium, Ireland and the Netherlands and is strongly reduced in Canada, France, Israel and the United Kingdom. The effect is no longer present in any country as from the third income interval onwards. The flattening effect of SSCs, however, continues to be observed in the figures for higher income intervals.

Second, the average tax wedge progression is higher than the average PIT rate progression for households with children, except at the top income interval. Thus, for households with children, the effect of cash benefits, which reduce the tax wedge, and the fact that these benefits are typically phased out when income increases, results in an increase in (local) tax progressivity in a large majority of OECD countries. This effect tends to be stronger than the flattening effect from social security contributions, except at the top income interval. Also, the impact of cash transfers on tax progression is considerably smaller in the second income interval except in Australia, Canada, Ireland, New Zealand and Slovenia. The impact continues to decrease for higher income intervals.

The variation in progression over the 5 income intervals, on average across the OECD, is positively related to the level of the average progression. For instance, the higher OECD average PIT rate progression for families with children compared to families without children results also in a higher deviation across the 5 income levels, basically indicating that PIT provisions for children reduce the average effective tax rate more for lower-income than for higher-income earners. The same observation holds for the OECD average tax wedge progression. The flattening impact of SSCs reduces the average tax wedge progression below the average PIT rate progression for families without children; this results in lower standard deviations, on average across the OECD as well.

The analysis in this Special Feature may be extended in a number of ways. First, the analysis does not focus on income levels above 200% of the AW. In many countries, however, the top statutory PIT rate only hits at earnings exceeding 200% of the AW. Future work may therefore extend the analysis by focusing on earnings up to 400% of the AW, for instance. Second, rates of tax progression could be calculated for earlier years (e.g. 2000 and 2006). This would allow analysing the change in progression over time. These extensions could be the topic for a follow-up *Taxing Wages* Special Feature.

Notes

1. The 8 working papers and accompanying policy notes can be found at: *www.oecd.org/document/47/0,3746,en_2649_34113_49331311_1_1_1_1,00.html*.
2. This indicator can also be calculated as the marginal effective tax rate divided by the average effective tax rate, evaluated at a particular income level.
3. The average rate progression results for the year 2011 which are presented in this paper have been calculated on the basis of the country calculation models and parameters underlying the results presented in the 2011 edition of the *Taxing Wages* report. These models and parameters (and especially the value of the AW) may slightly differ from the ones that have been used to calculate the 2011 results presented in the current edition of the *Taxing Wages* report. This approach has been followed as the updated 2011 models and parameters where not yet available when this paper was written.
4. The calculations of the standard deviations give equal weight to the five income intervals, even though the first interval is smaller than the other 4 income intervals. Applying different weights would not strongly affect the values.

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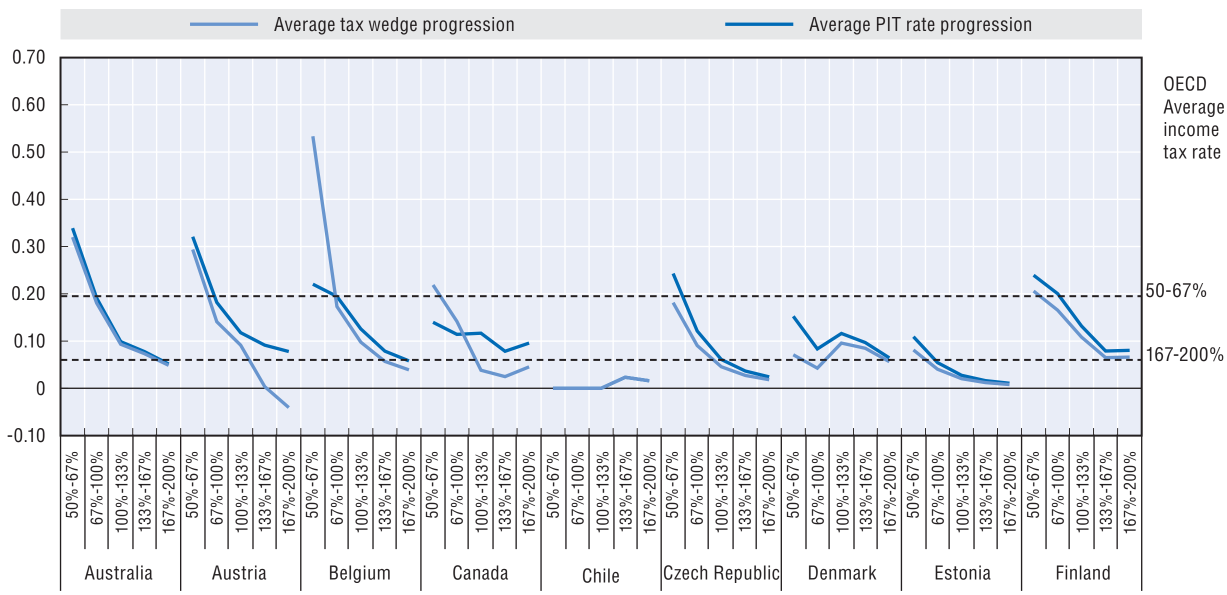
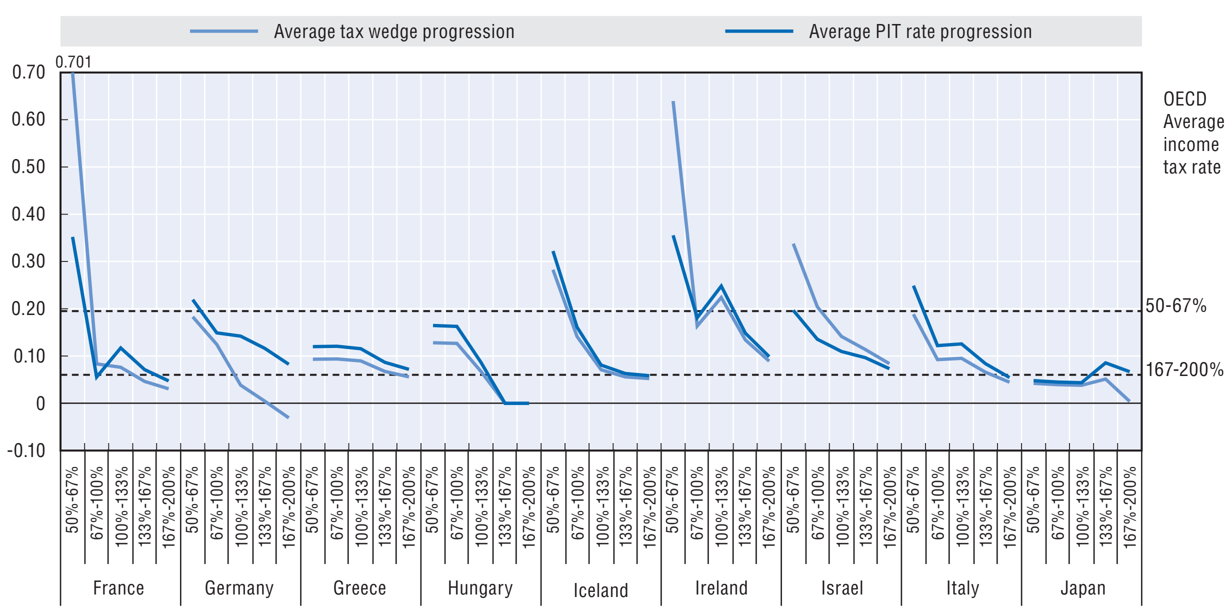
ANNEX S.A

Average tax rate progression in 2011 (country charts)

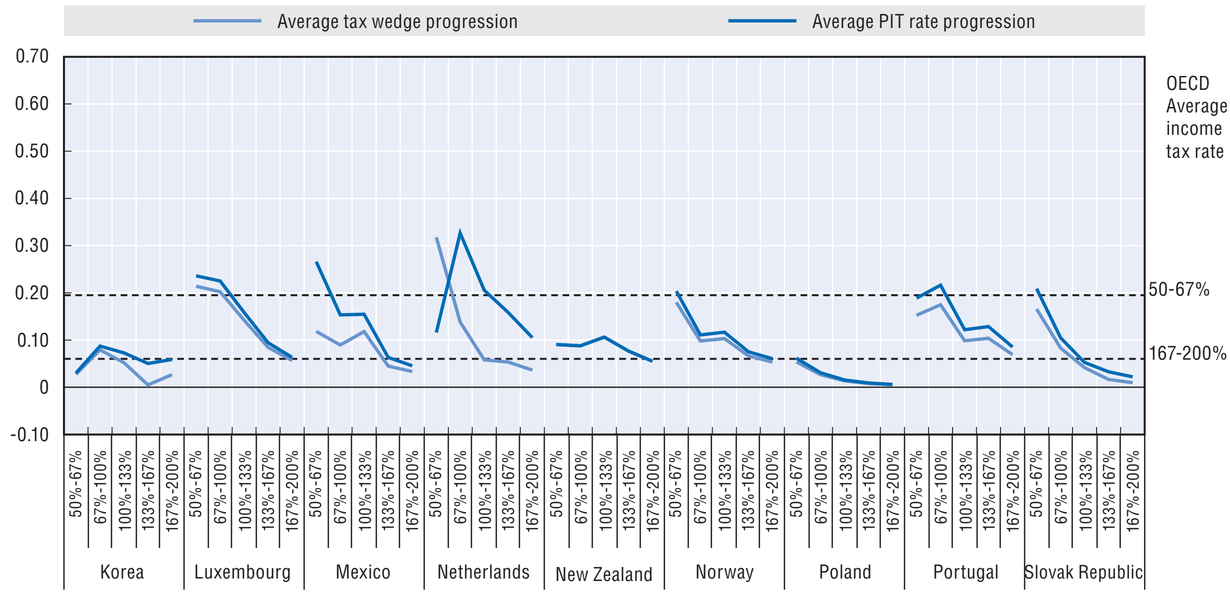
Figure S.A.1. **Average rate progression in 2011 for single taxpayers without children**





Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

Figure S.A.1. **Average rate progression in 2011 for single taxpayers without children** *(cont.)*



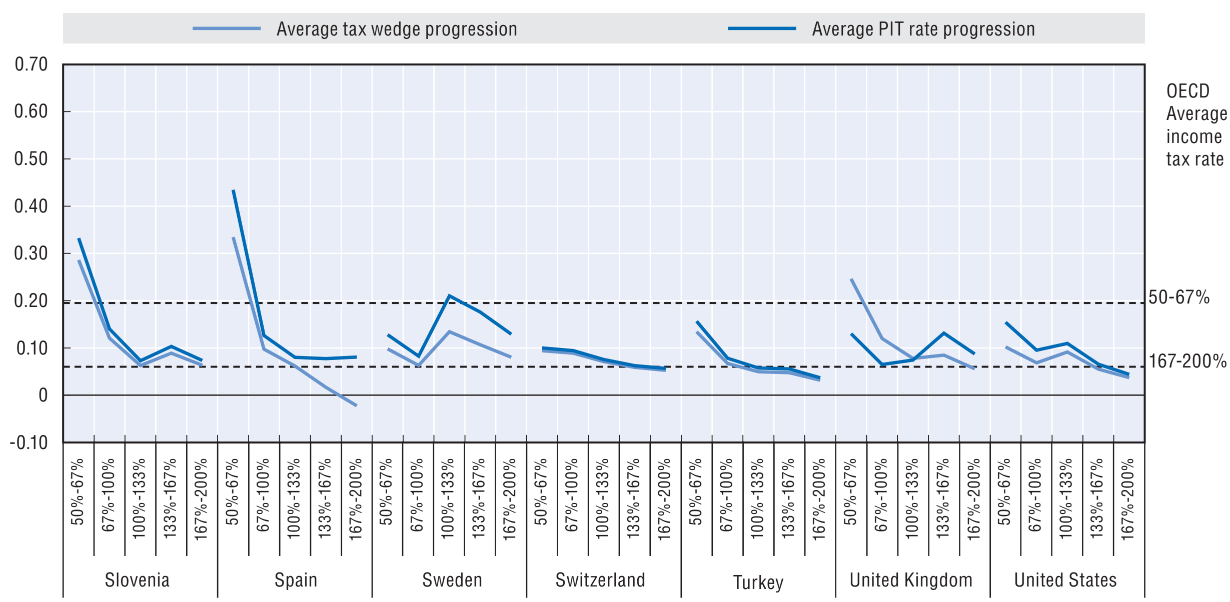


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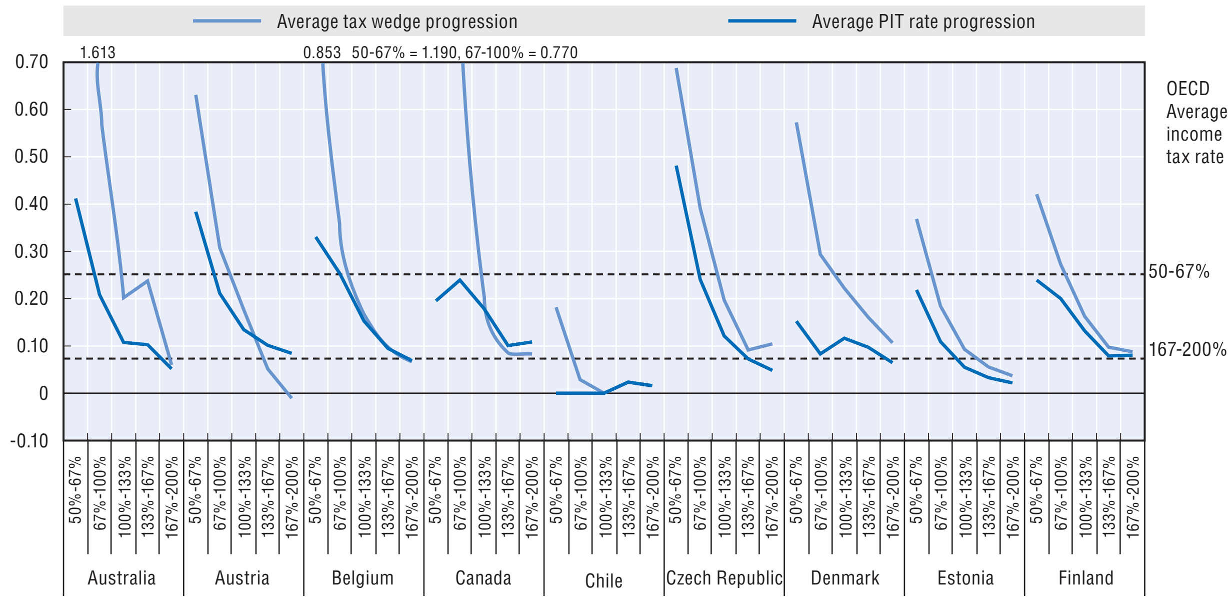
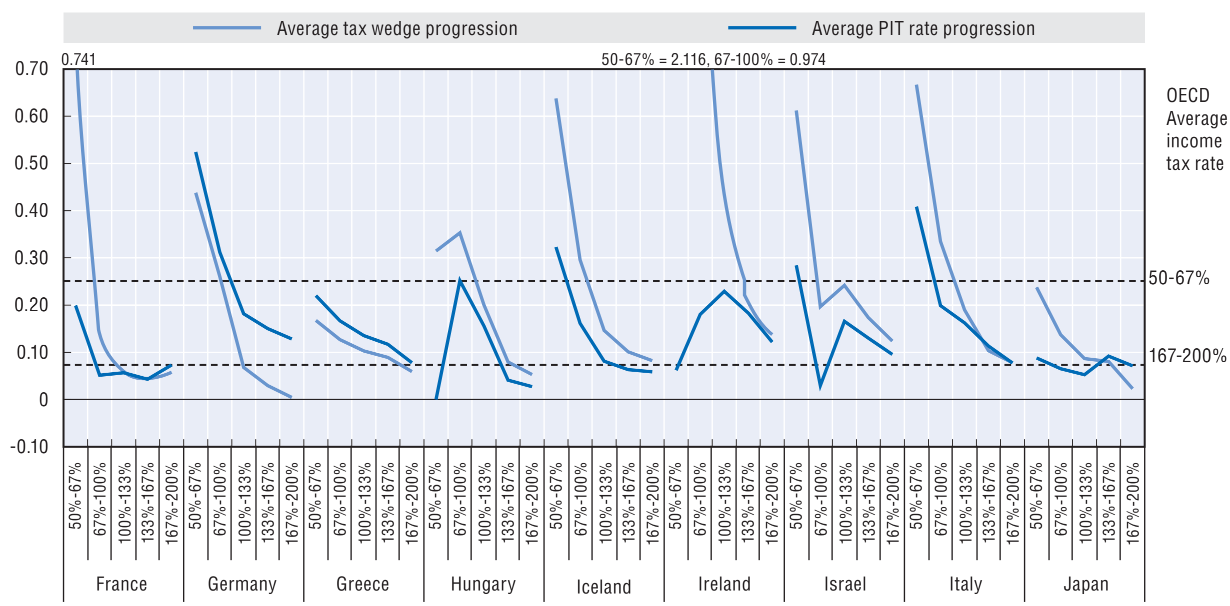
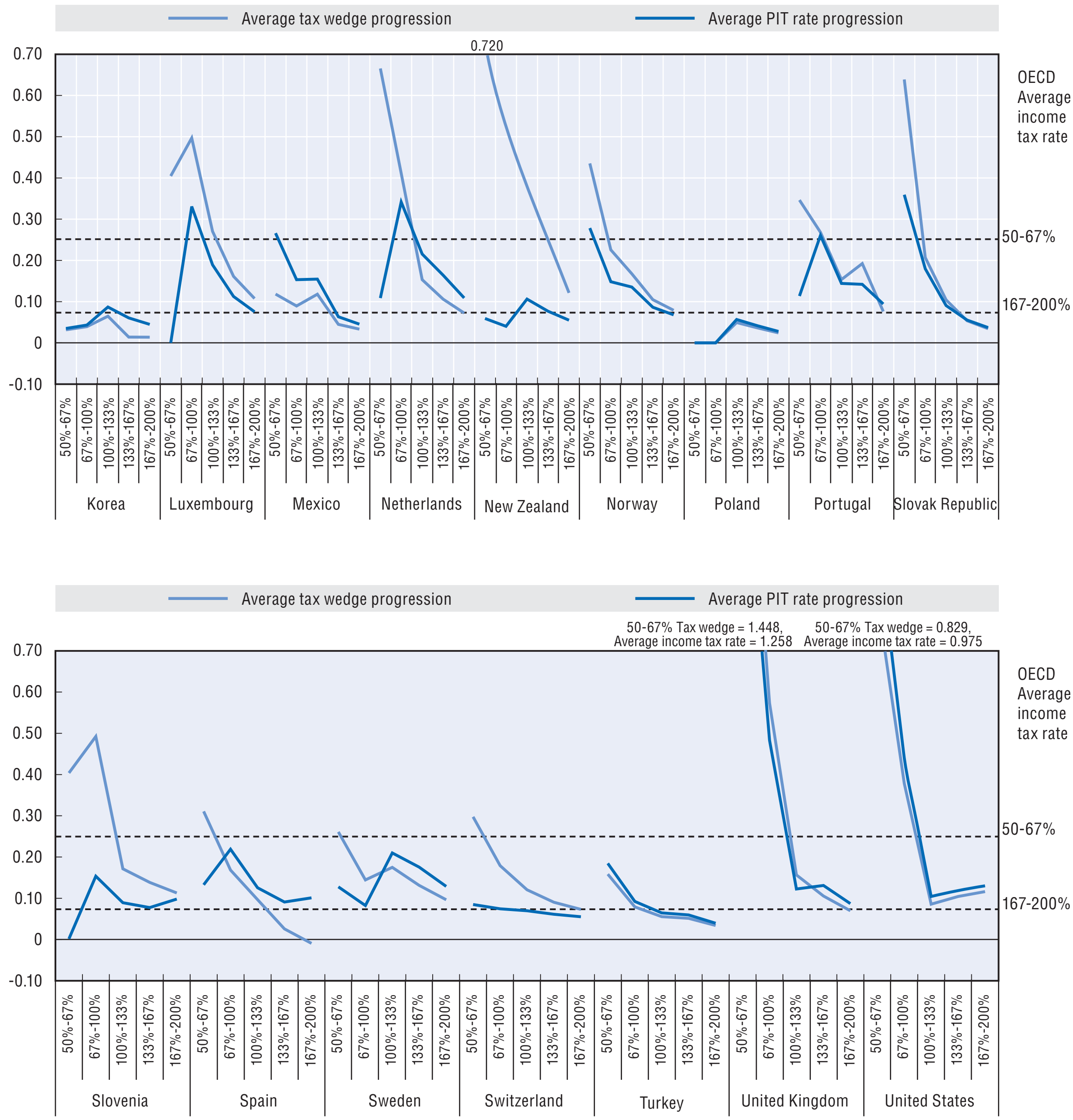
Figure S.A.2. **Average rate progression in 2011 for single parents with 2 children**





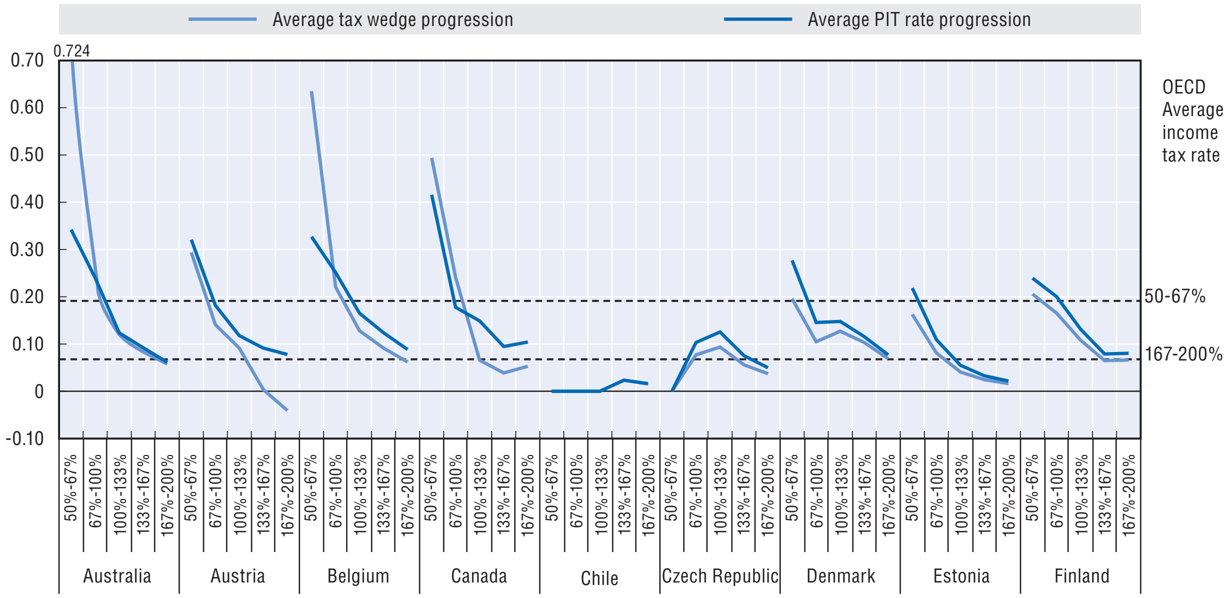
Information on data for Israel: *http://dx.doi.org/10.1787/888932315602.*

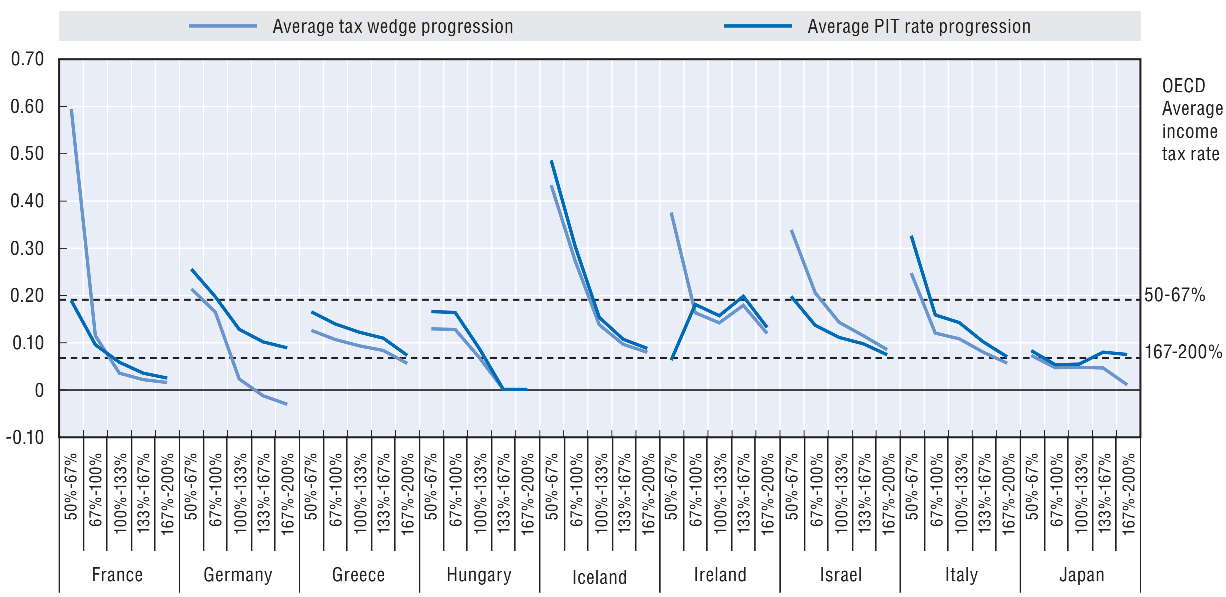
Figure S.A.2. **Average rate progression in 2011 for single parents with 2 children** *(cont.)*



StatLink http://dx.doi.org/10.1787/888932783895

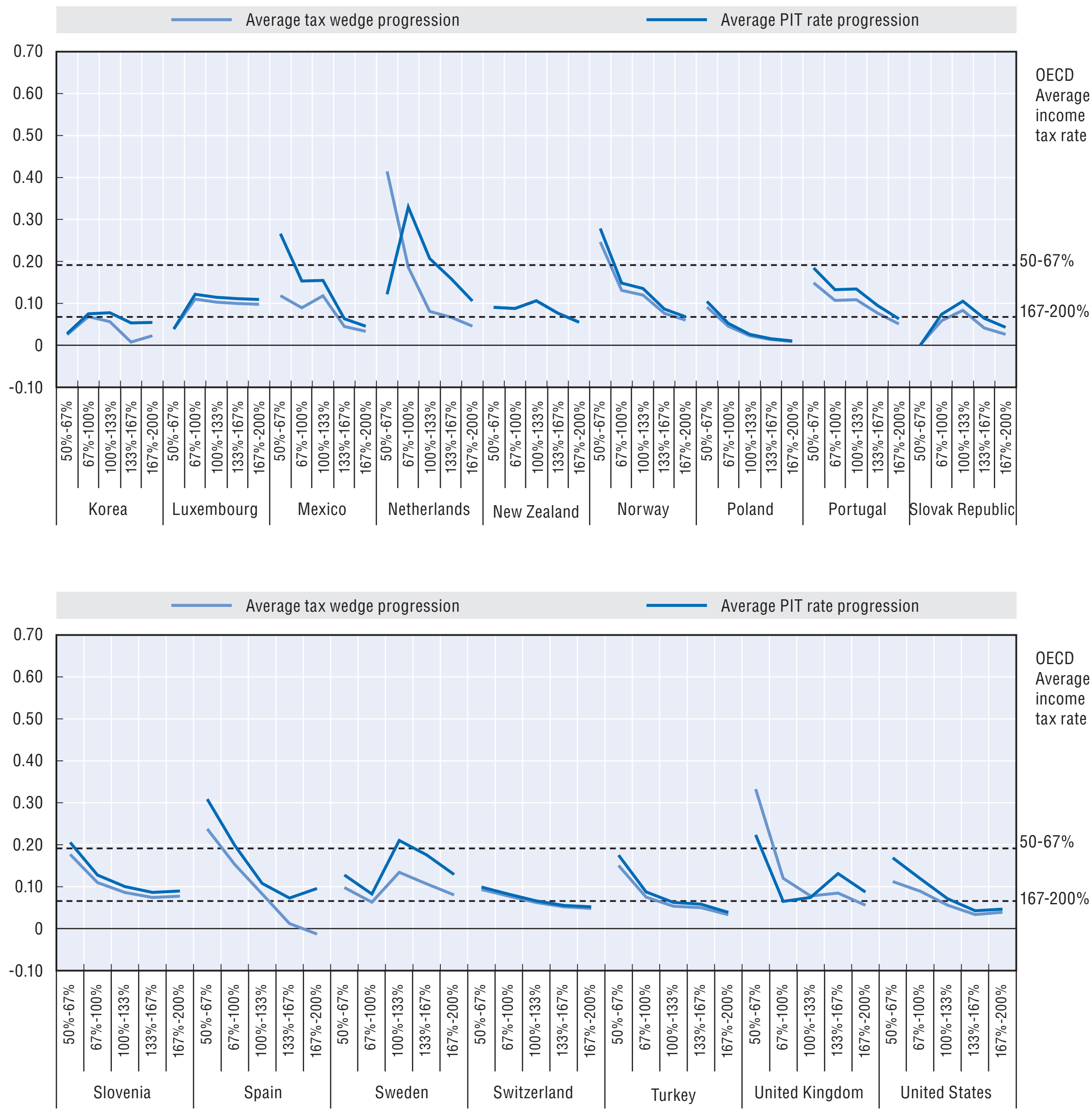
Figure S.A.3. **Average rate progression in 2011 for one-earner married couples without children**





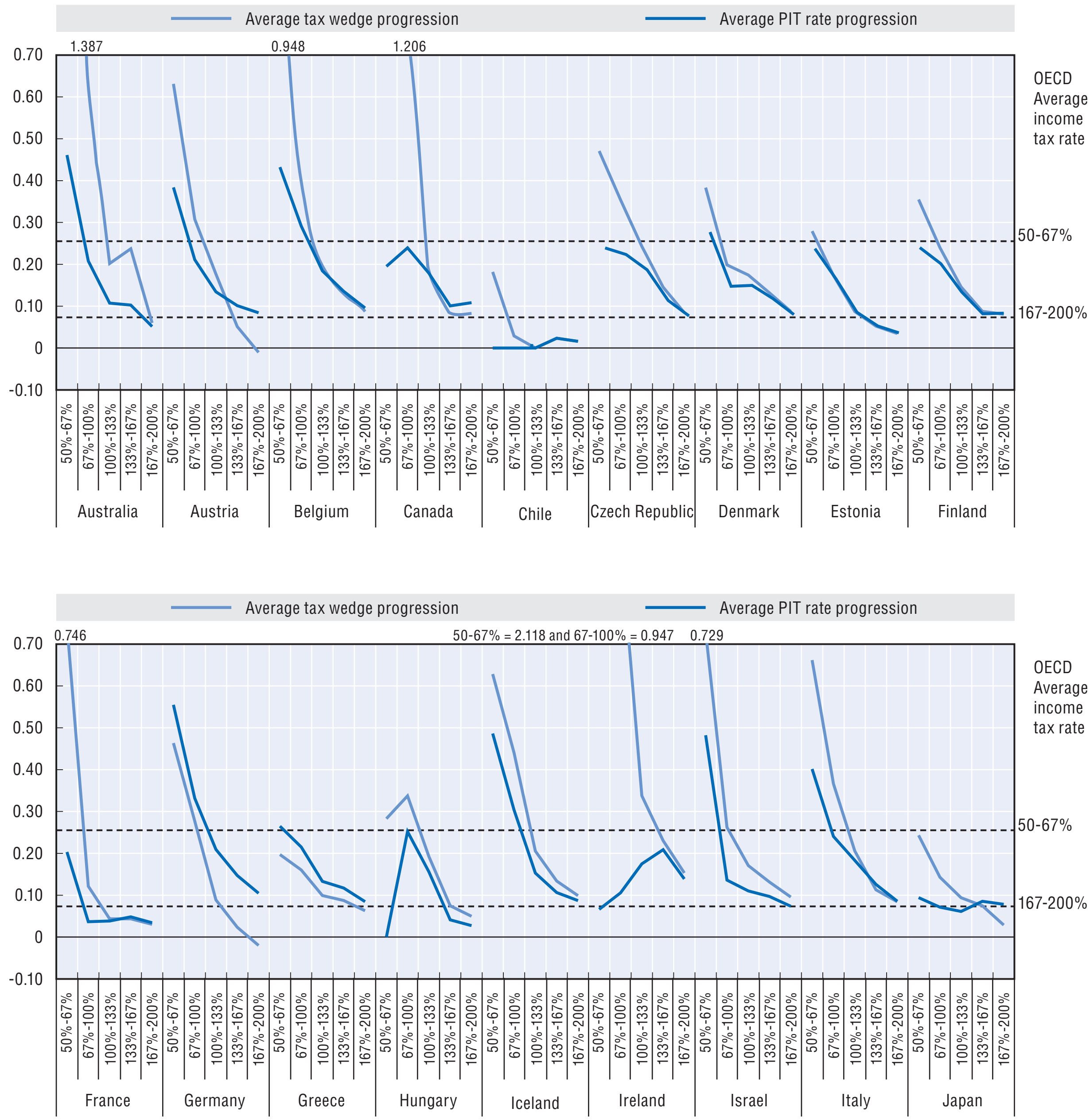
Information on data for Israel: *http://dx.doi.org/10.1787/888932315602.*

Figure S.A.3. **Average rate progression in 2011 for one-earner married couples without children** *(cont.)*



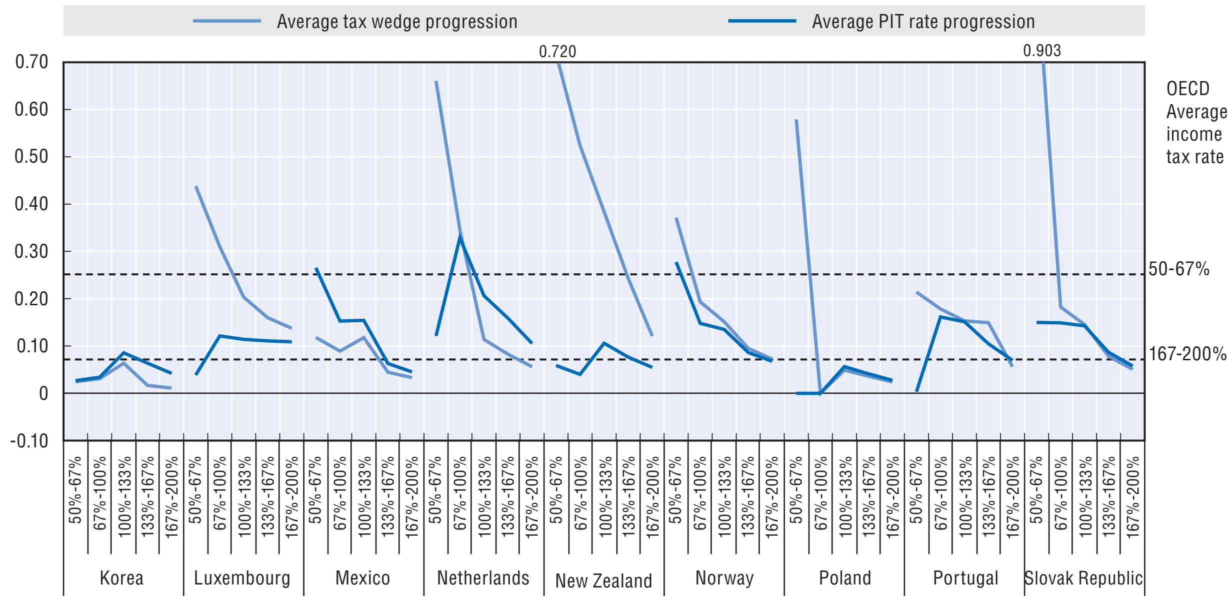
StatLink http://dx.doi.org/10.1787/888932783914

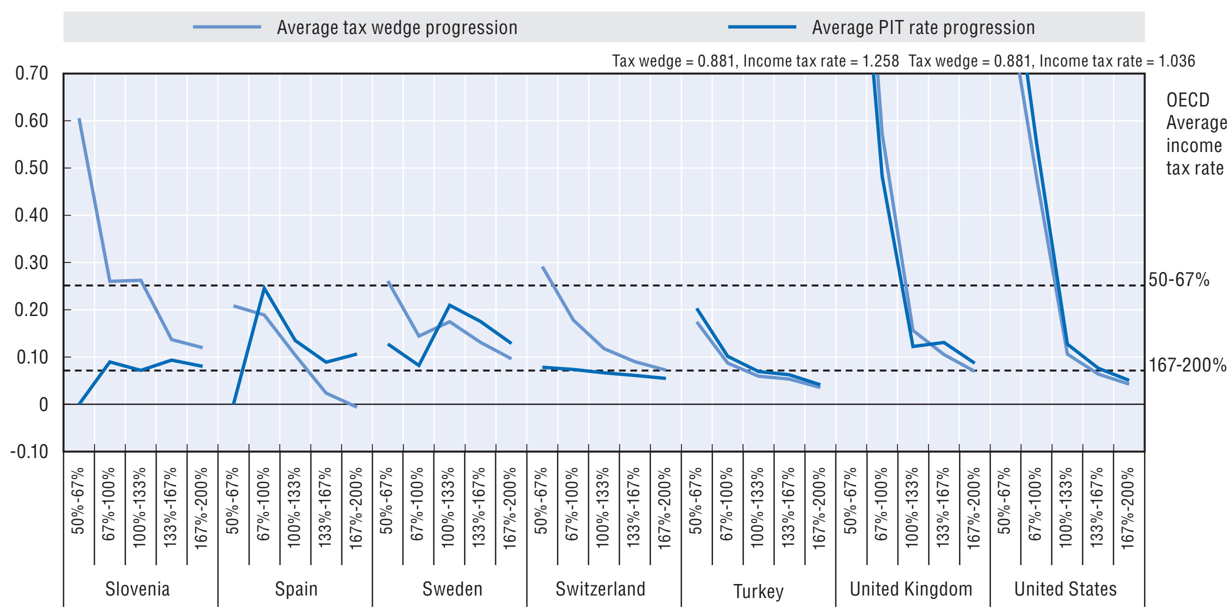
Figure S.A.4. **Average rate progression in 2011 for one-earner married couples with 2 children**



Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

Figure S.A.4. **Average rate progression in 2011 for one-earner couples with 2 children** *(cont.)*



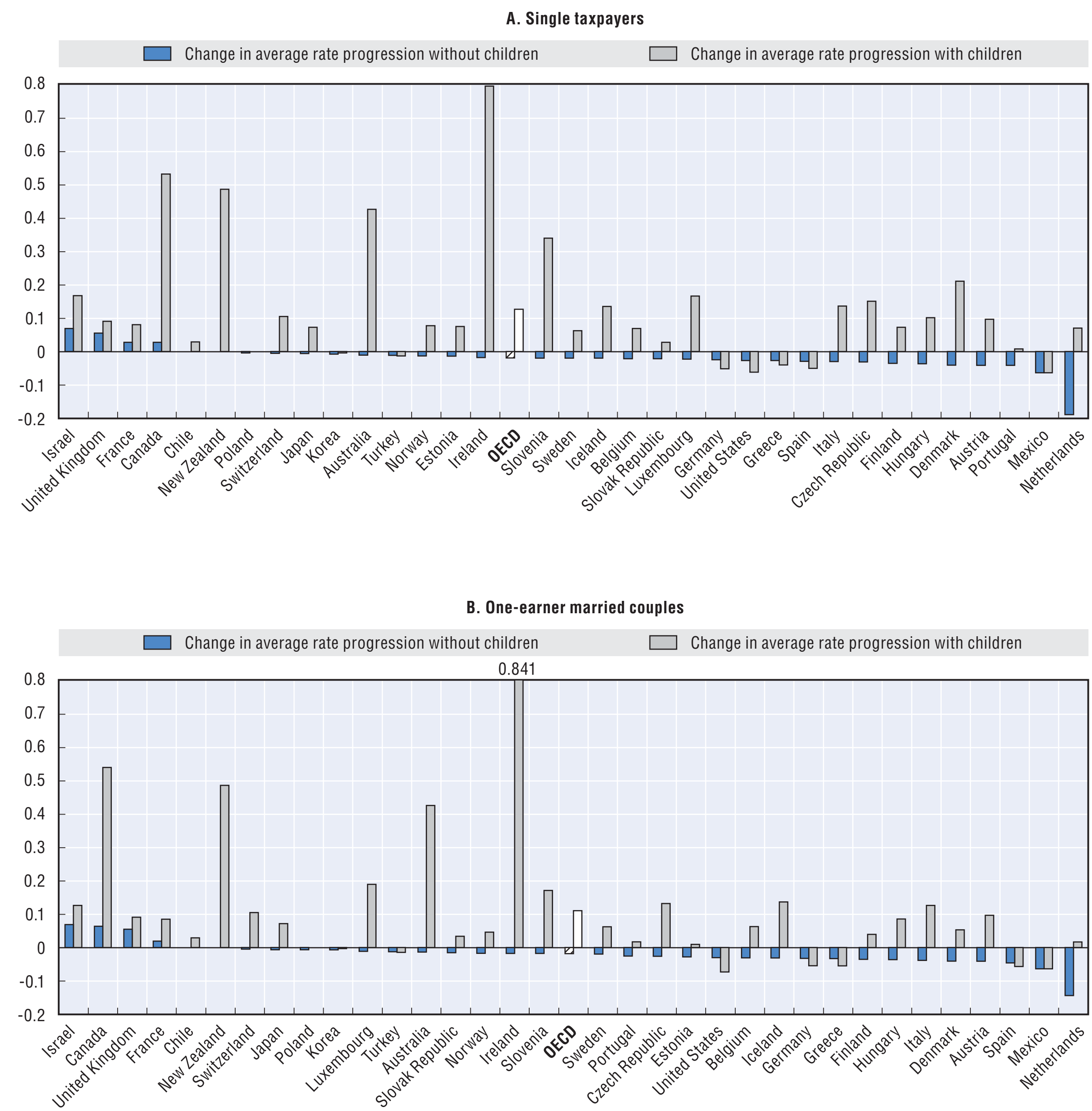


StatLink http://dx.doi.org/10.1787/888932783933

ANNEX S.B

Average tax wedge net of PIT rate progression for households with and without children

Figure S.B.1. **Average tax wedge net of PIT rate progression for households with and without children at the second income interval**

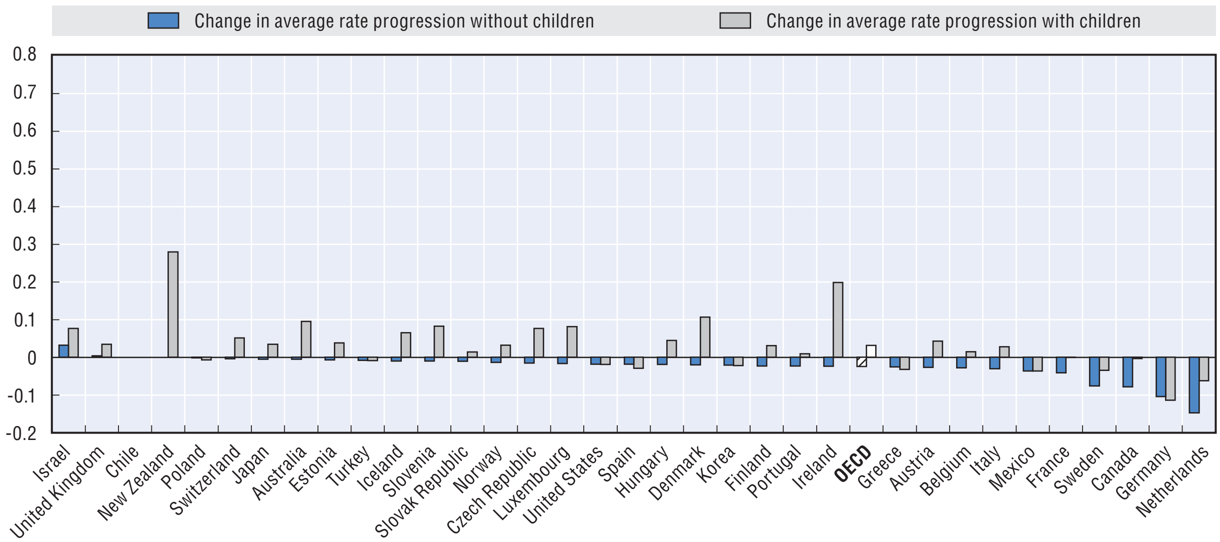


Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

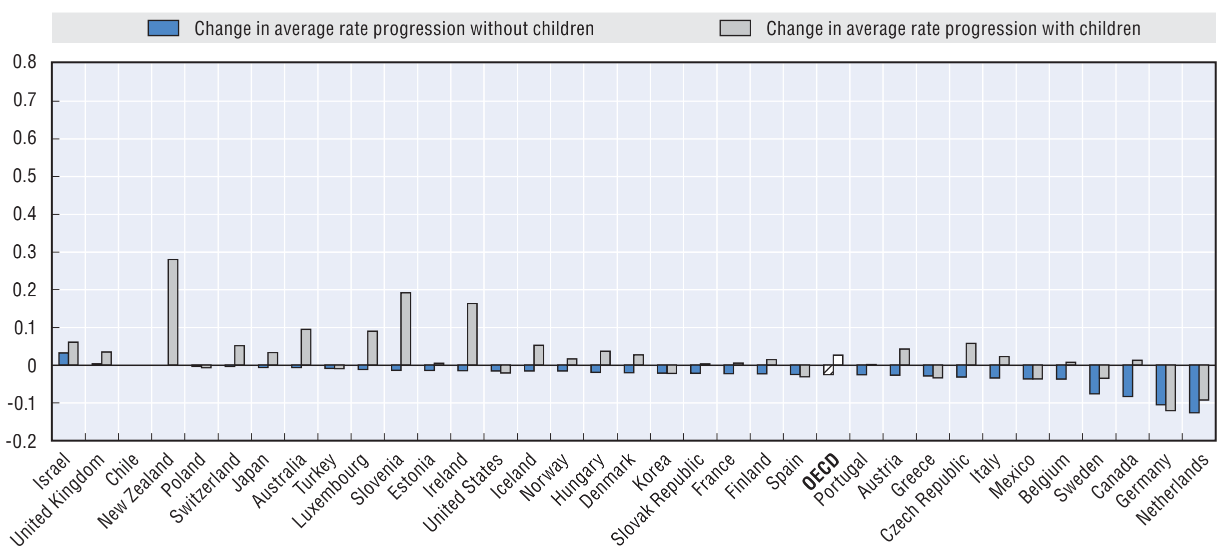
StatLink *http://dx.doi.org/10.1787/888932783952*

Figure S.B.2. **Average tax wedge net of PIT rate progression for households with and without children at the third income interval**

A. Single taxpayers



B. One-earner married couples

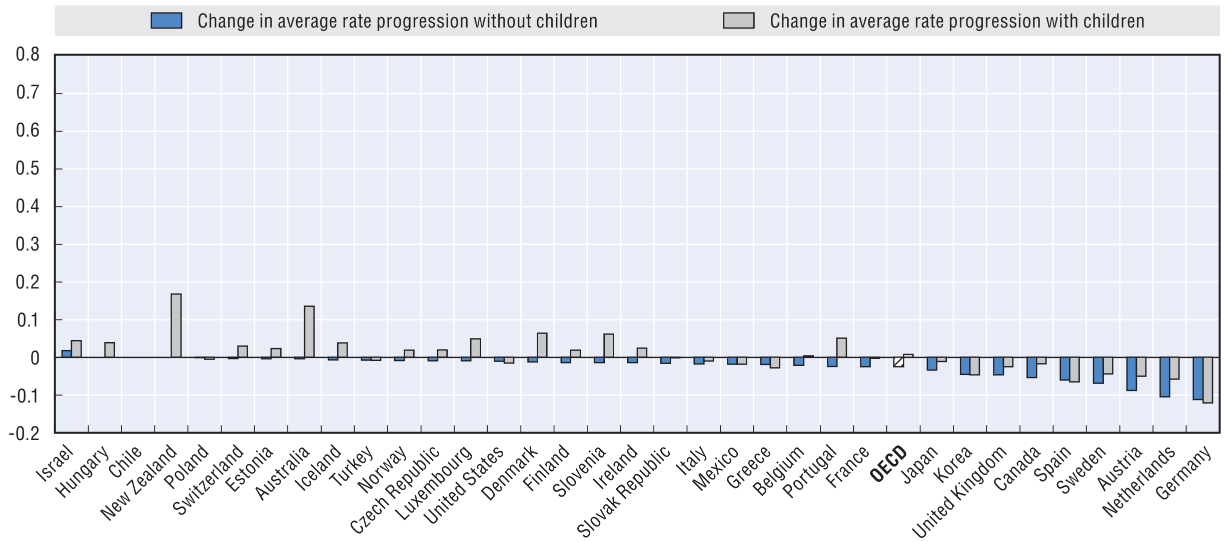


Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

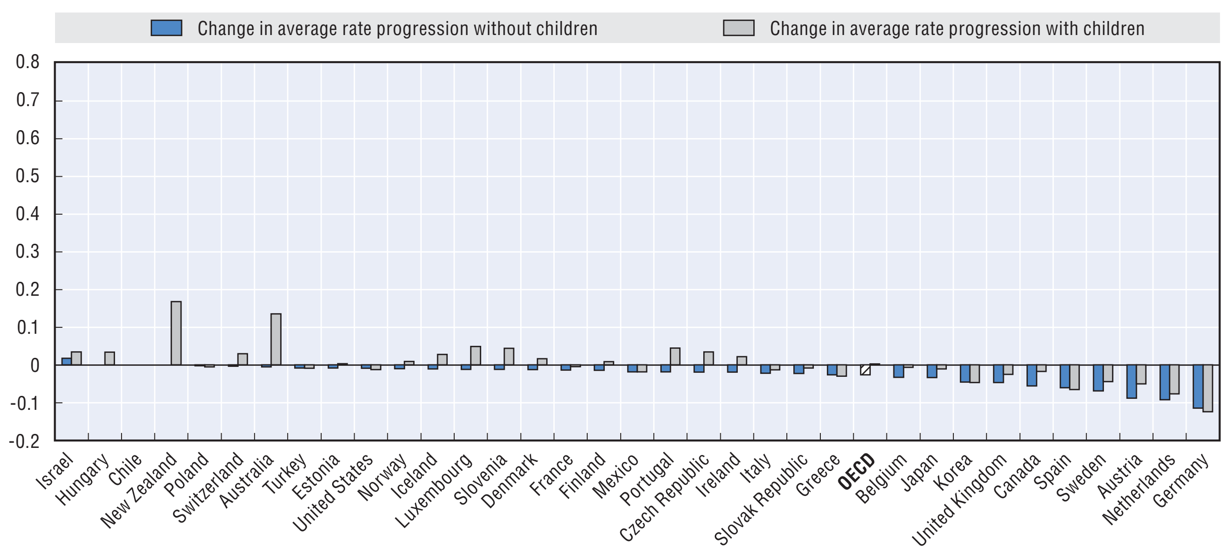
StatLink *http://dx.doi.org/10.1787/888932783971*

Figure S.B.3. **Average tax wedge net of PIT rate progression for households with and without children at the fourth income interval**

A. Single taxpayers



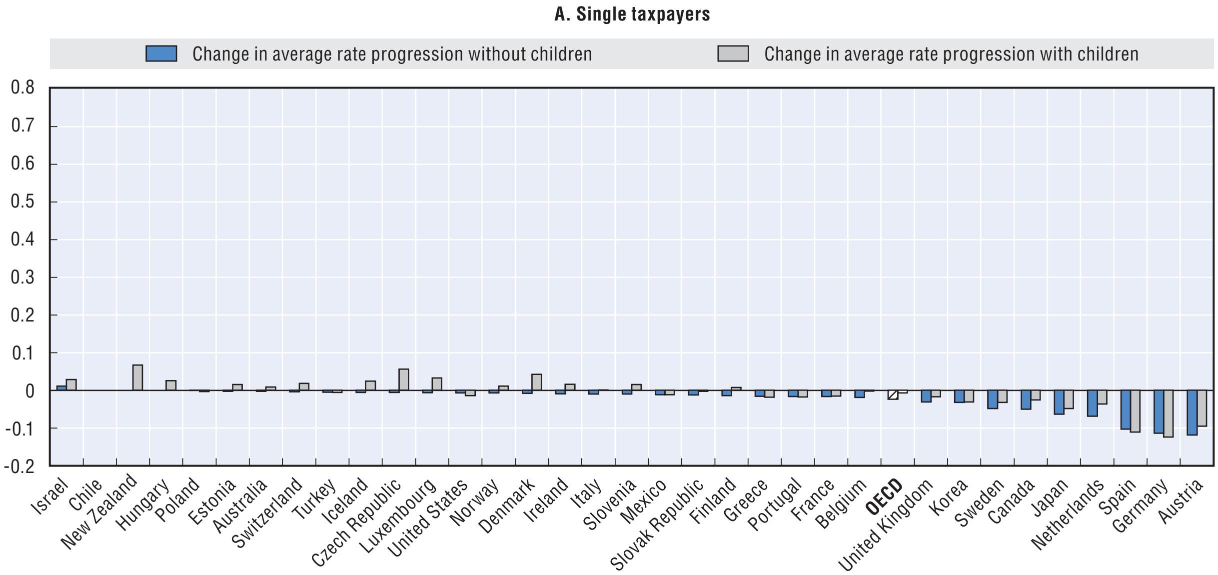
B. One-earner married couples

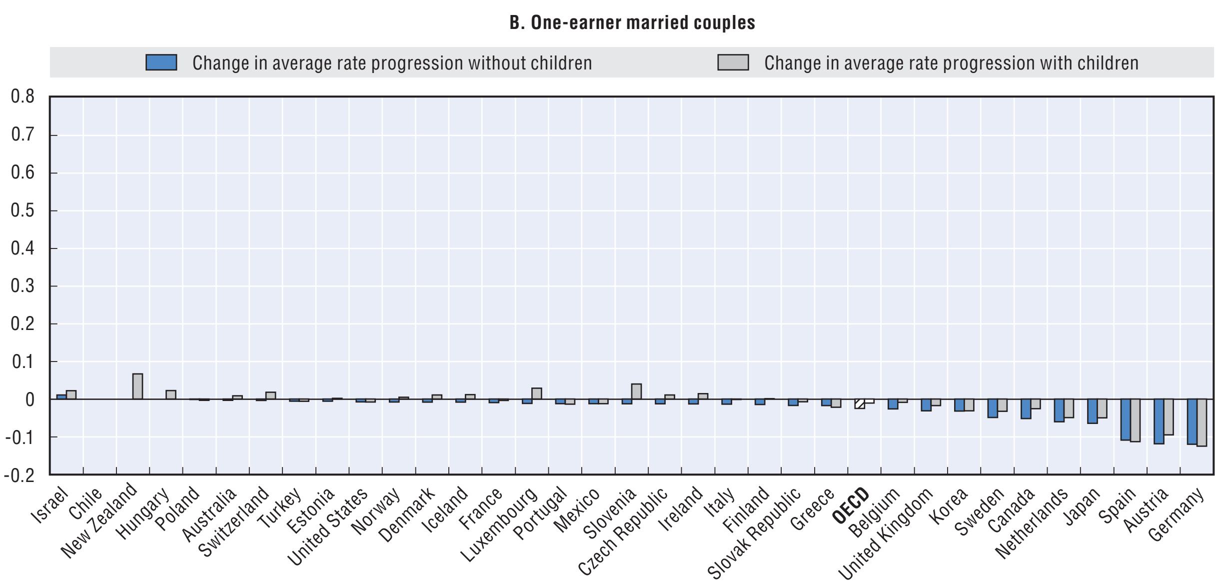


Information on data for Israel: *http://dx.doi.org/10.1787/888932315602.*

StatLink *http://dx.doi.org/10.1787/888932783990*

Figure S.B.4. **Average tax wedge net of PIT rate progression for households with and without children at the top income interval**





Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

StatLink http://dx.doi.org/10.1787/888932784009

PART I

International Comparisons

This Section provides unique information for each of the OECD countries on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. It provides detailed results for 2012; definitive results for 2011 and discusses the changes between the two years. Results reported include the marginal and average tax burden for eight different family types.

Tax burdens, 2012 estimates

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

Table I.1 and Figure I.1 in Part I show the average tax wedge (combined burden of income tax, employee and employer social security contributions) taking into account the amount of cash benefits each specific family-type is entitled to. Total levies due minus transfers received are expressed as a percentage of total labour costs, defined as gross wage *plus* employers' social security contributions (including payroll taxes). In the case of a single person at the average wage level the wedge ranges from 7.0 per cent (Chile) and 16.4 per cent (New Zealand) to 50.2 per cent (France) and 56.0 per cent (Belgium). For a one-earner married couple with two children at the same wage level the wedge is lowest in New Zealand (0.6 per cent) and Ireland (6.4 per cent) and highest in Greece (43.0 per cent) and France (43.1 per cent). As stated in Section 2.3 of the Overview, the wedge tends to be lower for a married couple with two-children at this wage level than for a single individual without children due to receipt of cash benefits and/or more advantageous tax treatment. It is also interesting to note that the wedge for a single parent with two children earning 67 per cent of the average wage level is negative in Israel (-0.8 per cent), Australia (-4 per cent), Canada (-7.1 per cent), New Zealand (-18.4 per cent) and Ireland (-25.6 per cent). This result is because the value of the cash benefits received by these families plus any applicable non-wastable tax credits exceeds the sum of the total tax and social security contributions that are due.

Table I.2 and Figure I.2 present the combined burden of the personal income tax and employee social security contributions, expressed as a percentage of gross wage earnings (the corresponding measures for income tax and employee contributions separately are shown in Tables I.4 and I.5). A single person at the average wage level without children is liable to an average tax plus contributions burden of over 40 per cent in Belgium (42.8 per cent). The lowest average rates (below 20 per cent) were in Estonia (19.9 per cent), Ireland (18.0 per cent), Switzerland (16.5 per cent), New Zealand (16.4 per cent), Israel (15.5 per cent), Korea (13.0 per cent), Mexico (9.5 per cent) and Chile (7.0 per cent).

Table I.3 shows the combined burden of income tax and employee social security contributions with the levies due being reduced by the entitlement to cash benefits for each family-type. Figure I.3 illustrates this burden for single individuals without children and one-earner married couples with two children at average earnings, respectively. Comparing Tables I.2 and I.3, the average tax rates for families with children (columns 4-7) are lower in Table I.3, because many OECD countries support families with children through cash benefits. A lower burden is observed for a single individual *without* children at 67 per cent of the average wage in the case of Canada because of a cash transfer paid to mitigate the burden imposed by the federal consumption tax (further details can be found in the country chapter contained in Part III of this Report) and in Denmark for single taxpayers at 67 and 100 per cent of the average wage and two-earner married couples without children, one partner at average earnings and the other partner at 33 per cent of the average wage, receiving a green check to compensate for increased environmental taxes.

Cash benefits are provided in a majority of OECD countries. For single parents with two children earning 67 per cent of the average wage level, 26 countries provide benefits that range from 45.8 per cent of income (Ireland) to 0.9 per cent (Chile). The benefits are at least 25 per cent of income in 4 other countries: Australia (25.4 per cent), Denmark (25.8 per cent), Canada (27.9 per cent) and New Zealand (33.0 per cent). 25 countries provide benefits for a one-earner married couple with two children earning 100 per cent of the average wage level, although these are less generous relative to income, ranging from 15.8 per cent (New Zealand) to 3.5 per cent (Iceland). The lower level of importance of cash benefits for the married couple can be attributed to three reasons: single parents may be eligible for more generous treatment; the benefits themselves may be fixed in absolute amount; and/or the benefits may be subject to income testing.

Table I.4 shows personal income tax due as a percentage of gross wage earnings. For single persons without children at the average wage (column 2) – the income tax burden varies between 0 per cent (Chile) and 36.2 per cent (Denmark). In most OECD member countries, at the average wage level, the income tax burden for one-earner married couples with two children is substantially lower than that faced by single persons (compare columns 2 and 5). This difference is clearly illustrated in Figure I.4. In twelve OECD countries, the income tax burden faced by a one-earner married couple with two children is less than half that faced by a single individual (the Czech Republic, Germany, Hungary, Ireland, Korea, Luxembourg, Poland, Portugal, the Slovak Republic, Slovenia, Switzerland and the United States). In contrast, there is no difference in seven countries – Chile, Finland, Israel, Mexico, New Zealand, Sweden and the United Kingdom.

There are only two OECD member countries where a married average worker with 2 children faces a personal income tax burden less than zero. This result is due to non-wastable tax credits, whereby credit amounts in excess of the taxes otherwise due are paid to the family, resulting in a tax burden of -5.4 in the Czech Republic and -2.7 per cent in the Slovak Republic. Similarly, in five countries – the Czech Republic, Germany, the Slovak Republic, the United Kingdom and the United States – single parents with two children earning 67 per cent of the average wage show a negative tax burden as their non-wastable credits exceeding the taxes otherwise due. In seven other countries – Chile, Israel, Luxembourg, Mexico, Poland, Portugal and Slovenia – this family-type pays no or almost no income tax.

A comparison of columns 5 and 6 in Table I.4 demonstrates that if the previously non-employed spouse finds a job which pays 33 per cent of the average wage level, the income tax burden of the family (now expressed as a percentage of 4/3 times the average wage level) will (slightly) rise in eighteen countries, the largest increases being in the Czech Republic (7.6 percentage points) and Germany (5.7 percentage points). However, the income tax burden will actually fall in thirteen countries, the largest falls being in Israel (-5.2 percentage points) and Mexico (-4.6 percentage points).

An important consideration in the design of an income tax is progressivity – the rate at which the income tax burden increases with income. A comparison of columns 1 to 3 in Table I.4 provides an insight into the levels of progressivity in the income tax systems of OECD countries. Comparing the income tax burden of single individuals at the average wage level with their counterparts at 167 per cent of the average (columns 2 and 3), the lower paid worker faces a lower tax burden in all OECD countries. Similarly, single individuals at 67 per cent of the average wage level pay a lower percentage of their income in income tax (columns 1 and 2) than the average except in Chile where these workers do not pay income tax. Finally the burden faced by single individuals at 67 per cent of the average wage level is less than one-quarter of the burden faced by their counterparts at 167 per cent in four OECD countries: in Chile, the tax burden is entirely eliminated, in Mexico, it is 98 per cent eliminated and in Korea and the Netherlands, the corresponding figures are 83 and 82 per cent respectively.

The addition of social security contributions to the average tax rate reduces this progressivity as well as the proportional fiscal savings enjoyed by families (compare Table I.2 and Table I.4). The OECD average tax burden of single individuals at 67 per cent of the average wage level is only 32 per cent lower than their counterparts at 167 per cent compared to the OECD average savings of 51 per cent for personal income taxes alone. The average fiscal savings observed for one-earner married couples with two children at 100 per cent of the average wage level relative to single individuals falls from 38 per cent to 21 per cent. These lower figures are consistent with the observation that there is little variation between social security contribution rates across family types, as shown in Table I.5.

Table I.5 shows employee social security contributions as a percentage of gross wage earnings. For a single worker without children at the average wage level (column 2) the rate of contributions varies between zero per cent (Australia and New Zealand) and 22.1 per cent (Slovenia). Only Australia and New Zealand levy no social security contributions at all on employees, though they are very low for employees in some other countries – Iceland (0.5 per cent), Mexico (1.4 per cent), Denmark (2.7 per cent) and Estonia (2.8 per cent). Social security contributions are usually levied at a flat rate on all earnings, i.e. without any exempt threshold. In a number of OECD member countries a ceiling applies. However, this "capping" provision usually applies to wage levels higher than 167 per cent of the average wage. This rate structure is reflected in a roughly constant average burden of employee social security contributions for most countries between 33 and 167 per cent of average wage earnings. Some typical examples of the proportional burden of employee social security contributions for all family-types at all wage levels considered here, are (in decreasing order) Slovenia (22.1 per cent), Hungary (18.5 per cent), Poland (17.8 per cent), Greece (16.5 per cent), Turkey (15 per cent), the Czech Republic and Portugal (11 per cent), Norway (7.8 per cent), Chile (7.0 per cent), the United States (5.7 per cent) and Estonia (2.8 per cent).

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

Marginal rates

Assuming a marginal increase in labour costs, Table I.6 and Figure I.6 show the percentage of the rise in labour costs that is deducted through the personal income tax and both employee and employer (including payroll taxes) social security contributions. Therefore, they trace the marginal wedge. In most cases, the marginal tax wedge absorbs 25-55 per cent of a rise in labour costs for single individuals without children at 100 per cent of the average wage level. However, in four OECD countries these individuals face higher marginal wedges – Belgium (69.7 per cent), Austria (60.6 per cent), Germany (60.3 per cent) and France (59.8 per cent). Mexico (23.4 per cent) and Chile (7.0 per cent) have the lowest marginal tax rates.

In twenty OECD member countries, the marginal tax wedge for one-earner married couples at average earnings with 2 children is either the same or within 5 percentage points as that for single persons at average wage earnings with no children. The marginal wedge is more than 5 percentage points lower for the one-earner married couples in eight countries: Luxembourg (17.3 percentage points), France (11.3 percentage points), the United States (9.3 percentage points), Portugal (8.5 percentage points), Germany (7.7 percentage points), Poland (7.6 percentage points), Slovenia (7.4 percentage points) and Switzerland (5.7 percentage points). In contrast, in the Czech Republic (5.5 percentage points), Netherlands (6.9 percentage points), Australia (18.9 percentage points), New Zealand (21.3 percentage points), Canada (27.2 percentage points) and Ireland (37.4 percentage points), the marginal rate for one-earner married couples with two children is more than 5 percentage points higher than it is for single workers with no children.

Table I.7 and Figure I.7 show the incremental change to personal income tax and employee social security contributions less cash benefits when gross wage earnings rise marginally. As in the case of the tax wedge, in most cases personal income tax and employee social security contributions absorb 25-50 per cent of a worker's pay rise for single individuals without children at 100 per cent of the average wage level. The marginal tax rate is lower than 25 per cent only in Chile (7.0 per cent), Mexico (17.6 per cent), Korea (21.6 per cent), Estonia (23.2 per cent) and Switzerland (23.3 per cent) and it exceeds 50 per cent in Belgium (59.4 per cent).

As in the case of the tax wedge, in twenty OECD member countries, the marginal personal tax rate for one-earner married couples at the average wage level is either the same or within five percentage points as that for single persons with no children. The marginal rate is more than 5 percentage points lower for the one-earner married couples in eight countries: Luxembourg (19.4 percentage points), France (16.2 percentage points), Portugal (10.5 percentage points), the United States (10 percentage points), Germany (9.3 percentage points), Poland (8.9 percentage points), Slovenia (8.5 percentage points) and Switzerland (6.1 percentage points). By contrast, in the Czech Republic (7.3 percentage points), the Netherlands (7.7 percentage points), Australia (20 percentage points), New Zealand (21.3 percentage points), Canada (29.9 percentage points) and Ireland (41.4 percentage points), the marginal rate for one-earner married couples with two children is more than 5 percentage points higher than it is for single persons with no children. These higher marginal rates are due to the phase out of income-tested tax reliefs and/or cash transfers. When an income-tested measure is being phased out, the reduction in the relief or benefit compounds the increase in the tax otherwise payable. These programmes are set out in greater detail in the relevant country chapters, in Part III of the Report.

Table I.8 shows the percentage increase in net income when gross wage earnings increase by 1 currency unit in gross wages, i.e. the elasticity of after-tax income.[1] Under a proportional tax system, net income would increase by the same percentage as the increase in gross earnings, in which case the elasticity is equal to 1. The elasticity is measured as 0.8 when an increase of gross wage by 1 currency unit leads to a corresponding rise of net take-home pay of only 0.8 of a unit. The more progressive the system is – at the income level considered – the lower this elasticity will be. In the case, for example, of the one-earner married households at the average wage level, column 5 of Table I.8 shows that of all OECD member countries Ireland (0.27), Canada (0.38), New Zealand (0.49), Australia (0.54), the Czech Republic (0.58) and Belgium (0.59) have, on this measure, the most progressive system of income tax plus employee social security contributions at this income level. In contrast, Chile and Poland (1.00), Korea and Turkey (0.92), Mexico (0.91), France and Japan (0.90) either implement or are close to a proportional system of income tax plus employee social security contributions – at least for this family type.

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

Table I.9 provides a different elasticity measure: the percentage increase in net income when labour costs (i.e. gross wage earnings plus employer social security contributions and payroll taxes) rise by 1 currency unit.[2] In this case taxes and social security contributions paid by employers are also part of the analysis. In most OECD member countries the value of this elasticity lies between 0.5 and 0.97 for the family-types being considered. This elasticity is below 0.5 for single parents earning 67 per cent of the average wage level in Australia (0.40), Canada (0.37), Ireland and the United Kingdom (0.26), and for one-earner married households at the average wage level with two children in New Zealand (0.49), Canada (0.39) and Ireland (0.27). In contrast, the elasticity is greater than or equal to 0.97 for some family types in Austria, Chile, Estonia, Germany, Japan, Korea, Poland, the Slovak Republic and Spain. It is interesting to mention that under this elasticity measure the income tax system is regressive for a single individual at 167 per cent of average earnings in Spain (1.06), Germany (1.14) and Austria (1.19).

Table I.10 sets out figures for gross wage earnings and net income for the eight selected family-types after all amounts have been converted into U.S. dollars with the same purchasing power. Single workers with the average wage take home (see Table I.10, column 4) over USD 37 000 in six countries: Switzerland (USD 50 945), Korea (USD 41 117), the United Kingdom (USD 38 952), Luxembourg (USD 39 112), Norway (USD 39 080) and the Netherlands (USD 37 868). The corresponding lowest levels were in Mexico (USD 10 195) and in Hungary (USD 13 566). In the case of a one-earner married couple with two children at the average earnings level, families take home over USD 50 000 in Luxembourg and Switzerland; with the lowest level again being in Mexico. It is interesting to observe that with the exceptions of Chile and Mexico, the one-earner married couple takes home more than the single individual at the average wage due to the favourable tax treatment of this family and/or the cash transfers to which they are entitled.

Table I.11 shows the corresponding figures to Table I.10 for Labour costs and net income. So the "net" columns in Tables I.10 and I.11 are identical. Usually, labour costs are found to be much higher, because any employer social security contributions (including payroll taxes) are now taken into account. If measured in US dollars with equal purchasing power, labour costs for single workers earning the average wage level are the highest in Belgium (USD 69 066) and Germany (USD 67 031), and the lowest in Mexico (USD 12 581) and Chile (USD 15 666). It is interesting to note that the annual labour costs are equal to the annual gross wage in Chile, Denmark and New Zealand. In those countries neither employer social security contributions nor payroll taxes are levied on wages. However, employers in Chile and Denmark are subject to non-tax compulsory payments related to notably pension schemes.

Notes

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

Table I.1. **Income tax plus employee and employer contributions less cash benefits, 2012**

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[2]	Married 2 ch 100-67 (% AW)[2]	Married no ch 100-33 (% AW)[2]
Australia	21.5	27.2	33.0	-4.0	16.5	18.6	24.9	23.4
Austria	44.2	48.9	51.4	27.9	38.0	37.8	41.2	45.1
Belgium	50.5	56.0	61.0	36.9	41.4	42.6	49.0	48.8
Canada	26.1	30.8	32.9	-7.1	18.2	23.7	26.9	27.7
Chile	7.0	7.0	7.9	6.1	7.0	4.8	6.6	7.0
Czech Republic	39.3	42.4	44.9	14.6	20.7	29.8	34.0	40.2
Denmark	37.0	38.6	45.1	11.7	27.8	32.5	34.2	37.2
Estonia	39.2	40.4	41.4	26.1	32.3	35.0	36.6	39.2
Finland	36.7	42.5	48.5	25.5	37.3	34.9	37.1	38.8
France	47.1	50.2	54.0	39.0	43.1	41.0	45.6	46.4
Germany	45.6	49.8	51.2	31.4	34.2	39.0	42.5	45.6
Greece	38.6	41.9	47.0	37.6	43.0	41.4	41.9	41.2
Hungary	47.6	49.4	50.6	21.7	33.6	34.8	39.1	47.2
Iceland	29.9	34.5	39.0	20.6	22.7	28.8	32.5	30.1
Ireland	20.1	25.9	38.2	-25.6	6.4	12.6	18.0	19.6
Israel	12.5	19.2	27.4	-0.8	15.1	10.0	12.7	16.1
Italy	44.5	47.6	53.0	28.7	38.3	40.2	43.0	44.5
Japan	29.9	31.2	34.1	23.3	25.5	27.0	28.0	30.3
Korea	18.0	21.0	22.6	17.3	18.5	18.5	18.6	20.0
Luxembourg	28.9	35.8	43.1	2.7	13.3	17.6	23.0	27.4
Mexico	13.5	19.0	21.9	13.5	19.0	16.6	16.8	16.6
Netherlands	33.2	38.6	42.3	11.2	32.0	29.6	31.8	34.5
New Zealand	13.1	16.4	22.4	-18.4	0.6	8.7	14.7	15.2
Norway	34.3	37.6	43.2	21.9	31.3	32.0	33.8	35.0
Poland	34.6	35.5	36.2	29.6	29.6	30.9	32.2	34.6
Portugal	32.0	36.7	42.5	21.7	26.9	28.1	31.4	32.0
Slovak Republic	36.9	39.6	41.6	24.5	25.8	30.4	33.6	36.6
Slovenia	38.5	42.3	47.3	12.5	22.8	28.9	34.1	40.0
Spain	37.0	41.4	43.6	29.9	35.4	36.9	37.9	38.0
Sweden	40.7	42.8	50.7	32.8	37.5	37.1	38.8	41.1
Switzerland	18.6	21.5	26.0	4.2	9.5	12.2	15.3	19.1
Turkey[1]	36.1	38.2	41.6	35.0	36.9	37.7	38.4	38.3
United Kingdom	28.2	32.3	38.1	8.4	27.9	24.9	28.0	28.2
United States	27.4	29.6	34.4	9.3	18.4	23.0	24.8	28.0
Unweighted average								
OECD-Average	**32.0**	**35.6**	**39.9**	**16.8**	**26.1**	**27.9**	**30.8**	**32.7**
OECD-EU 21	**38.1**	**41.8**	**46.3**	**21.4**	**30.8**	**32.7**	**35.9**	**38.4**

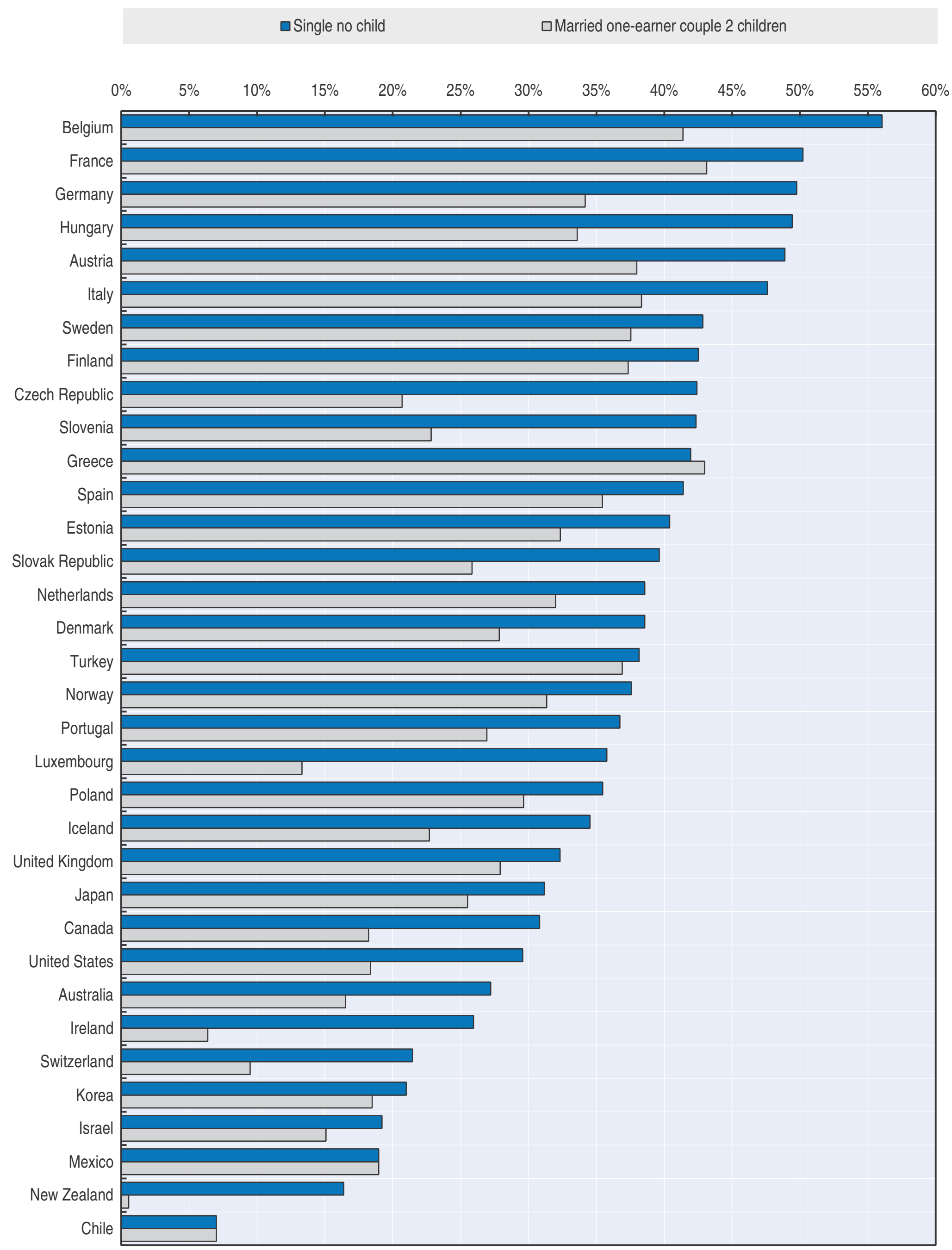
Note: ch = children

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

StatLink http://dx.doi.org/10.1787/888932786137

Figure I.1. **Income tax plus employee and employer contributions less cash benefits, 2012**

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



1. Corresponds to Table I.1, columns 2 and 5.

Source: OECD calculations based on country submissions and *OECD Economic Outlook*, Volume 2012 (No. 92).

StatLink http://dx.doi.org/10.1787/888932784028

Table I.2. **Income tax plus employee contributions, 2012**

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[2]	Married 2 ch 100-67 (% AW)[2]	Married no ch 100-33 (% AW)[2]
Australia	16.8	22.9	29.1	15.2	21.8	18.0	20.5	18.8
Austria	28.0	34.0	38.6	24.9	31.9	28.7	31.3	29.1
Belgium	36.4	42.8	49.5	31.1	31.8	33.6	38.8	35.4
Canada	18.7	22.6	26.7	8.2	16.0	18.1	20.2	19.2
Chile	7.0	7.0	7.9	7.0	7.0	7.0	7.0	7.0
Czech Republic	18.7	22.8	26.1	5.3	5.6	13.2	15.8	19.9
Denmark	37.5	38.9	45.1	37.5	34.8	37.7	38.3	37.7
Estonia	18.2	19.9	21.2	13.3	13.3	15.8	17.2	18.2
Finland	22.3	29.4	36.7	22.3	29.4	24.8	26.6	24.8
France	26.3	28.3	33.9	21.3	22.3	22.0	25.2	26.3
Germany	34.9	39.9	43.8	18.0	21.3	27.0	31.3	34.9
Greece	21.1	25.4	31.9	19.7	26.7	24.7	25.3	24.4
Hungary	34.5	35.0	36.5	21.4	26.3	28.3	29.6	34.9
Iceland	24.4	29.4	34.3	24.4	20.2	24.7	27.4	24.7
Ireland	11.5	18.0	31.5	6.7	10.4	11.4	15.4	11.4
Israel	9.0	15.5	23.7	5.4	15.5	9.3	11.4	12.5
Italy	26.7	30.8	37.9	19.6	24.2	23.5	26.5	26.6
Japan	19.7	21.2	25.0	19.7	19.8	20.3	20.6	20.3
Korea	9.7	13.0	15.7	8.9	10.2	10.2	10.3	11.8
Luxembourg	20.2	27.9	36.1	12.7	17.3	18.5	22.3	18.5
Mexico	1.5	9.5	14.0	1.5	9.5	4.8	6.3	4.8
Netherlands	26.5	31.9	38.1	12.3	28.7	25.4	27.0	27.8
New Zealand	13.1	16.4	22.4	14.6	16.4	15.2	15.7	15.2
Norway	25.6	29.4	35.8	21.9	26.9	26.5	27.9	26.5
Poland	23.6	24.6	25.4	17.8	17.8	19.3	20.8	23.6
Portugal	15.9	21.7	28.8	11.1	14.0	14.0	17.5	15.9
Slovak Republic	19.3	22.8	25.4	11.7	10.7	15.1	18.3	18.9
Slovenia	28.5	33.1	38.8	22.1	24.7	25.7	27.6	30.3
Spain	18.2	23.9	28.1	8.9	16.1	18.1	19.4	19.5
Sweden	22.1	24.9	35.2	22.1	24.9	22.6	23.8	22.6
Switzerland	13.5	16.5	21.5	8.6	10.7	11.9	14.1	14.1
Turkey[1]	25.6	27.9	32.0	24.3	26.5	27.4	28.2	28.1
United Kingdom	21.4	24.9	30.7	7.1	24.9	21.4	23.5	21.4
United States	19.6	22.7	28.6	-0.5	10.4	14.7	17.2	20.2
Unweighted average								
OECD-Average	**21.1**	**25.1**	**30.5**	**15.5**	**19.6**	**20.0**	**22.0**	**21.9**
OECD-EU 21	**24.4**	**28.6**	**34.3**	**17.5**	**21.8**	**22.4**	**24.8**	**24.9**

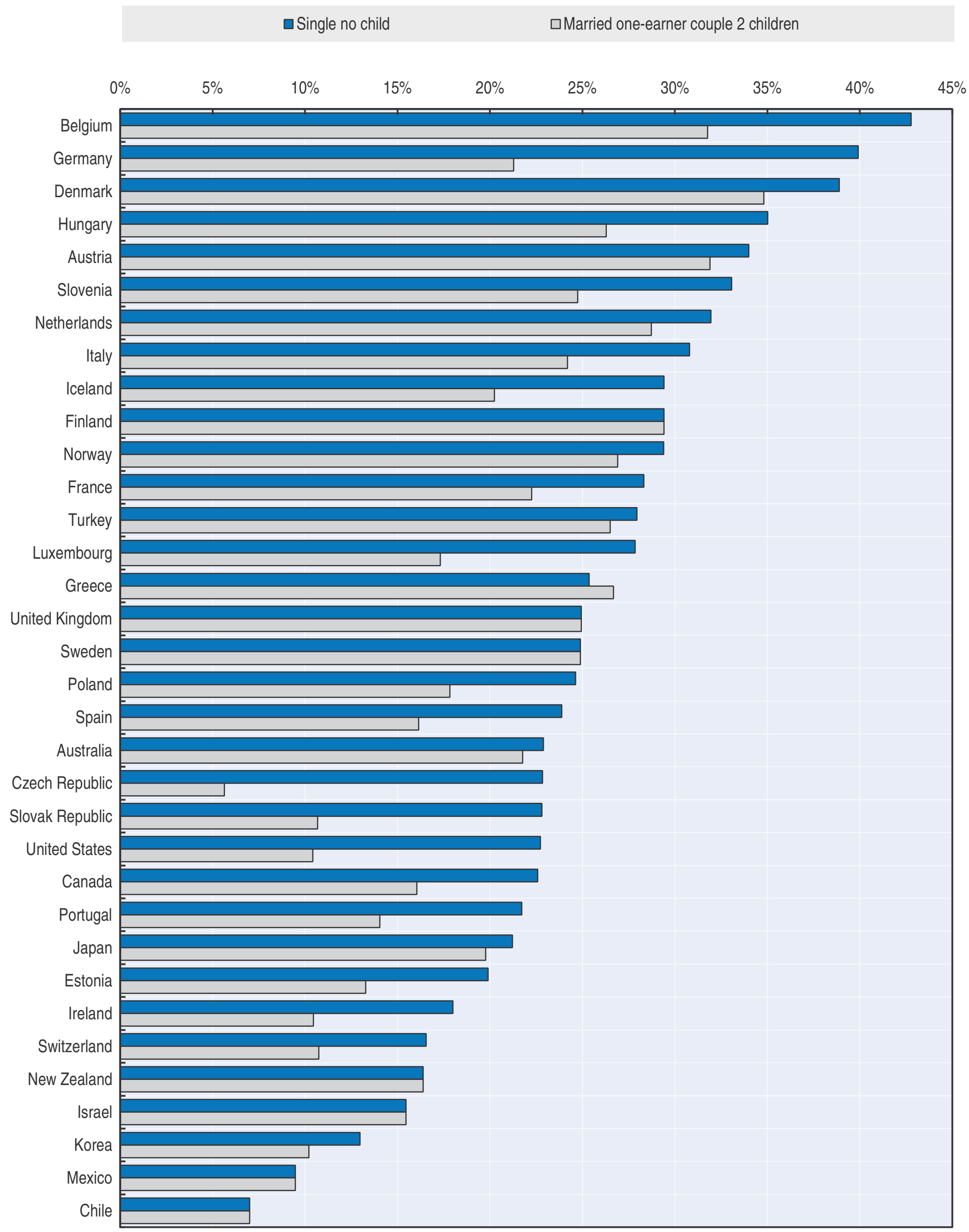
Note: ch = children

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

StatLink http://dx.doi.org/10.1787/888932786156

Figure I.2. **Income tax plus employee contributions, 2012**

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



1. Corresponds to Table I.2, columns 2 and 5.

Source: Country submissions, OECD *Economic Outlook Volume 2012* (No. 92).

StatLink http://dx.doi.org/10.1787/888932784047

Table I.3. **Income tax plus employee contributions less cash benefits, 2012**

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[2]	Married 2 ch 100-67 (% AW)[2]	Married no ch 100-33 (% AW)[2]
Australia	16.8	22.9	29.1	-10.2	11.6	13.7	20.5	18.8
Austria	28.0	34.0	38.6	6.9	19.9	19.7	24.1	29.1
Belgium	36.4	42.8	49.5	18.9	23.7	27.5	34.0	35.4
Canada	17.4	22.6	26.7	-19.7	8.5	14.8	18.3	19.2
Chile	7.0	7.0	7.9	6.1	7.0	4.8	6.6	7.0
Czech Republic	18.7	22.8	26.1	-14.5	-6.3	5.9	11.6	19.9
Denmark	37.0	38.6	45.1	11.7	27.8	32.5	34.2	37.2
Estonia	18.2	19.9	21.2	0.7	9.1	12.6	14.7	18.2
Finland	22.3	29.4	36.7	8.6	23.1	20.1	22.8	24.8
France	26.3	28.3	33.9	15.0	18.1	18.9	22.7	26.3
Germany	34.9	39.9	43.8	18.0	21.3	27.0	31.3	34.9
Greece	21.1	25.4	31.9	19.7	26.7	24.7	25.3	24.4
Hungary	34.5	35.0	36.5	2.0	14.7	19.6	22.6	34.9
Iceland	24.4	29.4	34.3	14.4	16.7	23.2	27.2	24.7
Ireland	11.5	18.0	31.5	-39.1	-3.7	3.7	9.2	11.4
Israel	9.0	15.5	23.7	-4.8	11.1	6.0	8.8	12.5
Italy	26.7	30.8	37.9	5.8	18.5	21.1	24.7	26.6
Japan	19.7	21.2	25.0	12.2	14.8	16.5	17.6	20.3
Korea	9.7	13.0	15.7	8.9	10.2	10.2	10.3	11.8
Luxembourg	20.2	27.9	36.1	-9.3	2.6	7.5	13.5	18.5
Mexico	1.5	9.5	14.0	1.5	9.5	4.8	6.3	4.8
Netherlands	26.5	31.9	38.1	2.4	24.7	22.4	24.6	27.8
New Zealand	13.1	16.4	22.4	-18.4	0.6	8.7	14.7	15.2
Norway	25.6	29.4	35.8	11.7	22.4	23.1	25.2	26.5
Poland	23.6	24.6	25.4	17.8	17.8	19.3	20.8	23.6
Portugal	15.9	21.7	28.8	3.1	9.6	11.0	15.1	15.9
Slovak Republic	19.3	22.8	25.4	3.4	5.2	11.0	15.0	18.9
Slovenia	28.5	33.1	38.8	-1.6	10.4	17.5	23.5	30.3
Spain	18.2	23.9	28.1	8.9	16.1	18.1	19.4	19.5
Sweden	22.1	24.9	35.2	11.7	17.9	17.3	19.6	22.6
Switzerland	13.5	16.5	21.5	-1.7	3.8	6.7	10.0	14.1
Turkey[1]	25.6	27.9	32.0	24.3	26.5	27.4	28.2	28.1
United Kingdom	21.4	24.9	30.7	-0.2	20.0	17.7	20.6	21.4
United States	19.6	22.7	28.6	-0.5	10.4	14.7	17.2	20.2
Unweighted average								
OECD-Average	**21.0**	**25.1**	**30.5**	**3.3**	**13.8**	**16.2**	**19.4**	**21.9**
OECD-EU 21	**24.3**	**28.6**	**34.3**	**4.3**	**15.1**	**17.9**	**21.4**	**24.8**

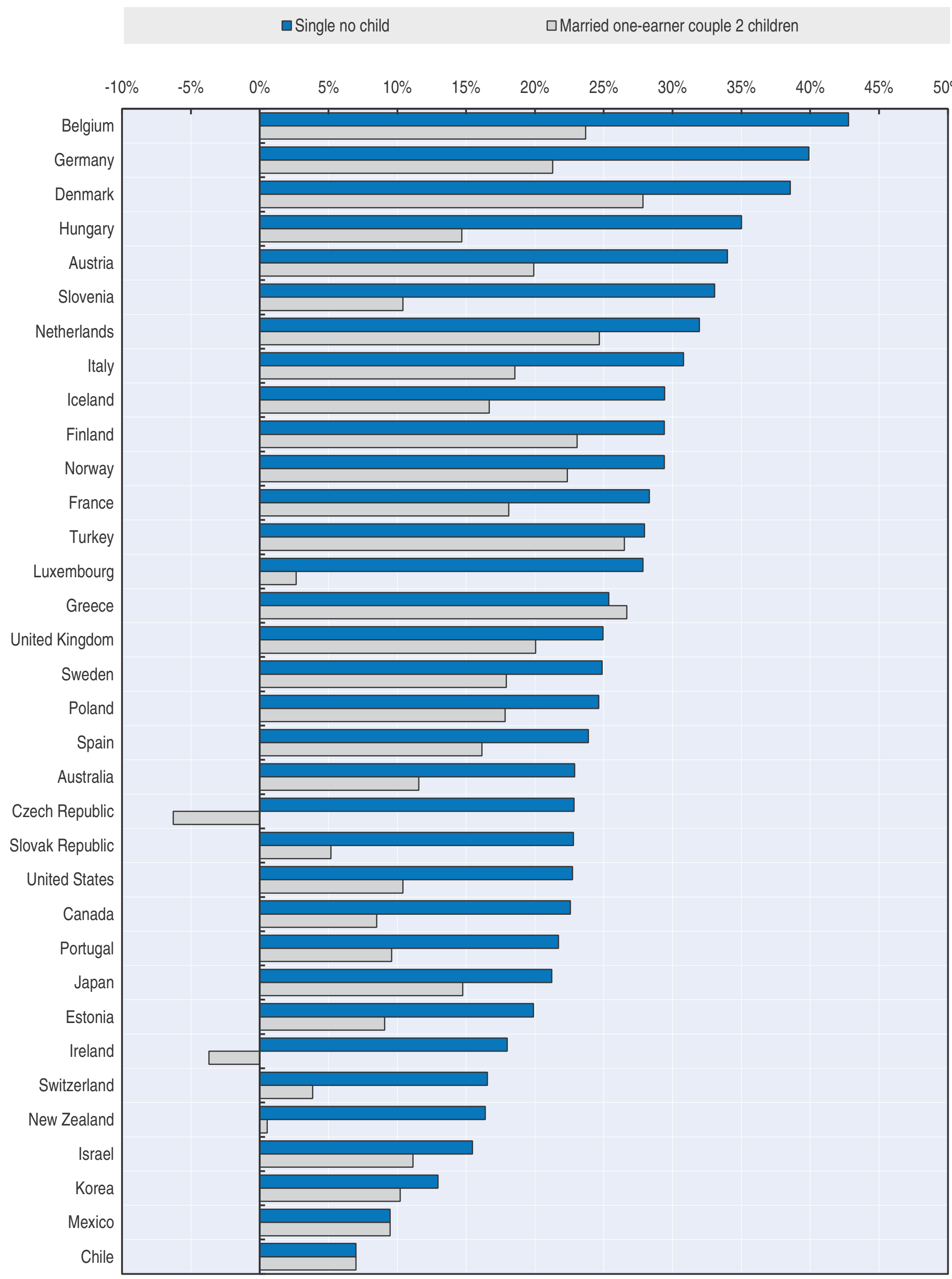
Note: ch = children

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

StatLink http://dx.doi.org/10.1787/888932786175

Figure I.3. **Income tax plus employee contributions less cash benefits, 2012**

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



1. Corresponds to Table I.3, columns 2 and 5.

Source: OECD calculations based on country submissions and *OECD Economic Outlook*, Volume 2012 (No. 92).

StatLink http://dx.doi.org/10.1787/888932784066

Table I.4. **Income tax, by family-type and wage level, 2012**

As % of gross wage earnings

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[2]	Married 2 ch 100-67 (% AW)[2]	Married no ch 100-33 (% AW)[2]
Australia	16.8	22.9	29.1	15.2	21.8	18.0	20.5	18.8
Austria	9.9	15.9	22.9	6.9	13.8	11.4	13.2	11.7
Belgium	22.4	28.8	35.5	17.1	17.8	22.8	24.8	24.6
Canada	11.6	15.2	21.7	1.0	8.7	11.2	12.9	12.3
Chile	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0
Czech Republic	7.7	11.8	15.1	-5.7	-5.4	2.2	4.8	8.9
Denmark	33.4	36.2	43.4	33.4	32.1	33.6	35.1	33.6
Estonia	15.4	17.1	18.4	10.5	10.5	13.0	14.4	15.4
Finland	14.8	21.8	29.0	14.8	21.8	17.4	19.0	17.4
France	12.6	14.6	20.9	7.6	8.6	8.4	11.5	12.6
Germany	14.2	19.2	27.8	-2.5	0.8	6.5	10.8	14.2
Greece	4.6	8.9	15.4	3.2	10.2	8.2	8.8	7.9
Hungary	16.0	16.5	18.0	2.9	7.8	9.8	11.1	16.4
Iceland	23.7	28.9	34.0	23.7	19.7	24.0	26.8	24.0
Ireland	8.7	14.8	28.0	3.9	7.3	9.1	12.4	9.1
Israel	3.6	7.9	14.3	0.0	7.9	2.7	4.7	5.9
Italy	17.2	21.3	28.3	10.1	14.7	14.0	17.0	17.1
Japan	6.0	7.5	11.8	6.0	6.1	6.6	6.9	6.6
Korea	1.5	4.8	8.7	0.7	2.1	2.1	2.2	3.7
Luxembourg	7.9	15.5	23.8	0.5	5.0	6.2	10.0	6.2
Mexico	0.3	8.1	12.5	0.3	8.1	3.5	5.0	3.5
Netherlands	5.1	16.5	28.8	3.2	16.3	12.5	11.8	12.6
New Zealand	13.1	16.4	22.4	14.6	16.4	15.2	15.7	15.2
Norway	17.8	21.6	28.0	14.1	19.1	18.7	20.1	18.7
Poland	5.8	6.8	7.6	0.0	0.0	1.5	3.0	5.8
Portugal	4.9	10.7	17.8	0.1	3.0	3.0	6.5	4.9
Slovak Republic	5.9	9.4	12.3	-1.7	-2.7	1.7	4.9	5.5
Slovenia	6.4	11.0	16.7	0.0	2.6	3.6	5.5	8.2
Spain	11.8	17.5	22.3	2.6	9.8	11.7	13.0	13.1
Sweden	15.1	17.9	30.4	15.1	17.9	15.6	16.8	15.6
Switzerland	7.2	10.3	15.3	2.4	4.5	5.7	7.9	7.8
Turkey[1]	10.6	12.9	17.0	9.3	11.5	12.4	13.2	13.1
United Kingdom	13.2	15.5	23.1	-1.1	15.5	13.2	14.6	13.2
United States	14.0	17.1	22.9	-6.1	4.8	9.0	11.5	14.6
Unweighted average								
OECD-Average	**11.2**	**15.3**	**21.3**	**5.9**	**9.9**	**10.4**	**12.2**	**12.3**
OECD-EU 21	**12.1**	**16.6**	**23.1**	**5.8**	**9.9**	**10.7**	**12.8**	**13.1**

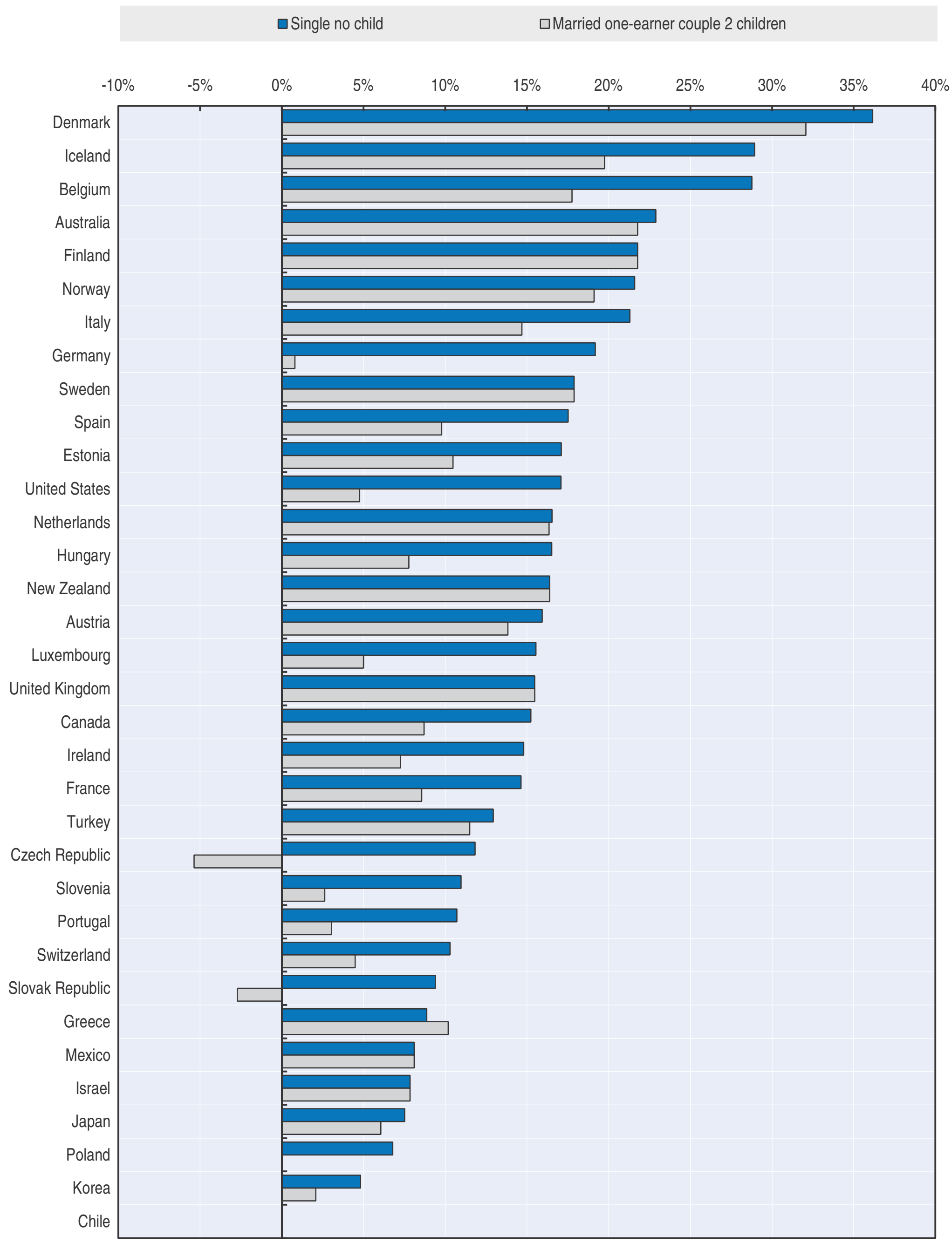
Note: ch = children

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

StatLink http://dx.doi.org/10.1787/888932786194

Figure I.4. **Income tax, by family-type, 2012**

As % of gross wage earnings[1]



1. Corresponds to Table I.4, columns 2 and 5.

Source: OECD calculations based on country submissions and *OECD Economic Outlook*, Volume 2012 (No. 92).

StatLink http://dx.doi.org/10.1787/888932784085

Table I.5. **Employee contributions, 2012**

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[2]	Married 2 ch 100-67 (% AW)[2]	Married no ch 100-33 (% AW)[2]
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Austria	18.1	18.1	15.7	18.1	18.1	17.3	18.1	17.3
Belgium	13.9	14.0	14.0	13.9	14.0	10.8	14.0	10.8
Canada	7.2	7.3	5.0	7.2	7.3	6.9	7.3	6.9
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Denmark	4.1	2.7	1.6	4.1	2.7	4.1	3.3	4.1
Estonia	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Finland	7.5	7.6	7.7	7.5	7.6	7.4	7.6	7.4
France	13.7	13.7	13.1	13.7	13.7	13.7	13.7	13.7
Germany	20.7	20.7	16.0	20.5	20.5	20.5	20.5	20.7
Greece	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5
Hungary	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5
Iceland	0.7	0.5	0.3	0.7	0.5	0.7	0.6	0.7
Ireland	2.8	3.2	3.5	2.8	3.2	2.4	3.0	2.4
Israel	5.4	7.6	9.4	5.4	7.6	6.6	6.7	6.6
Italy	9.5	9.5	9.6	9.5	9.5	9.5	9.5	9.5
Japan	13.7	13.7	13.1	13.7	13.7	13.7	13.7	13.7
Korea	8.1	8.1	6.9	8.1	8.1	8.1	8.1	8.1
Luxembourg	12.2	12.3	12.4	12.2	12.3	12.2	12.3	12.2
Mexico	1.3	1.4	1.5	1.3	1.4	1.3	1.3	1.3
Netherlands	21.3	15.4	9.3	9.1	12.4	12.9	15.2	15.2
New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Poland	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Portugal	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Slovak Republic	13.4	13.4	13.2	13.4	13.4	13.4	13.4	13.4
Slovenia	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1
Spain	6.4	6.4	5.8	6.4	6.4	6.4	6.4	6.4
Sweden	7.0	7.0	4.8	7.0	7.0	7.0	7.0	7.0
Switzerland	6.3	6.3	6.2	6.3	6.3	6.3	6.3	6.3
Turkey[1]	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
United Kingdom	8.2	9.5	7.6	8.2	9.5	8.2	8.9	8.2
United States	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Unweighted average								
OECD-Average	**9.9**	**9.8**	**9.2**	**9.5**	**9.7**	**9.5**	**9.8**	**9.6**
OECD-EU 21	**12.3**	**12.1**	**11.1**	**11.7**	**11.9**	**11.7**	**12.0**	**11.8**

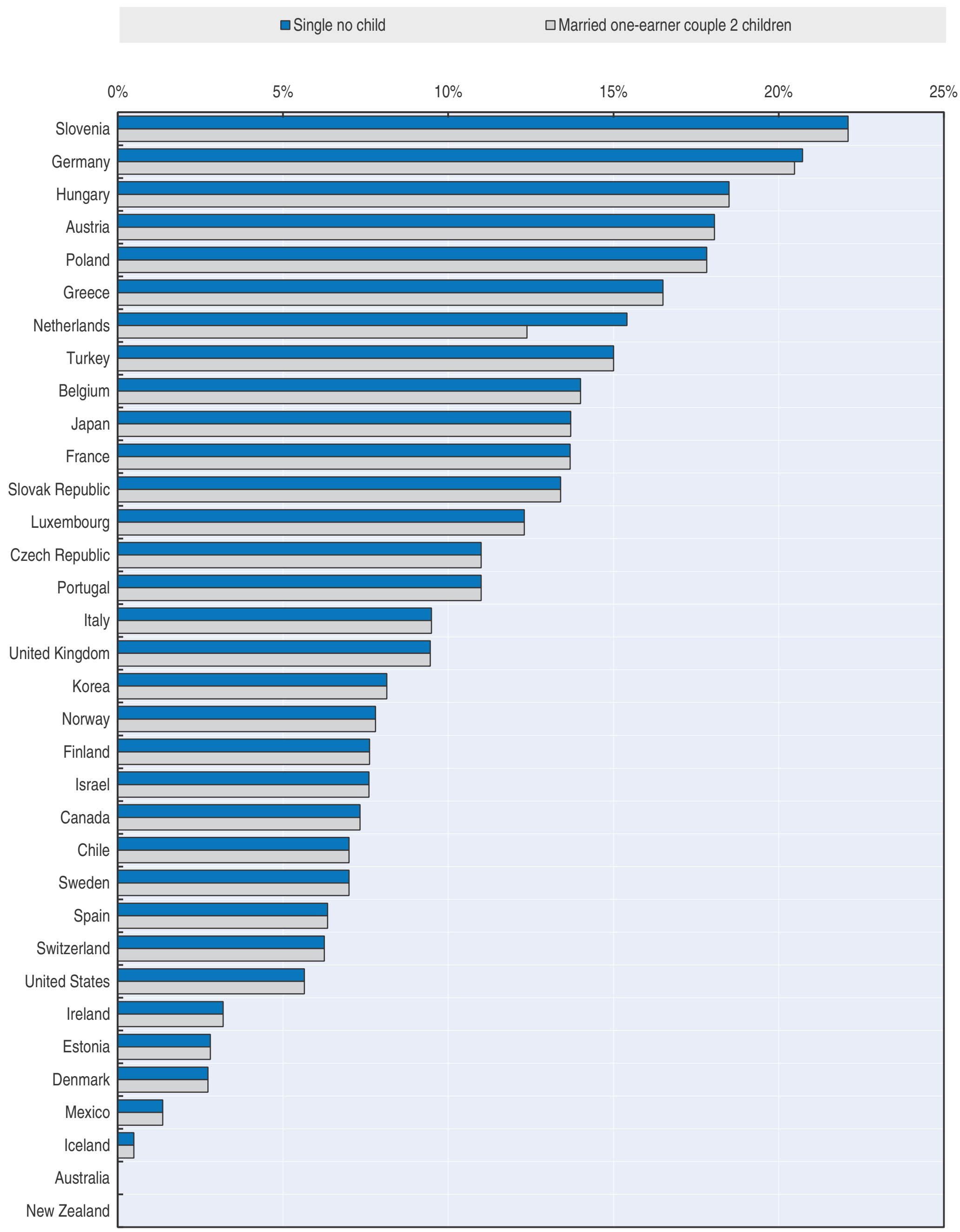
Note: ch = children

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

StatLink http://dx.doi.org/10.1787/888932786213

Figure I.5. **Employee contributions, 2012**

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



1. Corresponds to Table I.5, columns 2 and 5.

Source: OECD calculations based on country submissions and *OECD Economic Outlook*, Volume 2012 (No. 92).

StatLink http://dx.doi.org/10.1787/888932784104

Table I.6. **Marginal rate of income tax plus employee and employer contributions less cash benefits, 2012**[1]

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	39.1	35.8	42.9	58.0	54.7	35.8	35.8	35.8
Austria	56.9	60.6	42.2	56.9	60.6	60.6	60.6	60.6
Belgium	66.3	69.7	68.5	66.3	66.3	69.7	68.8	69.7
Canada	33.6	40.9	38.3	60.6	68.1	44.5	44.5	40.9
Chile	7.0	7.0	11.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	48.6	48.6	48.6	55.7	54.1	54.1	54.1	48.6
Denmark	40.9	42.3	56.1	40.9	42.3	42.3	42.3	42.3
Estonia	42.9	42.9	42.9	42.9	42.9	42.9	42.9	42.9
Finland	53.6	54.5	57.5	53.6	54.5	54.5	54.5	54.5
France	63.6	59.8	59.8	58.1	48.5	51.5	51.5	51.5
Germany	55.8	60.3	44.3	54.1	52.6	55.6	57.9	55.8
Greece	41.5	51.9	59.1	47.4	52.6	52.6	52.6	51.9
Hungary	54.0	52.4	52.4	54.0	52.4	52.4	52.4	52.4
Iceland	43.8	43.8	49.3	48.4	48.4	48.4	48.4	43.8
Ireland	37.7	37.7	56.7	67.9	75.1	37.7	37.7	37.7
Israel	30.1	36.7	45.2	16.9	36.7	36.7	36.7	36.7
Italy	54.1	54.1	62.0	54.6	55.1	55.1	54.6	54.1
Japan	32.0	36.2	34.8	32.0	33.3	36.2	36.2	36.2
Korea	20.0	28.9	23.1	18.8	25.2	28.9	28.9	28.9
Luxembourg	43.5	54.2	54.2	44.3	36.9	41.8	48.4	41.8
Mexico	17.4	23.4	28.4	17.4	23.4	23.4	23.4	23.4
Netherlands	48.9	50.1	49.3	55.8	57.0	50.1	50.1	50.1
New Zealand	17.5	30.0	33.0	17.5	51.3	51.3	51.3	30.0
Norway	43.2	51.2	53.8	43.2	51.2	51.2	51.2	51.2
Poland	37.2	37.2	37.2	29.6	29.6	37.2	37.2	37.2
Portugal	39.4	47.9	56.8	39.4	39.4	39.4	47.9	39.4
Slovak Republic	45.1	45.1	43.5	45.1	45.1	45.1	45.1	45.1
Slovenia	43.6	51.0	60.4	32.9	43.6	43.6	43.6	51.0
Spain	45.7	49.5	40.0	53.0	49.5	49.5	49.5	49.5
Sweden	45.7	48.0	67.0	45.7	48.0	48.0	48.0	48.0
Switzerland	26.3	27.8	35.9	18.9	22.1	26.1	29.4	26.9
Turkey[2]	42.2	42.2	47.3	42.2	42.2	42.2	42.2	42.2
United Kingdom	40.2	40.2	49.0	76.3	40.2	40.2	40.2	40.2
United States	32.5	41.8	41.8	48.6	32.5	32.5	32.5	32.5
Unweighted average								
OECD-Average	**40.9**	**44.2**	**46.8**	**44.2**	**45.4**	**43.8**	**44.3**	**42.9**
OECD-EU 21	**47.9**	**50.4**	**52.7**	**51.2**	**49.8**	**48.8**	**49.5**	**48.8**

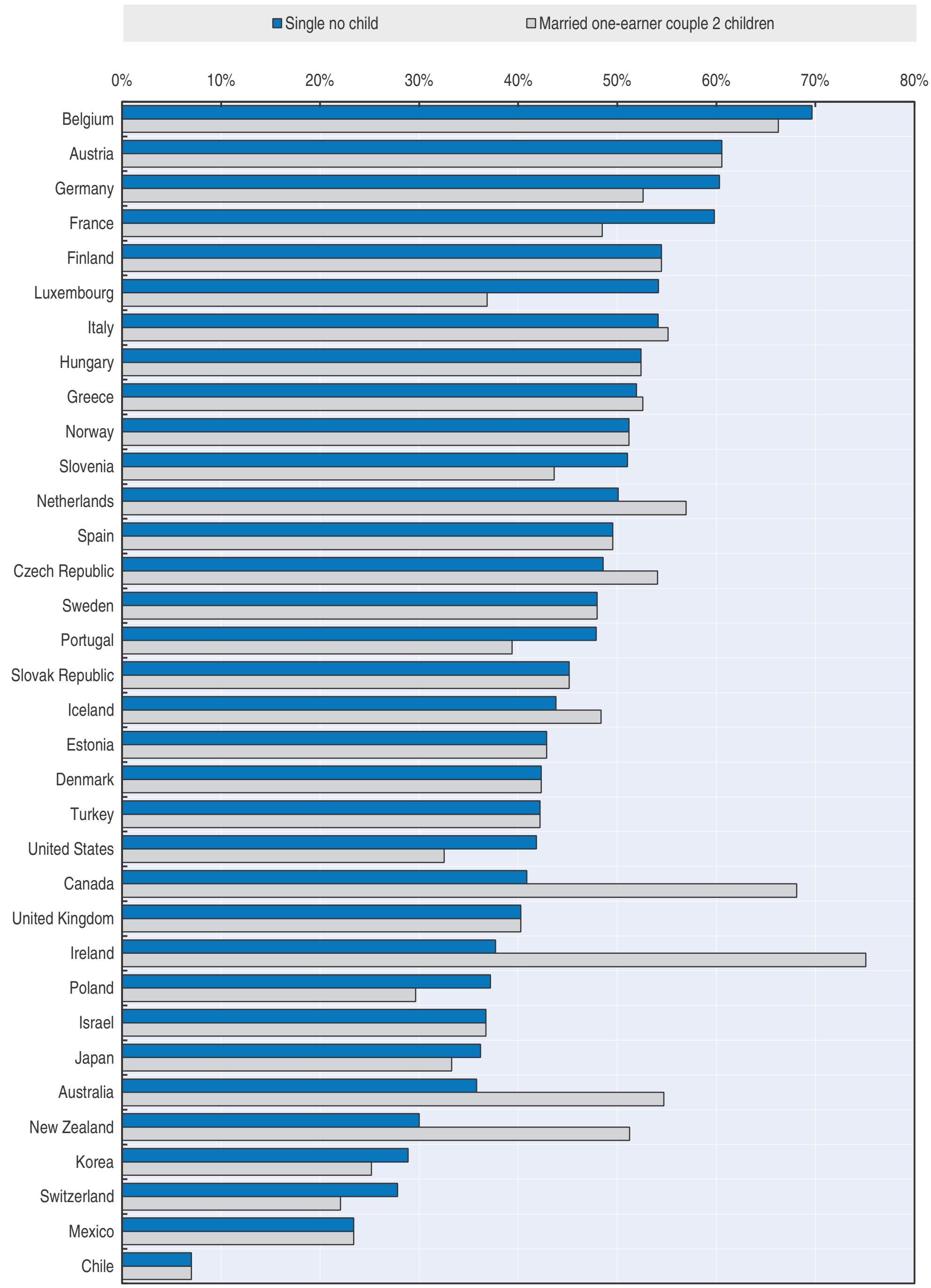
Note: ch = children

1. Assumes a rise in gross earnings of the principal earner in the household. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
3. Two-earner family.

StatLink http://dx.doi.org/10.1787/888932786232

Figure I.6. **Marginal rate of income tax plus employee and employer contributions less cash benefits, 2012**

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



1. Corresponds to Table I.6, columns 2 and 5.

Source: OECD calculations based on country submissions and *OECD Economic Outlook*, Volume 2012 (No. 92).

StatLink http://dx.doi.org/10.1787/888932784123

Table I.7. **Marginal rate of income tax plus employee contributions less cash benefits, 2012**[1]

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	35.5	32.0	39.5	55.5	52.0	32.0	32.0	32.0
Austria	44.4	49.1	37.9	44.4	49.1	49.1	49.1	49.1
Belgium	54.9	59.4	59.8	54.9	54.9	59.4	58.4	59.4
Canada	25.5	35.1	35.4	55.8	65.0	39.1	39.1	35.1
Chile	7.0	7.0	11.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	31.1	31.1	31.1	40.7	38.4	38.4	38.4	31.1
Denmark	40.9	42.3	56.1	40.9	42.3	42.3	42.3	42.3
Estonia	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2
Finland	43.0	44.1	47.8	43.0	44.1	44.1	44.1	44.1
France	31.8	42.4	42.4	21.6	26.2	30.4	30.4	30.4
Germany	47.2	52.6	44.3	45.2	43.3	46.9	49.6	47.2
Greece	24.9	38.2	47.4	32.4	39.0	39.0	39.0	38.2
Hungary	34.5	38.8	38.8	34.5	38.8	38.8	38.8	38.8
Iceland	39.4	39.4	45.3	44.3	44.3	44.3	44.3	39.4
Ireland	31.0	31.0	52.0	64.4	72.4	31.0	31.0	31.0
Israel	26.0	33.0	42.0	12.0	33.0	33.0	33.0	33.0
Italy	39.3	39.4	49.9	40.0	40.7	40.7	40.1	39.4
Japan	22.1	27.0	30.8	22.1	23.6	27.0	27.0	27.0
Korea	11.9	21.6	18.7	10.5	17.6	21.6	21.6	21.6
Luxembourg	36.5	48.5	48.5	37.4	29.1	34.7	42.1	34.7
Mexico	12.1	17.6	22.9	12.1	17.6	17.6	17.6	17.6
Netherlands	42.6	44.0	49.3	50.4	51.7	44.0	44.0	44.0
New Zealand	17.5	30.0	33.0	17.5	51.3	51.3	51.3	30.0
Norway	35.8	44.8	47.8	35.8	44.8	44.8	44.8	44.8
Poland	26.7	26.7	26.7	17.8	17.8	26.7	26.7	26.7
Portugal	25.0	35.5	46.5	25.0	25.0	25.0	35.5	25.0
Slovak Republic	29.9	29.9	28.7	29.9	29.9	29.9	29.9	29.9
Slovenia	34.6	43.1	54.0	22.1	34.6	34.6	34.6	43.1
Spain	29.5	34.4	40.0	38.9	34.4	34.4	34.4	34.4
Sweden	28.6	31.6	56.6	28.6	31.6	31.6	31.6	31.6
Switzerland	21.7	23.3	32.3	13.8	17.2	21.5	25.0	22.3
Turkey[2]	32.7	32.7	38.6	32.7	32.7	32.7	32.7	32.7
United Kingdom	32.0	32.0	42.0	73.0	32.0	32.0	32.0	32.0
United States	27.4	37.4	37.4	44.7	27.4	27.4	27.4	27.4
Unweighted average								
OECD-Average	**30.8**	**35.2**	**39.9**	**34.5**	**36.2**	**34.6**	**35.2**	**33.7**
OECD-EU 21	**34.8**	**38.9**	**44.0**	**38.5**	**38.0**	**37.0**	**37.9**	**36.9**

Note: ch = children

1. Assumes a rise in gross earnings of the principal earner in the household. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
3. Two-earner family.

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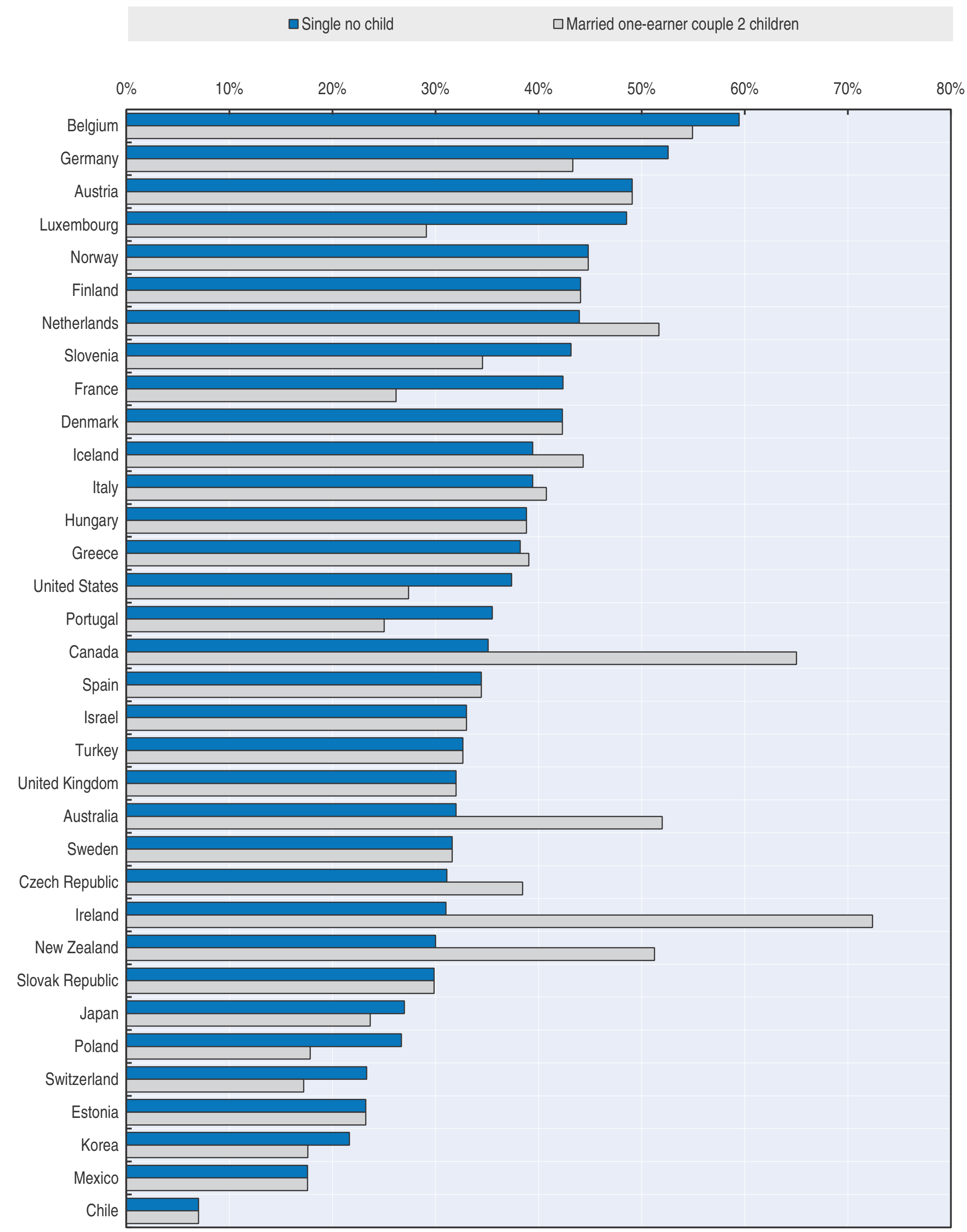
Figure I.7. **Marginal rate of income tax plus employee contributions less cash benefits, 2012**

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



1. Corresponds to Table I.7, columns 2 and 5.

Source: OECD calculations based on country submissions and *OECD Economic Outlook*, Volume 2012 (No. 92)

StatLink http://dx.doi.org/10.1787/888932784142

Table I.8. **Increase in net income after an increase of 1 currency unit in gross wages, 2012[1]**

By family-type and wage level (%)

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	0.78	0.88	0.85	0.40	0.54	0.79	0.86	0.84
Austria	0.77	0.77	1.01	0.60	0.64	0.63	0.67	0.72
Belgium	0.71	0.71	0.80	0.56	0.59	0.56	0.63	0.63
Canada	0.90	0.84	0.88	0.37	0.38	0.71	0.75	0.80
Chile	1.00	1.00	0.97	0.99	1.00	0.98	1.00	1.00
Czech Republic	0.85	0.89	0.93	0.52	0.58	0.66	0.70	0.86
Denmark	0.94	0.94	0.80	0.67	0.80	0.85	0.88	0.92
Estonia	0.94	0.96	0.98	0.77	0.84	0.88	0.90	0.94
Finland	0.73	0.79	0.83	0.62	0.73	0.70	0.72	0.74
France	0.93	0.80	0.87	0.92	0.90	0.86	0.90	0.94
Germany	0.81	0.79	0.99	0.67	0.72	0.73	0.73	0.81
Greece	0.95	0.83	0.77	0.84	0.83	0.81	0.82	0.82
Hungary	1.00	0.94	0.96	0.67	0.72	0.76	0.79	0.94
Iceland	0.80	0.86	0.83	0.65	0.67	0.73	0.77	0.80
Ireland	0.78	0.84	0.70	0.26	0.27	0.72	0.76	0.78
Israel	0.81	0.79	0.76	0.84	0.75	0.71	0.74	0.77
Italy	0.83	0.88	0.81	0.64	0.73	0.75	0.80	0.83
Japan	0.97	0.93	0.92	0.89	0.90	0.88	0.89	0.92
Korea	0.98	0.90	0.96	0.98	0.92	0.87	0.87	0.89
Luxembourg	0.80	0.71	0.81	0.57	0.73	0.71	0.67	0.80
Mexico	0.89	0.91	0.90	0.89	0.91	0.87	0.88	0.87
Netherlands	0.78	0.82	0.82	0.51	0.64	0.72	0.74	0.78
New Zealand	0.95	0.84	0.86	0.70	0.49	0.53	0.57	0.83
Norway	0.86	0.78	0.81	0.73	0.71	0.72	0.74	0.75
Poland	0.96	0.97	0.98	1.00	1.00	0.91	0.93	0.96
Portugal	0.89	0.82	0.75	0.77	0.83	0.84	0.76	0.89
Slovak Republic	0.87	0.91	0.96	0.73	0.74	0.79	0.83	0.87
Slovenia	0.92	0.85	0.75	0.77	0.73	0.79	0.86	0.82
Spain	0.86	0.86	0.83	0.67	0.78	0.80	0.81	0.81
Sweden	0.92	0.91	0.67	0.81	0.83	0.83	0.85	0.88
Switzerland	0.91	0.92	0.86	0.85	0.86	0.84	0.83	0.90
Turkey[2]	0.91	0.94	0.90	0.89	0.92	0.93	0.94	0.94
United Kingdom	0.87	0.91	0.84	0.27	0.85	0.83	0.86	0.87
United States	0.90	0.81	0.88	0.55	0.81	0.85	0.88	0.91
Unweighted average								
OECD-Average	**0.88**	**0.86**	**0.86**	**0.69**	**0.75**	**0.78**	**0.80**	**0.85**
OECD-EU 21	**0.86**	**0.85**	**0.85**	**0.66**	**0.74**	**0.77**	**0.79**	**0.84**

Note: ch = children

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

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Table I.9. **Increase in net income after an increase of 1 currency unit in gross labour cost, 2012**[1]

By family-type and wage level (%)

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	0.78	0.88	0.85	0.40	0.54	0.79	0.86	0.84
Austria	0.77	0.77	1.19	0.60	0.64	0.63	0.67	0.72
Belgium	0.68	0.69	0.81	0.53	0.58	0.53	0.61	0.59
Canada	0.90	0.86	0.92	0.37	0.39	0.73	0.76	0.82
Chile	1.00	1.00	0.97	0.99	1.00	0.98	1.00	1.00
Czech Republic	0.85	0.89	0.93	0.52	0.58	0.66	0.70	0.86
Denmark	0.94	0.94	0.80	0.67	0.80	0.85	0.88	0.92
Estonia	0.94	0.96	0.98	0.77	0.84	0.88	0.90	0.94
Finland	0.73	0.79	0.83	0.62	0.73	0.70	0.72	0.74
France	0.69	0.81	0.88	0.69	0.91	0.82	0.89	0.91
Germany	0.81	0.79	1.14	0.67	0.72	0.73	0.73	0.81
Greece	0.95	0.83	0.77	0.84	0.83	0.81	0.82	0.82
Hungary	0.88	0.94	0.96	0.59	0.72	0.73	0.78	0.90
Iceland	0.80	0.86	0.83	0.65	0.67	0.73	0.77	0.80
Ireland	0.78	0.84	0.70	0.26	0.27	0.71	0.76	0.78
Israel	0.80	0.78	0.75	0.82	0.75	0.70	0.72	0.75
Italy	0.83	0.88	0.81	0.64	0.73	0.75	0.80	0.83
Japan	0.97	0.93	0.99	0.89	0.90	0.88	0.89	0.92
Korea	0.98	0.90	0.99	0.98	0.92	0.87	0.87	0.89
Luxembourg	0.80	0.71	0.81	0.57	0.73	0.71	0.67	0.80
Mexico	0.96	0.95	0.92	0.96	0.95	0.92	0.92	0.92
Netherlands	0.77	0.81	0.88	0.50	0.63	0.71	0.73	0.76
New Zealand	0.95	0.84	0.86	0.70	0.49	0.53	0.57	0.83
Norway	0.86	0.78	0.81	0.73	0.71	0.72	0.74	0.75
Poland	0.96	0.97	0.98	1.00	1.00	0.91	0.93	0.96
Portugal	0.89	0.82	0.75	0.77	0.83	0.84	0.76	0.89
Slovak Republic	0.87	0.91	0.97	0.73	0.74	0.79	0.83	0.87
Slovenia	0.92	0.85	0.75	0.77	0.73	0.79	0.86	0.82
Spain	0.86	0.86	1.06	0.67	0.78	0.80	0.81	0.81
Sweden	0.92	0.91	0.67	0.81	0.83	0.83	0.85	0.88
Switzerland	0.91	0.92	0.87	0.85	0.86	0.84	0.83	0.90
Turkey[2]	0.91	0.94	0.90	0.89	0.92	0.93	0.94	0.94
United Kingdom	0.83	0.88	0.82	0.26	0.83	0.80	0.83	0.83
United States	0.93	0.83	0.89	0.57	0.83	0.88	0.90	0.94
Unweighted average								
OECD-Average	**0.86**	**0.86**	**0.88**	**0.68**	**0.75**	**0.78**	**0.80**	**0.85**
OECD-EU 21	**0.84**	**0.85**	**0.88**	**0.64**	**0.74**	**0.76**	**0.79**	**0.83**

Note: ch = children

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

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Table I.10. **Annual gross wage and net income, 2012**

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

	Single no ch 67 (% AW)		Single no ch 100 (% AW)		Single no ch 167 (% AW)		Single 2 ch 67 (% AW)	
	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes
Australia	32 133	26 726	48 199	37 169	80 332	56 995	32 133	35 400
Austria	32 125	23 144	48 187	31 807	80 312	49 338	32 125	29 898
Belgium	35 365	22 505	53 047	30 356	88 412	44 646	35 365	28 673
Canada	25 527	21 074	38 291	29 644	63 818	46 754	25 527	30 552
Chile	10 444	9 713	15 666	14 569	26 110	24 046	10 444	9 811
Czech Republic	14 529	11 812	21 793	16 817	36 321	26 827	14 529	16 633
Denmark	33 258	20 953	49 887	30 653	83 144	45 672	33 258	29 371
Estonia	13 244	10 828	19 866	15 913	33 110	26 083	13 244	13 157
Finland	29 432	22 868	44 148	31 169	73 581	46 572	29 432	26 909
France	28 330	20 872	42 494	30 460	70 824	46 784	28 330	24 072
Germany	37 372	24 318	56 058	33 683	93 429	52 547	37 372	30 658
Greece	19 231	15 170	28 846	21 529	48 076	32 730	21 154	16 978
Hungary	13 916	9 115	20 875	13 566	34 791	22 080	13 916	13 634
Iceland	28 507	21 550	42 761	30 183	71 268	46 825	28 507	24 402
Ireland	26 028	23 040	39 042	32 019	65 070	44 557	26 028	36 215
Israel	19 687	17 913	29 531	24 968	49 219	37 568	19 687	20 639
Italy	24 375	17 873	36 563	25 303	60 939	37 854	24 375	22 959
Japan	30 724	24 665	46 086	36 307	76 810	57 619	30 724	26 975
Korea	31 495	28 452	47 242	41 117	78 737	66 409	31 495	28 697
Luxembourg	36 141	28 858	54 211	39 112	90 352	57 705	36 141	39 487
Mexico	7 508	7 393	11 262	10 195	18 769	16 138	7 508	7 393
Netherlands	37 093	27 278	55 640	37 868	92 734	57 397	37 093	36 220
New Zealand	22 352	19 421	33 528	28 034	55 880	43 377	22 352	26 465
Norway	36 900	27 437	55 350	39 080	92 250	59 271	36 900	32 598
Poland	13 728	10 488	20 591	15 521	34 319	25 587	13 728	11 280
Portugal	16 894	14 215	25 341	19 838	42 235	30 075	16 894	16 374
Slovak Republic	12 340	9 962	18 511	14 290	30 851	23 000	12 340	11 921
Slovenia	17 862	12 763	26 793	17 934	44 656	27 339	17 862	18 139
Spain	24 108	19 722	36 162	27 526	60 270	43 342	24 108	21 952
Sweden	29 123	22 684	43 685	32 813	72 808	47 185	29 123	25 729
Switzerland	40 698	35 204	61 048	50 945	101 746	79 907	40 698	41 409
Turkey[1]	16 930	12 597	25 395	18 298	42 326	28 794	16 930	12 818
United Kingdom	35 147	27 622	52 720	39 572	87 867	60 926	35 147	35 229
United States	31 766	25 539	47 650	36 819	79 416	56 713	31 766	31 916
Unweighted average								
OECD-Average	**25 421**	**19 817**	**38 131**	**28 091**	**63 552**	**43 196**	**25 478**	**24 546**
OECD-EU 21	**25 221**	**18 861**	**37 831**	**26 560**	**63 052**	**40 393**	**25 313**	**24 071**

Note: ch = children

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

StatLink http://dx.doi.org/10.1787/888932786308

Table I.10. **Annual gross wage and net income, 2012** *(cont.)*

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

	Married 2 ch 100-0 (% AW)		Married 2 ch 100-33 (% AW)[2]		Married 2 ch 100-67 (% AW)[2]		Married no ch 100-33 (% AW)[2]	
	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes
Australia	48 199	42 630	64 265	55 448	80 332	63 896	64 265	52 159
Austria	48 187	38 596	64 249	51 581	80 312	60 975	64 249	45 581
Belgium	53 047	40 490	70 730	51 290	88 412	58 387	70 730	45 715
Canada	38 291	35 033	51 054	43 522	63 818	52 144	51 054	41 253
Chile	15 666	14 569	20 888	19 876	26 110	24 380	20 888	19 426
Czech Republic	21 793	23 162	29 057	27 329	36 321	32 106	29 057	23 282
Denmark	49 887	35 996	66 515	44 917	83 144	54 749	66 515	41 774
Estonia	19 866	18 065	26 488	23 150	33 110	28 235	26 488	21 656
Finland	44 148	33 970	58 865	47 038	73 581	56 837	58 865	44 237
France	42 494	34 805	56 659	45 938	70 824	54 726	56 659	41 748
Germany	56 058	44 127	74 744	54 555	93 429	64 225	74 744	48 637
Greece	34 615	25 379	46 153	34 768	57 692	43 084	42 307	31 978
Hungary	20 875	17 812	27 833	22 369	34 791	26 927	27 833	18 124
Iceland	42 761	35 628	57 014	43 762	71 268	51 854	57 014	42 942
Ireland	39 042	40 482	52 056	50 120	65 070	59 080	52 056	46 099
Israel	29 531	26 240	39 375	36 993	49 219	44 865	39 375	34 467
Italy	36 563	29 781	48 751	38 488	60 939	45 886	48 751	35 769
Japan	46 086	39 288	61 448	51 310	76 810	63 282	61 448	49 000
Korea	47 242	42 418	62 989	56 545	78 737	70 609	62 989	55 534
Luxembourg	54 211	52 777	72 281	66 875	90 352	78 151	72 281	58 928
Mexico	11 262	10 195	15 015	14 289	18 769	17 588	15 015	14 289
Netherlands	55 640	41 908	74 187	57 569	92 734	69 902	74 187	53 567
New Zealand	33 528	33 343	44 704	40 830	55 880	47 675	44 704	37 895
Norway	55 350	42 979	73 800	56 787	92 250	69 040	73 800	54 264
Poland	20 591	16 921	27 455	22 152	34 319	27 186	27 455	20 975
Portugal	25 341	22 911	33 788	30 070	42 235	35 868	33 788	28 430
Slovak Republic	18 511	17 554	24 681	21 970	30 851	26 210	24 681	20 010
Slovenia	26 793	24 006	35 724	29 474	44 656	34 166	35 724	24 891
Spain	36 162	30 327	48 216	39 493	60 270	48 605	48 216	38 815
Sweden	43 685	35 859	58 246	48 145	72 808	58 542	58 246	45 100
Switzerland	61 048	58 702	81 397	75 923	101 746	91 576	81 397	69 949
Turkey[1]	25 395	18 666	33 861	24 579	42 326	30 380	33 861	24 358
United Kingdom	52 720	42 154	70 294	57 826	87 867	69 776	70 294	55 244
United States	47 650	42 689	63 533	54 224	79 416	65 759	63 533	50 682
Unweighted average								
OECD-Average	**38 301**	**32 631**	**51 068**	**42 330**	**63 835**	**50 784**	**50 955**	**39 317**
OECD-EU 21	**38 106**	**31 766**	**50 808**	**41 196**	**63 510**	**49 220**	**50 625**	**37 646**

Note: ch = children

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

StatLink http://dx.doi.org/10.1787/888932786327

Table I.11. **Annual labour costs and net income, 2012**

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

	Single no ch 67 (% AW)		Single no ch 100 (% AW)		Single no ch 167 (% AW)		Single 2 ch 67 (% AW)	
	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes
Australia	34 041	26 726	51 062	37 169	85 104	56 995	34 041	35 400
Austria	41 482	23 144	62 223	31 807	101 442	49 338	41 482	29 898
Belgium	45 430	22 505	69 066	30 356	114 350	44 646	45 430	28 673
Canada	28 527	21 074	42 841	29 644	69 723	46 754	28 527	30 552
Chile	10 444	9 713	15 666	14 569	26 110	24 046	10 444	9 811
Czech Republic	19 468	11 812	29 202	16 817	48 671	26 827	19 468	16 633
Denmark	33 258	20 953	49 887	30 653	83 144	45 672	33 258	29 371
Estonia	17 800	10 828	26 700	15 913	44 500	26 083	17 800	13 157
Finland	36 143	22 868	54 214	31 169	90 357	46 572	36 143	26 909
France	39 461	20 872	61 194	30 460	101 793	46 784	39 461	24 072
Germany	44 687	24 318	67 031	33 683	107 681	52 547	44 687	30 658
Greece	24 723	15 170	37 084	21 529	61 807	32 730	27 195	16 978
Hungary	17 405	9 115	26 824	13 566	44 707	22 080	17 405	13 634
Iceland	30 728	21 550	46 092	30 183	76 820	46 825	30 728	24 402
Ireland	28 826	23 040	43 239	32 019	72 066	44 557	28 826	36 215
Israel	20 474	17 913	30 899	24 968	51 748	37 568	20 474	20 639
Italy	32 195	17 873	48 293	25 303	80 488	37 854	32 195	22 959
Japan	35 164	24 665	52 746	36 307	87 481	57 619	35 164	26 975
Korea	34 695	28 452	52 042	41 117	85 768	66 409	34 695	28 697
Luxembourg	40 590	28 858	60 884	39 112	101 474	57 705	40 590	39 487
Mexico	8 549	7 393	12 581	10 195	20 657	16 138	8 549	7 393
Netherlands	40 810	27 278	61 631	37 868	99 547	57 397	40 810	36 220
New Zealand	22 352	19 421	33 528	28 034	55 880	43 377	22 352	26 465
Norway	41 734	27 437	62 601	39 080	104 335	59 271	41 734	32 598
Poland	16 031	10 488	24 047	15 521	40 078	25 587	16 031	11 280
Portugal	20 906	14 215	31 359	19 838	52 266	30 075	20 906	16 374
Slovak Republic	15 780	9 962	23 669	14 290	39 371	23 000	15 780	11 921
Slovenia	20 738	12 763	31 107	17 934	51 845	27 339	20 738	18 139
Spain	31 316	19 722	46 974	27 526	76 832	43 342	31 316	21 952
Sweden	38 273	22 684	57 410	32 813	95 684	47 185	38 273	25 729
Switzerland	43 242	35 204	64 863	50 945	108 026	79 907	43 242	41 409
Turkey[1]	19 724	12 597	29 586	18 298	49 309	28 794	19 724	12 818
United Kingdom	38 479	27 622	58 477	39 572	98 474	60 926	38 479	35 229
United States	35 188	25 539	52 286	36 819	86 482	56 713	35 188	31 916
Unweighted average								
OECD-Average	**29 667**	**19 817**	**44 627**	**28 091**	**73 942**	**43 196**	**29 739**	**24 546**
OECD-EU 21	**30 657**	**18 861**	**46 215**	**26 560**	**76 504**	**40 393**	**30 775**	**24 071**

Note: ch = children

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

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Table I.11. **Annual labour costs and net income, 2012** *(cont.)*

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

	Married 2 ch 100-0 (% AW)		Married 2 ch 100-33 (% AW)[2]		Married 2 ch 100-67 (% AW)[2]		Married no ch 100-33 (% AW)[2]	
	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes
Australia	51 062	42 630	68 083	55 448	85 104	63 896	68 083	52 159
Austria	62 223	38 596	82 964	51 581	103 705	60 975	82 964	45 581
Belgium	69 066	40 490	89 343	51 290	114 496	58 387	89 343	45 715
Canada	42 841	35 033	57 034	43 522	71 368	52 144	57 034	41 253
Chile	15 666	14 569	20 888	19 876	26 110	24 380	20 888	19 426
Czech Republic	29 202	23 162	38 936	27 329	48 671	32 106	38 936	23 282
Denmark	49 887	35 996	66 515	44 917	83 144	54 749	66 515	41 774
Estonia	26 700	18 065	35 600	23 150	44 500	28 235	35 600	21 656
Finland	54 214	33 970	72 286	47 038	90 357	56 837	72 286	44 237
France	61 194	34 805	77 909	45 938	100 654	54 726	77 909	41 748
Germany	67 031	44 127	89 375	54 555	111 718	64 225	89 375	48 637
Greece	44 501	25 379	59 335	34 768	74 168	43 084	54 390	31 978
Hungary	26 824	17 812	34 314	22 369	44 229	26 927	34 314	18 124
Iceland	46 092	35 628	61 456	43 762	76 820	51 854	61 456	42 942
Ireland	43 239	40 482	57 360	50 120	72 066	59 080	57 360	46 099
Israel	30 899	26 240	41 082	36 993	51 373	44 865	41 082	34 467
Italy	48 293	29 781	64 390	38 488	80 488	45 886	64 390	35 769
Japan	52 746	39 288	70 329	51 310	87 911	63 282	70 329	49 000
Korea	52 042	42 418	69 389	56 545	86 736	70 609	69 389	55 534
Luxembourg	60 884	52 777	81 179	66 875	101 474	78 151	81 179	58 928
Mexico	12 581	10 195	17 133	14 289	21 130	17 588	17 133	14 289
Netherlands	61 631	41 908	81 721	57 569	102 441	69 902	81 721	53 567
New Zealand	33 528	33 343	44 704	40 830	55 880	47 675	44 704	37 895
Norway	62 601	42 979	83 468	56 787	104 335	69 040	83 468	54 264
Poland	24 047	16 921	32 062	22 152	40 078	27 186	32 062	20 975
Portugal	31 359	22 911	41 812	30 070	52 266	35 868	41 812	28 430
Slovak Republic	23 669	17 554	31 559	21 970	39 449	26 210	31 559	20 010
Slovenia	31 107	24 006	41 476	29 474	51 845	34 166	41 476	24 891
Spain	46 974	30 327	62 632	39 493	78 291	48 605	62 632	38 815
Sweden	57 410	35 859	76 547	48 145	95 684	58 542	76 547	45 100
Switzerland	64 863	58 702	86 484	75 923	108 105	91 576	86 484	69 949
Turkey[1]	29 586	18 666	39 448	24 579	49 309	30 380	39 448	24 358
United Kingdom	58 477	42 154	76 958	57 826	96 956	69 776	76 958	55 244
United States	52 286	42 689	70 375	54 224	87 473	65 759	70 375	50 682
Unweighted average								
OECD-Average	**44 845**	**32 631**	**59 534**	**42 330**	**74 657**	**50 784**	**59 388**	**39 317**
OECD-EU 21	**46 568**	**31 766**	**61 632**	**41 196**	**77 461**	**49 220**	**61 397**	**37 646**

Note: ch = children

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

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Graphical exposition of the 2012 estimated tax burden

The graphs in this section show the estimated tax burden on labour income in 2012 for gross wage earnings between 50 per cent and 250 per cent of the average wage (AW). For each OECD member country, there are separate graphs for four family types: single taxpayers without children, single parents with two children, one-earner married couples without children and one-earner married couples with two children. The net personal average and marginal tax rates ([the change in] personal income taxes and employee social security contributions net of cash benefits as a percentage of [the change in] gross wage earnings) are included in the graphs that show respectively the average and the marginal tax wedge.*

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

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

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

There are large differences in cash benefits across OECD countries. They represent more than 25 per cent of total labour costs for low-income single parents and one-earner married couples with two children in Australia, Canada, Ireland, Luxembourg, New Zealand and Slovenia.

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

Low-income families with children are treated favourably by the tax-benefit system in many OECD countries. When cash benefits are also taken into account, single parents and one-earner married couples with 2 children do not pay income taxes and employee social security contributions up to income levels between 50 and 85 per cent of the AW in 15 OECD member countries. The net personal average tax rate for single parents with two children becomes positive at 88 per cent of the AW (Average Wage) in Canada, 91 per cent of the AW in the Czech Republic, 93 per cent of the AW in Israel, 99 per cent of the AW in New Zealand and 104 per cent of the AW in Ireland. The net personal average tax rate for one-earner married couples with 2 children becomes positive at 89 per cent of the AW in Canada, 91 per cent of the AW in Luxembourg, 99 per cent of the AW in New Zealand, 110 per cent of the AW in Ireland and 117 per cent of the AW in the Czech Republic.

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 marginal employer social security rates fall to zero as a result of income ceilings in Germany, Luxembourg, the Netherlands and Spain and to a large extent in the United States (the rate drops from 18.75 per cent to 1.45 per cent on earnings above USD 110 100). Employee social security ceilings are implemented in Austria, Canada, Germany, the Netherlands, Spain and Sweden and to a large extent in Luxembourg (employee social security contributions drop to 1.4 per cent on earnings above EUR 108 089.40), the United Kingdom (employee national insurance contributions drop to 2 per cent of earnings above GBP 42 475) and the United States (the rate drops from 4.2 per cent to 1.45 per cent on earnings above USD 110 100).

Taxpayers in some OECD countries face marginal social security contribution rates as percentage of total labour costs that decrease as income increases (for gross earnings between 50 per cent and 250 per cent of the AW). For single taxpayers without children, this can be observed in Austria, Belgium, Canada, France, Germany, Hungary, Japan, Korea, the Slovak Republic and Switzerland.

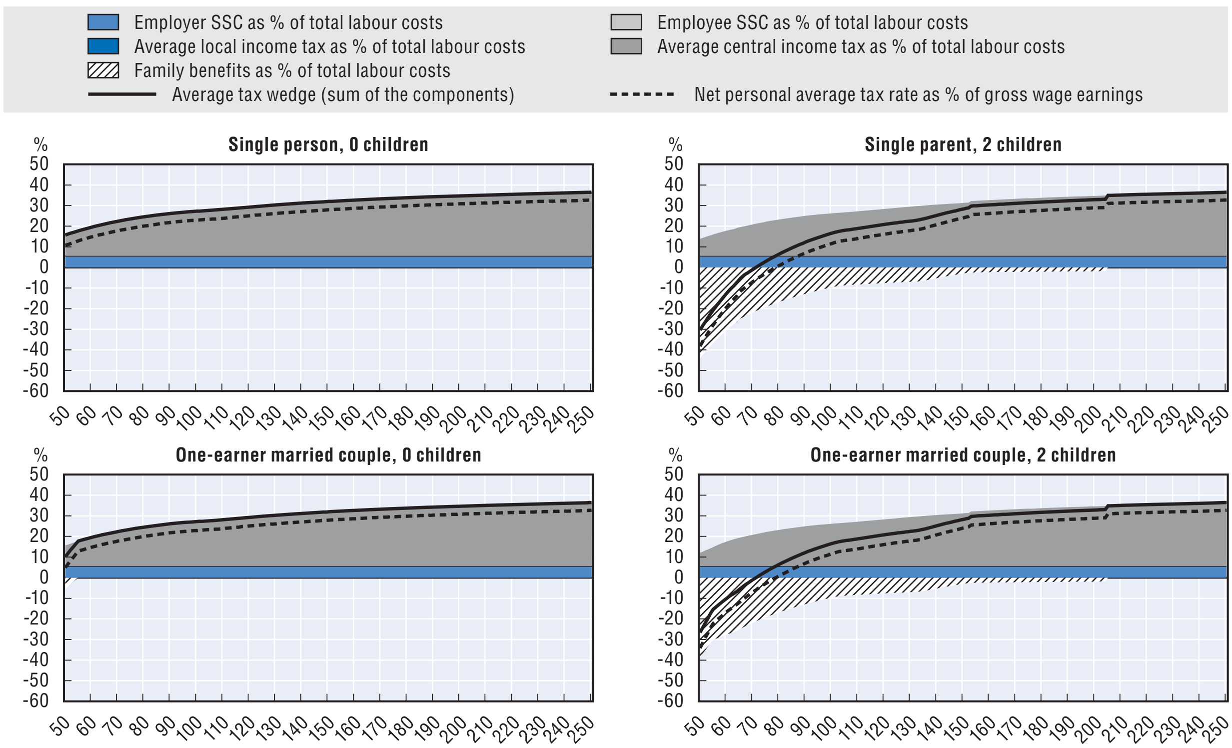
The marginal tax wedge is relatively flat across the earnings distribution in some countries because of the flat social security contribution and personal income tax rates. Single taxpayers without children face a flat marginal tax wedge of 37.2 per cent in Poland (over the 50-250% income range), 42.9 per cent in Estonia and 48.6 per cent in the Czech Republic. The tax wedge is also relatively flat in Chile, Iceland, Turkey and the United Kingdom. In Chile, it is 7.0 per cent on earnings below 129 per cent of the AW and 11.0 per cent on earnings between 130 and 250 per cent of the AW. In Iceland, it is 43.8 per cent on earnings below 141 per cent of the AW and 49.3 per cent on earnings between 142 and 250 per cent of the AW. In Turkey, it is 42.2 per cent on earnings below 106 per cent of the AW and then 47.3 per cent on earnings between 107 and 250 per cent of the AW. In the United Kingdom, it is 40.2 per cent on earnings below 117 per cent of the AW and then 49.0 per cent on earnings between 118 and 250 per cent of the AW.

In Hungary, single taxpayers without children face a constant marginal tax wedge of 54 per cent from 50 per cent to 82 per cent of the AW, and of 52 per cent on earnings ranging from 88 per cent to 250 per cent of the AW. It is 49 per cent between 83 and 87 per cent of the AW. In Denmark, the marginal tax wedge is 52.1 per cent on earnings exceeding 108 per cent of the AW. In Ireland and France, the marginal tax wedges are constant on earnings exceeding the AW with respectively 56.7 per cent and 59.8 per cent. In Belgium, the reduction in social security contribution rates offsets the impact of the progressivity of the personal income tax system for single taxpayers without children. The marginal tax wedge is about 69 per cent for single taxpayers with above average earnings in 2012.

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

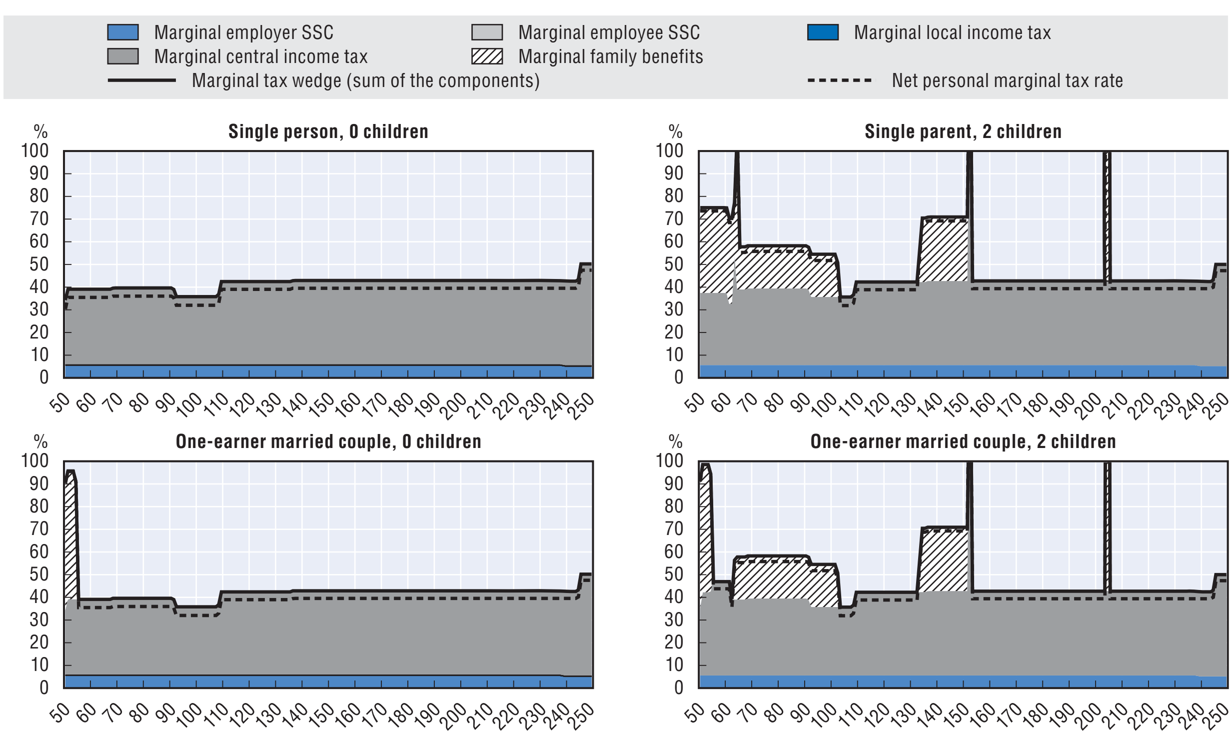
Australia, 2012

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



StatLink http://dx.doi.org/10.1787/888932784161

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



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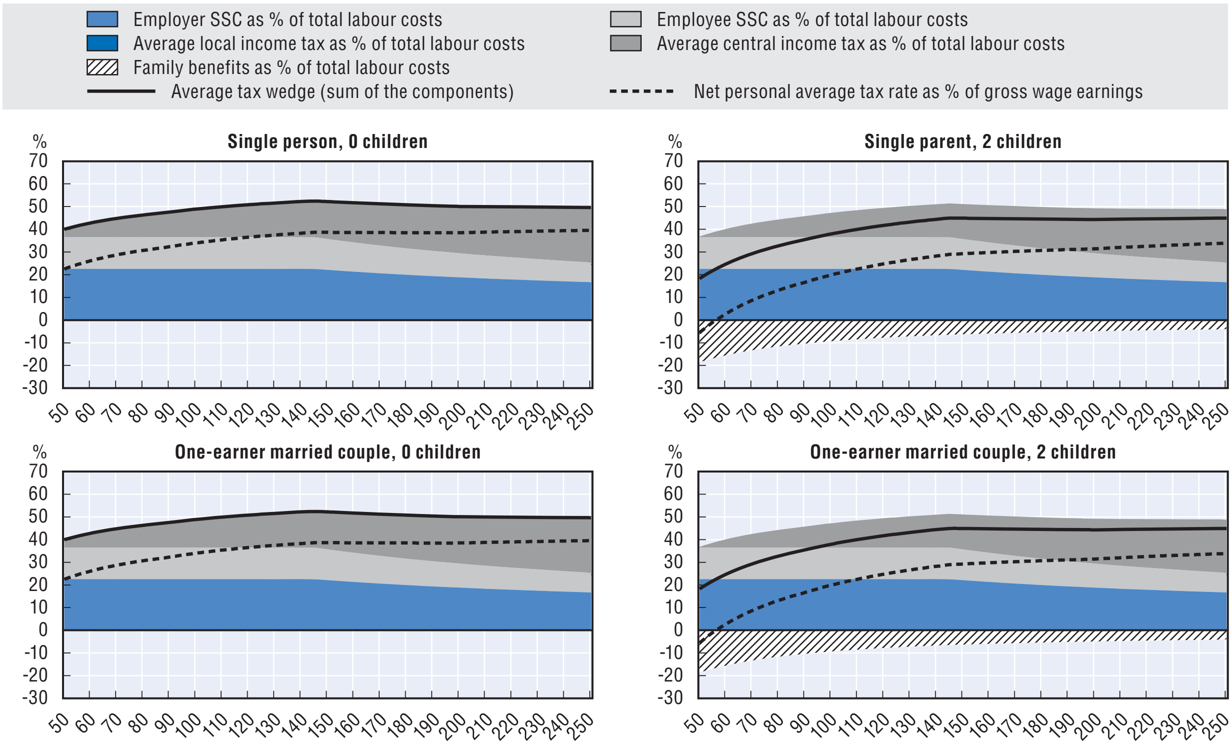
Austria, 2012

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



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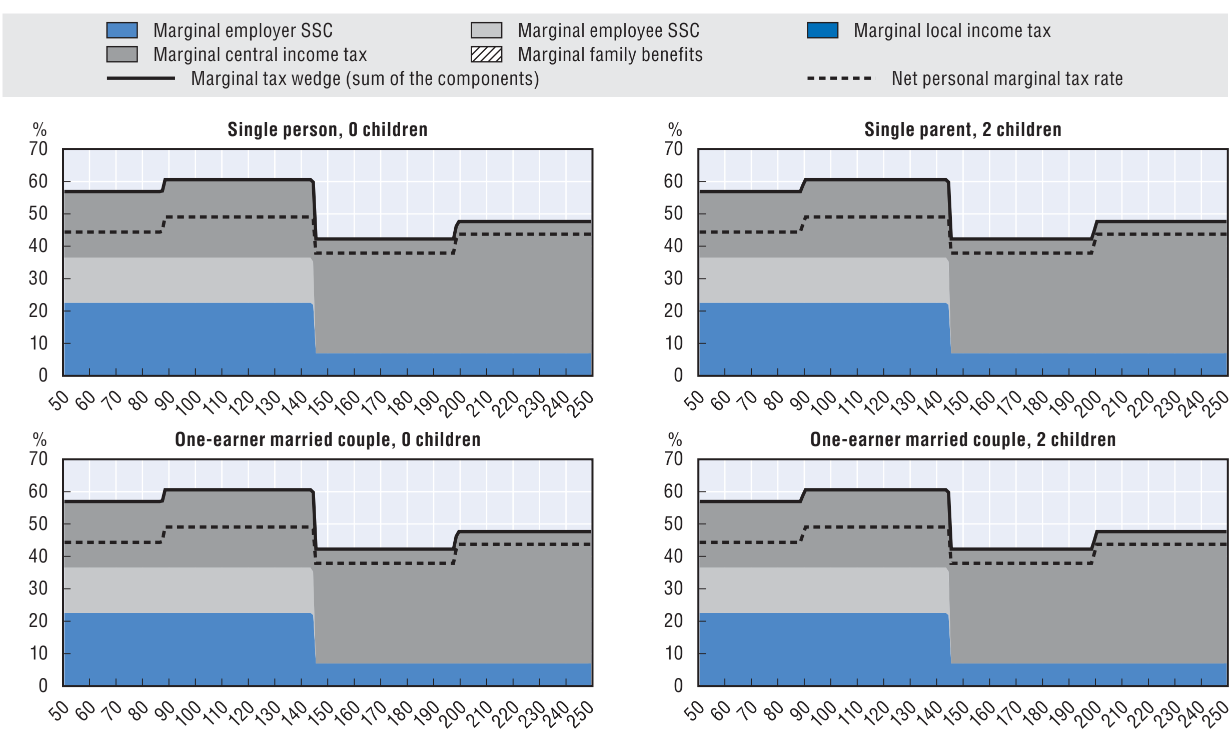
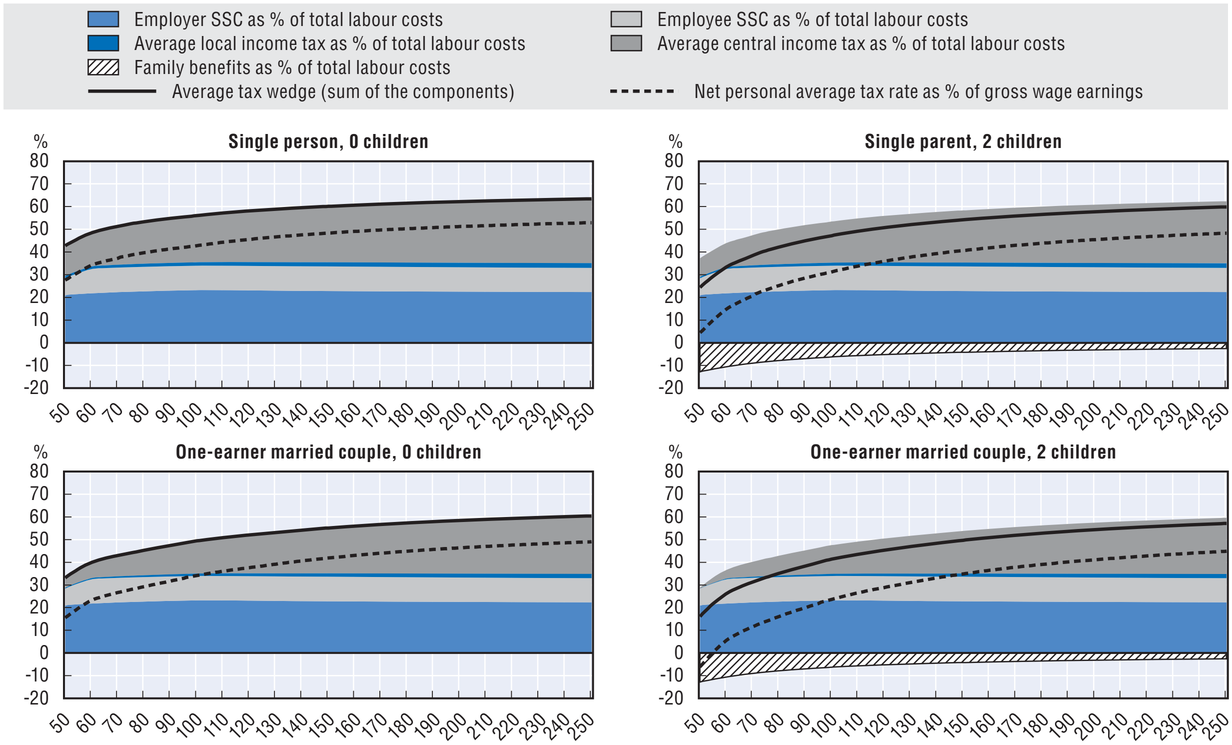
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932784218

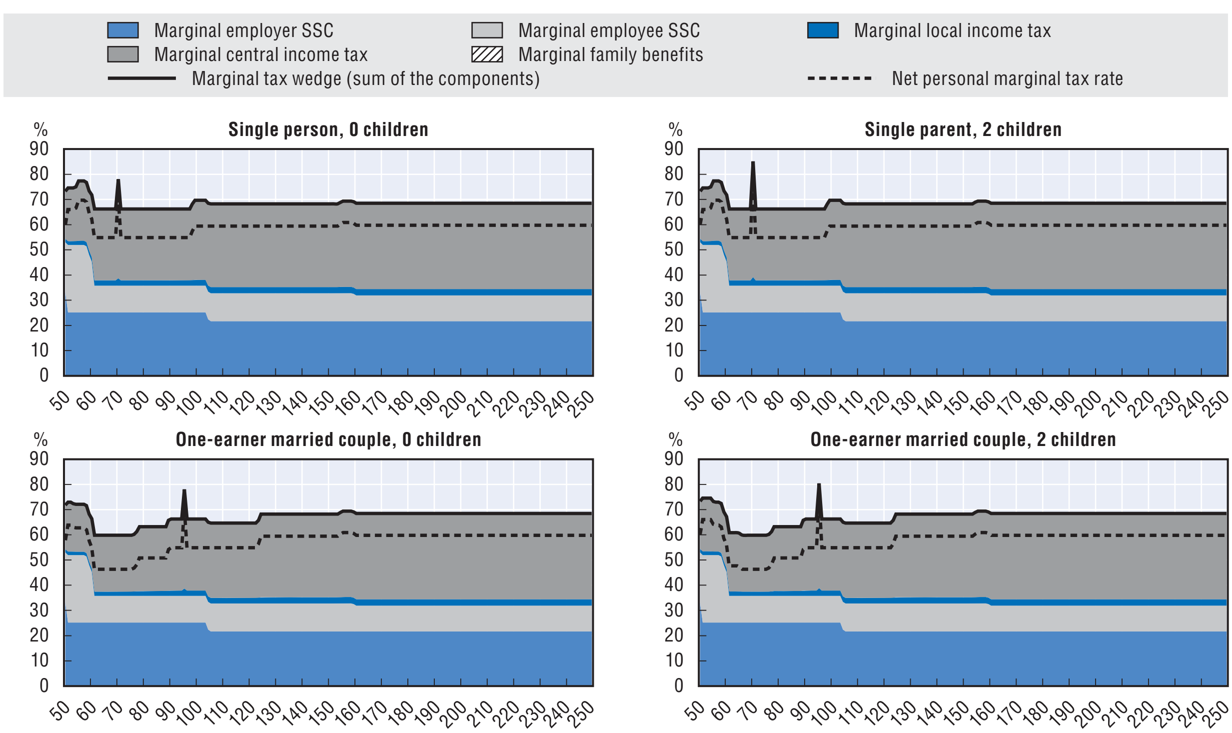
Belgium, 2012

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



StatLink http://dx.doi.org/10.1787/888932784237

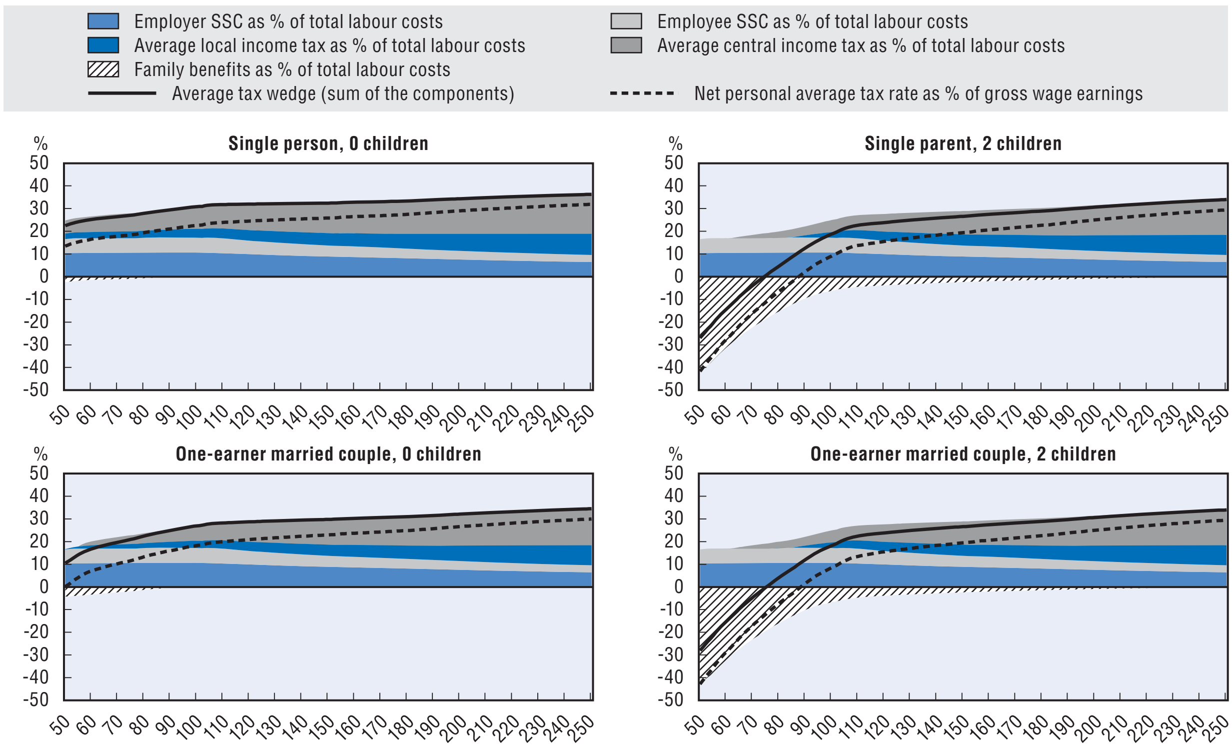
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932784256

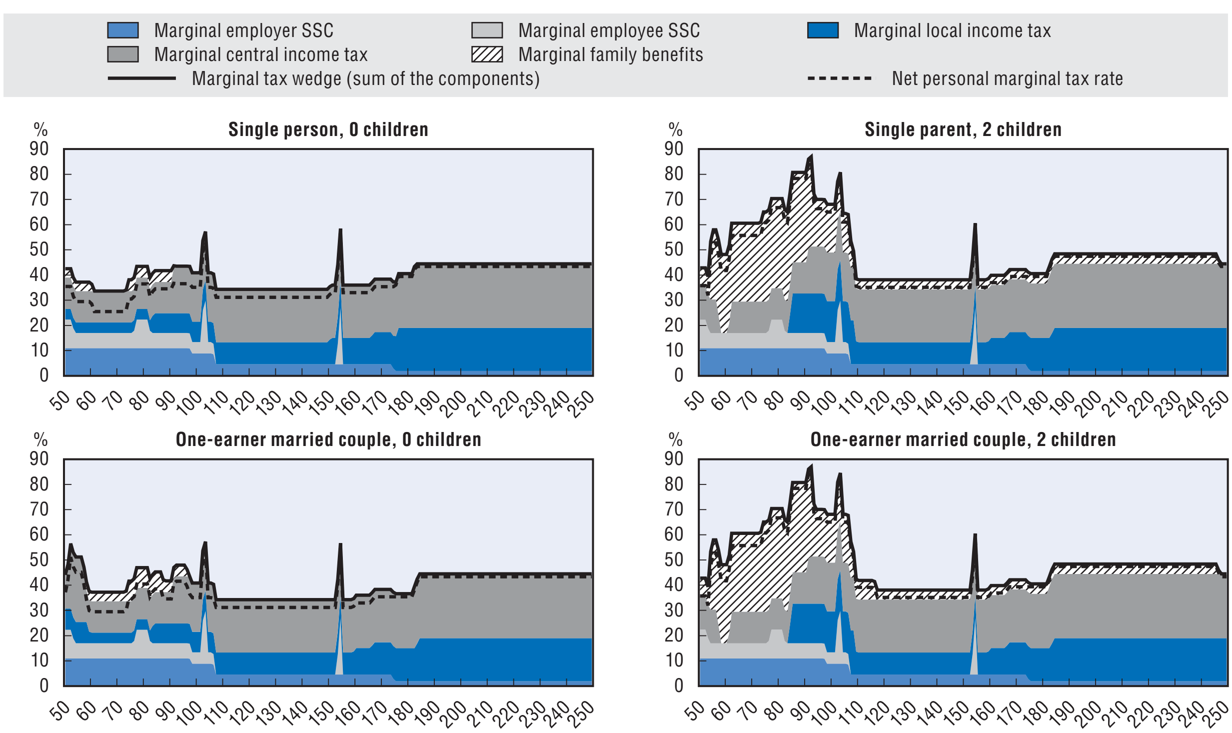
Canada, 2012

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



StatLink http://dx.doi.org/10.1787/888932784275

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



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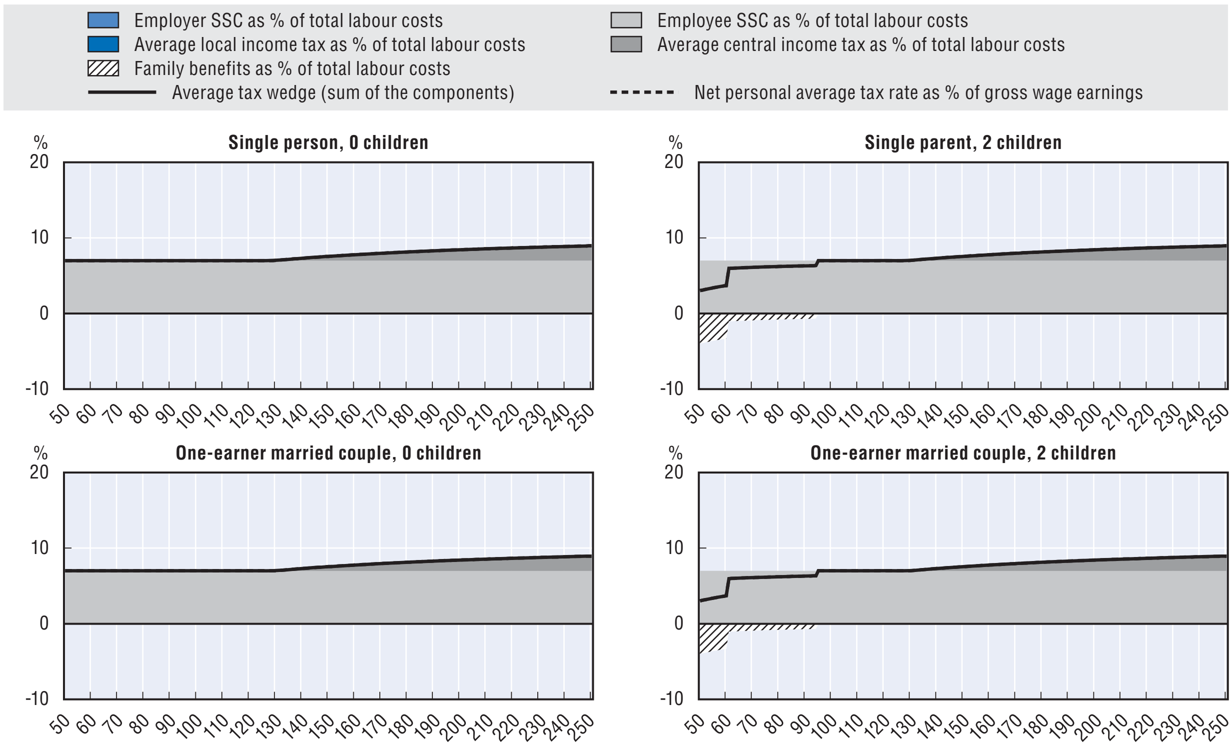
Chile, 2012

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



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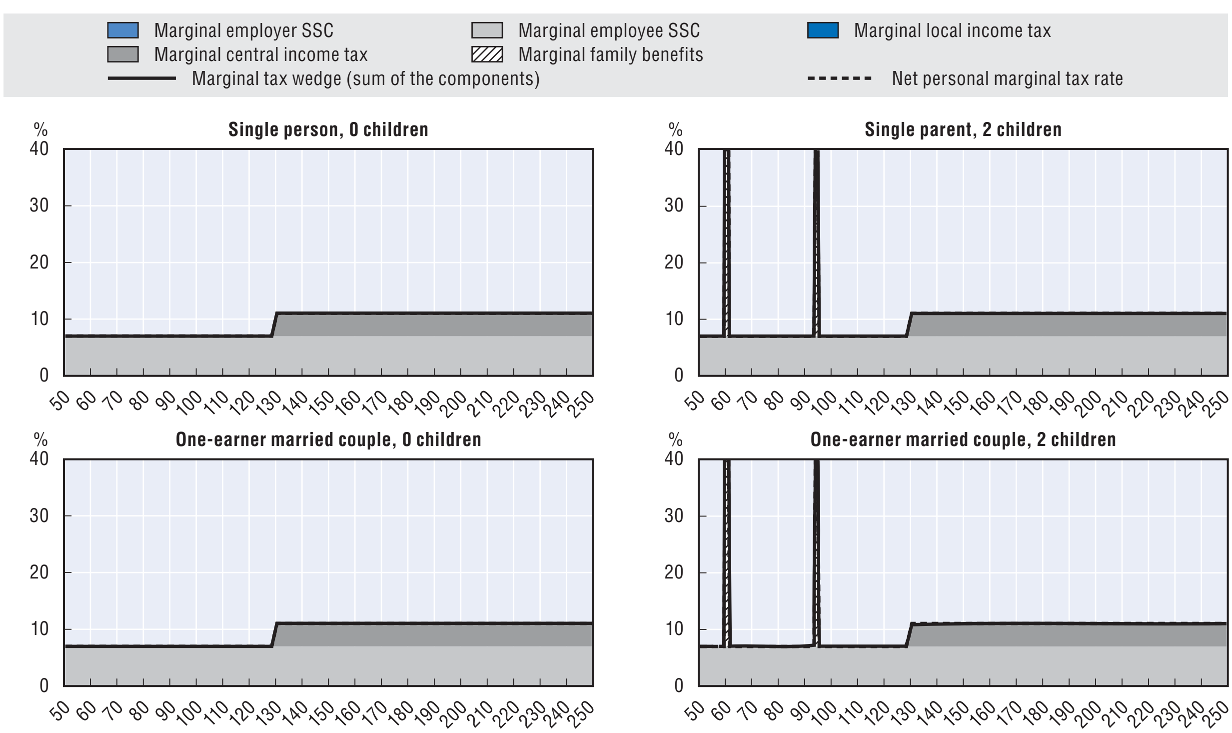
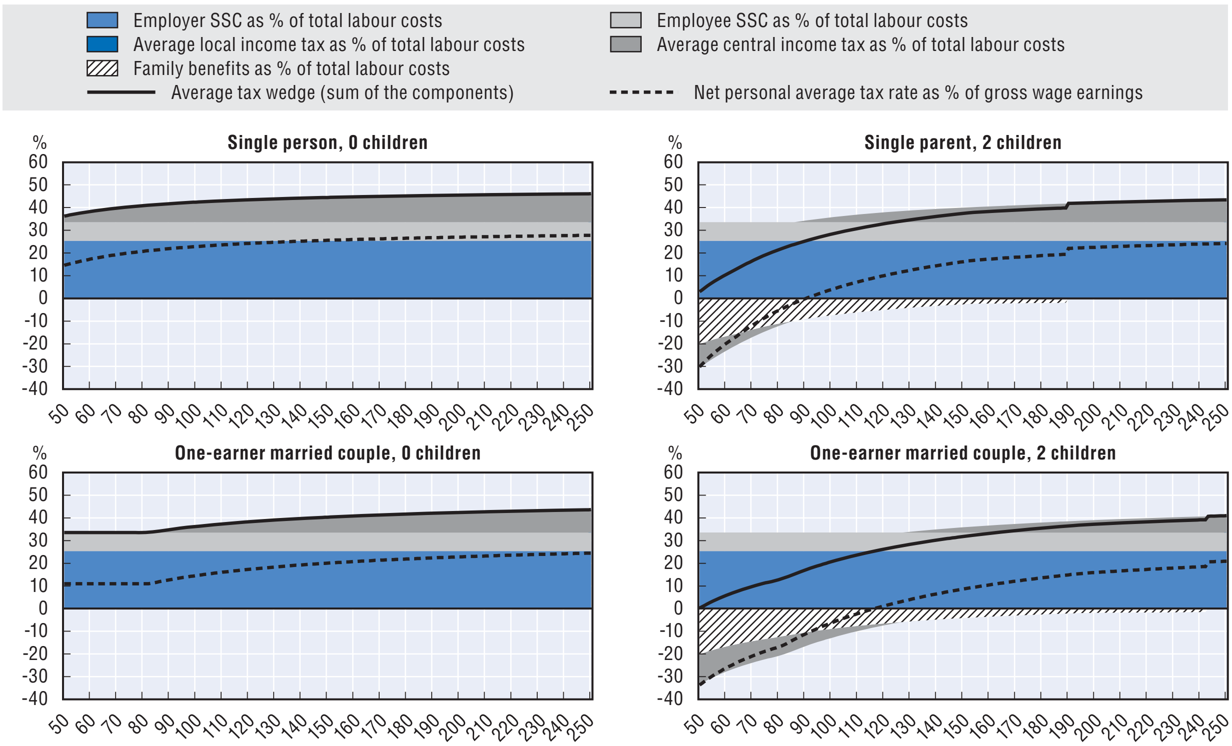
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932784370

Czech Republic, 2012

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



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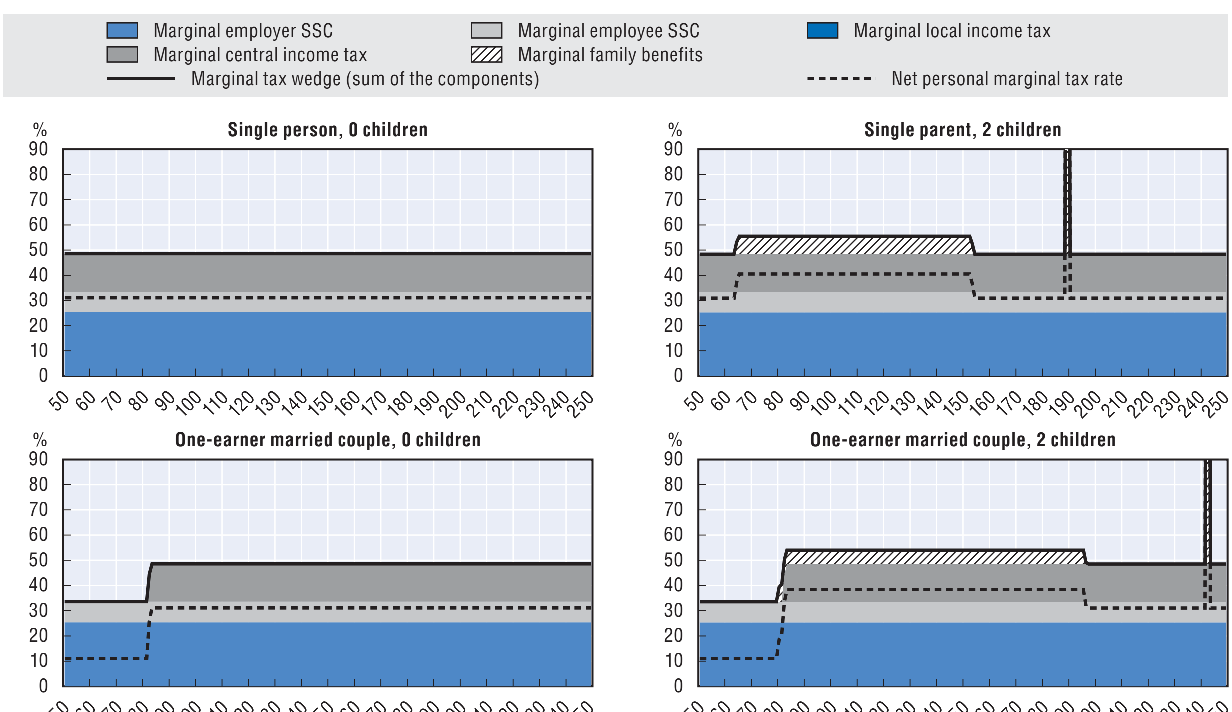
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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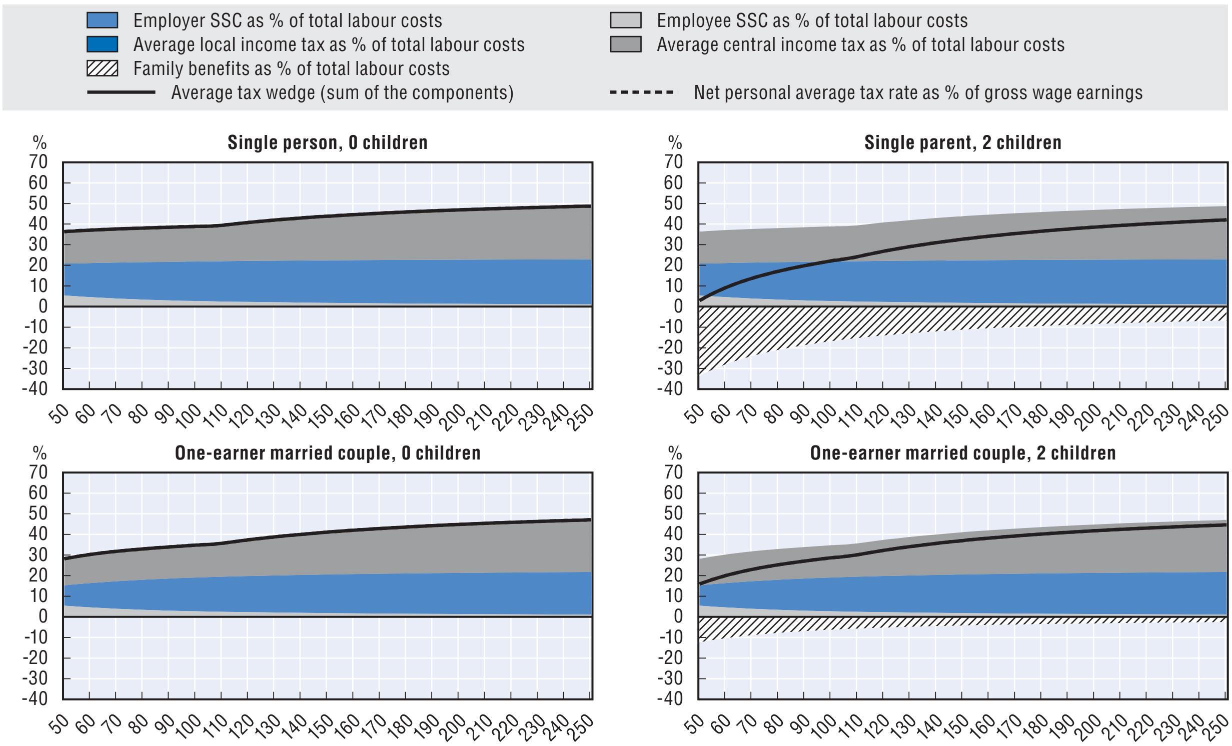
Denmark, 2012

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



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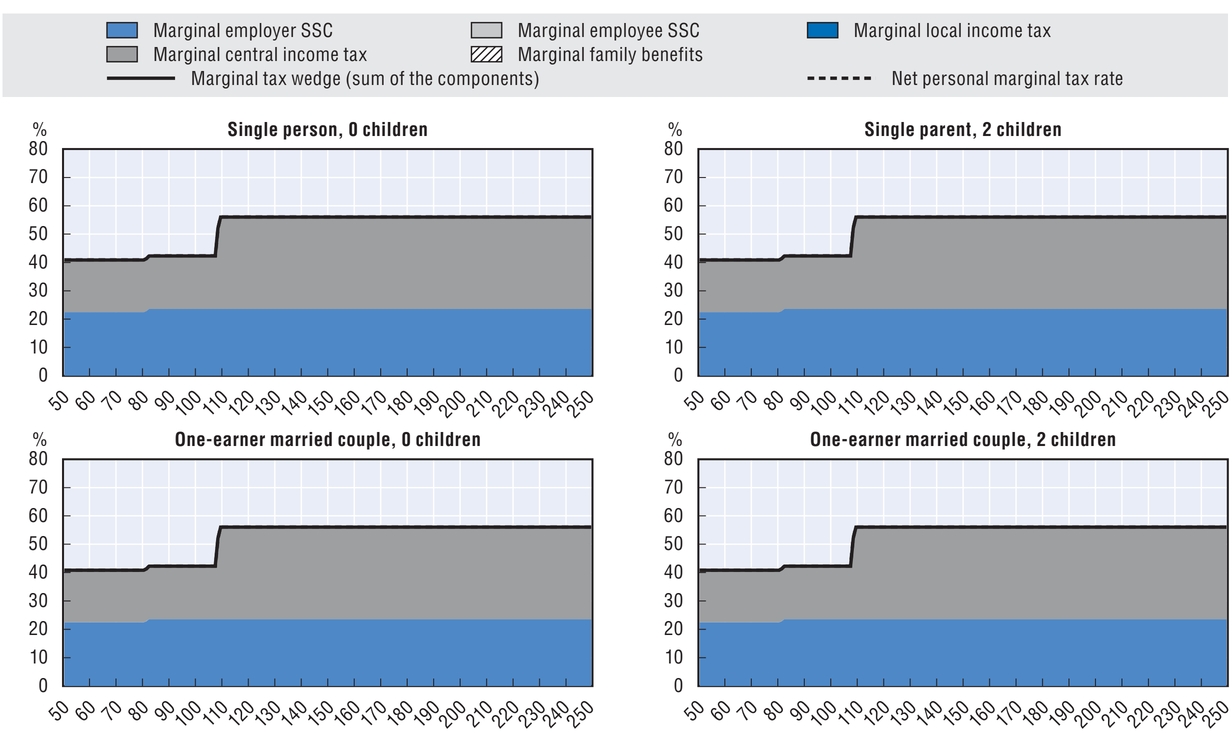
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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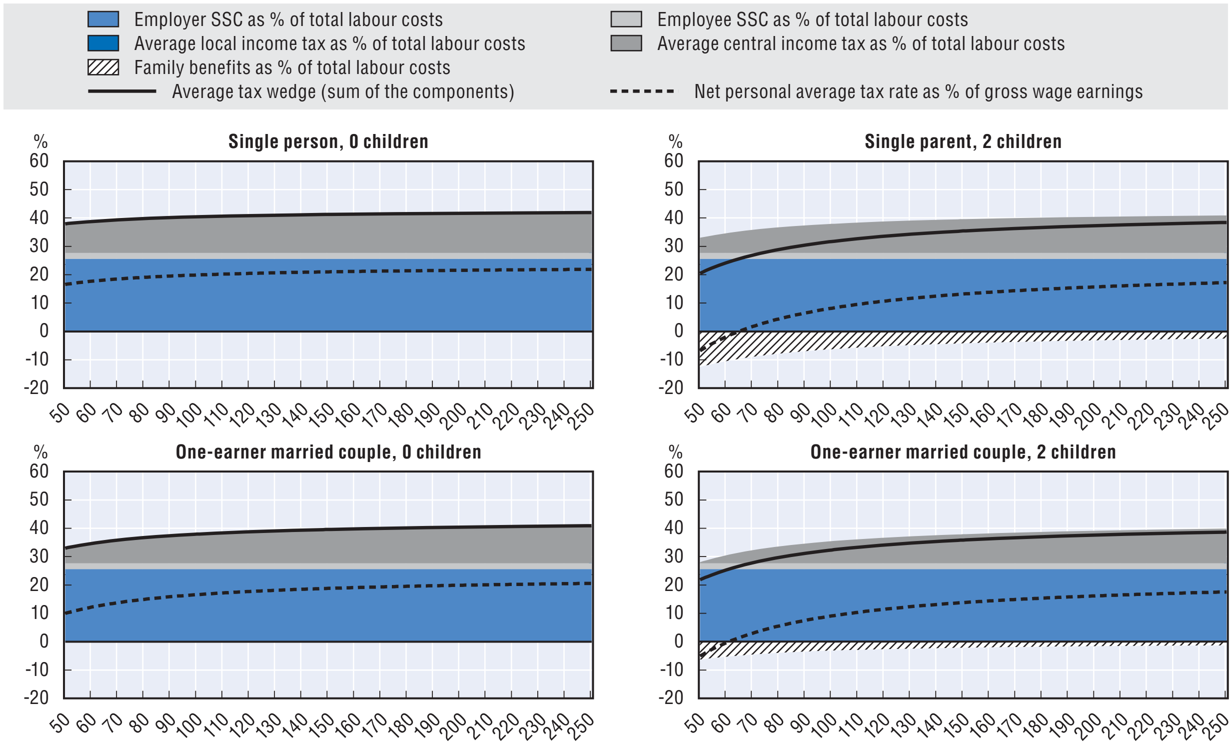
Estonia, 2012

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



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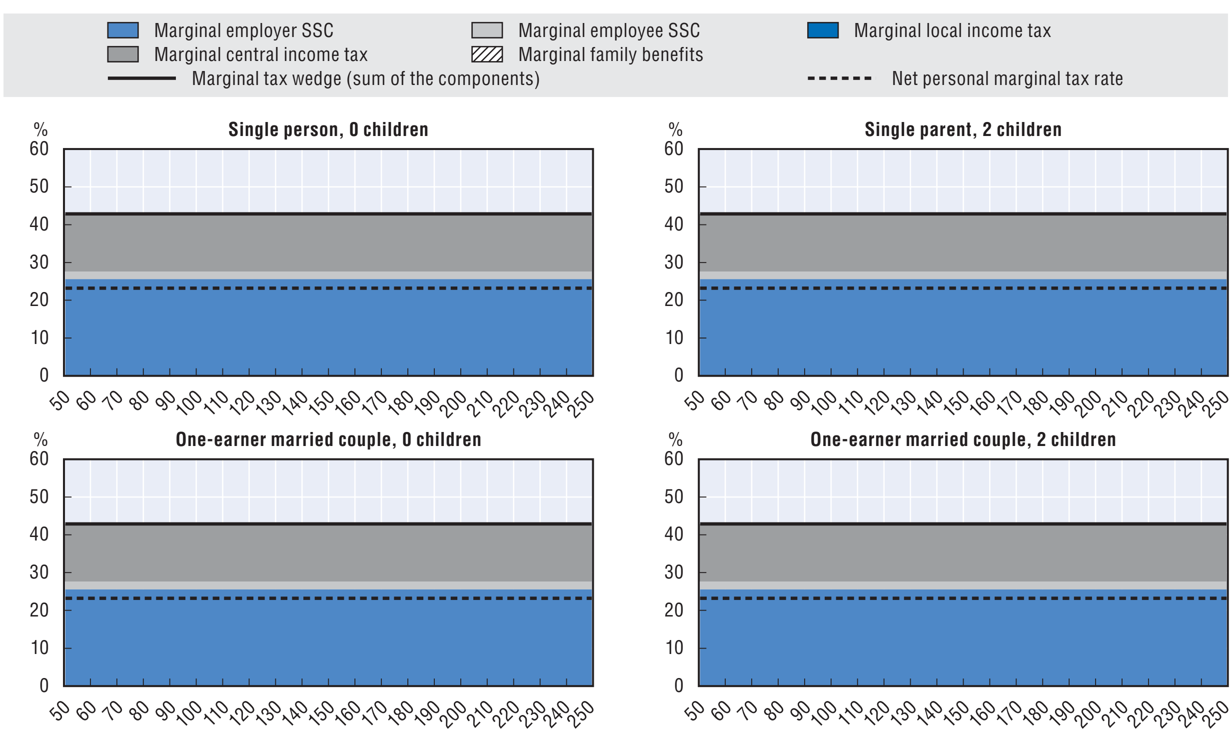
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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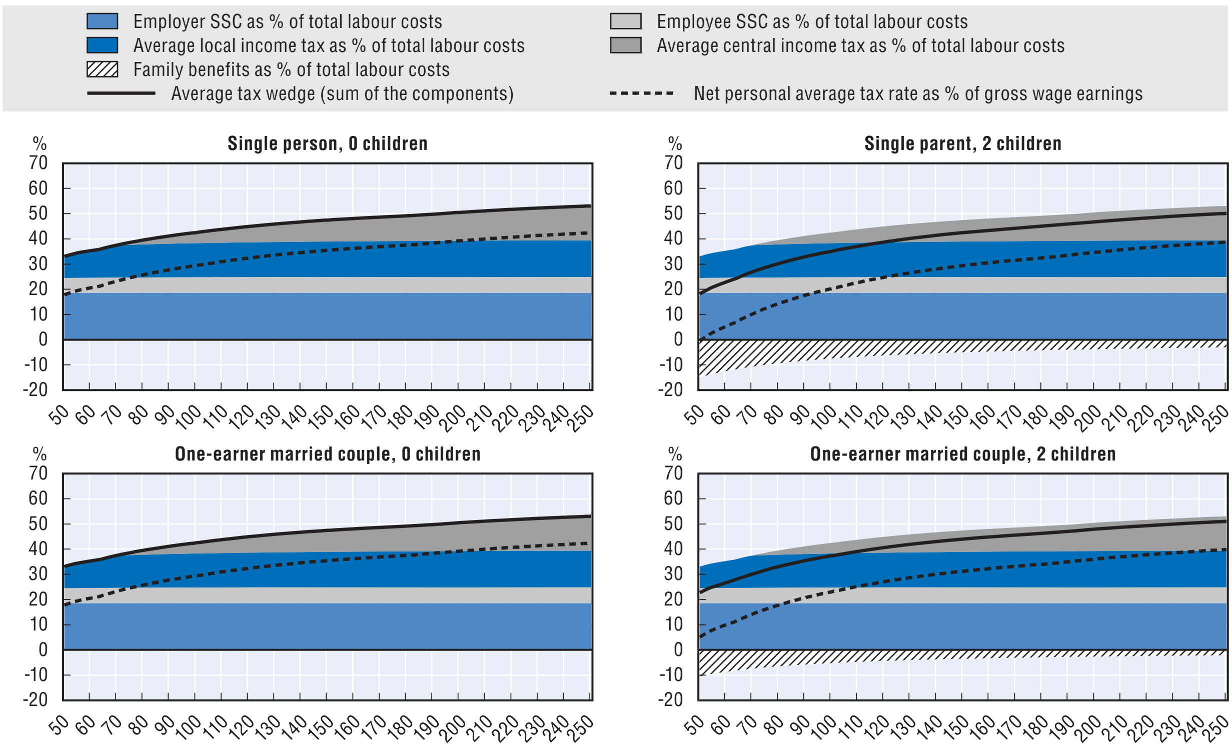
Finland, 2012

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



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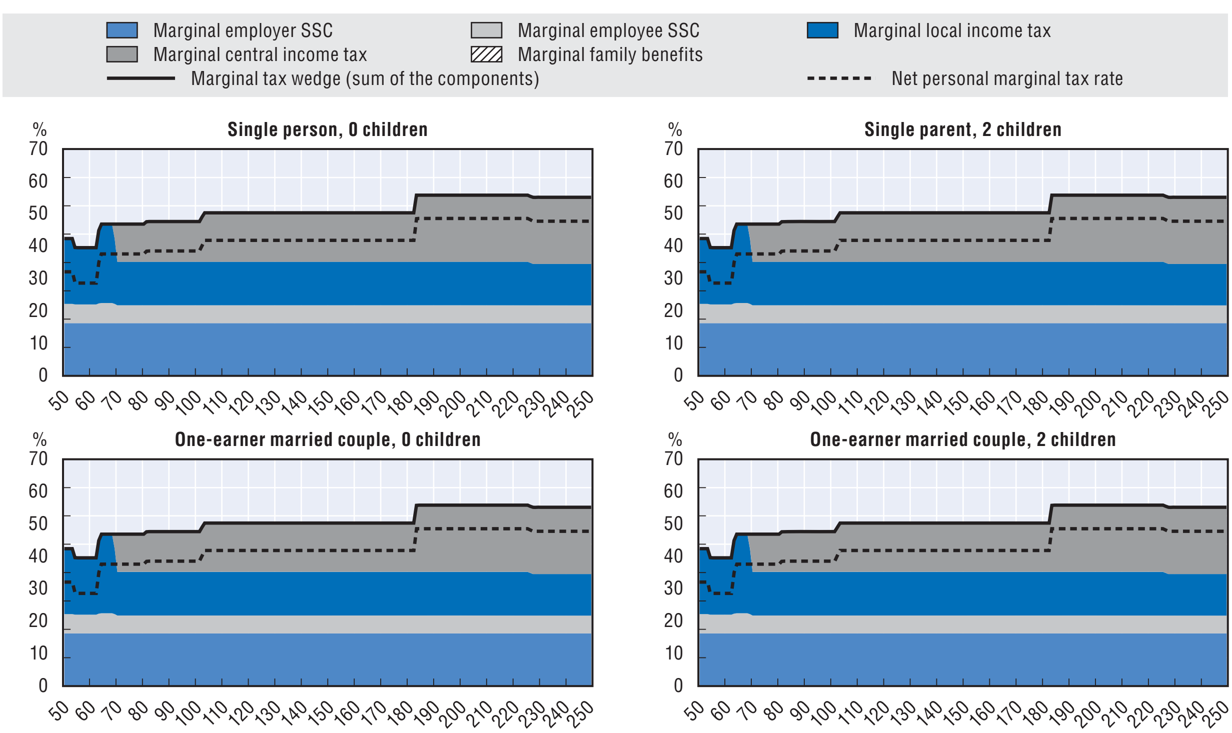
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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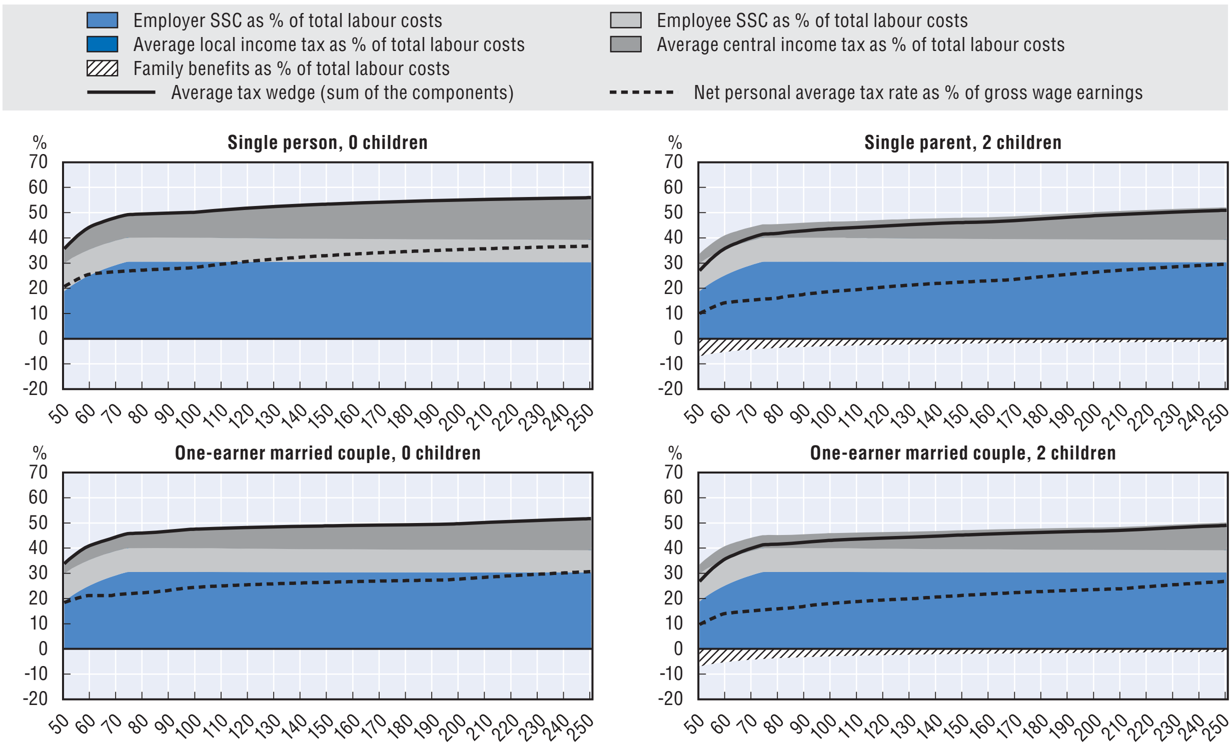
France, 2012

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



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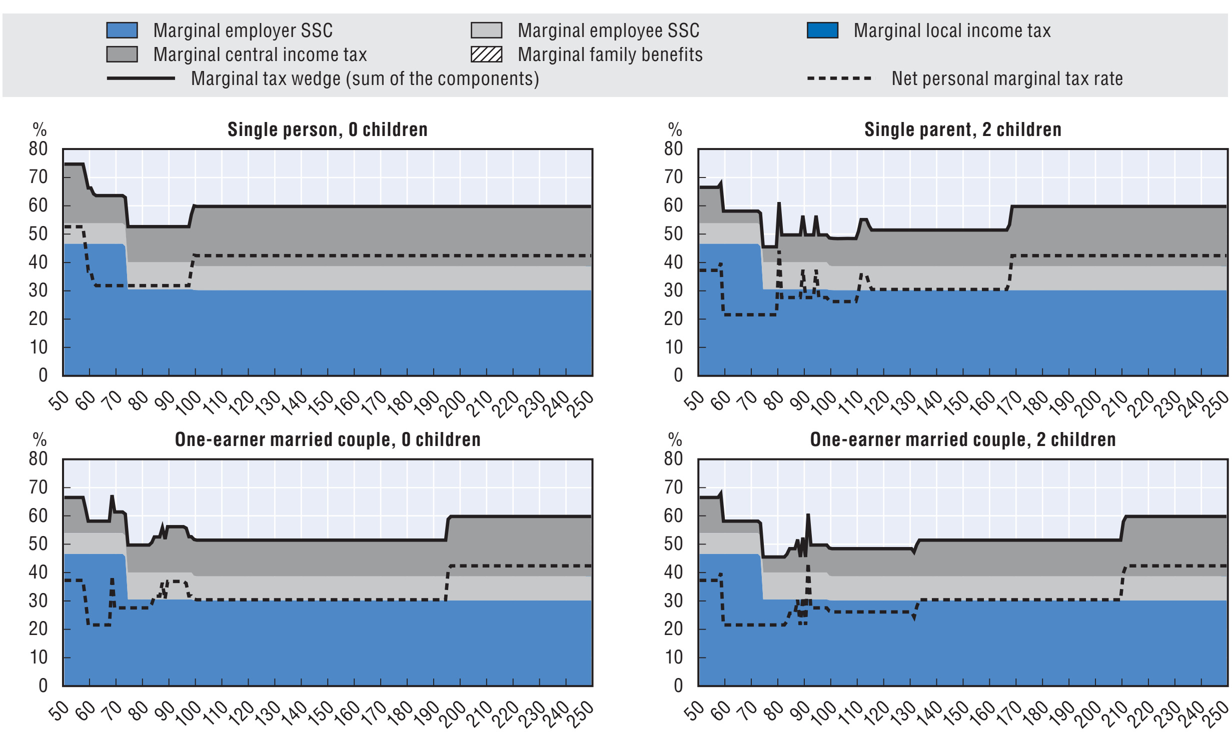
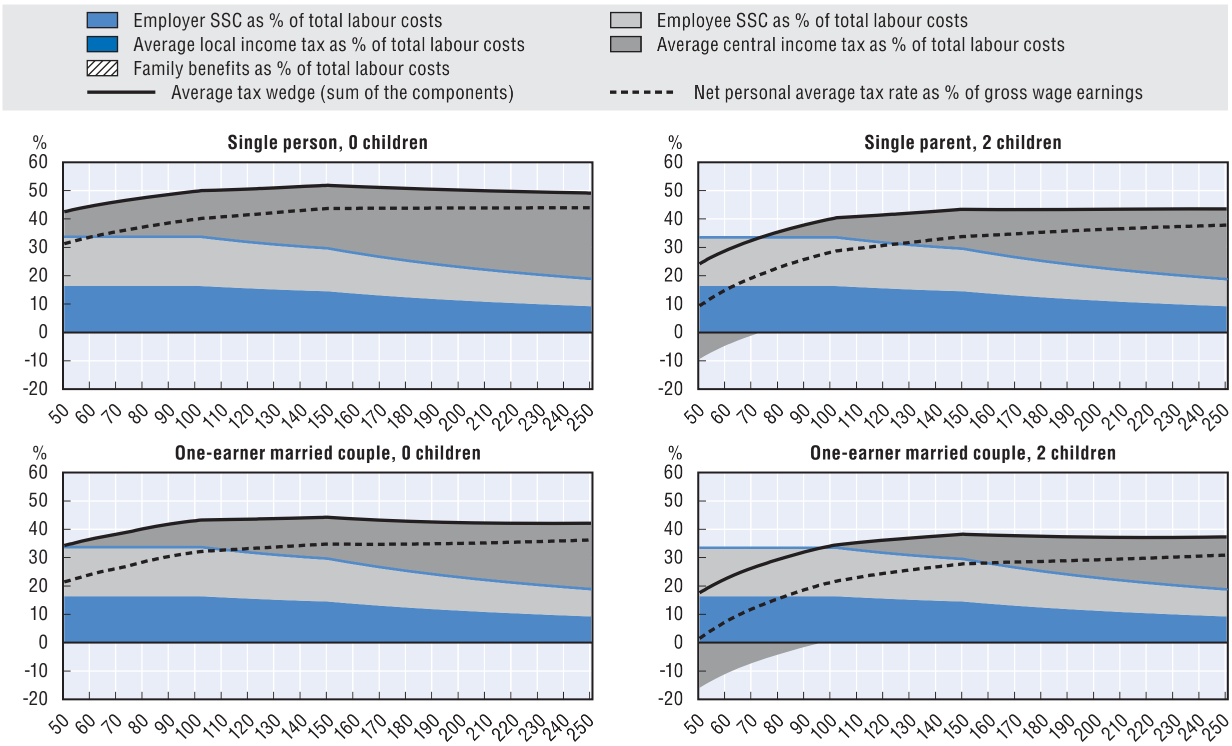
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932784636

Germany, 2012

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



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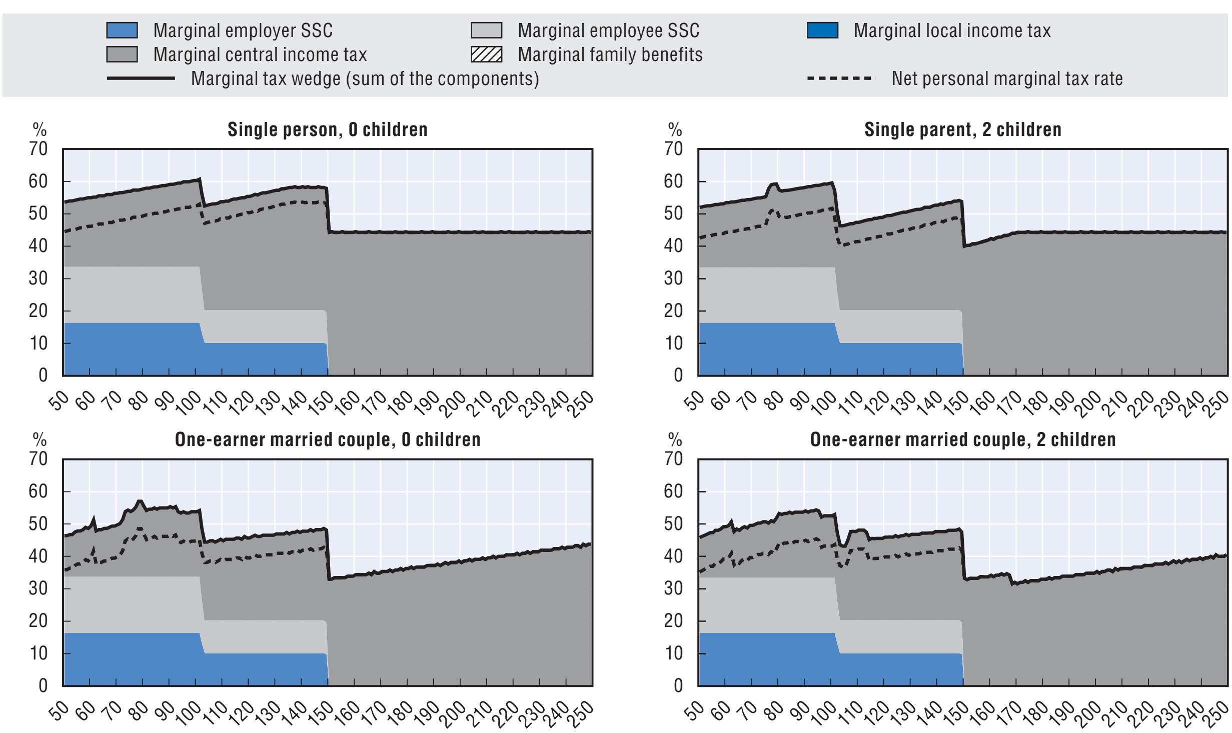
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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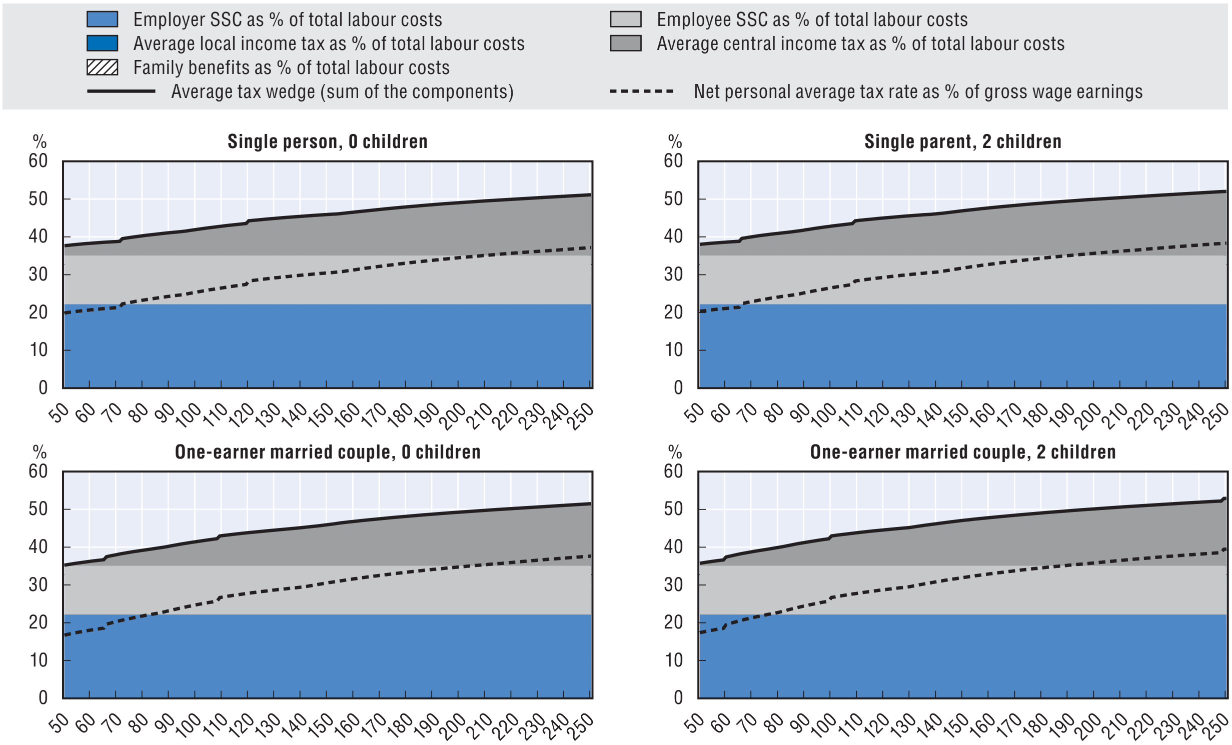
Greece, 2012

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



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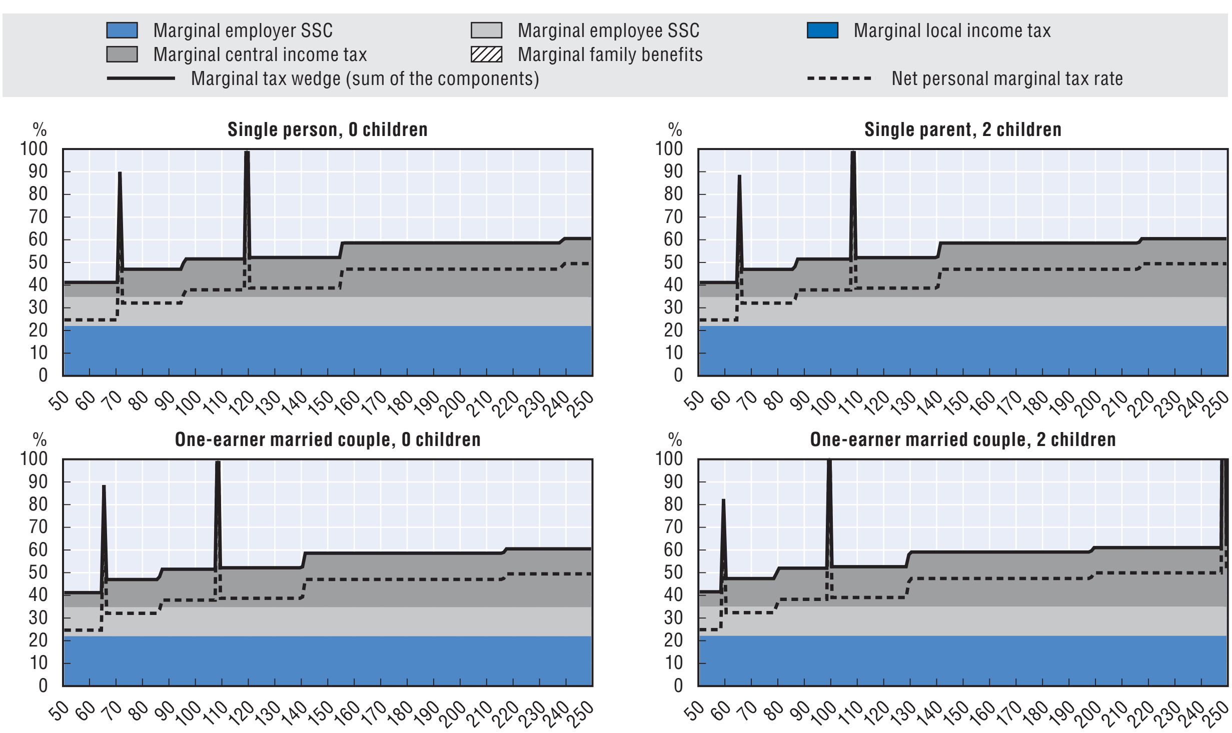
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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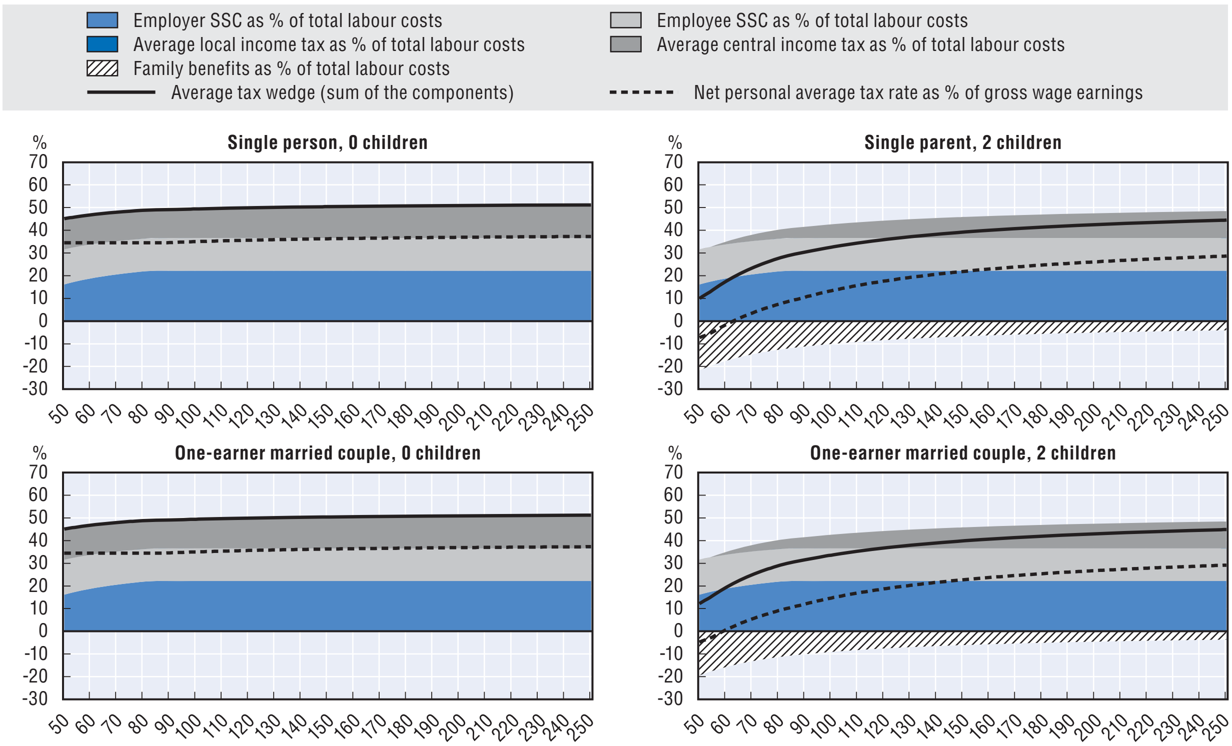
Hungary, 2012

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



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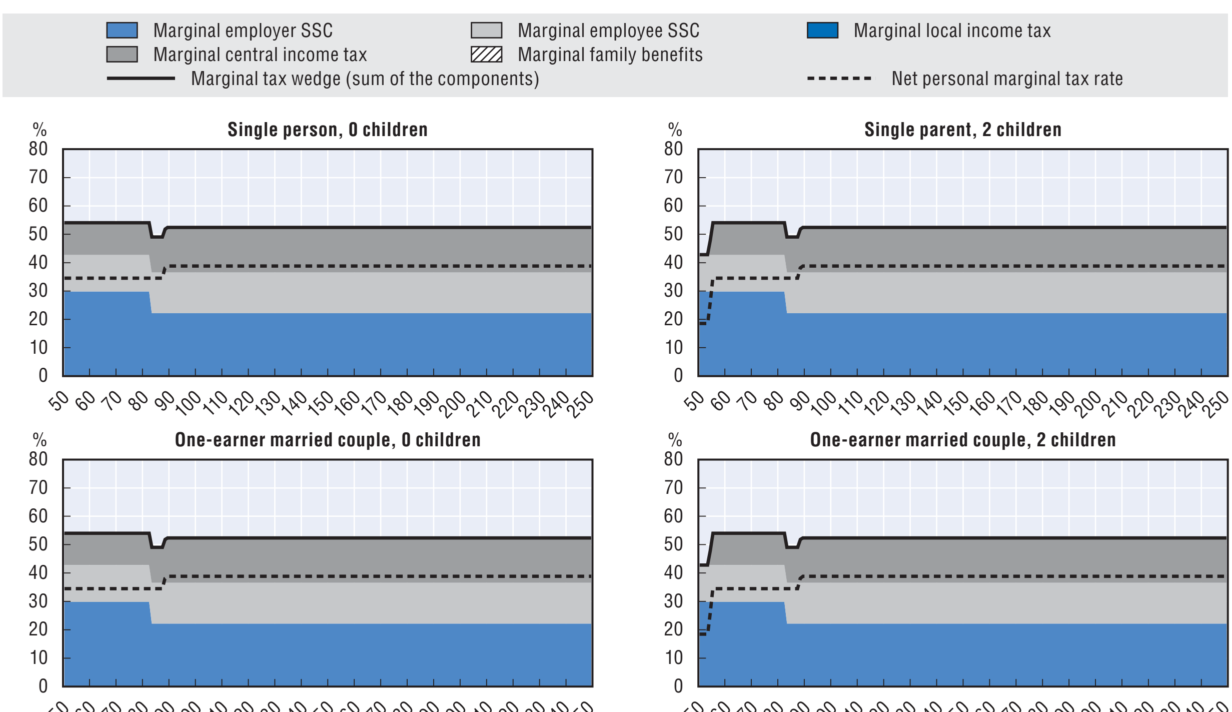
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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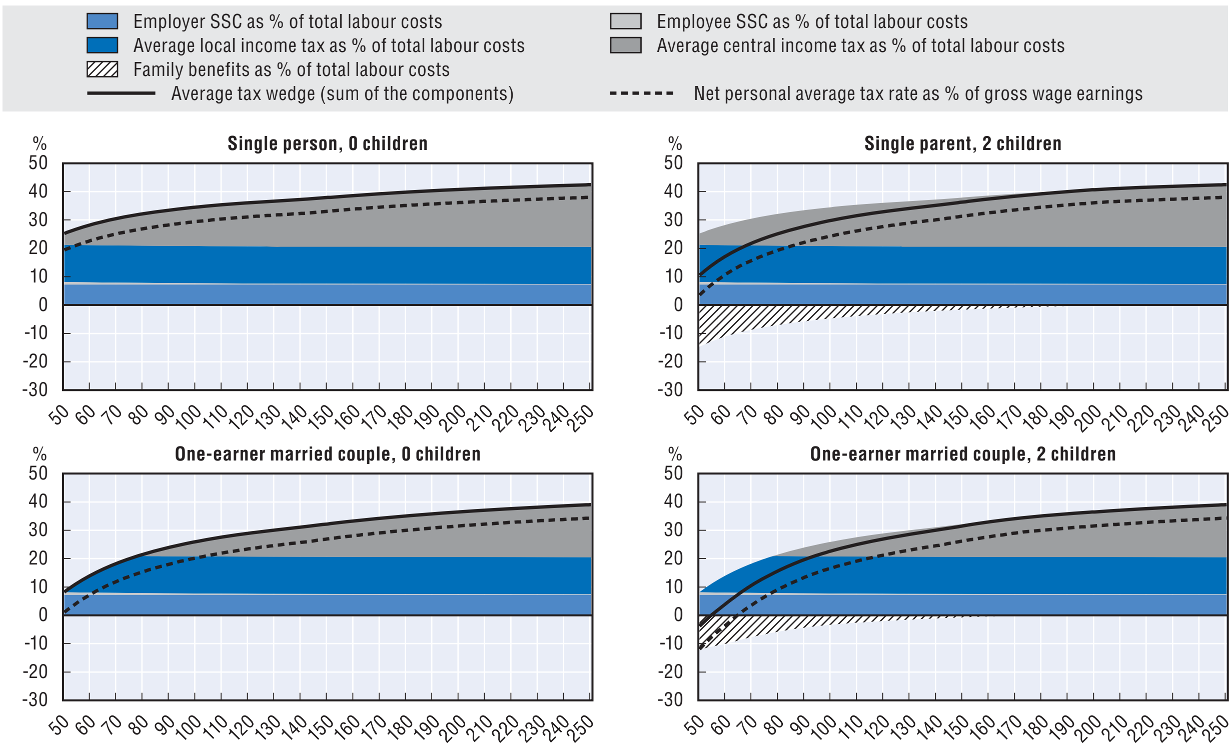
Iceland, 2012

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



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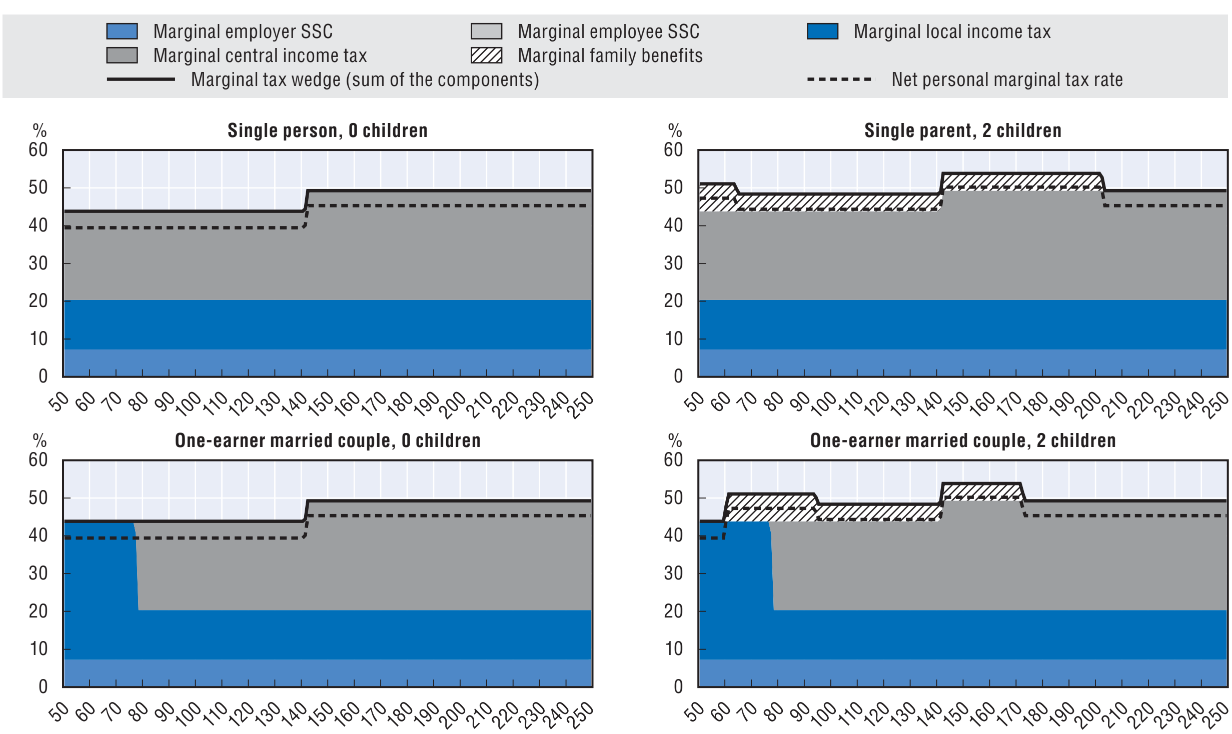
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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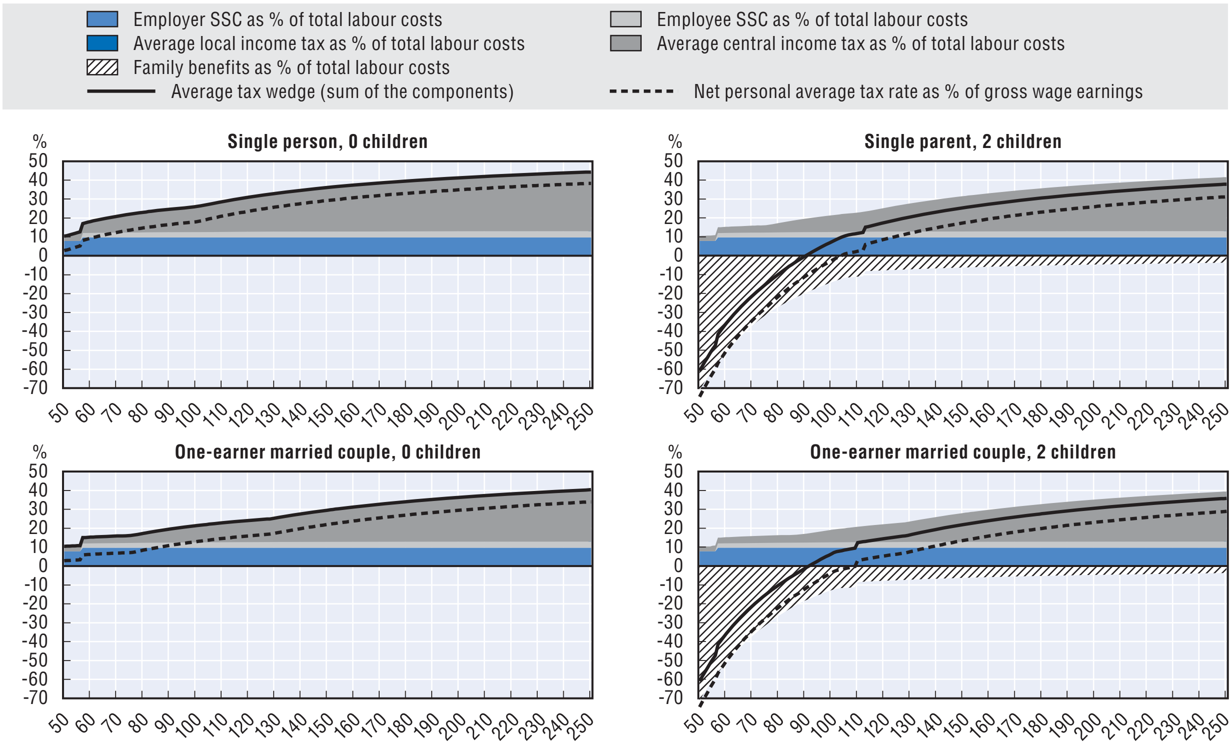
Ireland, 2012

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



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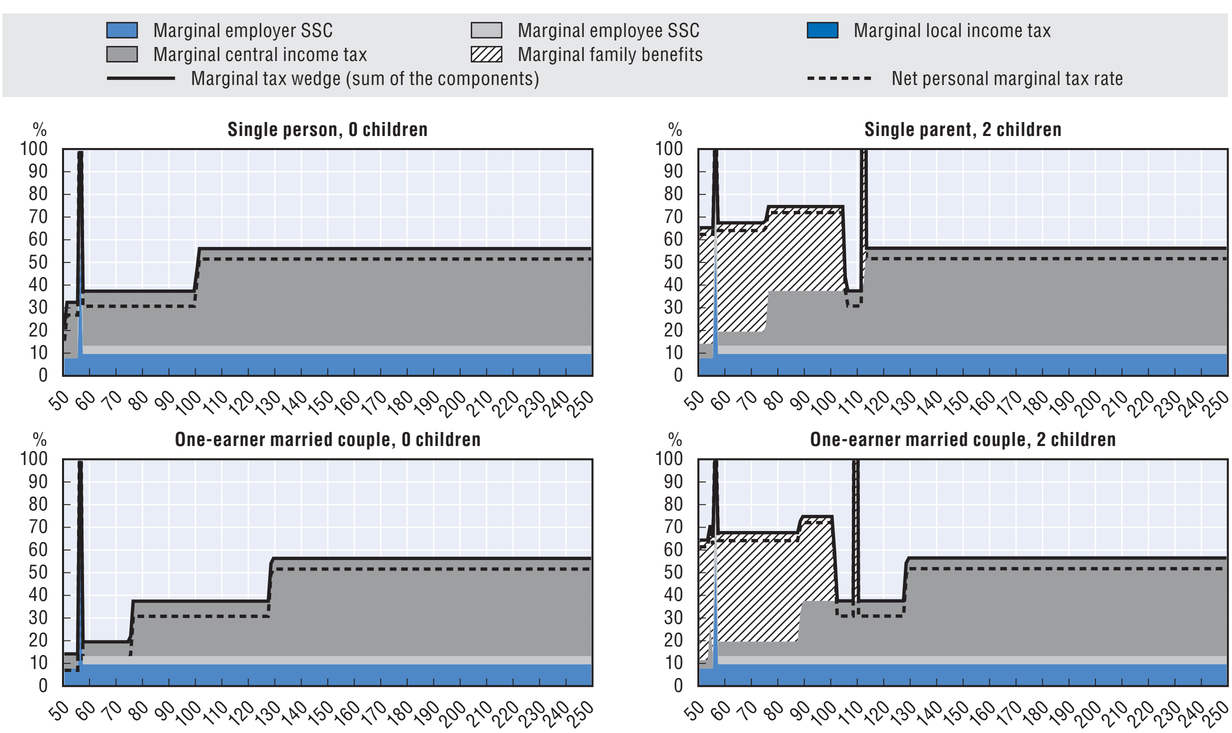
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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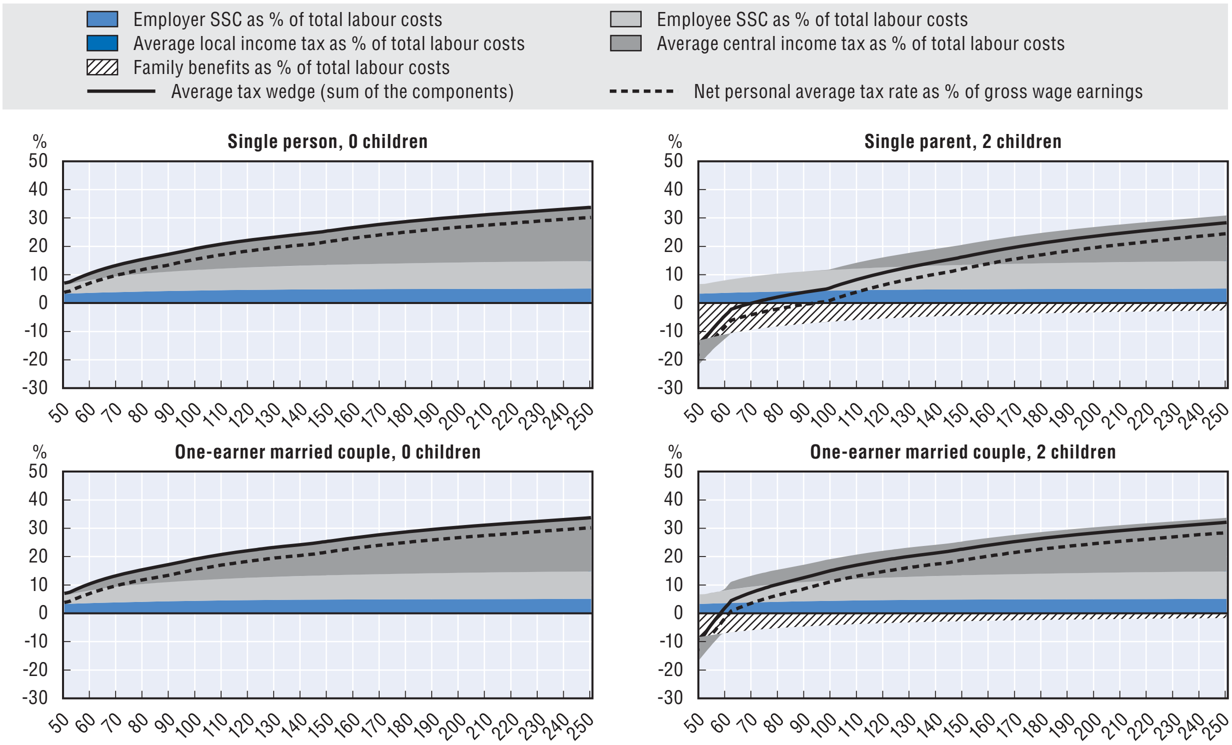
Israel, 2012

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



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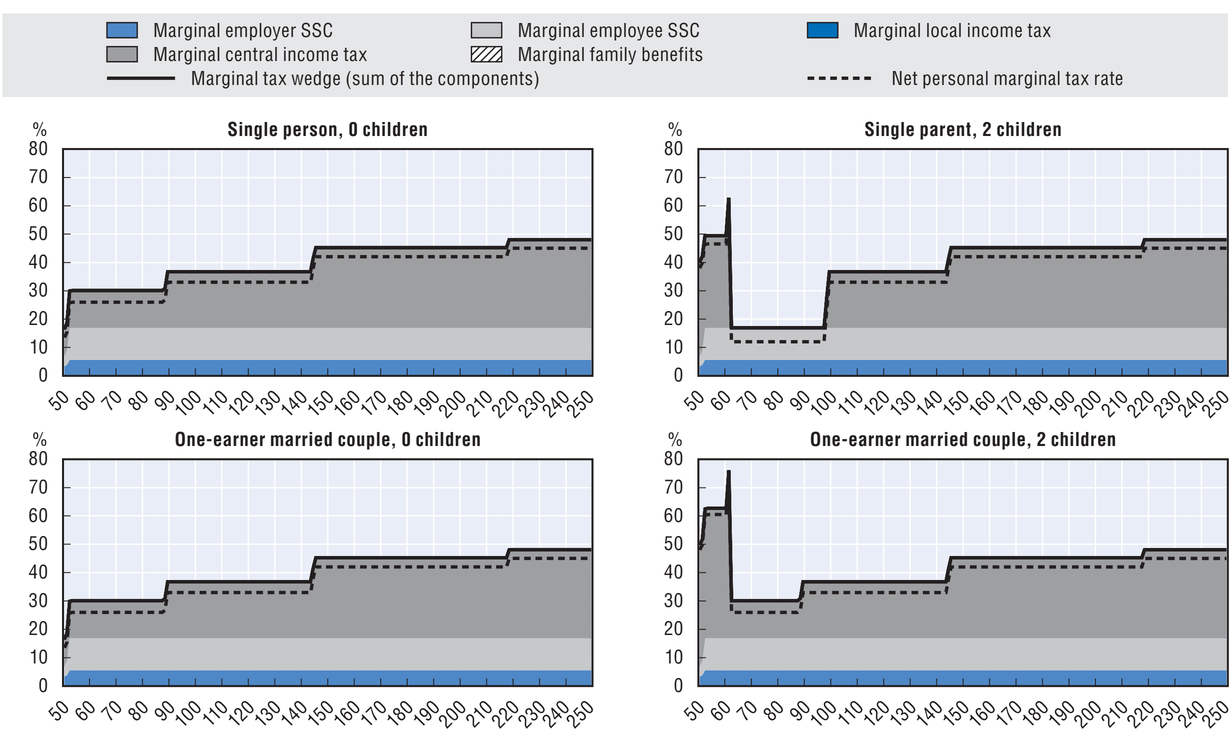
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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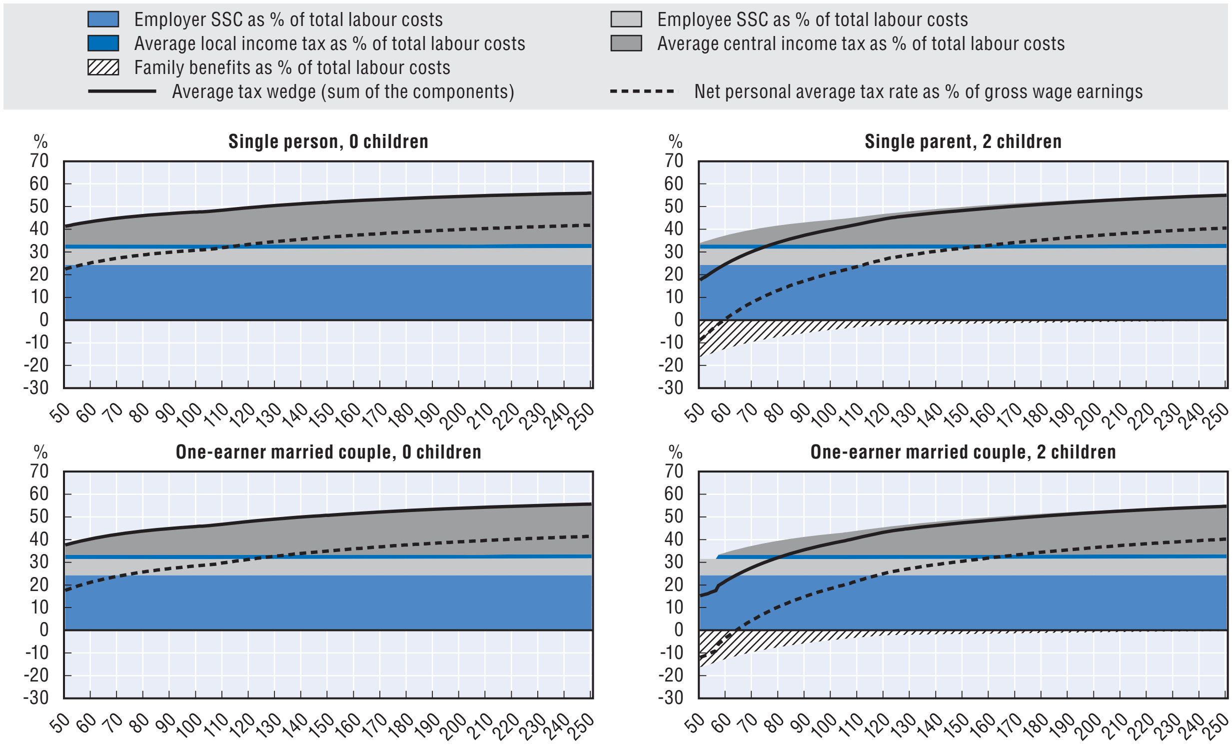
Italy, 2012

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



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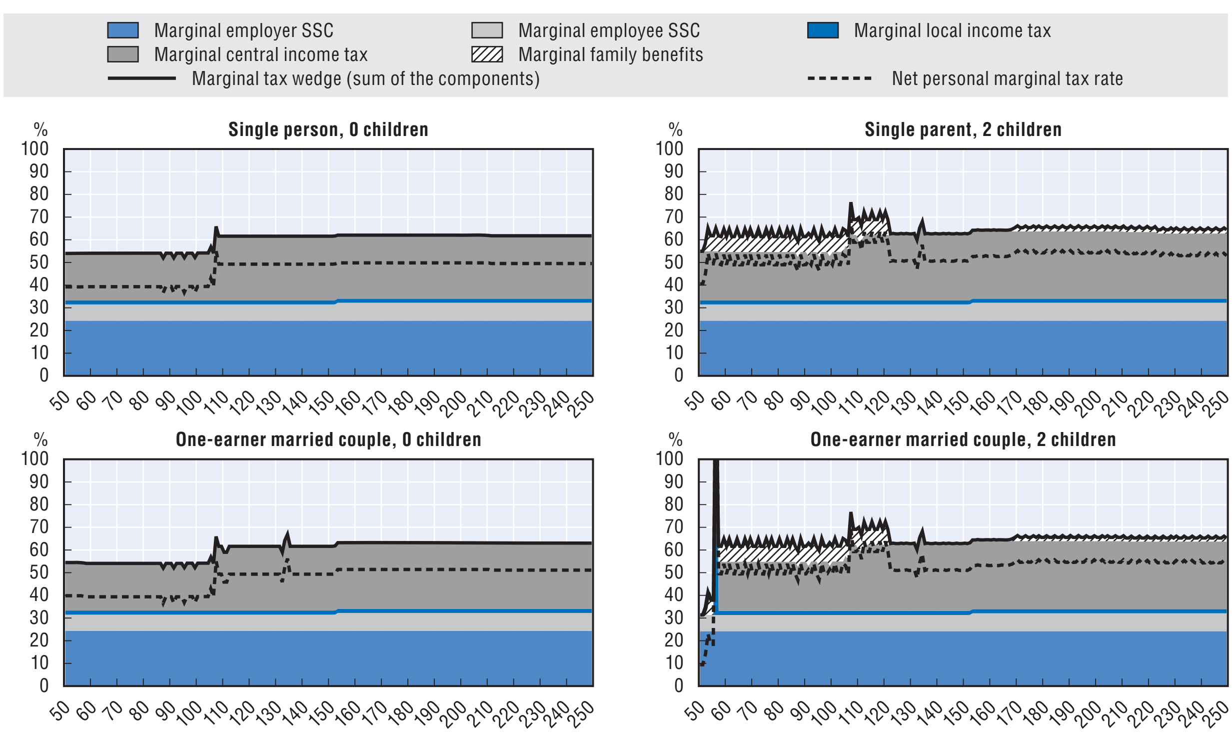
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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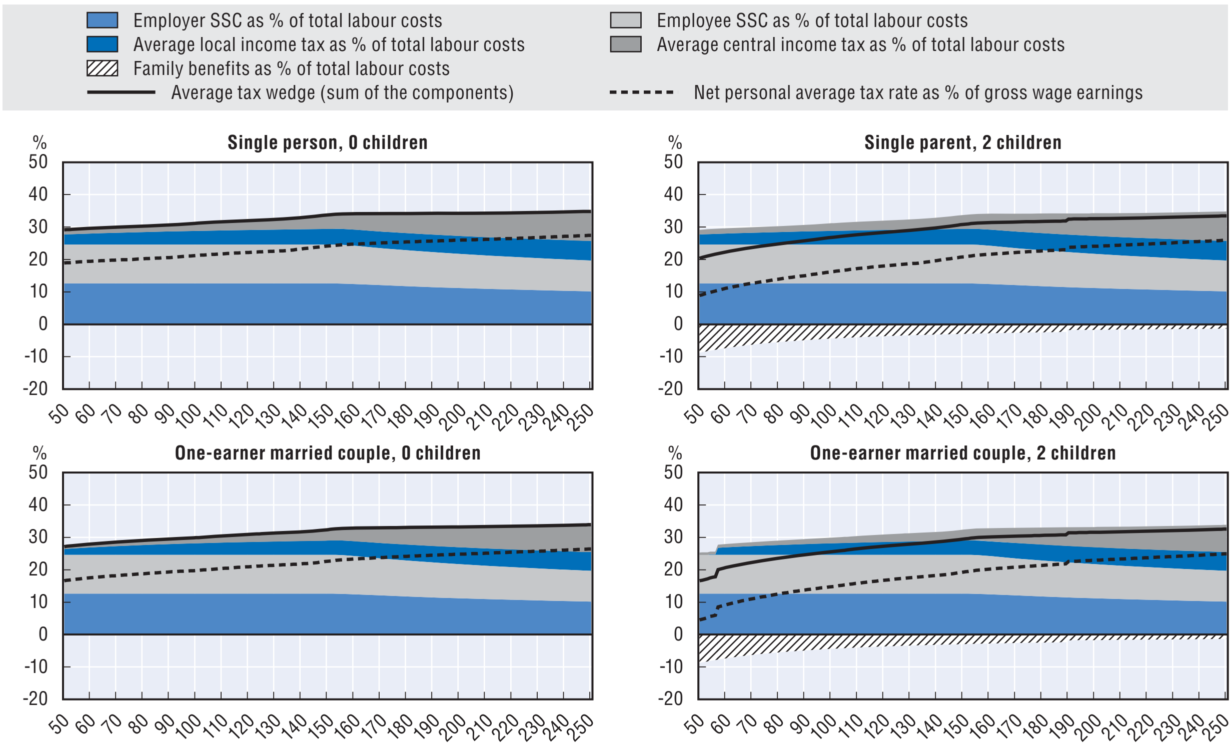
Japan, 2012

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



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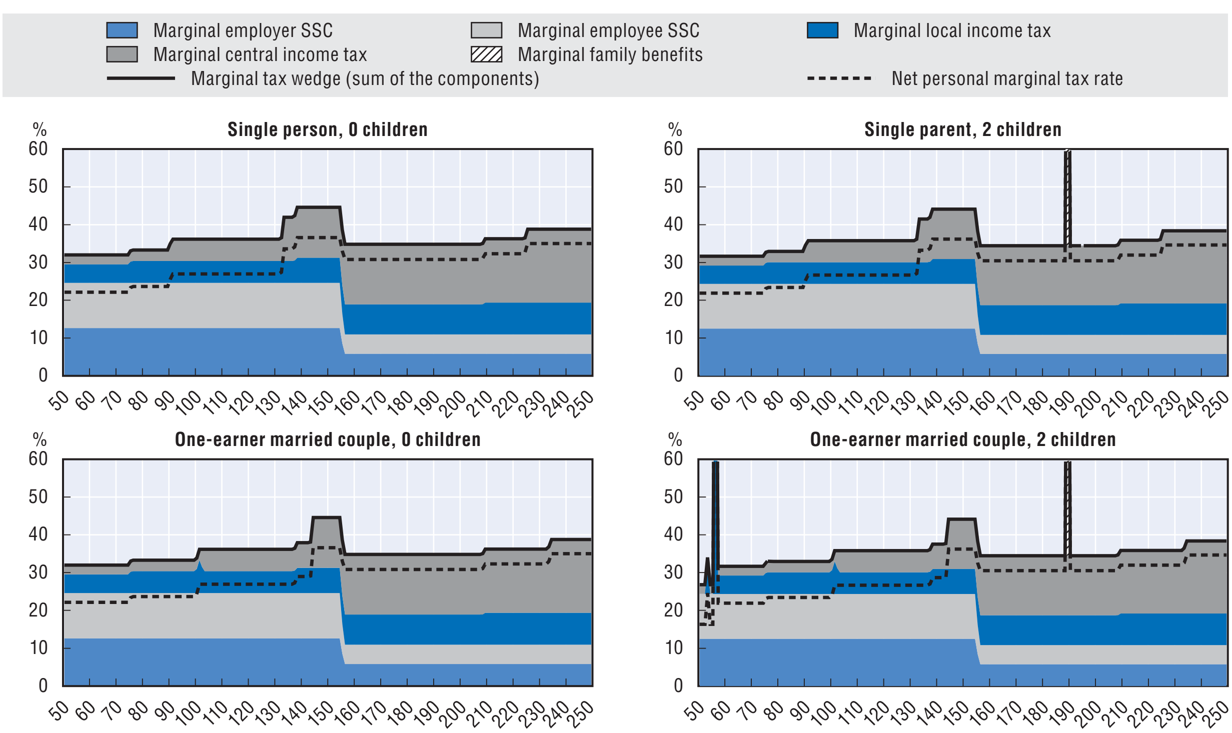
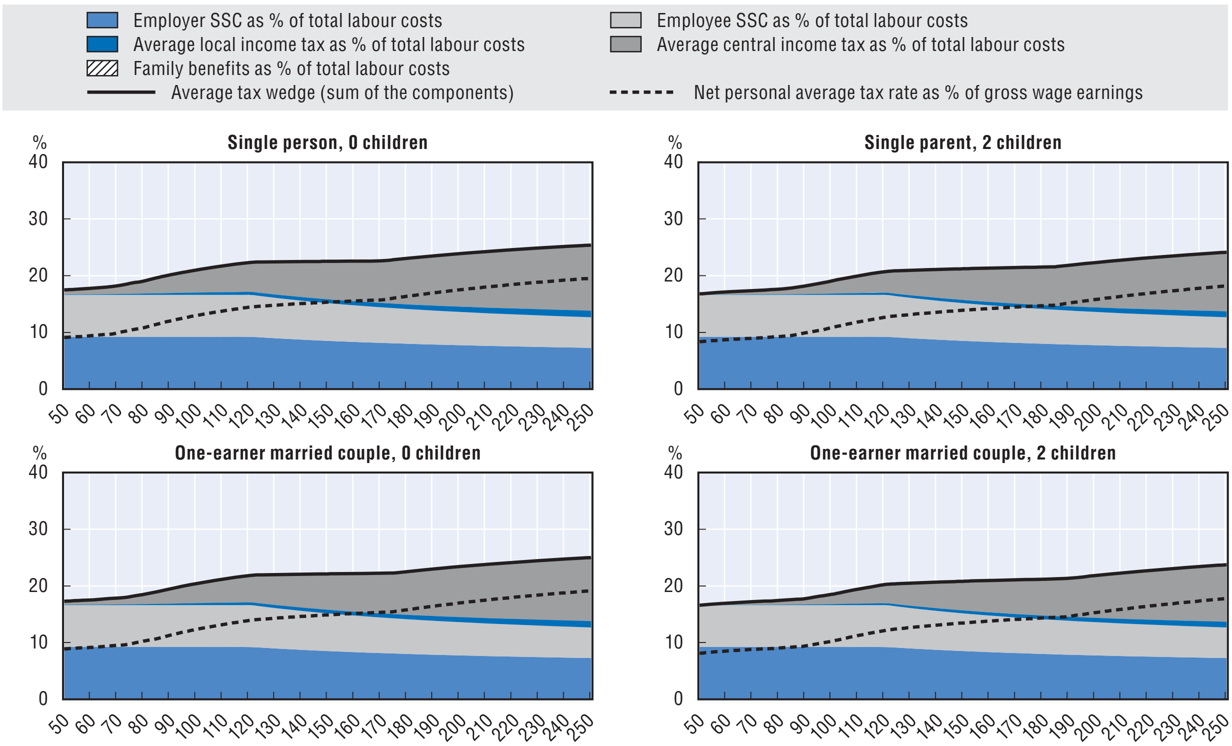
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932784902

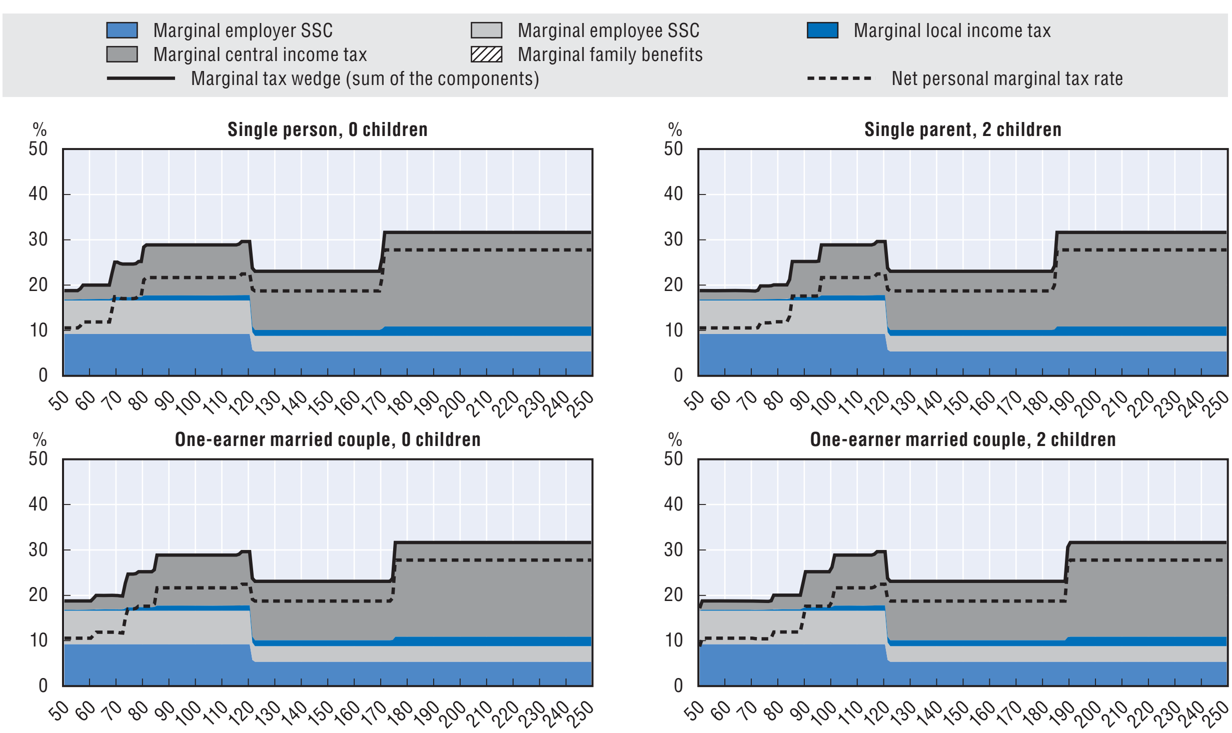
Korea, 2012

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



StatLink http://dx.doi.org/10.1787/888932784921

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



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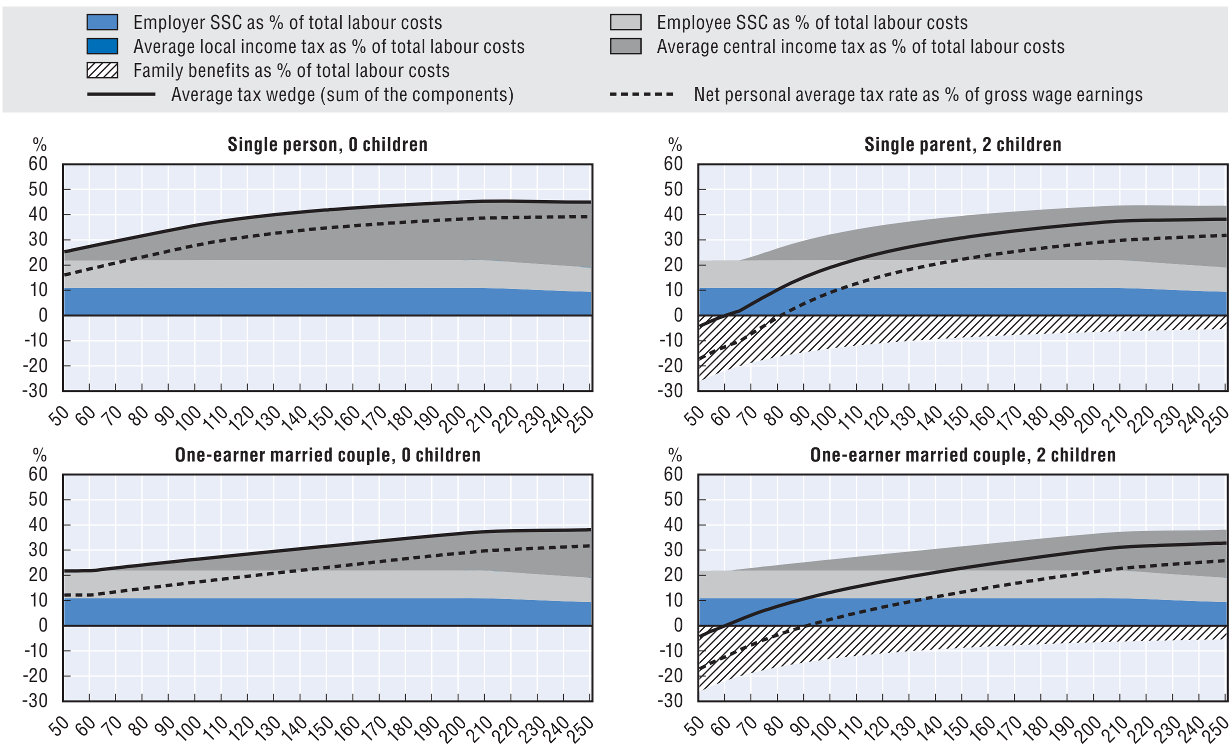
Luxembourg, 2012

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



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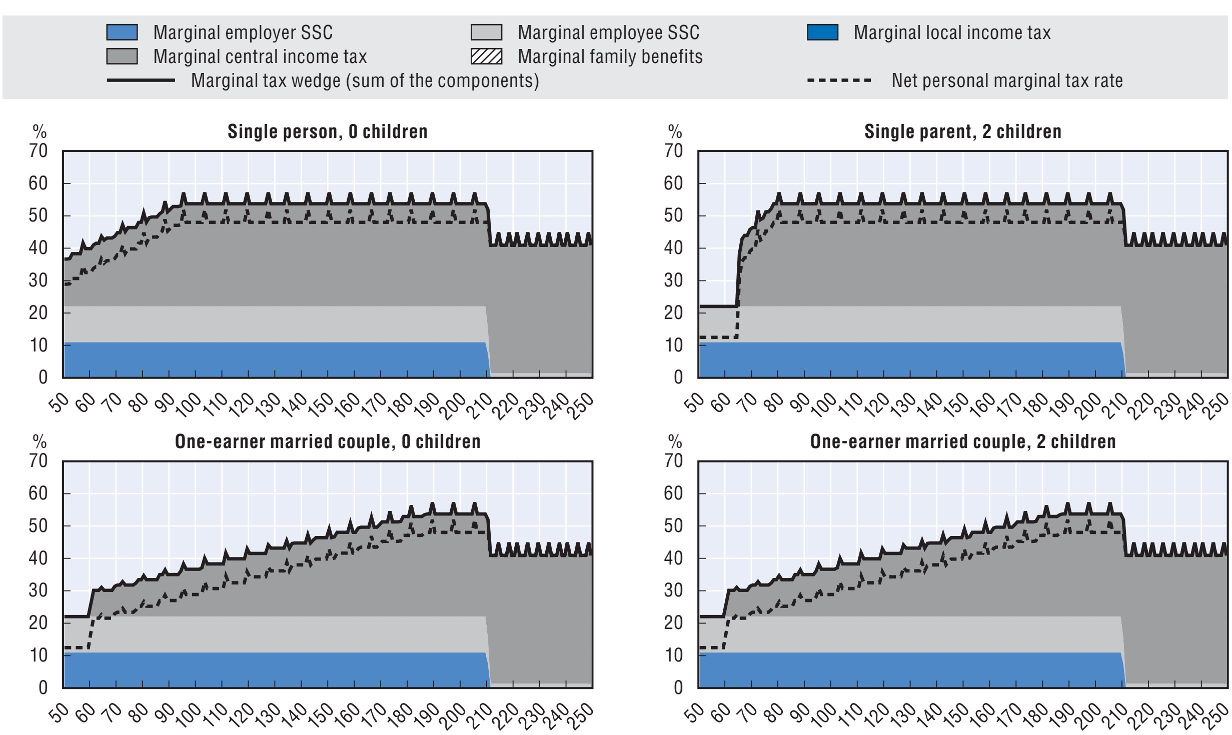
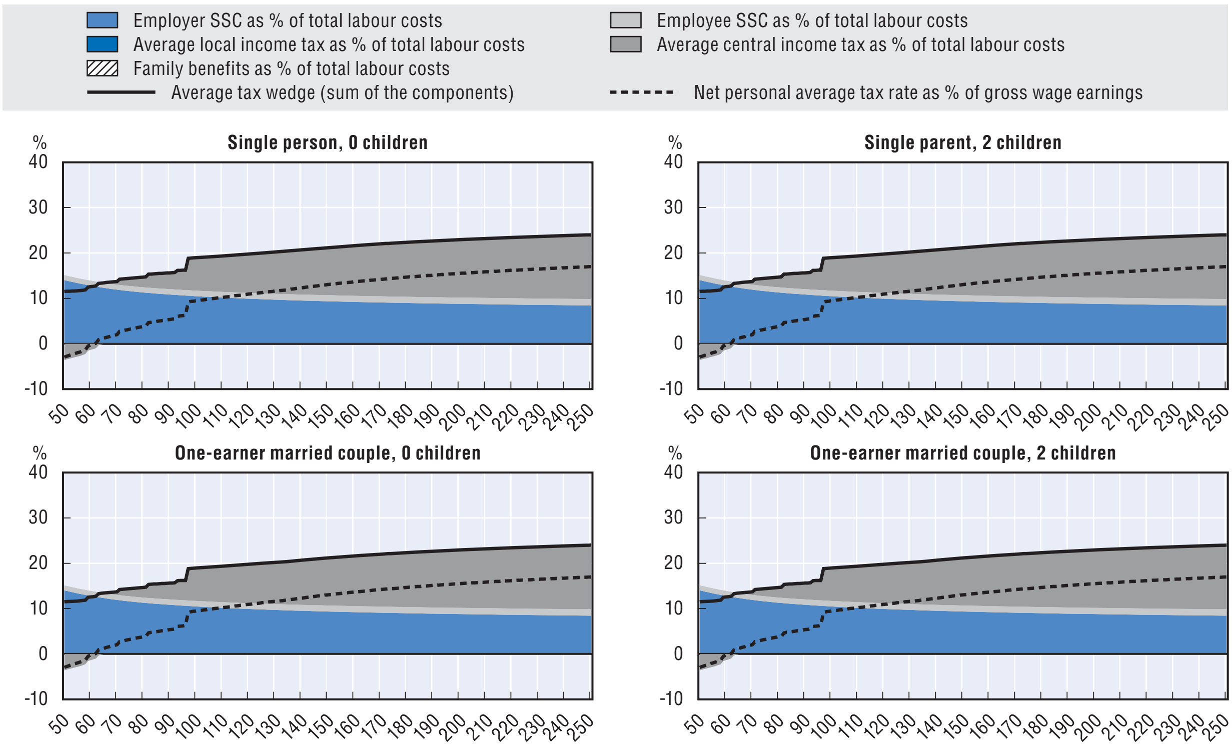
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932784978

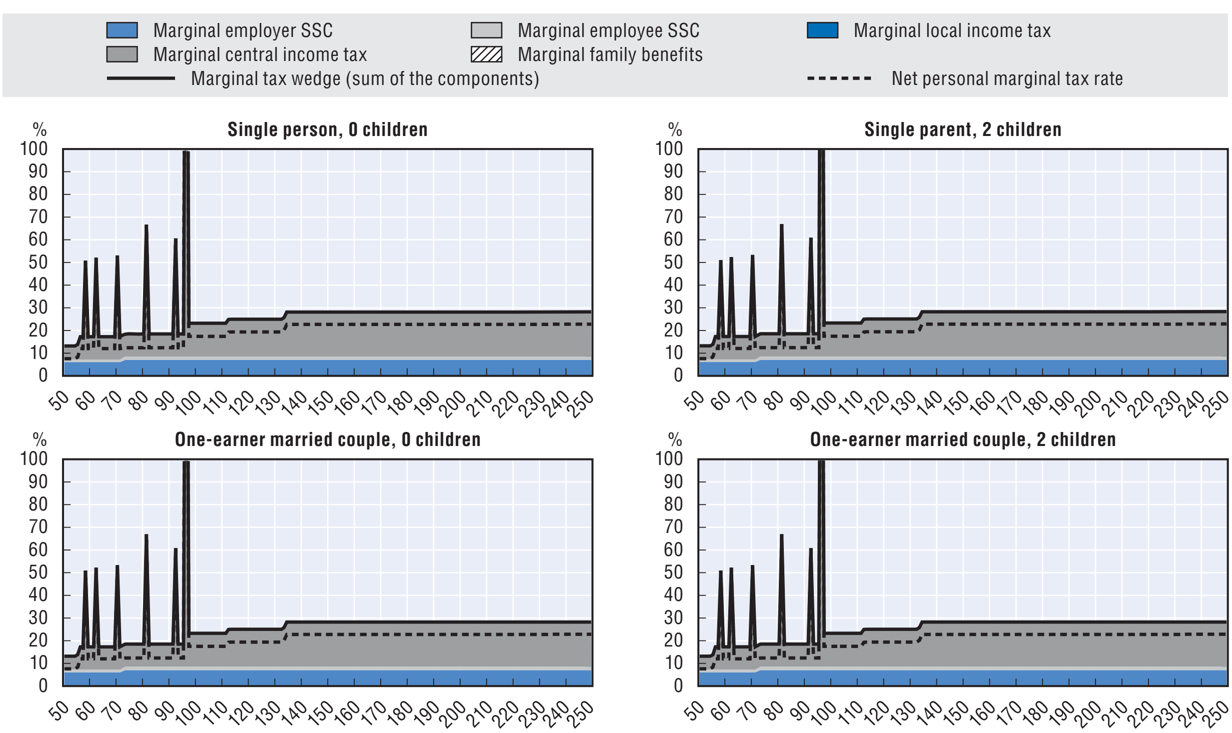
Mexico, 2012

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



StatLink http://dx.doi.org/10.1787/888932784997

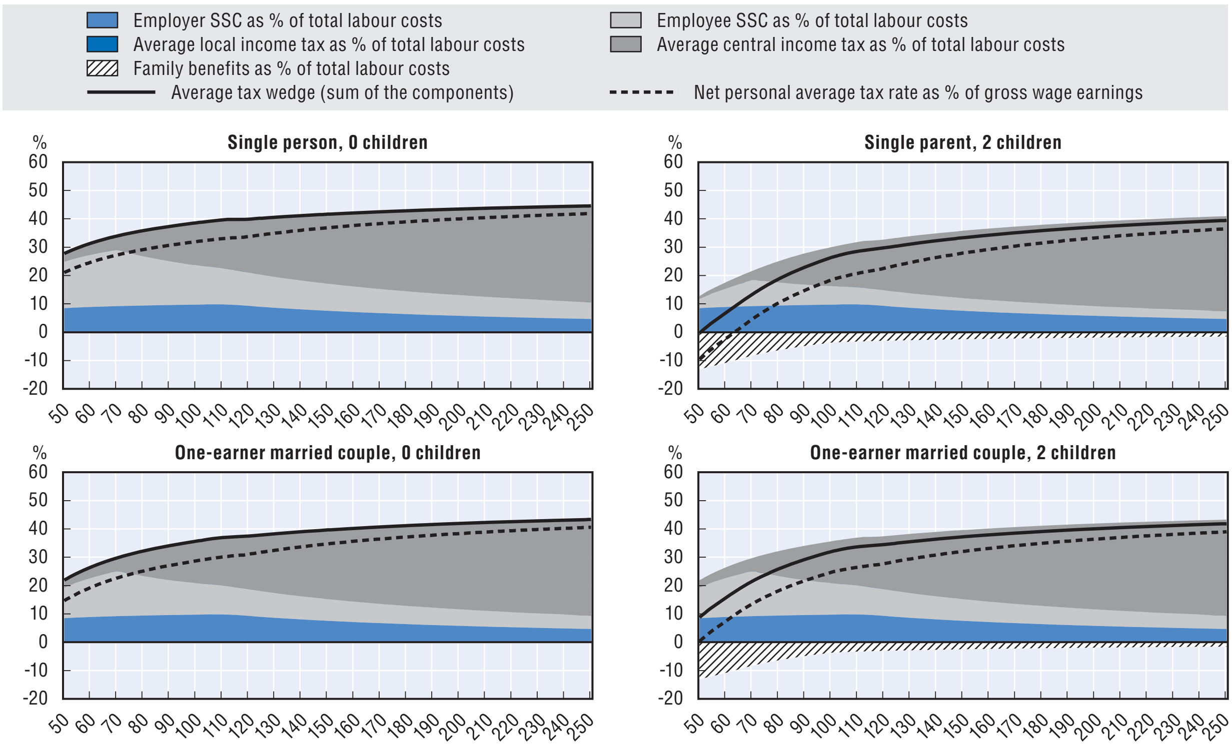
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932785016

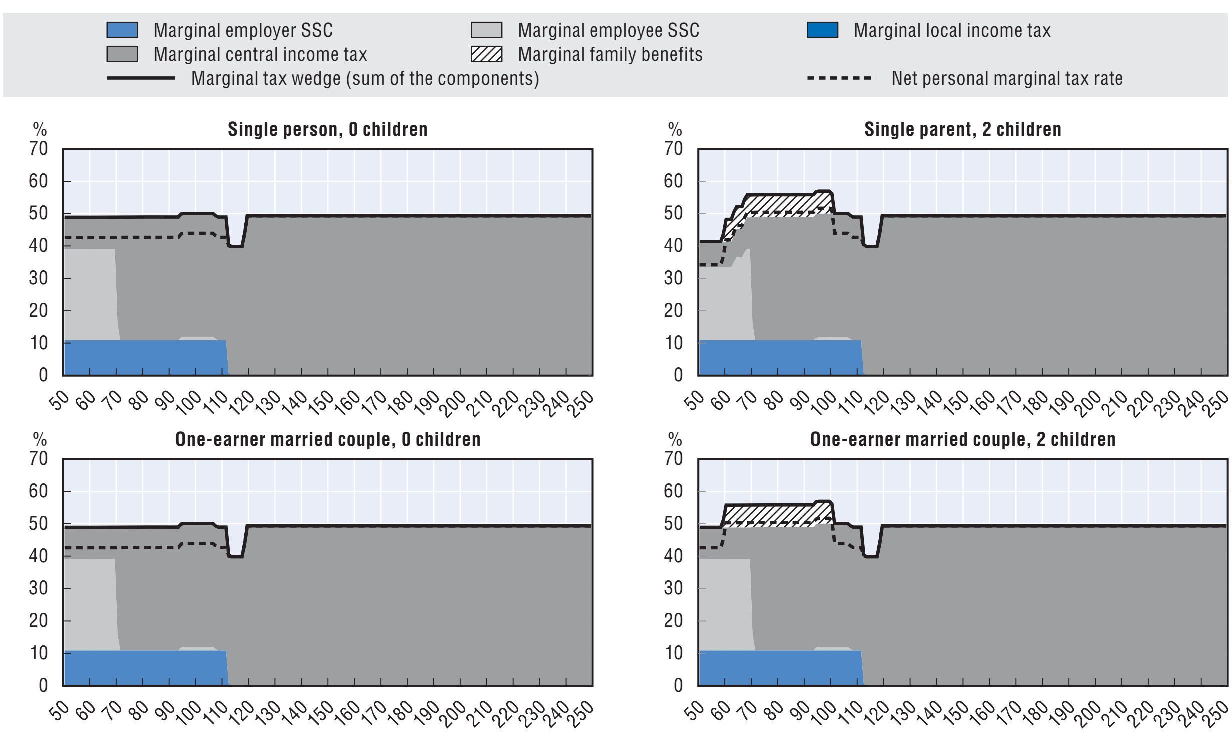
Netherlands, 2012

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



StatLink http://dx.doi.org/10.1787/888932785035

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



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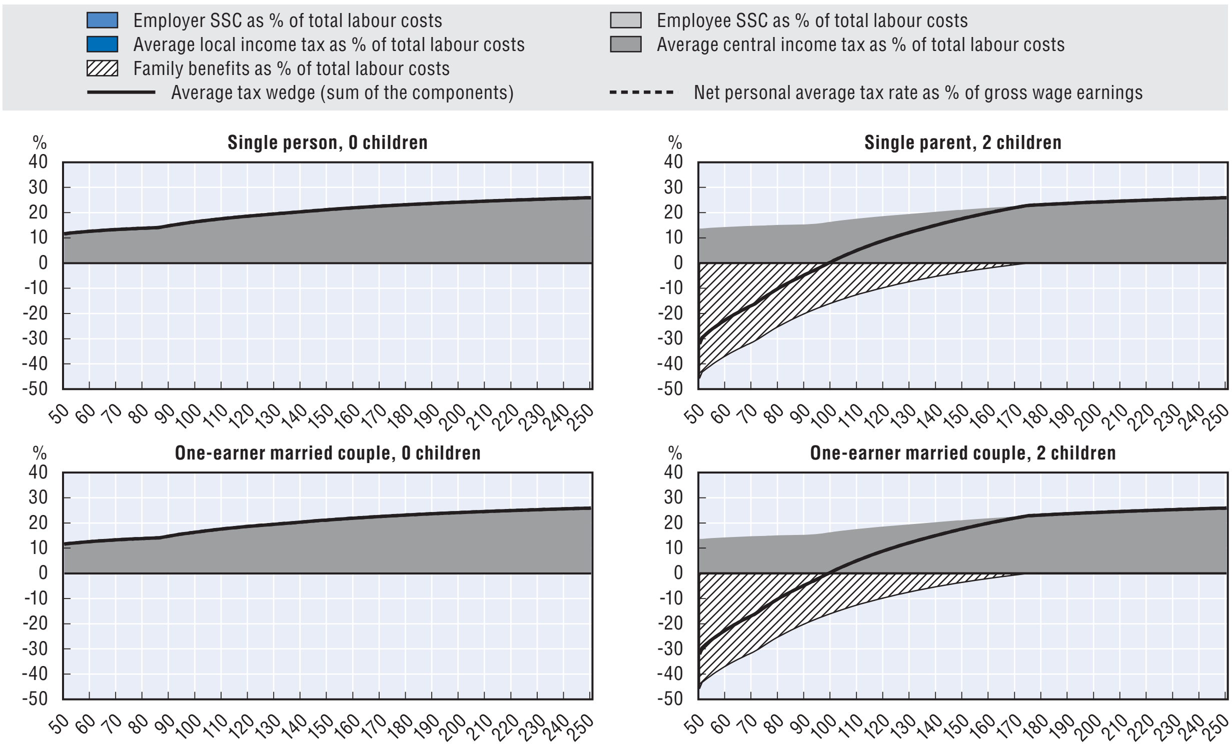
New Zealand, 2012

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



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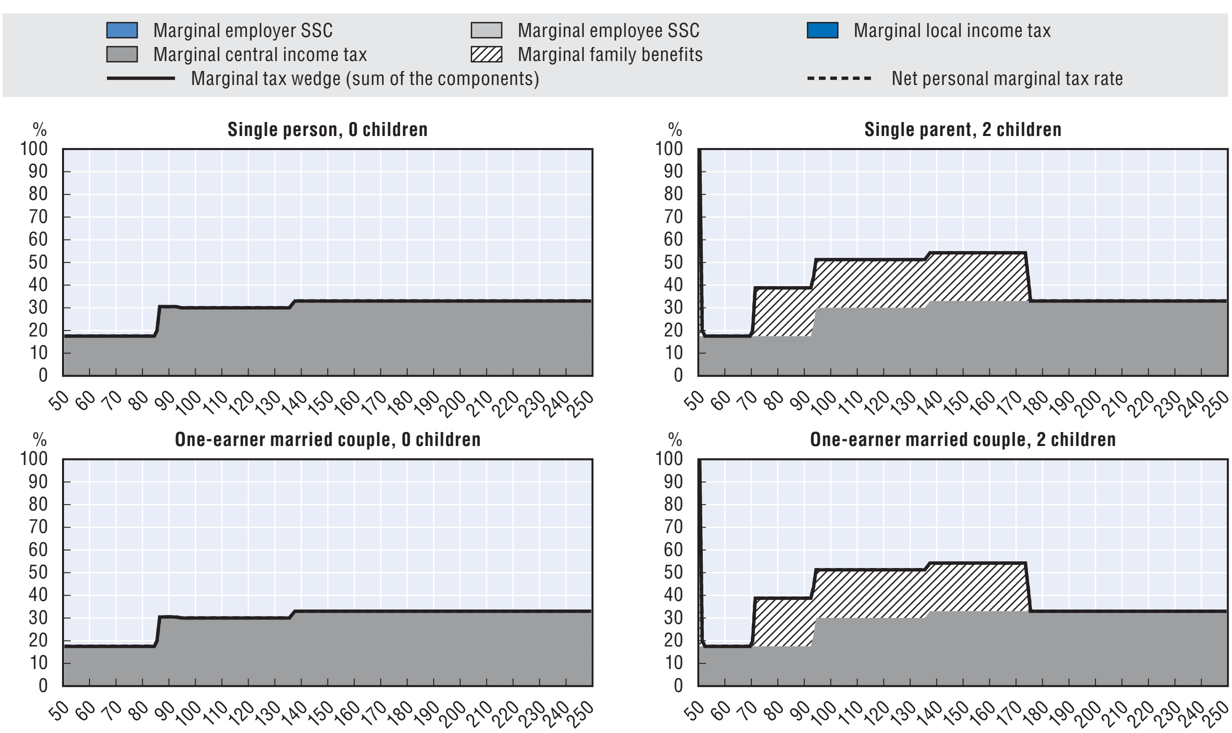
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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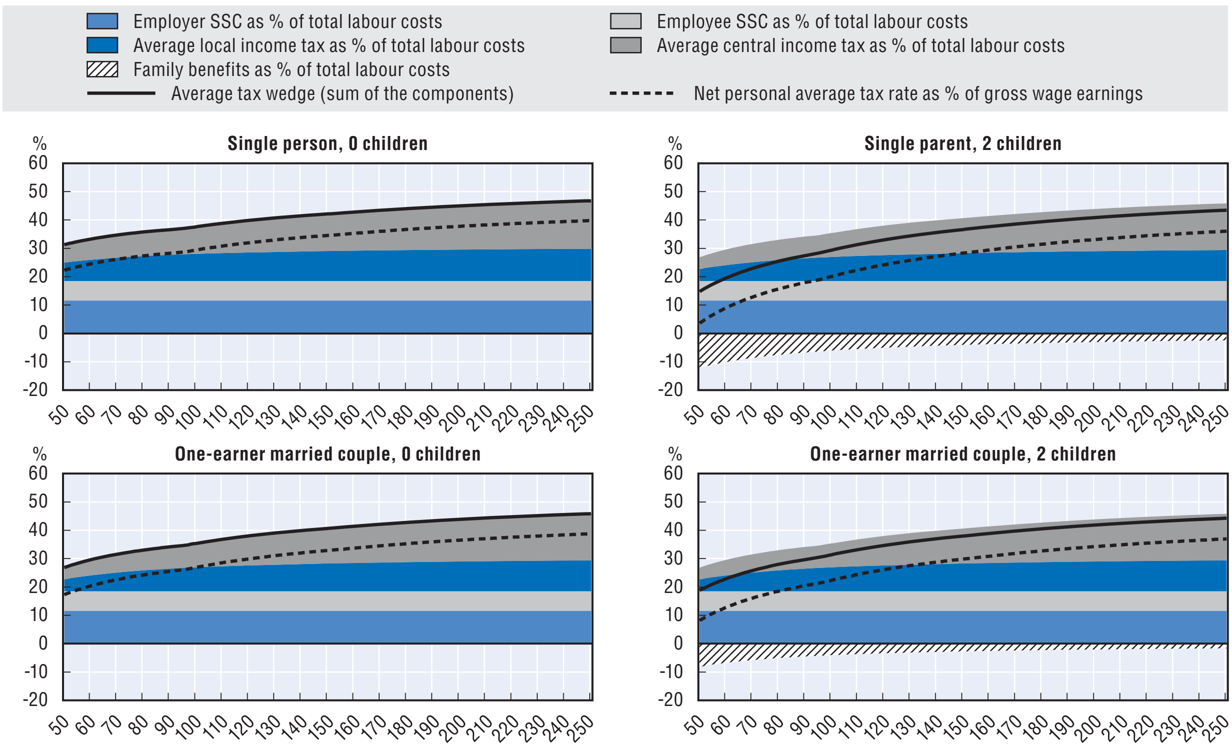
Norway, 2012

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



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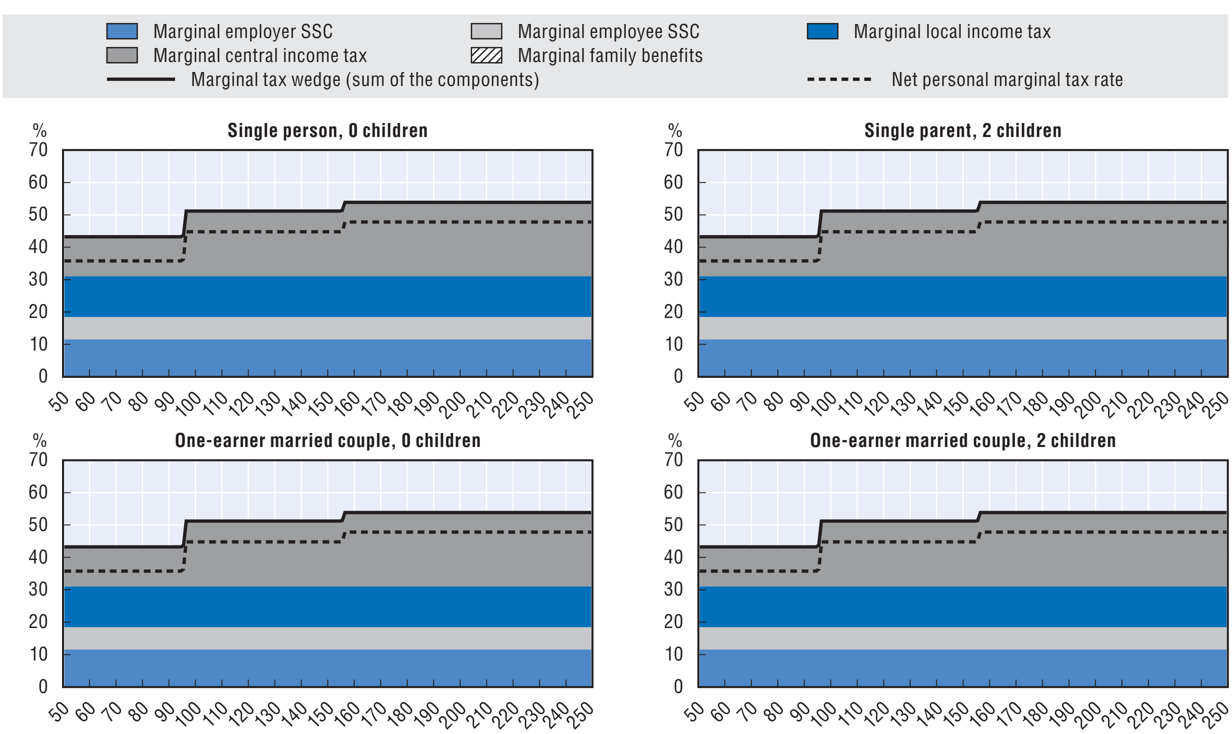
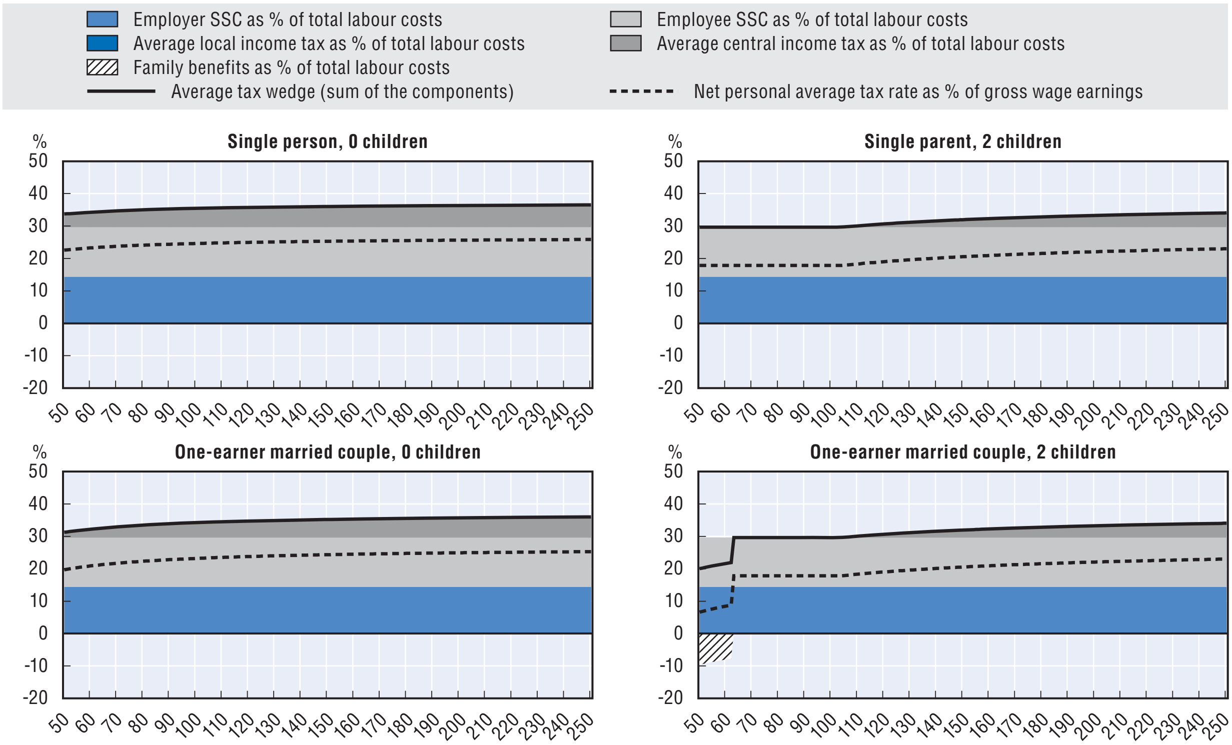
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932785092

Poland, 2012

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



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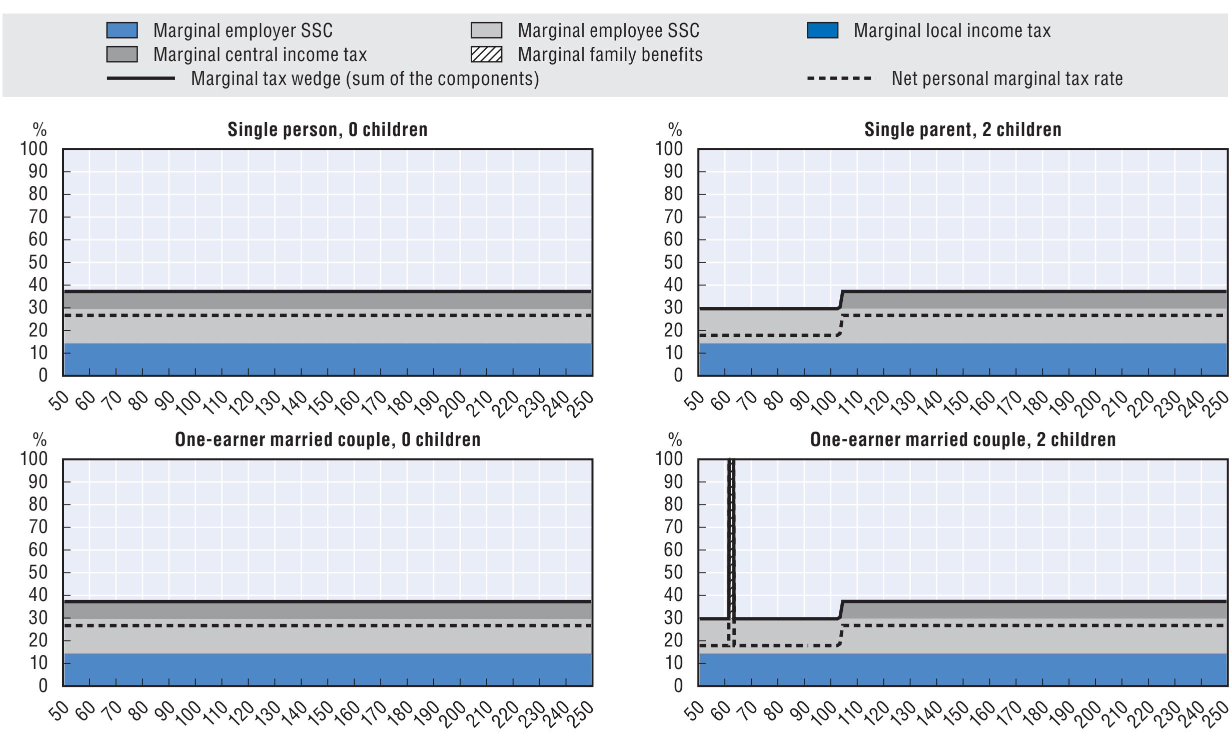
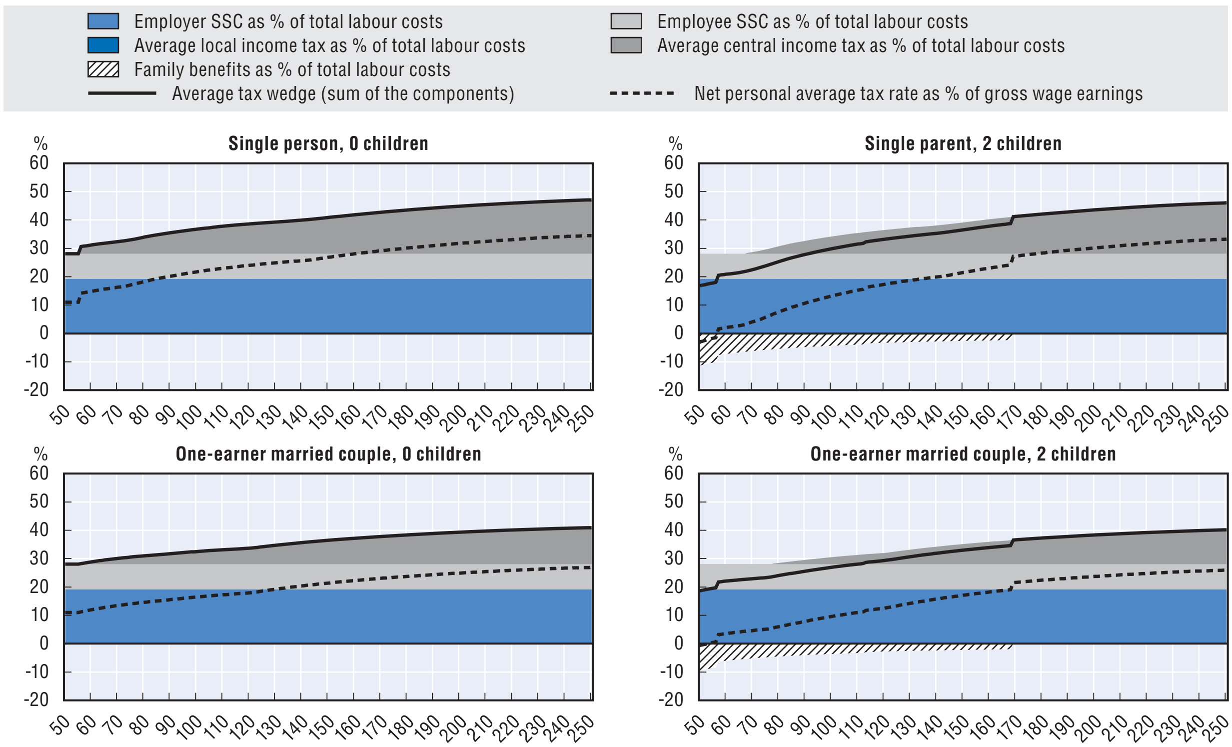
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932785168

Portugal, 2012

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



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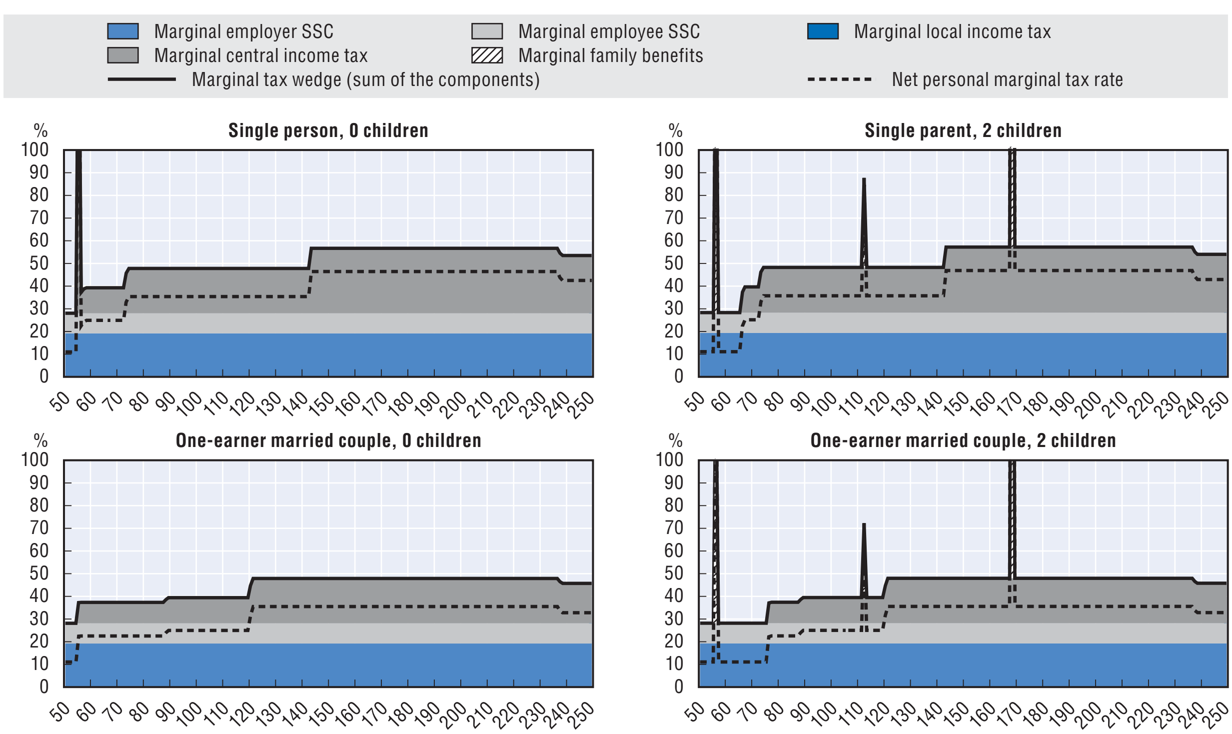
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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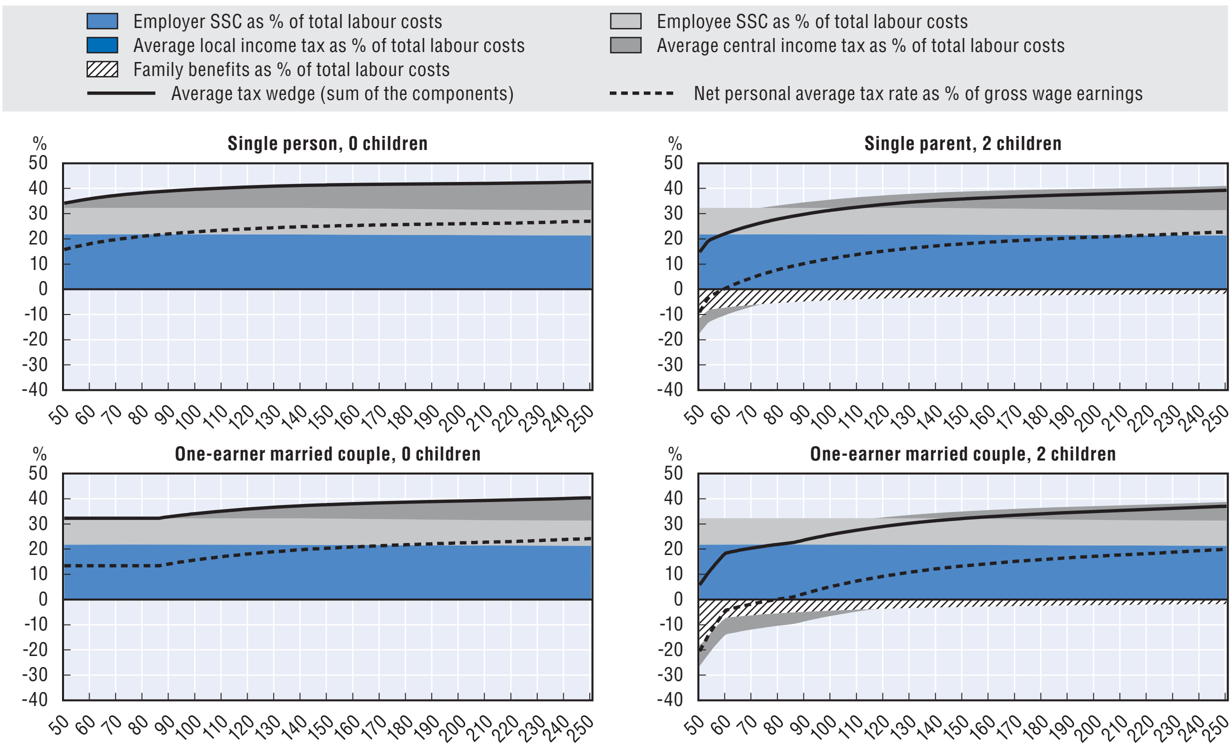
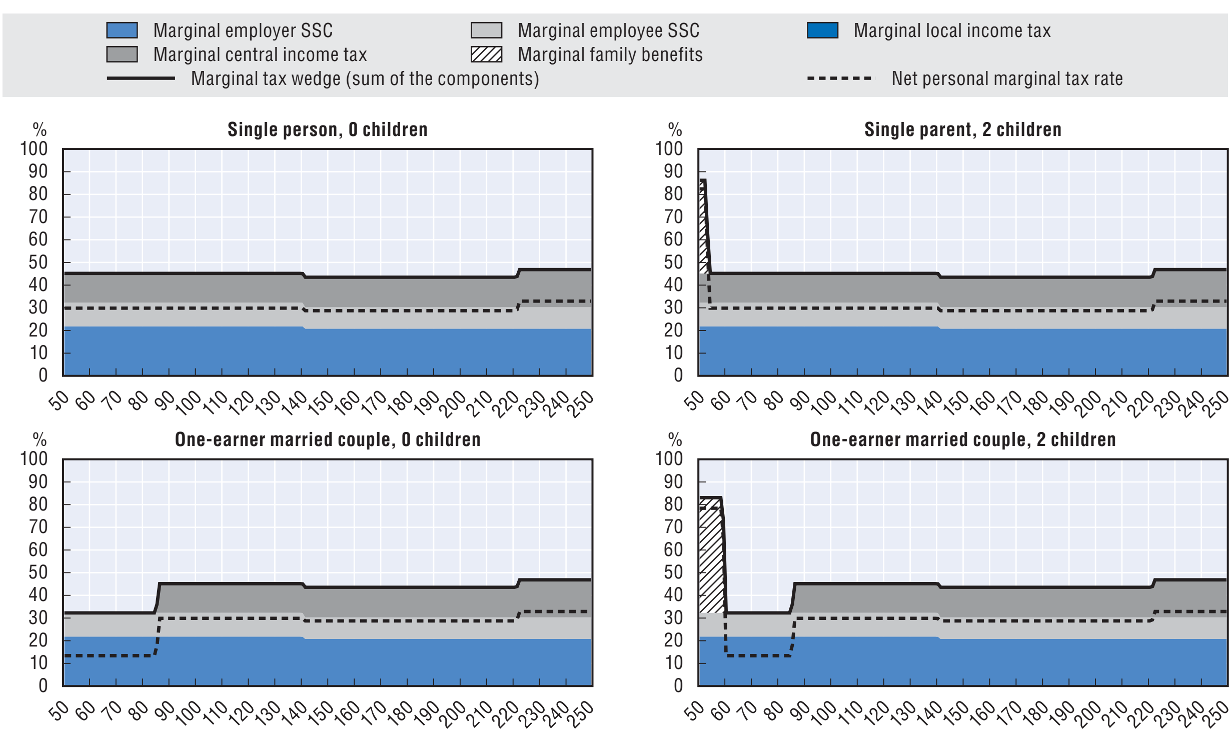
Slovak Republic, 2012

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



StatLink http://dx.doi.org/10.1787/888932785225

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



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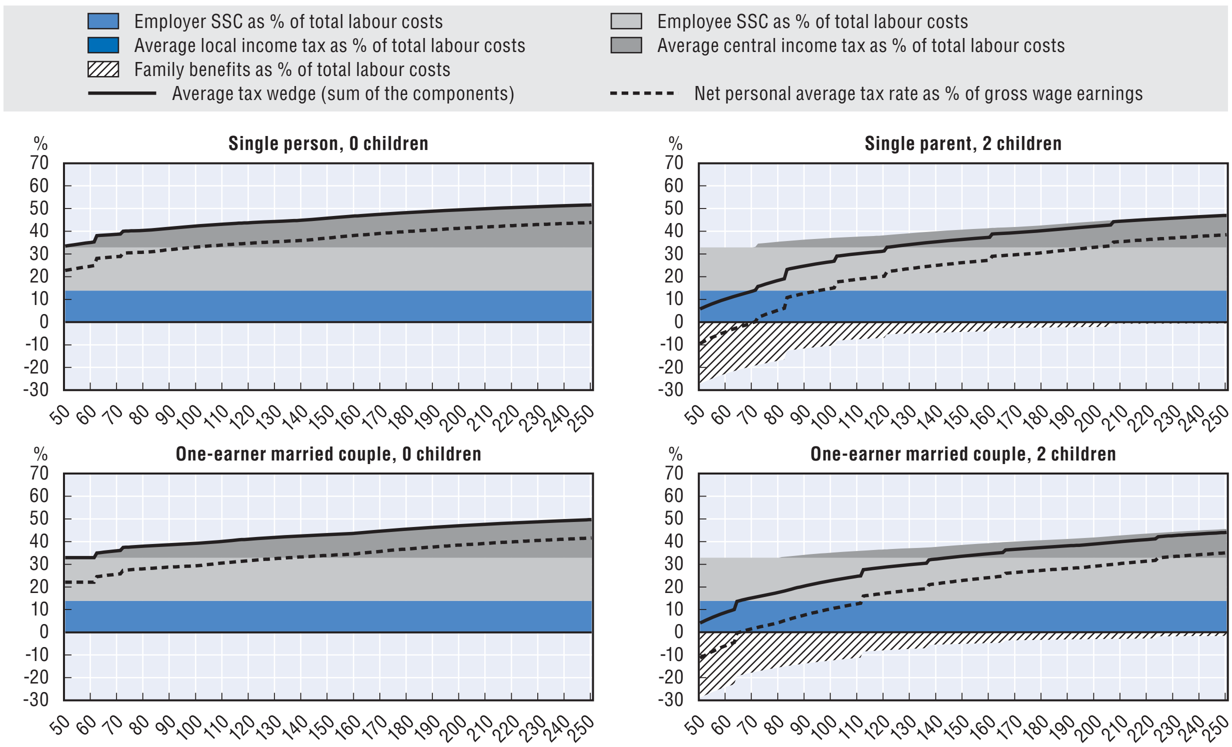
Slovenia, 2012

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



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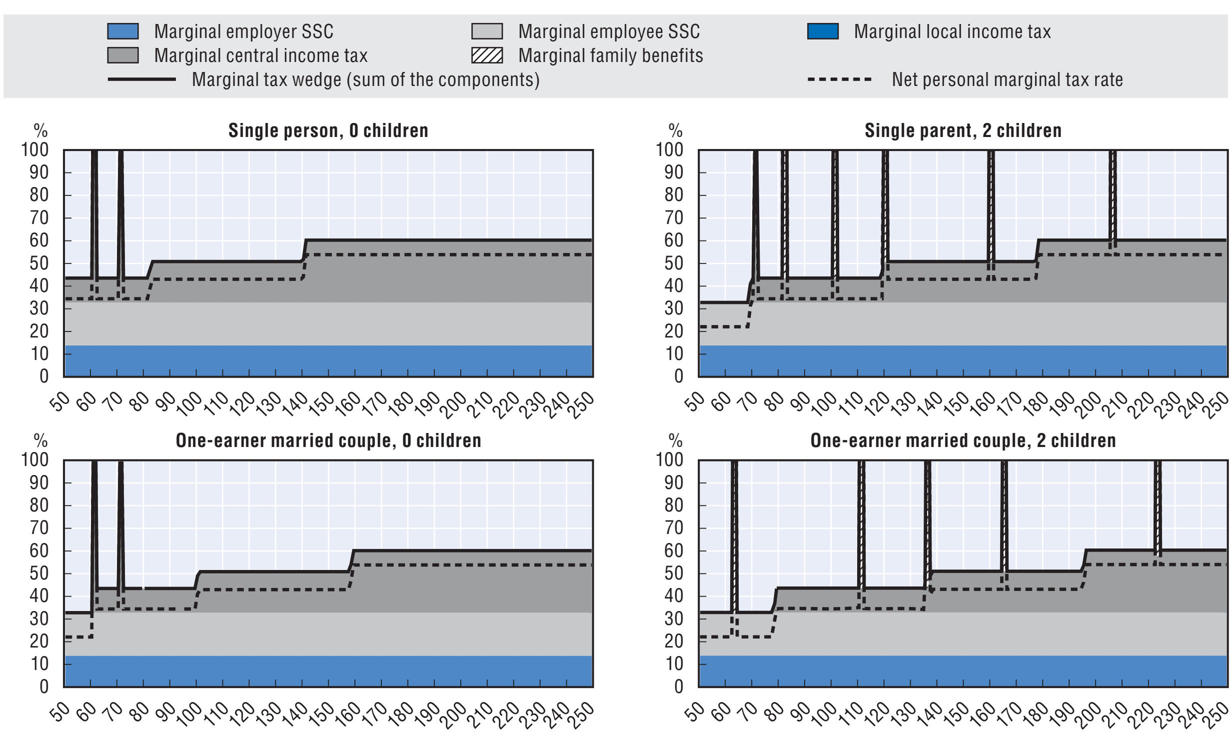
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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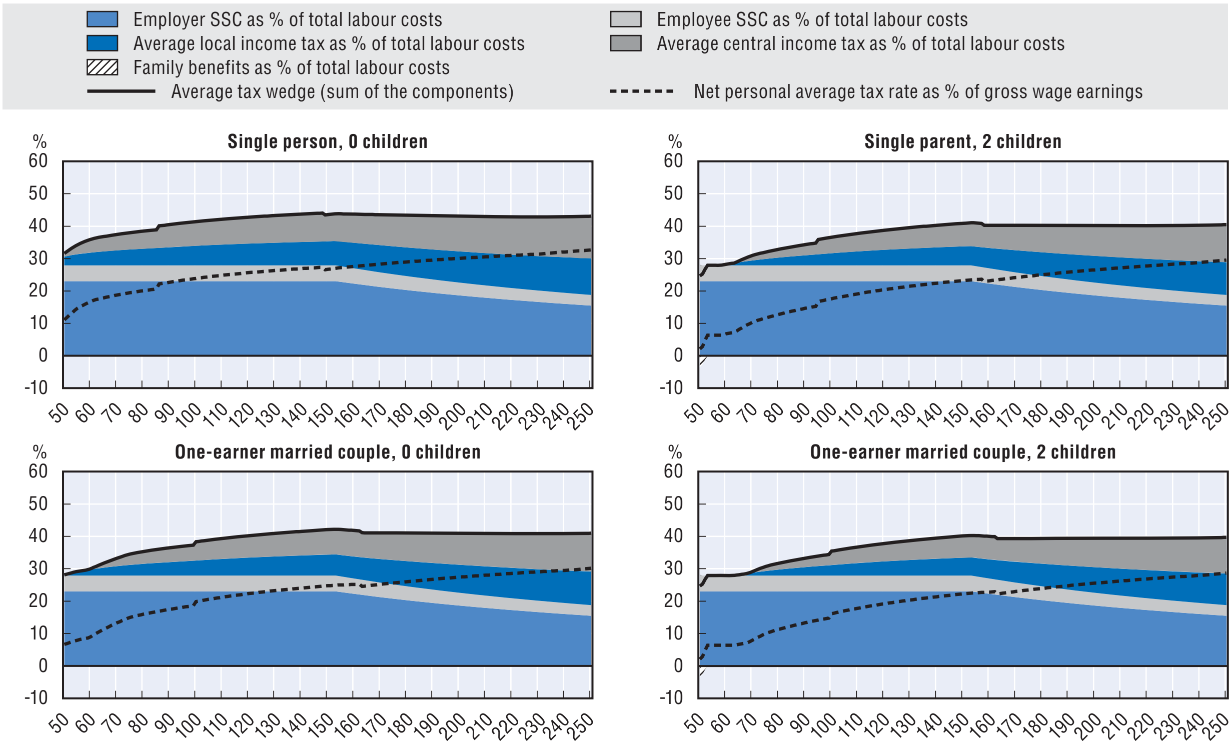
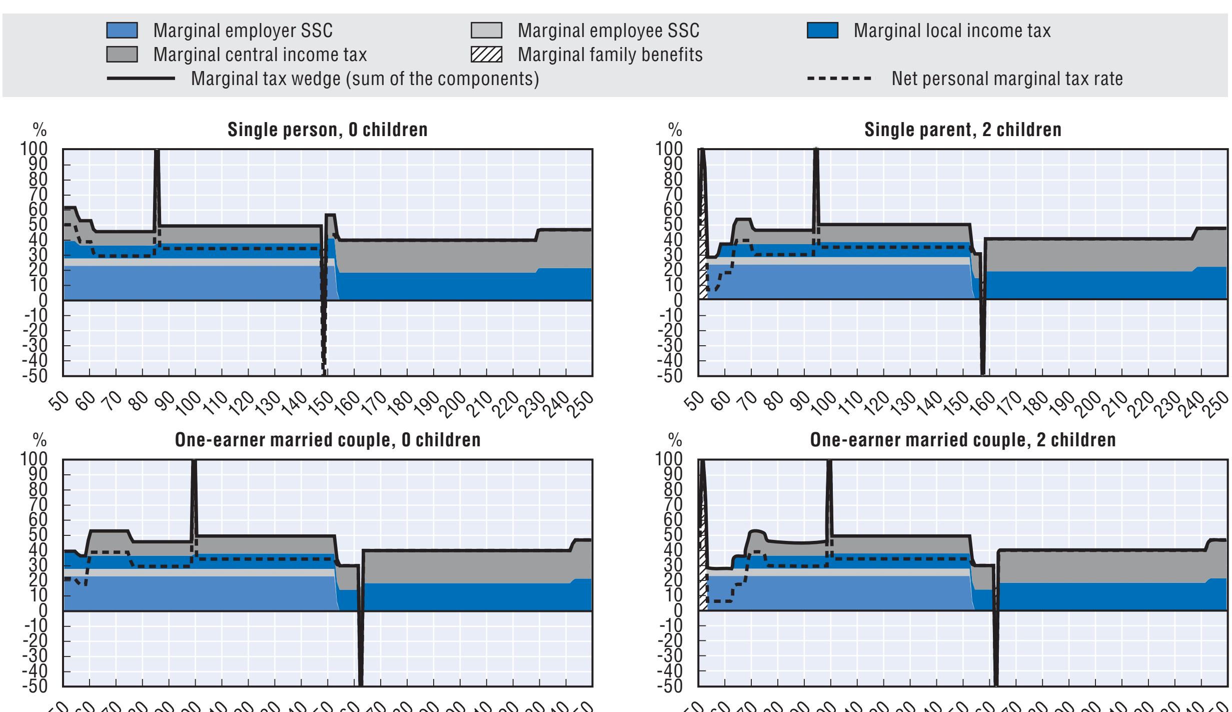
Spain, 2012

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



StatLink http://dx.doi.org/10.1787/888932784503

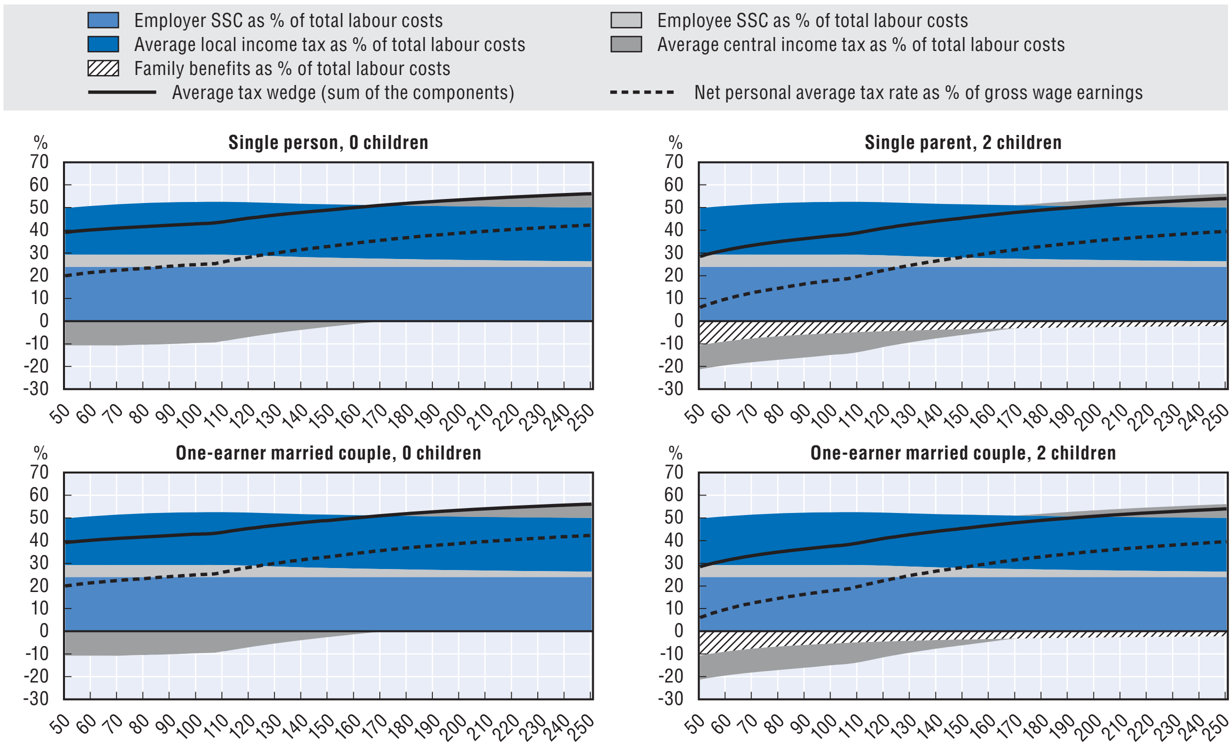
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932784522

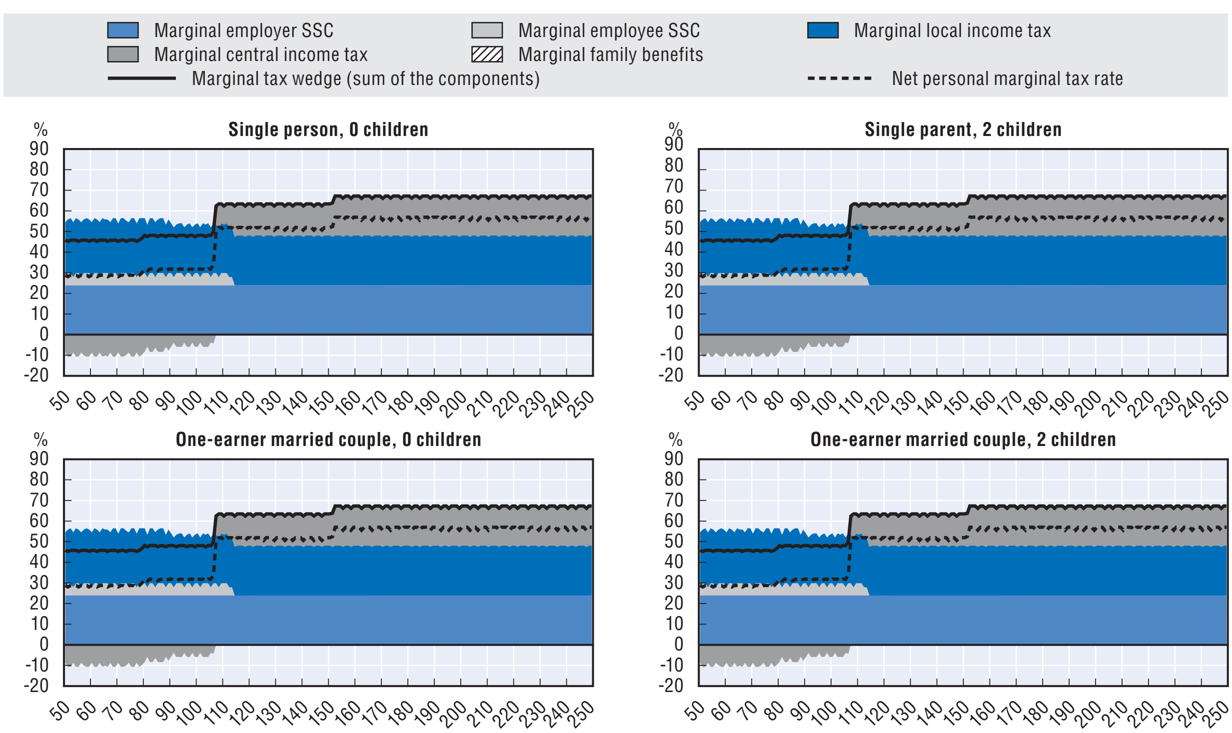
Sweden, 2012

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



StatLink http://dx.doi.org/10.1787/888932785301

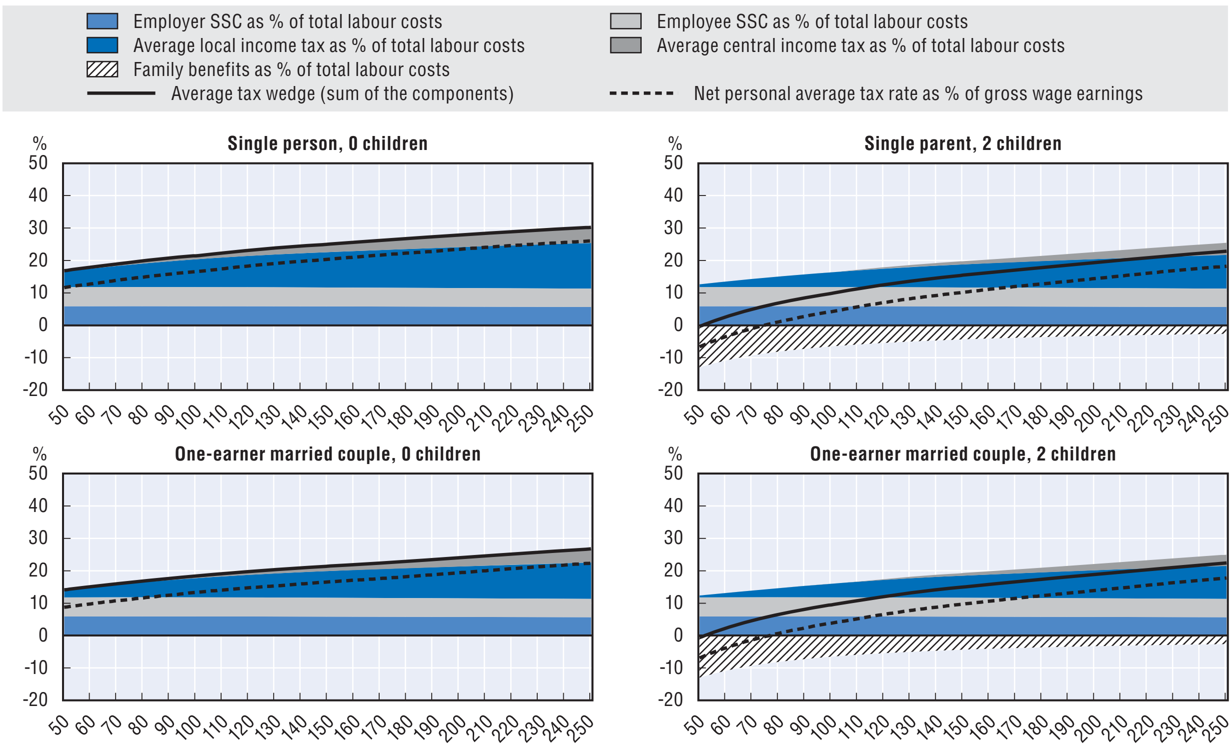
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932785320

Switzerland, 2012

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



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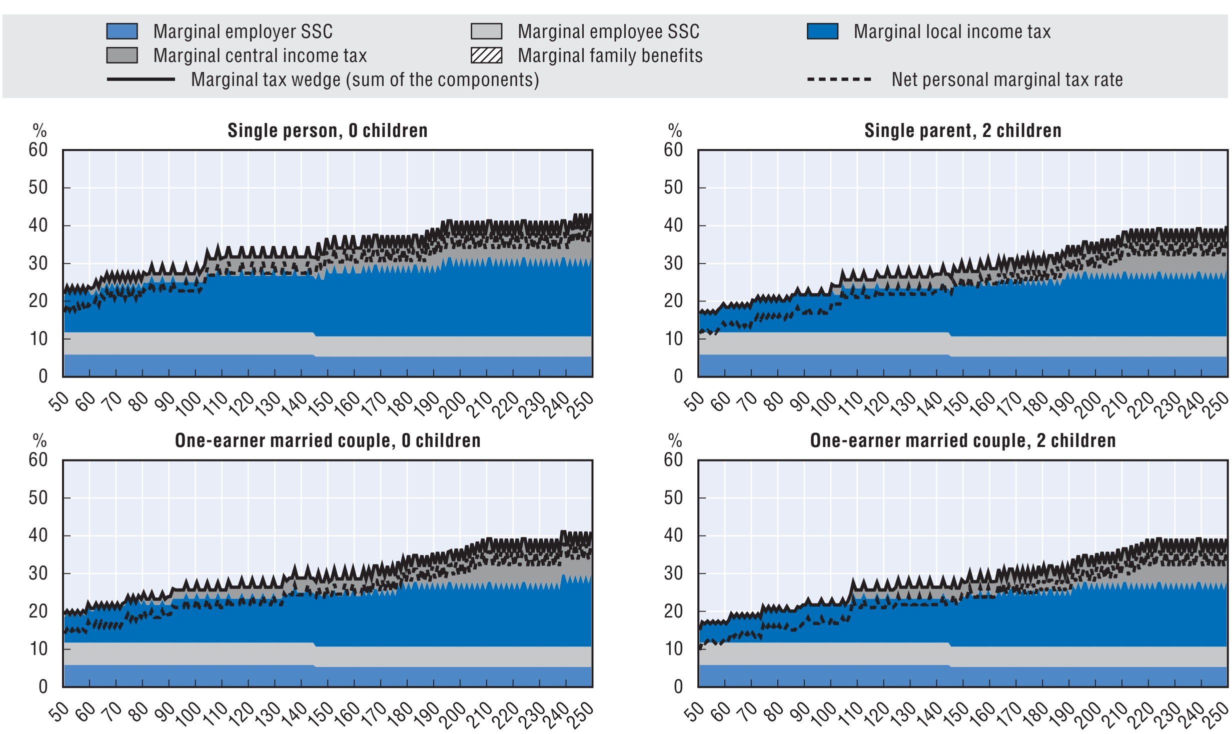
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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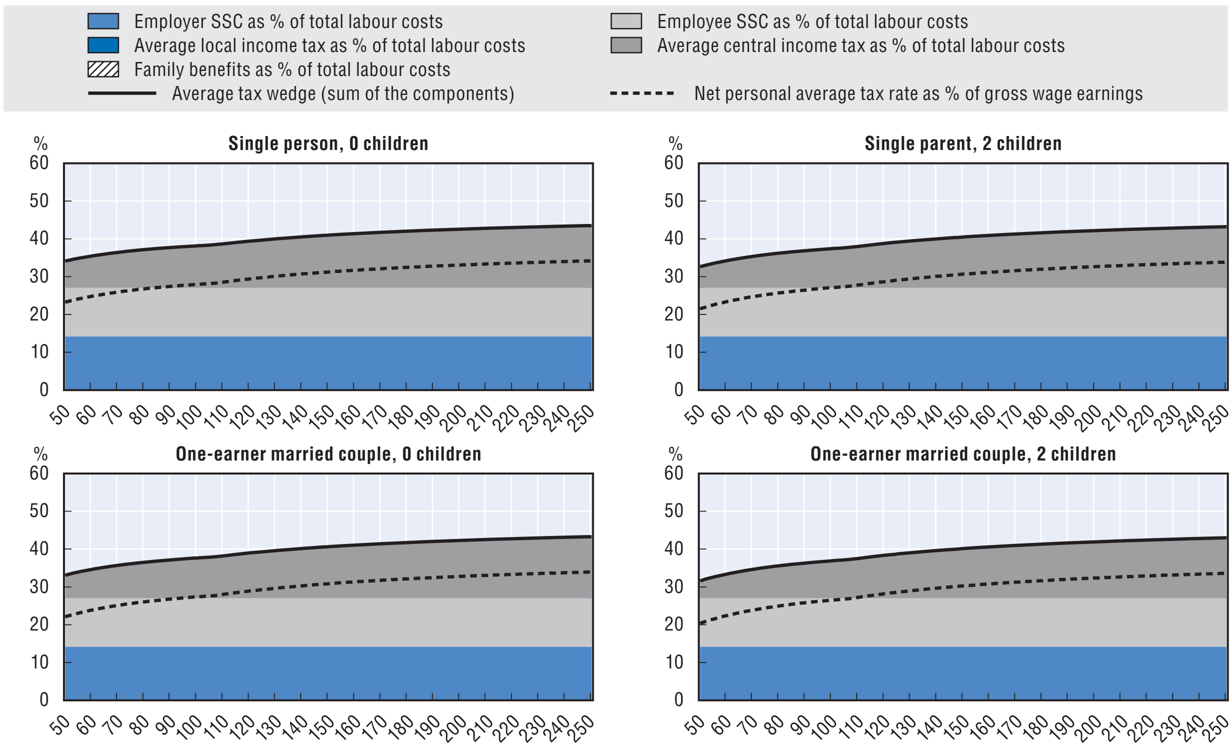
Turkey, 2012

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



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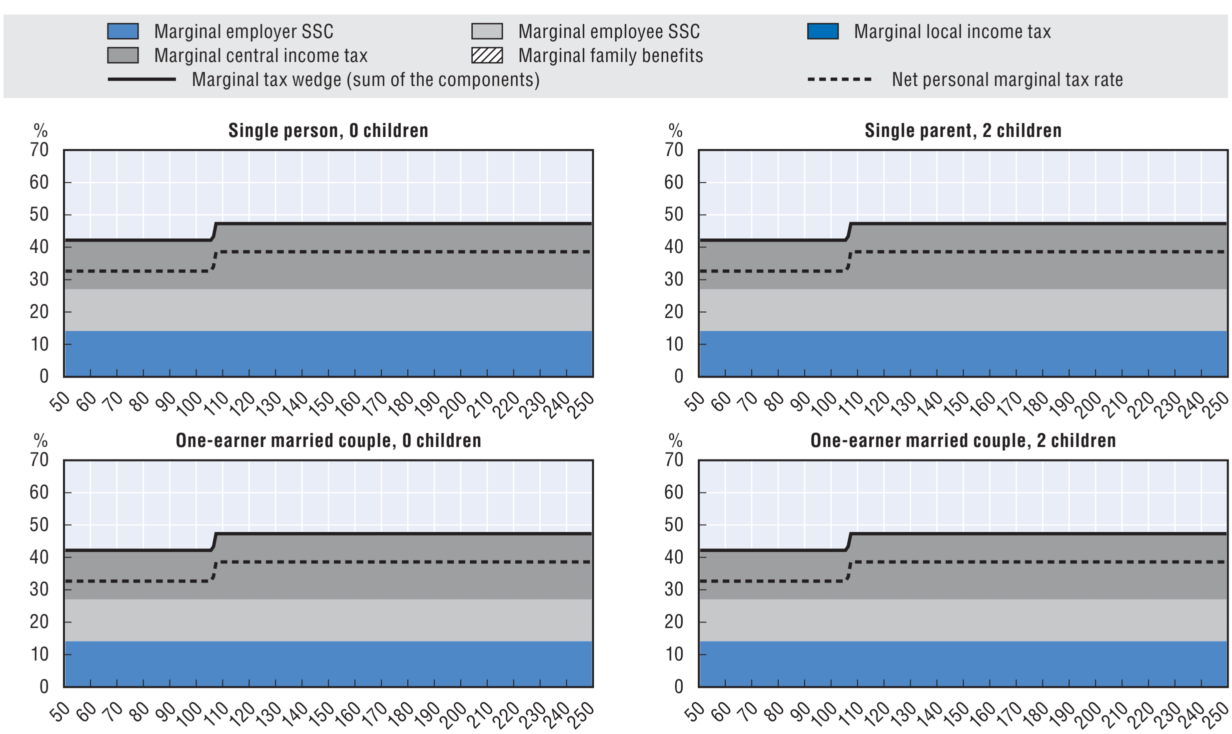
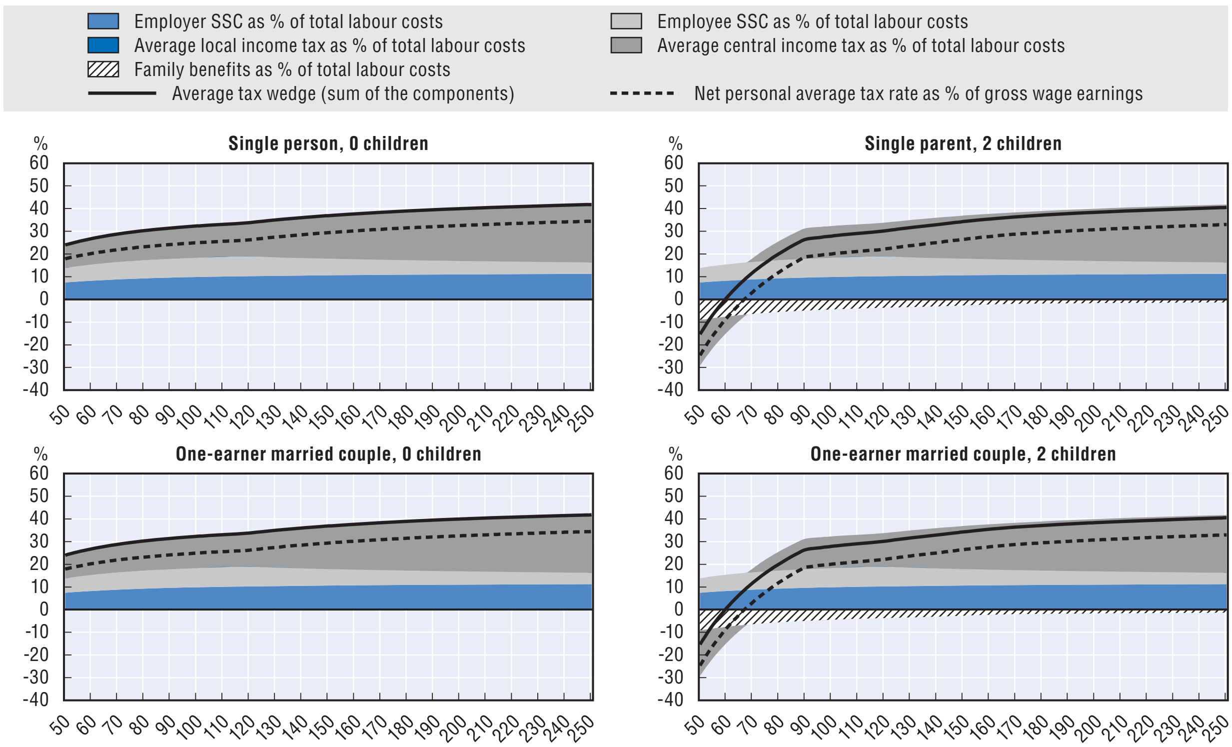
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932785358

United Kingdom, 2012

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



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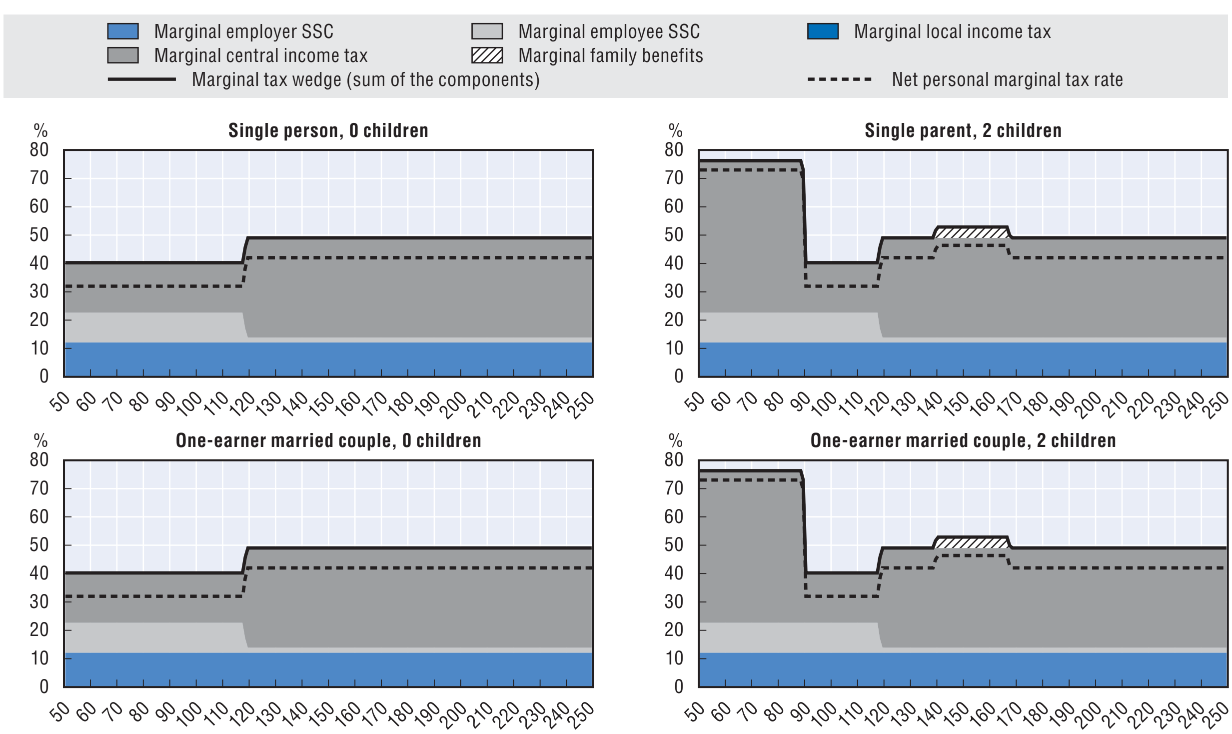
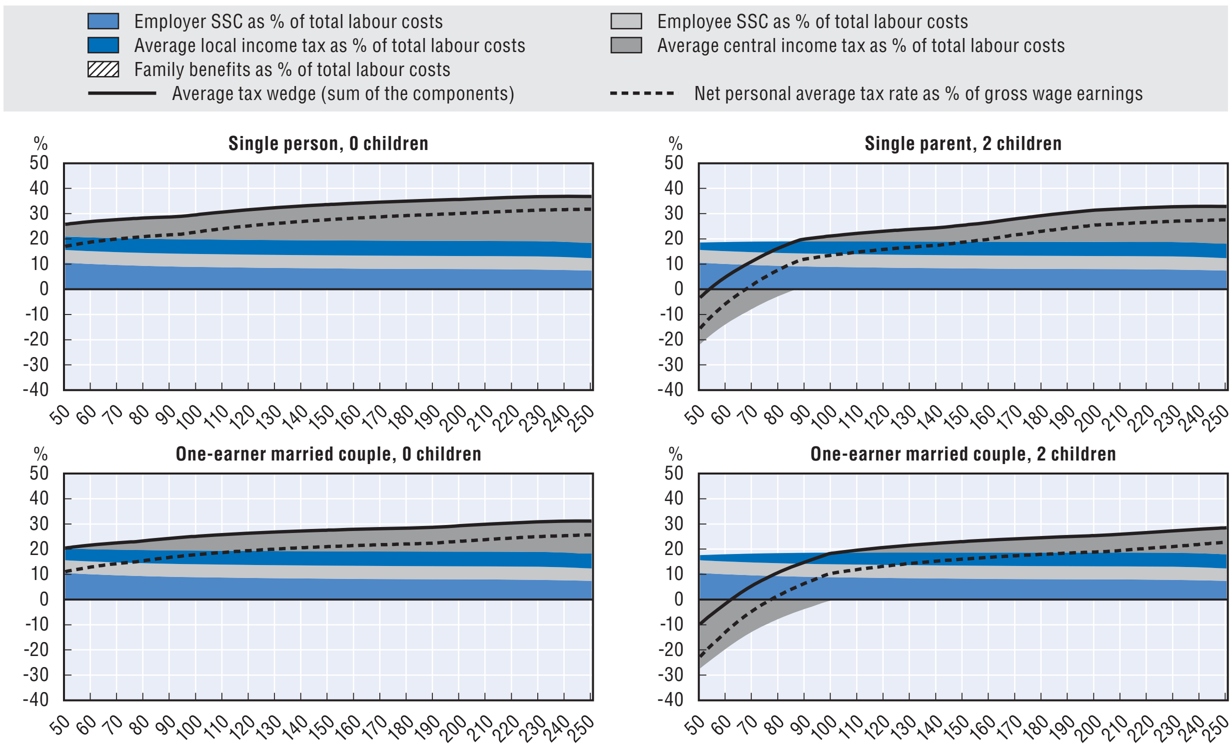
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



StatLink http://dx.doi.org/10.1787/888932785396

United States, 2012

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



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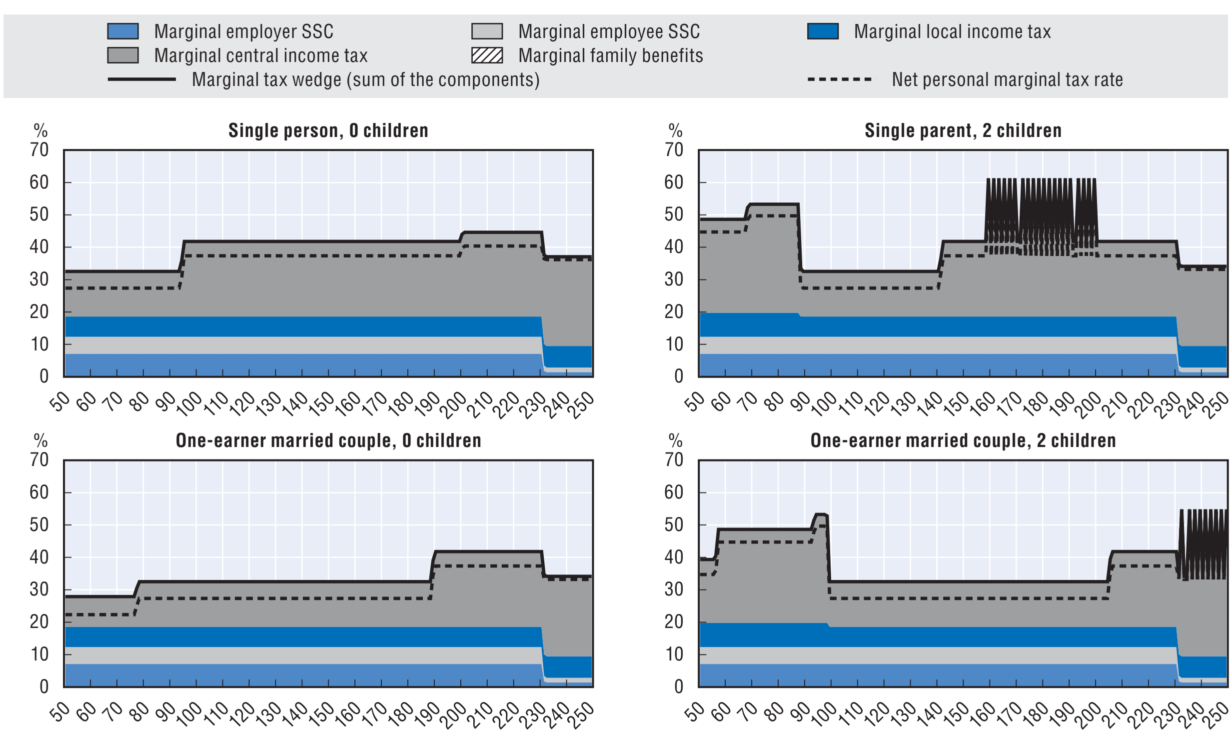
Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage



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Tax burdens, 2011 definitive results (and changes to 2012)

This Section briefly reviews the definitive results for 2011 reported in Tables I.12-I.22 and what they show about changes between 2011 and 2012. The comparable 2012 data is shown in Tables I.1-I.11 and the formats of the two sets of tables are identical meaning that the changes for each family-type between the two years can be traced by comparing the corresponding columns in the two sets of Tables.

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

Table I.12 presents the total tax wedge, income tax plus employee and employer's social security contributions less cash benefits by family type as a percentage of total labour costs (gross wage plus employers' social security contributions (including payroll taxes)). In the majority of countries, changes in the gap between total labour costs and the corresponding net take-home pay in 2012 as compared to 2011 were within plus or minus one percentage point. Comparing column 2 in Tables I.1 and I.12, the OECD average tax wedge increased by 0.1 percentage point for a single average worker between 2011 and 2012. It increased by more than one percentage point in Poland (1.2 percentage points) and Spain (1.4 percentage points) and it fell by more than one percentage point in Portugal (-1.3 percentage points).

For one-earner married couples (comparing column 5 of Tables I.1 and I.12), the OECD average tax wedge also increased this time by 0.3 percentage points. The wedge increased by more than one percentage point in eight countries: Japan (2.4 percentage points), New Zealand (1.7 percentage points), Iceland (1.4 percentage points), Australia (1.3 percentage points), Poland and the United Kingdom (1.2 percentage points) and the Netherlands and Spain (1.1 percentage points) and decreased by more than one percentage point in the Czech Republic (-1.5 percentage points) and Portugal (-1.2 percentage points).

Table I.13 shows the combined burden of income tax and employee social security contributions in the form of personal average tax rates as a percentage of gross wage earnings. For single persons on average earnings, this changed by more than one percentage point between 2011 and 2012 in Spain (+1.8 percentage points) and in Portugal (-1.6 percentage points). For one-earner married couples with 2 children it increased by more than 1 percentage point in Japan and Spain (1.5 percentage points) and Iceland and the United Kingdom (1.3 percentage points). It fell by more than one percentage point in Portugal (-1.3 percentage points) and the Czech Republic (-1.2 percentage points).

Table I.14 provides the combined burden of income tax and employee social security contributions less the amount of cash family benefits (net personal average tax rate). Comparing column 2 of Tables I.3 and I.14, for single persons at average earnings, there was an increase of more than one percentage point between 2011 and 2012 only in Spain (1.9 percentage points); in contrast the burden decreased more than one percentage point in Portugal (-1.6 percentage points). Comparing column 5 of Tables I.3 and I.14, increases in the net personal average tax rate of one-earner married couples exceeding one percentage point are noted for Japan (2.6 percentage points), Iceland (2.2 percentage points), New Zealand (1.7 percentage points), Australia (1.5 percentage points), Spain (1.4 percentage points) and the United Kingdom (1.3 percentage points). On the other hand, the net personal average tax rate decreased more than one percentage points in the Czech Republic (-2.1 percentage points) and Portugal (-1.5 percentage points).

Table I.15 presents information on income tax due as a percentage of gross wage earnings. In most OECD member countries, the income tax for single persons at average earnings has changed only slightly between 2011 and 2012 with no change in the OECD average. Comparing column 2 of Tables I.4 and I.15, the income tax rate increased by more than one percentage point only in Spain (1.8 percentage points); there were decreases of more than one percentage point in two countries – Portugal (-1.6 percentage points) and Hungary (-1.1 percentage points).

The OECD average income tax rate for the one earner married couple with two children increased by 0.1 percentage point during this period. Increases by greater than one percentage point were observed in four countries: Spain (1.5 percentage points), the United Kingdom (1.3 percentage points) and Iceland and Japan (1.2 percentage points).There were decreases of more than one percentage point in Portugal (-1.4 percentage points) and the Czech Republic (-1.2 percentage points).

Table I.16 shows information on employee social security contributions as a percentage of gross wage earnings. Comparing columns 2 and 5 of Tables I.5 and I.16, there were no changes of more than one percentage point in OECD countries between 2011 and 2012 for either the average single person or the average single earner married couple with two children.

Table I.17 shows the marginal tax wedge (rate of income tax plus employee and employer social security contributions minus benefits) in 2011. Comparing columns 2 and 5 respectively in Tables I.6 and I.17, changes between 2011 and 2012 in the marginal wedge were generally within the range of plus or minus five percentage points. There were changes of more than five percentage points in France (+8.4 percentage points) for the single worker at the average earnings and in Hungary (-11.1 percentage points) for both the single worker and the one-earner married couple with 2 children at the average earnings.

Table I.18 presents the marginal rate of income tax plus employee social security contributions minus benefits by family-type and wage level. Comparing columns 2 and 5 respectively in Tables I.7 and I.18, the pattern of changes between 2011 and 2012 in the marginal rate were similar to that for the tax wedge discussed above. For the two family types being focused on, the only examples of changes outside the range of plus or minus five percentage points were in France (+12.0 percentage points) for the average single worker and in Hungary (-14.3 percentage points) for both family types.

Table I.19 shows the increase in net income (in per cent) after an increase of one currency unit in gross wage earnings for 2011.[1] Table I.20 provides the percentage increase in net income given an increase in one currency unit of gross labour costs for the same year.[2] The results shown in these two tables are directly dependent upon the marginal and average tax rates that have been discussed in the paragraphs above. Tables I.21 and I.22 report background information on levels of labour costs plus gross and net wages in 2011.

Notes

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

Table I.12. **Income tax plus employee and employer contributions less cash benefits, 2011**

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[2]	Married 2 ch 100-67 (% AW)[2]	Married no ch 100-33 (% AW)[2]
Australia	20.6	26.7	32.2	-6.0	15.2	17.9	24.2	22.9
Austria	43.8	48.5	51.5	27.1	37.3	37.4	40.7	44.8
Belgium	50.5	56.1	61.1	36.9	41.4	42.4	49.0	48.7
Canada	26.0	30.7	32.9	-6.9	18.5	23.6	26.9	27.6
Chile	7.0	7.0	7.7	6.0	7.0	4.8	6.6	7.0
Czech Republic	39.6	42.6	45.0	17.0	22.2	31.0	35.0	40.3
Denmark	36.8	38.4	44.9	11.6	27.6	32.2	34.0	37.0
Estonia	39.0	40.3	41.3	25.1	31.8	34.5	36.2	39.0
Finland	36.6	42.3	48.2	25.4	37.1	34.9	36.9	38.8
France	47.1	49.9	53.8	39.1	43.0	40.7	45.5	46.2
Germany	45.6	49.8	51.3	31.1	34.0	38.8	42.4	45.6
Greece	38.6	42.4	47.7	38.0	43.4	41.8	42.3	41.5
Hungary	45.2	49.5	51.6	20.1	33.0	34.5	37.9	46.8
Iceland	29.4	34.1	38.3	18.8	21.3	27.7	31.6	29.6
Ireland	19.9	25.8	38.0	-26.7	5.6	12.4	17.8	19.5
Israel	12.6	19.4	28.0	-0.5	15.4	11.3	12.9	16.3
Italy	44.4	47.6	52.9	28.7	38.4	40.2	43.0	44.4
Japan	29.5	30.8	33.8	19.8	23.1	25.1	26.4	30.0
Korea	17.8	20.5	22.2	17.1	18.0	18.0	18.2	19.5
Luxembourg	29.4	36.2	43.7	2.8	13.7	18.0	23.3	27.9
Mexico	13.2	18.7	21.6	13.2	18.7	16.3	16.5	16.3
Netherlands	33.3	38.0	41.7	11.6	30.9	29.3	31.7	34.0
New Zealand	12.9	15.9	22.0	-18.5	-1.1	7.1	13.2	14.8
Norway	34.3	37.6	43.2	21.6	31.2	32.0	33.8	35.1
Poland	33.3	34.3	35.0	28.4	28.4	29.5	30.8	33.3
Portugal	32.2	38.0	44.6	22.2	28.1	29.2	35.0	33.1
Slovak Republic	36.0	38.8	40.8	23.5	24.9	29.4	32.7	35.7
Slovenia	38.6	42.6	47.7	12.7	23.2	30.6	34.1	40.2
Spain	36.7	40.0	42.5	29.8	34.3	35.9	37.0	37.0
Sweden	40.7	42.8	50.9	32.5	37.4	37.0	38.7	41.1
Switzerland	19.0	21.9	26.4	4.6	9.9	12.7	15.8	19.5
Turkey[1]	36.2	38.2	41.7	35.2	37.0	37.8	38.4	38.3
United Kingdom	28.7	32.7	38.2	8.5	26.7	25.3	28.4	28.7
United States	27.4	29.6	34.4	8.4	18.3	22.9	24.8	28.0
Unweighted average								
OECD-Average	**31.8**	**35.5**	**39.9**	**16.4**	**25.7**	**27.7**	**30.6**	**32.6**
OECD-EU 21	**37.9**	**41.7**	**46.3**	**21.2**	**30.6**	**32.6**	**35.8**	**38.3**

Note: ch = children

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

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Table I.13. **Income tax plus employee contributions, 2011**

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[2]	Married 2 ch 100-67 (% AW)[2]	Married no ch 100-33 (% AW)[2]
Australia	15.9	22.3	28.2	14.2	21.1	17.4	19.7	18.3
Austria	27.5	33.6	38.5	24.3	31.4	28.4	30.8	28.7
Belgium	36.4	42.8	49.6	31.1	31.8	33.6	38.9	35.4
Canada	18.8	22.6	26.8	8.3	16.2	18.2	20.2	19.3
Chile	7.0	7.0	7.7	7.0	7.0	7.0	7.0	7.0
Czech Republic	19.1	23.1	26.3	7.3	6.8	14.2	16.5	20.1
Denmark	37.3	38.8	44.9	37.3	34.6	37.5	38.2	37.5
Estonia	18.0	19.7	21.1	12.7	12.7	15.3	16.9	18.0
Finland	22.3	29.3	36.5	22.3	29.3	25.1	26.5	25.1
France	26.1	28.0	33.7	21.2	22.1	21.7	25.0	26.1
Germany	34.9	39.9	43.8	17.5	21.0	26.7	31.0	34.9
Greece	21.1	26.0	32.7	20.3	27.3	25.1	25.8	24.9
Hungary	29.6	35.1	37.8	17.5	26.0	24.9	27.4	31.7
Iceland	23.3	28.4	33.0	23.3	19.0	23.5	26.3	23.5
Ireland	11.3	17.8	31.3	6.6	10.2	11.2	15.2	11.2
Israel	9.1	15.7	24.3	5.5	15.7	10.5	11.6	12.6
Italy	26.6	30.7	37.8	19.5	24.1	23.4	26.4	26.6
Japan	19.5	21.0	24.8	17.5	18.3	19.1	19.6	20.1
Korea	9.5	12.5	15.3	8.7	9.8	9.8	9.9	11.4
Luxembourg	20.7	28.3	36.7	13.2	17.9	19.1	22.8	19.1
Mexico	1.2	9.2	13.7	1.2	9.2	4.5	6.0	4.5
Netherlands	26.9	31.6	37.7	13.4	28.2	25.6	27.4	27.6
New Zealand	12.9	15.9	22.0	14.5	15.9	14.8	15.3	14.8
Norway	25.7	29.4	35.8	21.9	26.9	26.6	27.9	26.6
Poland	23.5	24.5	25.4	17.8	17.8	19.0	20.6	23.5
Portugal	16.1	23.3	31.4	11.5	15.4	15.3	19.5	17.2
Slovak Republic	19.3	22.8	25.4	11.7	10.7	15.1	18.4	18.9
Slovenia	28.8	33.4	39.3	22.1	25.1	25.9	27.8	30.6
Spain	17.8	22.0	26.8	8.8	14.7	16.8	18.2	18.1
Sweden	22.1	24.8	35.4	22.1	24.8	22.5	23.7	22.5
Switzerland	13.9	17.0	21.8	9.1	11.3	12.4	14.7	14.4
Turkey[1]	25.7	28.0	32.1	24.5	26.6	27.5	28.3	28.1
United Kingdom	21.9	25.2	30.7	7.3	23.7	21.9	23.9	21.9
United States	19.6	22.8	28.6	-1.5	10.3	14.6	17.1	20.2
Unweighted average								
OECD-Average	**20.9**	**25.1**	**30.5**	**15.3**	**19.5**	**19.8**	**21.9**	**21.8**
OECD-EU 21	**24.2**	**28.6**	**34.4**	**17.4**	**21.7**	**22.3**	**24.8**	**24.7**

Note: ch = children

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

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Table I.14. **Income tax plus employee contributions less cash benefits, 2011**

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[2]	Married 2 ch 100-67 (% AW)[2]	Married no ch 100-33 (% AW)[2]
Australia	15.9	22.3	28.2	-12.3	10.1	13.0	19.7	18.3
Austria	27.5	33.6	38.5	5.8	19.0	19.1	23.4	28.7
Belgium	36.4	42.8	49.6	18.9	23.7	27.5	34.0	35.4
Canada	17.5	22.6	26.8	-19.3	9.0	14.8	18.3	19.3
Chile	7.0	7.0	7.7	6.0	7.0	4.8	6.6	7.0
Czech Republic	19.1	23.1	26.3	-11.2	-4.2	7.6	12.8	20.1
Denmark	36.8	38.4	44.9	11.6	27.6	32.2	34.0	37.0
Estonia	18.0	19.7	21.1	-0.6	8.3	12.0	14.2	18.0
Finland	22.3	29.3	36.5	8.6	22.9	20.3	22.7	25.1
France	26.1	28.0	33.7	14.9	17.9	18.5	22.5	26.1
Germany	34.9	39.9	43.8	17.5	21.0	26.7	31.0	34.9
Greece	21.1	26.0	32.7	20.3	27.3	25.1	25.8	24.9
Hungary	29.6	35.1	37.8	-2.6	14.0	15.8	20.2	31.7
Iceland	23.3	28.4	33.0	11.8	14.5	21.5	25.7	23.5
Ireland	11.3	17.8	31.3	-40.3	-4.5	3.4	9.0	11.2
Israel	9.1	15.7	24.3	-4.6	11.5	7.4	9.1	12.6
Italy	26.6	30.7	37.8	5.9	18.7	21.0	24.7	26.6
Japan	19.5	21.0	24.8	8.4	12.2	14.5	16.0	20.1
Korea	9.5	12.5	15.3	8.7	9.8	9.8	9.9	11.4
Luxembourg	20.7	28.3	36.7	-9.1	3.0	7.9	13.9	19.1
Mexico	1.2	9.2	13.7	1.2	9.2	4.5	6.0	4.5
Netherlands	26.9	31.6	37.7	3.2	23.8	22.5	24.9	27.6
New Zealand	12.9	15.9	22.0	-18.5	-1.1	7.1	13.2	14.8
Norway	25.7	29.4	35.8	11.3	22.2	23.1	25.1	26.6
Poland	23.5	24.5	25.4	17.8	17.8	19.0	20.6	23.5
Portugal	16.1	23.3	31.4	3.7	11.1	12.4	19.5	17.2
Slovak Republic	19.3	22.8	25.4	3.4	5.2	11.0	15.0	18.9
Slovenia	28.8	33.4	39.3	-1.4	10.8	19.4	23.5	30.6
Spain	17.8	22.0	26.8	8.8	14.7	16.8	18.2	18.1
Sweden	22.1	24.8	35.4	11.3	17.7	17.2	19.4	22.5
Switzerland	13.9	17.0	21.8	-1.4	4.3	7.2	10.5	14.4
Turkey[1]	25.7	28.0	32.1	24.5	26.6	27.5	28.3	28.1
United Kingdom	21.9	25.2	30.7	-0.3	18.7	18.1	20.9	21.9
United States	19.6	22.8	28.6	-1.5	10.3	14.6	17.1	20.2
Unweighted average								
OECD-Average	**20.8**	**25.1**	**30.5**	**3.0**	**13.5**	**16.0**	**19.3**	**21.8**
OECD-EU 21	**24.1**	**28.6**	**34.4**	**4.1**	**15.0**	**17.8**	**21.4**	**24.7**

Note: ch = children

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

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Table I.15. **Income tax, 2011**

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[2]	Married 2 ch 100-67 (% AW)[2]	Married no ch 100-33 (% AW)[2]
Australia	15.9	22.3	28.2	14.2	21.1	17.4	19.7	18.3
Austria	9.4	15.5	22.5	6.3	13.3	11.1	12.7	11.4
Belgium	22.5	28.8	35.5	17.2	17.8	22.8	24.9	24.6
Canada	11.6	15.4	21.9	1.1	9.0	11.4	13.0	12.4
Chile	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0
Czech Republic	8.1	12.1	15.3	-3.7	-4.2	3.2	5.5	9.1
Denmark	33.3	36.1	43.2	33.3	31.9	33.5	35.0	33.5
Estonia	15.2	16.9	18.3	9.9	9.9	12.5	14.1	15.2
Finland	15.3	22.1	29.3	15.3	22.1	18.1	19.4	18.1
France	12.4	14.3	20.6	7.5	8.5	8.0	11.3	12.4
Germany	14.0	19.0	27.6	-3.1	0.3	6.1	10.4	14.0
Greece	4.9	9.8	16.5	4.1	11.0	8.9	9.6	8.6
Hungary	12.1	17.6	20.3	0.0	8.5	7.4	9.9	14.2
Iceland	22.5	27.9	32.7	22.5	18.5	22.8	25.7	22.8
Ireland	8.5	14.7	27.8	3.8	7.0	8.9	12.2	8.9
Israel	3.6	8.0	14.9	0.0	8.0	3.9	4.8	6.0
Italy	17.1	21.3	28.2	10.0	14.6	13.9	16.9	17.1
Japan	6.1	7.6	12.0	4.1	4.9	5.7	6.2	6.7
Korea	1.4	4.4	8.5	0.7	1.7	1.7	1.9	3.4
Luxembourg	7.7	15.2	23.6	0.2	4.8	6.0	9.8	6.0
Mexico	-0.1	7.9	12.3	-0.1	7.9	3.2	4.7	3.2
Netherlands	5.2	16.2	28.4	3.5	16.0	12.2	11.7	12.4
New Zealand	12.9	15.9	22.0	14.5	15.9	14.8	15.3	14.8
Norway	17.9	21.6	28.0	14.1	19.1	18.8	20.1	18.8
Poland	5.7	6.7	7.6	0.0	0.0	1.2	2.7	5.7
Portugal	5.1	12.3	20.4	0.5	4.4	4.3	8.5	6.2
Slovak Republic	5.9	9.4	12.3	-1.7	-2.7	1.7	5.0	5.5
Slovenia	6.7	11.3	17.2	0.0	3.0	3.8	5.7	8.5
Spain	11.5	15.7	21.0	2.5	8.3	10.4	11.8	11.8
Sweden	15.1	17.9	30.7	15.1	17.9	15.5	16.7	15.5
Switzerland	7.7	10.7	15.7	2.8	5.0	6.2	8.5	8.2
Turkey[1]	10.7	13.0	17.1	9.5	11.6	12.5	13.3	13.1
United Kingdom	13.6	15.7	22.9	-1.0	14.2	13.6	14.9	13.6
United States	13.9	17.1	23.0	-7.1	4.7	8.9	11.5	14.6
Unweighted average								
OECD-Average	**11.0**	**15.3**	**21.4**	**5.8**	**9.8**	**10.3**	**12.2**	**12.2**
OECD-EU 21	**11.9**	**16.6**	**23.3**	**5.7**	**9.8**	**10.6**	**12.8**	**13.0**

Note: ch = children

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

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Table I.16. **Employee contributions, 2011**

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[2]	Married 2 ch 100-67 (% AW)[2]	Married no ch 100-33 (% AW)[2]
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Austria	18.1	18.1	16.1	18.1	18.1	17.3	18.1	17.3
Belgium	13.9	14.0	14.1	13.9	14.0	10.8	14.0	10.8
Canada	7.1	7.3	4.9	7.1	7.3	6.9	7.2	6.9
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Denmark	4.0	2.7	1.6	4.0	2.7	4.0	3.2	4.0
Estonia	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Finland	7.1	7.1	7.2	7.1	7.1	7.0	7.1	7.0
France	13.7	13.7	13.1	13.7	13.7	13.7	13.7	13.7
Germany	20.9	20.9	16.1	20.6	20.6	20.6	20.6	20.9
Greece	16.2	16.2	16.2	16.2	16.2	16.2	16.2	16.2
Hungary	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
Iceland	0.7	0.5	0.3	0.7	0.5	0.7	0.6	0.7
Ireland	2.8	3.2	3.5	2.8	3.2	2.4	3.0	2.4
Israel	5.5	7.6	9.4	5.5	7.6	6.6	6.8	6.6
Italy	9.5	9.5	9.6	9.5	9.5	9.5	9.5	9.5
Japan	13.4	13.4	12.8	13.4	13.4	13.4	13.4	13.4
Korea	8.1	8.1	6.9	8.1	8.1	8.1	8.1	8.1
Luxembourg	13.0	13.1	13.2	13.0	13.1	13.0	13.1	13.0
Mexico	1.3	1.4	1.5	1.3	1.4	1.3	1.3	1.3
Netherlands	21.7	15.4	9.3	10.0	12.2	13.4	15.7	15.3
New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Poland	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Portugal	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Slovak Republic	13.4	13.4	13.2	13.4	13.4	13.4	13.4	13.4
Slovenia	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1
Spain	6.4	6.4	5.8	6.4	6.4	6.4	6.4	6.4
Sweden	7.0	7.0	4.7	7.0	7.0	7.0	7.0	7.0
Switzerland	6.3	6.3	6.2	6.3	6.3	6.3	6.3	6.3
Turkey[1]	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
United Kingdom	8.3	9.5	7.8	8.3	9.5	8.3	9.0	8.3
United States	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Unweighted average								
OECD-Average	**9.9**	**9.8**	**9.1**	**9.5**	**9.7**	**9.5**	**9.7**	**9.6**
OECD-EU 21	**12.3**	**12.0**	**11.1**	**11.7**	**11.8**	**11.7**	**12.0**	**11.8**

Note: ch = children

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

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Table I.17. **Marginal rate of income tax plus employee and employer contributions less cash benefits, 2011**[1]

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	39.1	35.4	42.0	58.0	54.2	35.4	35.4	35.4
Austria	56.9	60.6	42.2	56.9	60.6	60.6	60.6	60.6
Belgium	66.3	69.7	68.5	66.3	66.3	69.7	69.7	69.7
Canada	33.5	40.8	38.3	60.5	68.1	44.5	44.5	40.8
Chile	7.0	7.0	11.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	48.6	48.6	48.6	55.7	54.0	54.0	54.0	48.6
Denmark	40.9	42.3	56.1	40.9	42.3	42.3	42.3	42.3
Estonia	42.9	42.9	42.9	42.9	42.9	42.9	42.9	42.9
Finland	53.1	54.1	57.2	53.1	54.1	54.1	54.1	54.1
France	63.5	51.4	59.7	58.0	48.4	47.0	51.4	51.4
Germany	55.9	60.3	44.3	54.2	52.7	55.7	57.9	55.9
Greece	41.3	51.8	58.9	47.2	52.4	52.4	52.4	51.8
Hungary	51.6	63.5	51.6	35.8	63.5	63.5	63.5	63.5
Iceland	43.5	43.5	48.8	50.6	50.6	47.9	47.9	43.5
Ireland	37.7	37.7	56.7	67.9	75.1	37.7	37.7	37.7
Israel	30.0	38.6	45.2	16.8	38.6	38.6	38.6	38.6
Italy	54.0	54.1	62.0	54.5	55.1	55.1	54.6	54.1
Japan	31.6	35.8	34.7	31.6	32.9	35.8	35.8	35.8
Korea	19.8	28.8	22.9	18.6	25.1	25.1	25.1	28.8
Luxembourg	44.2	54.9	54.9	42.5	37.6	40.9	47.5	40.9
Mexico	17.4	23.4	28.4	17.4	23.4	23.4	23.4	23.4
Netherlands	49.0	47.3	49.6	52.0	53.8	47.3	47.3	47.3
New Zealand	17.5	30.0	33.0	17.5	50.0	50.0	50.0	30.0
Norway	43.2	51.2	53.8	43.2	51.2	51.2	51.2	51.2
Poland	36.1	36.1	36.1	28.4	28.4	36.1	36.1	36.1
Portugal	39.4	50.7	59.6	39.4	42.2	42.2	50.7	42.2
Slovak Republic	44.4	44.4	42.8	44.4	44.4	44.4	44.4	44.4
Slovenia	43.6	51.0	60.4	32.9	43.6	43.6	43.6	51.0
Spain	45.2	48.1	37.0	52.4	48.1	48.1	48.1	48.1
Sweden	45.6	47.9	66.9	45.6	47.9	47.9	47.9	47.9
Switzerland	26.3	29.5	35.9	20.6	23.8	26.1	29.4	26.9
Turkey[2]	42.2	42.2	47.3	42.2	42.2	42.2	42.2	42.2
United Kingdom	40.2	40.2	49.0	76.3	40.2	40.2	40.2	40.2
United States	32.5	41.8	41.8	51.4	32.5	32.5	32.5	32.5
Unweighted average								
OECD-Average	**40.7**	**44.3**	**46.7**	**43.6**	**45.7**	**43.7**	**44.4**	**43.1**
OECD-EU 21	**47.6**	**50.4**	**52.6**	**49.9**	**50.2**	**48.8**	**49.9**	**49.1**

Note: ch = children

1. Assumes a rise in gross earnings of the principal earner in the household. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
3. Two-earner family.

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Table I.18. **Marginal rate of income tax plus employee contributions less cash benefits, 2011**[1]

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	35.5	31.5	38.5	55.5	51.5	31.5	31.5	31.5
Austria	44.4	49.1	37.9	44.4	49.1	49.1	49.1	49.1
Belgium	54.9	59.4	59.8	54.9	54.9	59.4	59.4	59.4
Canada	25.4	35.1	35.4	55.7	65.0	39.1	39.1	35.1
Chile	7.0	7.0	11.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	31.1	31.1	31.1	40.7	38.4	38.4	38.4	31.1
Denmark	40.9	42.3	56.1	40.9	42.3	42.3	42.3	42.3
Estonia	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2
Finland	42.6	43.8	47.5	42.6	43.8	43.8	43.8	43.8
France	31.7	30.4	42.3	21.5	26.1	24.0	30.4	30.4
Germany	47.2	52.5	44.3	45.2	43.4	46.9	49.6	47.2
Greece	24.6	38.0	47.2	32.1	38.8	38.8	38.8	38.0
Hungary	37.8	53.1	37.8	17.5	53.1	53.1	53.1	53.1
Iceland	38.6	38.6	44.4	46.3	46.3	43.4	43.4	38.6
Ireland	31.0	31.0	52.0	64.4	72.4	31.0	31.0	31.0
Israel	26.0	35.0	42.0	12.0	35.0	35.0	35.0	35.0
Italy	39.3	39.4	49.8	40.0	40.7	40.7	40.1	39.4
Japan	21.9	26.7	30.7	21.9	23.4	26.7	26.7	26.7
Korea	11.8	21.6	18.6	10.4	17.5	17.5	17.5	21.6
Luxembourg	37.3	49.3	49.3	35.5	29.9	33.6	41.0	33.6
Mexico	12.1	17.6	22.9	12.1	17.6	17.6	17.6	17.6
Netherlands	43.1	41.2	49.6	46.5	48.5	41.2	41.2	41.2
New Zealand	17.5	30.0	33.0	17.5	50.0	50.0	50.0	30.0
Norway	35.8	44.8	47.8	35.8	44.8	44.8	44.8	44.8
Poland	26.7	26.7	26.7	17.8	17.8	26.7	26.7	26.7
Portugal	25.0	39.0	50.0	25.0	28.5	28.5	39.0	28.5
Slovak Republic	29.9	29.9	28.7	29.9	29.9	29.9	29.9	29.9
Slovenia	34.6	43.1	54.0	22.1	34.6	34.6	34.6	43.1
Spain	28.8	32.6	37.0	38.2	32.6	32.6	32.6	32.6
Sweden	28.6	31.6	56.6	28.6	31.6	31.6	31.6	31.6
Switzerland	21.7	25.1	32.3	15.7	19.0	21.5	25.0	22.3
Turkey[2]	32.7	32.7	38.6	32.7	32.7	32.7	32.7	32.7
United Kingdom	32.0	32.0	42.0	73.0	32.0	32.0	32.0	32.0
United States	27.4	37.4	37.4	47.6	27.4	27.4	27.4	27.4
Unweighted average								
OECD-Average	**30.8**	**35.3**	**39.9**	**33.9**	**36.7**	**34.6**	**35.4**	**34.0**
OECD-EU 21	**35.0**	**39.0**	**43.9**	**37.3**	**38.6**	**37.2**	**38.5**	**37.5**

Note: ch = children

1. Assumes a rise in gross earnings of the principal earner in the household. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.
2. Wage figures are based on the old definition of average worker (ISIC D, Rev. 3).
3. Two-earner family.

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Table I.19. **Increase in net income after an increase of 1 currency unit in gross wages, 2011**[1]

By family-type and wage level (%)

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	0.77	0.88	0.86	0.40	0.54	0.79	0.85	0.84
Austria	0.77	0.77	1.01	0.59	0.63	0.63	0.67	0.72
Belgium	0.71	0.71	0.80	0.56	0.59	0.56	0.62	0.63
Canada	0.90	0.84	0.88	0.37	0.38	0.72	0.75	0.80
Chile	1.00	1.00	0.97	0.99	1.00	0.98	1.00	1.00
Czech Republic	0.85	0.90	0.94	0.53	0.59	0.67	0.71	0.86
Denmark	0.94	0.94	0.80	0.67	0.80	0.85	0.87	0.92
Estonia	0.94	0.96	0.97	0.76	0.84	0.87	0.90	0.94
Finland	0.74	0.80	0.83	0.63	0.73	0.71	0.73	0.75
France	0.92	0.97	0.87	0.92	0.90	0.93	0.90	0.94
Germany	0.81	0.79	0.99	0.67	0.72	0.73	0.73	0.81
Greece	0.96	0.84	0.79	0.85	0.84	0.82	0.82	0.83
Hungary	0.88	0.72	1.00	0.80	0.55	0.56	0.59	0.69
Iceland	0.80	0.86	0.83	0.61	0.63	0.72	0.76	0.80
Ireland	0.78	0.84	0.70	0.25	0.26	0.72	0.76	0.78
Israel	0.81	0.77	0.77	0.84	0.73	0.70	0.72	0.74
Italy	0.83	0.88	0.81	0.64	0.73	0.75	0.80	0.83
Japan	0.97	0.93	0.92	0.85	0.87	0.86	0.87	0.92
Korea	0.98	0.90	0.96	0.98	0.91	0.91	0.92	0.89
Luxembourg	0.79	0.71	0.80	0.59	0.72	0.72	0.69	0.82
Mexico	0.89	0.91	0.89	0.89	0.91	0.86	0.88	0.86
Netherlands	0.78	0.86	0.81	0.55	0.68	0.76	0.78	0.81
New Zealand	0.95	0.83	0.86	0.70	0.50	0.54	0.58	0.82
Norway	0.86	0.78	0.81	0.72	0.71	0.72	0.74	0.75
Poland	0.96	0.97	0.98	1.00	1.00	0.91	0.92	0.96
Portugal	0.89	0.80	0.73	0.78	0.80	0.82	0.76	0.86
Slovak Republic	0.87	0.91	0.96	0.73	0.74	0.79	0.83	0.87
Slovenia	0.92	0.85	0.76	0.77	0.73	0.81	0.86	0.82
Spain	0.87	0.87	0.86	0.68	0.79	0.81	0.82	0.82
Sweden	0.92	0.91	0.67	0.81	0.83	0.83	0.85	0.88
Switzerland	0.91	0.90	0.87	0.83	0.85	0.85	0.84	0.91
Turkey[2]	0.91	0.94	0.90	0.89	0.92	0.93	0.94	0.94
United Kingdom	0.87	0.91	0.84	0.27	0.84	0.83	0.86	0.87
United States	0.90	0.81	0.88	0.52	0.81	0.85	0.88	0.91
Unweighted average								
OECD-Average	**0.87**	**0.86**	**0.86**	**0.70**	**0.74**	**0.78**	**0.80**	**0.84**
OECD-EU 21	**0.86**	**0.85**	**0.85**	**0.67**	**0.73**	**0.76**	**0.78**	**0.83**

Note: ch = children

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

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Table I.20. **Increase in net income after an increase of 1 currency unit in gross labour cost, 2011**[1]

By family-type and wage level (%)

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-33 (% AW)[3]	Married 2 ch 100-67 (% AW)[3]	Married no ch 100-33 (% AW)[3]
Australia	0.77	0.88	0.86	0.40	0.54	0.79	0.85	0.84
Austria	0.77	0.77	1.19	0.59	0.63	0.63	0.67	0.72
Belgium	0.68	0.69	0.81	0.53	0.58	0.53	0.60	0.59
Canada	0.90	0.85	0.92	0.37	0.39	0.73	0.76	0.82
Chile	1.00	1.00	0.97	0.99	1.00	0.98	1.00	1.00
Czech Republic	0.85	0.90	0.94	0.53	0.59	0.67	0.71	0.86
Denmark	0.94	0.94	0.80	0.67	0.80	0.85	0.87	0.92
Estonia	0.94	0.96	0.97	0.76	0.84	0.87	0.90	0.94
Finland	0.74	0.80	0.83	0.63	0.73	0.71	0.73	0.75
France	0.69	0.97	0.87	0.69	0.91	0.89	0.89	0.90
Germany	0.81	0.79	1.14	0.67	0.72	0.73	0.73	0.81
Greece	0.96	0.84	0.79	0.85	0.84	0.82	0.82	0.83
Hungary	0.88	0.72	1.00	0.80	0.55	0.56	0.59	0.69
Iceland	0.80	0.86	0.83	0.61	0.63	0.72	0.76	0.80
Ireland	0.78	0.84	0.70	0.25	0.26	0.71	0.76	0.77
Israel	0.80	0.76	0.76	0.83	0.73	0.69	0.71	0.73
Italy	0.83	0.88	0.81	0.64	0.73	0.75	0.80	0.83
Japan	0.97	0.93	0.99	0.85	0.87	0.86	0.87	0.92
Korea	0.98	0.90	0.99	0.98	0.91	0.91	0.92	0.89
Luxembourg	0.79	0.71	0.80	0.59	0.72	0.72	0.69	0.82
Mexico	0.95	0.94	0.91	0.95	0.94	0.92	0.92	0.92
Netherlands	0.77	0.85	0.87	0.54	0.67	0.75	0.77	0.80
New Zealand	0.95	0.83	0.86	0.70	0.50	0.54	0.58	0.82
Norway	0.86	0.78	0.81	0.72	0.71	0.72	0.74	0.75
Poland	0.96	0.97	0.98	1.00	1.00	0.91	0.92	0.96
Portugal	0.89	0.80	0.73	0.78	0.80	0.82	0.76	0.86
Slovak Republic	0.87	0.91	0.97	0.73	0.74	0.79	0.83	0.87
Slovenia	0.92	0.85	0.76	0.77	0.73	0.81	0.86	0.82
Spain	0.87	0.87	1.10	0.68	0.79	0.81	0.82	0.82
Sweden	0.92	0.91	0.67	0.81	0.83	0.83	0.85	0.88
Switzerland	0.91	0.90	0.87	0.83	0.85	0.85	0.84	0.91
Turkey[2]	0.91	0.94	0.90	0.89	0.92	0.93	0.94	0.94
United Kingdom	0.84	0.89	0.82	0.26	0.82	0.80	0.83	0.84
United States	0.93	0.83	0.89	0.53	0.83	0.88	0.90	0.94
Unweighted average								
OECD-Average	**0.86**	**0.86**	**0.89**	**0.69**	**0.74**	**0.78**	**0.80**	**0.84**
OECD-EU 21	**0.84**	**0.85**	**0.88**	**0.66**	**0.73**	**0.76**	**0.78**	**0.82**

Note: ch = children

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

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Table I.21. **Annual gross wage and net income, 2011**

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

	Single no ch 67 (% AW)		Single no ch 100 (% AW)		Single no ch 167 (% AW)		Single 2 ch 67 (% AW)	
	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes
Australia	29 929	25 181	44 894	34 895	74 823	53 755	29 929	33 620
Austria	31 260	22 671	46 891	31 159	78 151	48 051	31 260	29 436
Belgium	34 338	21 833	51 507	29 448	85 844	43 298	34 338	27 834
Canada	24 739	20 419	37 109	28 710	61 849	45 283	24 739	29 503
Chile	9 621	8 947	14 431	13 421	24 052	22 191	9 621	9 041
Czech Republic	14 150	11 450	21 224	16 324	35 374	26 073	14 150	15 737
Denmark	32 792	20 713	49 187	30 285	81 979	45 203	32 792	28 980
Estonia	12 771	10 477	19 157	15 381	31 929	25 188	12 771	12 849
Finland	28 375	22 041	42 562	30 107	70 937	45 033	28 375	25 941
France	27 668	20 441	41 502	29 897	69 170	45 883	27 668	23 557
Germany	36 252	23 613	54 378	32 702	90 629	50 972	36 252	29 905
Greece	20 037	15 811	30 055	22 251	50 092	33 701	22 041	17 565
Hungary	13 528	9 526	20 293	13 171	33 821	21 030	13 528	13 886
Iceland	26 851	20 603	40 276	28 846	67 126	44 972	26 851	23 688
Ireland	25 715	22 819	38 572	31 690	64 287	44 168	25 715	36 078
Israel	19 305	17 557	28 957	24 419	48 262	36 527	19 305	20 195
Italy	24 131	17 710	36 197	25 069	60 328	37 505	24 131	22 712
Japan	30 106	24 237	45 159	35 662	75 265	56 573	30 106	27 585
Korea	29 911	27 078	44 866	39 265	74 777	63 307	29 911	27 302
Luxembourg	36 383	28 848	54 575	39 116	90 958	57 541	36 383	39 703
Mexico	7 414	7 327	11 121	10 096	18 535	15 990	7 414	7 327
Netherlands	36 299	26 526	54 449	37 230	90 748	56 529	36 299	35 124
New Zealand	21 497	18 714	32 246	27 129	53 743	41 935	21 497	25 478
Norway	36 066	26 810	54 099	38 181	90 164	57 911	36 066	31 992
Poland	13 336	10 203	20 004	15 093	33 340	24 872	13 336	10 959
Portugal	17 063	14 310	25 594	19 637	42 657	29 257	17 063	16 425
Slovak Republic	12 044	9 722	18 067	13 947	30 111	22 451	12 044	11 634
Slovenia	17 974	12 806	26 962	17 953	44 936	27 274	17 974	18 228
Spain	23 701	19 478	35 551	27 715	59 251	43 383	23 701	21 614
Sweden	28 077	21 880	42 115	31 651	70 192	45 320	28 077	24 902
Switzerland	39 596	34 090	59 394	49 307	98 991	77 373	39 596	40 151
Turkey[1]	16 587	12 322	24 881	17 907	41 468	28 172	16 587	12 531
United Kingdom	34 343	26 833	51 515	38 510	85 858	59 534	34 343	34 431
United States	31 114	25 017	46 671	36 048	77 785	55 534	31 114	31 575
Unweighted average								
OECD-Average	**24 793**	**19 353**	**37 190**	**27 418**	**61 983**	**42 111**	**24 852**	**24 044**
OECD-EU 21	**24 773**	**18 558**	**37 160**	**26 111**	**61 933**	**39 632**	**24 869**	**23 690**

Note: ch = children

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

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Table I.21. **Annual gross wage and net income, 2011** *(cont.)*

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

	Married 2 ch 100-0 (% AW)		Married 2 ch 100-33 (% AW)[2]		Married 2 ch 100-67 (% AW)[2]		Married no ch 100-33 (% AW)[2]	
	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes
Australia	44 894	40 340	59 858	52 090	74 823	60 075	59 858	48 931
Austria	46 891	37 959	62 521	50 575	78 151	59 863	62 521	44 565
Belgium	51 507	39 291	68 675	49 773	85 844	56 645	68 675	44 350
Canada	37 109	33 785	49 479	42 148	61 849	50 511	49 479	39 950
Chile	14 431	13 421	19 241	18 311	24 052	22 462	19 241	17 894
Czech Republic	21 224	22 117	28 299	26 147	35 374	30 830	28 299	22 621
Denmark	49 187	35 622	65 583	44 441	81 979	54 134	65 583	41 305
Estonia	19 157	17 572	25 543	22 476	31 929	27 379	25 543	20 955
Finland	42 562	32 810	56 749	45 231	70 937	54 851	56 749	42 529
France	41 502	34 054	55 336	45 083	69 170	53 629	55 336	40 891
Germany	54 378	42 985	72 503	53 110	90 629	62 492	72 503	47 224
Greece	36 066	26 237	48 088	36 003	60 110	44 602	44 081	33 126
Hungary	20 293	17 461	27 057	22 781	33 821	26 987	27 057	18 491
Iceland	40 276	34 436	53 701	42 157	67 126	49 903	53 701	41 059
Ireland	38 572	40 324	51 430	49 664	64 287	58 526	51 430	45 647
Israel	28 957	25 632	38 610	35 760	48 262	43 885	38 610	33 734
Italy	36 197	29 435	48 262	38 136	60 328	45 447	48 262	35 442
Japan	45 159	39 656	60 212	51 474	75 265	63 247	60 212	48 126
Korea	44 866	40 474	59 822	53 975	74 777	67 369	59 822	52 976
Luxembourg	54 575	52 915	72 766	67 024	90 958	78 308	72 766	58 903
Mexico	11 121	10 096	14 828	14 159	18 535	17 423	14 828	14 159
Netherlands	54 449	41 474	72 598	56 240	90 748	68 162	72 598	52 543
New Zealand	32 246	32 590	42 994	39 948	53 743	46 666	42 994	36 636
Norway	54 099	42 083	72 131	55 478	90 164	67 551	72 131	52 918
Poland	20 004	16 438	26 672	21 592	33 340	26 482	26 672	20 407
Portugal	25 594	22 765	34 125	29 899	42 657	34 332	34 125	28 255
Slovak Republic	18 067	17 132	24 089	21 451	30 111	25 580	24 089	19 540
Slovenia	26 962	24 043	35 949	28 974	44 936	34 375	35 949	24 954
Spain	35 551	30 338	47 401	39 461	59 251	48 489	47 401	38 813
Sweden	42 115	34 673	56 154	46 522	70 192	56 553	56 154	43 500
Switzerland	59 394	56 836	79 193	73 481	98 991	88 579	79 193	67 761
Turkey[1]	24 881	18 255	33 175	24 053	41 468	29 742	33 175	23 844
United Kingdom	51 515	41 905	68 686	56 255	85 858	67 931	68 686	53 666
United States	46 671	41 853	62 228	53 152	77 785	64 450	62 228	49 639
Unweighted average								
OECD-Average	**37 367**	**31 971**	**49 822**	**41 383**	**62 278**	**49 631**	**49 704**	**38 393**
OECD-EU 21	**37 446**	**31 312**	**49 928**	**40 516**	**62 410**	**48 362**	**49 737**	**37 035**

Note: ch = children

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

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Table I.22. **Annual labour costs and net income, 2011**

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

	Single no ch 67 (% AW)		Single no ch 100 (% AW)		Single no ch 167 (% AW)		Single 2 ch 67 (% AW)	
	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes
Australia	31 715	25 181	47 573	34 895	79 288	53 755	31 715	33 620
Austria	40 366	22 671	60 549	31 159	99 036	48 051	40 366	29 436
Belgium	44 091	21 833	67 059	29 448	111 169	43 298	44 091	27 834
Canada	27 610	20 419	41 453	28 710	67 462	45 283	27 610	29 503
Chile	9 621	8 947	14 431	13 421	24 052	22 191	9 621	9 041
Czech Republic	18 960	11 450	28 441	16 324	47 401	26 073	18 960	15 737
Denmark	32 792	20 713	49 187	30 285	81 979	45 203	32 792	28 980
Estonia	17 165	10 477	25 747	15 381	42 912	25 188	17 165	12 849
Finland	34 759	22 041	52 138	30 107	86 897	45 033	34 759	25 941
France	38 652	20 441	59 702	29 897	99 341	45 883	38 652	23 557
Germany	43 402	23 613	65 104	32 702	104 626	50 972	43 402	29 905
Greece	25 759	15 811	38 639	22 251	64 398	33 701	28 335	17 565
Hungary	17 384	9 526	26 076	13 171	43 460	21 030	17 384	13 886
Iceland	29 173	20 603	43 760	28 846	72 933	44 972	29 173	23 688
Ireland	28 479	22 819	42 719	31 690	71 198	44 168	28 479	36 078
Israel	20 089	17 557	30 300	24 419	50 721	36 527	20 089	20 195
Italy	31 872	17 710	47 809	25 069	79 681	37 505	31 872	22 712
Japan	34 380	24 237	51 570	35 662	85 500	56 573	34 380	27 585
Korea	32 924	27 078	49 387	39 265	81 414	63 307	32 924	27 302
Luxembourg	40 862	28 848	61 293	39 116	102 155	57 541	40 862	39 703
Mexico	8 439	7 327	12 420	10 096	20 396	15 990	8 439	7 327
Netherlands	39 752	26 526	60 004	37 230	97 014	56 529	39 752	35 124
New Zealand	21 497	18 714	32 246	27 129	53 743	41 935	21 497	25 478
Norway	40 790	26 810	61 186	38 181	101 976	57 911	40 790	31 992
Poland	15 307	10 203	22 960	15 093	38 267	24 872	15 307	10 959
Portugal	21 115	14 310	31 673	19 637	52 788	29 257	21 115	16 425
Slovak Republic	15 200	9 722	22 800	13 947	37 920	22 451	15 200	11 634
Slovenia	20 868	12 806	31 303	17 953	52 171	27 274	20 868	18 228
Spain	30 787	19 478	46 180	27 715	75 399	43 383	30 787	21 614
Sweden	36 899	21 880	55 348	31 651	92 246	45 320	36 899	24 902
Switzerland	42 071	34 090	63 107	49 307	105 106	77 373	42 071	40 151
Turkey[1]	19 324	12 322	28 986	17 907	48 311	28 172	19 324	12 531
United Kingdom	37 645	26 833	57 186	38 510	96 268	59 534	37 645	34 431
United States	34 462	25 017	51 209	36 048	84 703	55 534	34 462	31 575
Unweighted average								
OECD-Average	**28 947**	**19 353**	**43 516**	**27 418**	**72 116**	**42 111**	**29 023**	**24 044**
OECD-EU 21	**30 101**	**18 558**	**45 329**	**26 111**	**75 063**	**39 632**	**30 223**	**23 690**

Note: ch = children

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

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Table I.22. **Annual labour costs and net income, 2011** *(cont.)*

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

	Married 2 ch 100-0 (% AW)		Married 2 ch 100-33 (% AW)[2]		Married 2 ch 100-67 (% AW)[2]		Married no ch 100-33 (% AW)[2]	
	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes
Australia	47 573	40 340	63 430	52 090	79 288	60 075	63 430	48 931
Austria	60 549	37 959	80 732	50 575	100 915	59 863	80 732	44 565
Belgium	67 059	39 291	86 454	49 773	111 150	56 645	86 454	44 350
Canada	41 453	33 785	55 188	42 148	69 063	50 511	55 188	39 950
Chile	14 431	13 421	19 241	18 311	24 052	22 462	19 241	17 894
Czech Republic	28 441	22 117	37 921	26 147	47 401	30 830	37 921	22 621
Denmark	49 187	35 622	65 583	44 441	81 979	54 134	65 583	41 305
Estonia	25 747	17 572	34 330	22 476	42 912	27 379	34 330	20 955
Finland	52 138	32 810	69 518	45 231	86 897	54 851	69 518	42 529
France	59 702	34 054	76 008	45 083	98 354	53 629	76 008	40 891
Germany	65 104	42 985	86 805	53 110	108 506	62 492	86 805	47 224
Greece	46 367	26 237	61 822	36 003	77 278	44 602	56 671	33 126
Hungary	26 076	17 461	34 768	22 781	43 460	26 987	34 768	18 491
Iceland	43 760	34 436	58 346	42 157	72 933	49 903	58 346	41 059
Ireland	42 719	40 324	56 669	49 664	71 198	58 526	56 669	45 647
Israel	30 300	25 632	40 295	35 760	50 389	43 885	40 295	33 734
Italy	47 809	29 435	63 745	38 136	79 681	45 447	63 745	35 442
Japan	51 570	39 656	68 761	51 474	85 951	63 247	68 761	48 126
Korea	49 387	40 474	65 849	53 975	82 311	67 369	65 849	52 976
Luxembourg	61 293	52 915	81 724	67 024	102 155	78 308	81 724	58 903
Mexico	12 420	10 096	16 911	14 159	20 859	17 423	16 911	14 159
Netherlands	60 004	41 474	79 590	56 240	99 756	68 162	79 590	52 543
New Zealand	32 246	32 590	42 994	39 948	53 743	46 666	42 994	36 636
Norway	61 186	42 083	81 581	55 478	101 976	67 551	81 581	52 918
Poland	22 960	16 438	30 614	21 592	38 267	26 482	30 614	20 407
Portugal	31 673	22 765	42 230	29 899	52 788	34 332	42 230	28 255
Slovak Republic	22 800	17 132	30 400	21 451	38 000	25 580	30 400	19 540
Slovenia	31 303	24 043	41 737	28 974	52 171	34 375	41 737	24 954
Spain	46 180	30 338	61 574	39 461	76 967	48 489	61 574	38 813
Sweden	55 348	34 673	73 797	46 522	92 246	56 553	73 797	43 500
Switzerland	63 107	56 836	84 142	73 481	105 178	88 579	84 142	67 761
Turkey[1]	28 986	18 255	38 649	24 053	48 311	29 742	38 649	23 844
United Kingdom	57 186	41 905	75 289	56 255	94 830	67 931	75 289	53 666
United States	51 209	41 853	68 924	53 152	85 671	64 450	68 924	49 639
Unweighted average								
OECD-Average	**43 743**	**31 971**	**58 107**	**41 383**	**72 842**	**49 631**	**57 955**	**38 393**
OECD-EU 21	**45 697**	**31 312**	**60 539**	**40 516**	**76 043**	**48 362**	**60 293**	**37 035**

Note: ch = children

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

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Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

PART II

Tax Burden Trends 2000-12

This Section presents detailed results of the evolution of the tax burden between 2000 and 2012. It provides information for each of the OECD countries on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers over this period.

1. Historical trends

The evolution of the tax burden for the eight family types over the period 2000 to 2012 is presented in Tables II.1 to II.8. Each of the Tables II.1 to II.8 corresponds to a particular family type and each is divided into three parts.

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

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

2. Important trends

The OECD average tax wedge, the income tax burden and the net tax burden (personal income tax plus social security contributions less cash benefits) have all declined between 2000 and 2012 for each of the selected family types.

The reductions over the period in the OECD average tax wedge ranged from 1.1 percentage points (for single workers earning the average wage) to 1.9 percentage points (for single parents at 67 per cent of the average wage level and the two-earner married couples with children where the spouse is earning 33 per cent of the average wage level).

The decrease in the OECD net personal average tax burden ranges from 0.8 percentage points (for single workers earning the average wage) to 1.6 percentage points (for the two-earner married couples with children where the spouse is earning 33 per cent of the average wage level).

The OECD average income tax burden has also declined for all family types in the period considered. The reduction ranges from 0.7 percentage points (for single workers at the average wage level) to 1.5 percentage points (for single parents at 67 per cent of the average wage level).

3. Tax wedge

Focusing on the overall (average) tax wedge (a.-tables), there are twelve OECD member countries with a reduction of more than five percentage points between 2000 and 2012 for at least one of the family types – Australia, Canada, Denmark, Finland, Hungary, Ireland, Israel, the Netherlands, New Zealand, Poland, Sweden and the United Kingdom.

The largest decline is observed in Ireland where single parents have benefited from a reduction in the wedge of 24.7 percentage points. Married couple with two children on average earnings and 133 per cent of the average in Ireland also enjoyed reductions of 9.1

and 7.7 percentage points respectively. In New Zealand married couples with two children earning the average wage level and single parents at 67 per cent of the average wage level enjoyed a reduction of more than 13 percentage points in the wedge.

A reduction of seven percentage points or more in the tax wedge for at least one family-type was observed in six other countries – Australia, Canada, Hungary, Israel, the Netherlands and Sweden. In Australia, the largest decreases were for the single parents earning 67 per cent of the average wage level and the one-earner married couples with children at the average earnings (-7.5 and -6.8 percentage points respectively). This was also the case in Canada where the corresponding decreases were 7.6 and 5.7 percentage points respectively. In Hungary, there were reductions of between 3.8 and 12.2 percentage points over the range of family types. The largest decreases were for single parents earning 67 per cent of the average wage level (-12.2 percentage points), the one-earner married couples with 2 children at average earnings (-10.3 percentage points) and the two-earner married couples with children where the spouse is earning 33 per cent of the average wage level (-10.0 percentage points). In Israel, the tax wedge decreased by more than 8 percentage points for all the household types except for the single parents earning 67 per cent of the average wage level (-2.5 percentage points). In the Netherlands, single parents earning 67 per cent of the average wage level (-15.0 percentage points) and single workers earning 67 per cent of the average wage (-9.1 percentage points) benefited most from the reduction in the tax wedge. In Sweden, all but one of the families enjoyed a reduction in the tax wedge of 6 to 8 percentage points, the exception being the single workers earning 167 per cent of the average wage level (-5.0 percentage points). It is interesting to note that in Iceland the single worker earning 167 per cent of the average wage level enjoyed a reduction in the tax wedge (-0.5 percentage points), while the tax burden increased by more than 5 percentage points for all the other family types and notably by 14.9 percentage points for the single parents earning 67 per cent of the average wage.

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

4. Average income tax rate

Between 2000 and 2012, the average income tax burden (b.-tables) has decreased for all family types in eleven of the OECD member countries: Australia, Canada, Estonia, Finland, Hungary, New Zealand, Slovenia, Sweden, Switzerland, Turkey and the United States. The most significant reductions affecting all of the family types are noted in Sweden where all the family types enjoyed decreases of around 9-10 percentage points except the single taxpayer earning 167 per cent of the average wage level where the decrease was -5.9 percentage points. In Estonia, the average income tax burden has decreased by at least four percentage points for all family types with single parents at 67 per cent of the average wage enjoying an income tax reduction of 9.4 percentage points. In Finland, there was a reduction of 5-6 percentage points for all family types. In Hungary, there were significant decreases of at least 10 percentage points for the single persons earning 167 per cent of the average wage level and the one-earner married couples with children earning the average wage. The income tax burden diminished by between 3 and 6 percentage points in all but one of the family types in Australia, the exception being the single worker with two children where the decrease was -0.2 percentage points. Other decreases of more than 5 percentage points were observed in Canada (from -5.4 to -6.8 percentage points for families with children where the earnings are at 67, 100 and 133 per cent of the average wage), and New Zealand (-5.4 percentage points for the single workers earnings 67 per cent of the average wage without children). Reductions of less than 5 percentage points in average income tax rates are observed for all family types in Slovenia, Switzerland, Turkey and the United States.

There are fifteen other OECD member countries with reductions in the personal income tax in some family types: Belgium, the Czech Republic, France, Germany, Iceland, Ireland, Israel, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic and the United Kingdom. In three of those countries the reductions in average income tax rates exceeded six percentage points including both the Czech Republic (-9.4 percentage points for the one-earner married couples with children at the average wage level and -7.9 percentage points for the single parents earning 67 per cent of the average) and the Slovak Republic (-7.5 percentage points for the one-earner married couples at the average wage level with children). The average income tax rate decreased by 7 to 11 percentage points in Israel for all family types except for single parents at 67 per cent of the average wage who do not have to pay income taxes. In the Netherlands, there was a small reduction for the single person on 67 per cent of average earnings but increases for all the other family types including one of 12 percentage points for the one-earner married couple with two children.

At the other extreme, the personal income tax burden has increased across all family types in seven OECD member countries: Austria, Denmark, Greece, Japan, Korea, Mexico and Spain. In Mexico the increases were in the range 5 to 8 percentage points for each family type. In contrast, in Chile the average income tax burden slightly increased only for the single worker earning 167 per cent of the average wage level (+0.5 percentage points). The average income tax rates stayed constant for the other family types since they do not pay income taxes.

5. Net personal average tax rate

The *net* tax burden takes into account personal income taxes and employee social security contributions as well as cash benefits (c.-tables). It decreased between 2000 and 2012 for all family types in ten OECD countries: Australia, Canada, Denmark, Finland, Israel, New Zealand, Poland, Sweden, Switzerland and the United States. Of these, the most significant reductions were observed in Sweden, ranging from -9.7 percentage points (the two-earning married couples without children where the spouse is earning 33 per cent of the average wage) to -5.9 percentage points (single taxpayer earning 167 per cent of the average wage level). In Australia, the net personal average tax burden has significantly decreased for most family types, notably by with 7.5 percentage points for single parents earning 67 per cent of the average wage and 6.9 percentage points for one-earner married couples at average earnings with children. Significant reductions were also observed in Israel for all but one family type (reductions ranging between 7.9 and 10.1 percentage points), the exception being single parents earning 67 per cent of the average wage where the reduction was only 1.7 percentage points. The net personal average tax rate also decreased strongly in Ireland for most families with children and especially for single parents at 67 per cent of the average wage (-29.7 percentage points), in the Netherlands and the United Kingdom for the single parents earning 67 per cent of the average wage level (-12.0 percentage points and -7.6 respectively) and in New Zealand for families with children and especially if these families have low earnings (single parents at 67 per cent of the average wage enjoyed a reduction of 15.2 percentage points).

There are eight other OECD member countries with reductions in the net personal average tax rate exceeding five percentage points in some family types: Canada, Denmark, Finland, Germany, Hungary, Ireland, Poland and Portugal. In Canada, there were reductions of 8.8 percentage points for the single parents at 67 per cent of the average wage and 6.5 percentage points for one earner married couples with two children. In Hungary, the reduction for the latter was 5.8 percentage points with a 6.2 percentage point reduction for the single worker on 167 per cent of the average wage. In Denmark, there were reductions for single workers at the average wage level and at 167 per cent of it of -5.6 and -6.4 percentage points respectively.

Between 2000 and 2012, an increase of five or more percentage points in the net tax burden for one or more family types is only observed in seven countries. In most of these, Austria, Estonia, Iceland, Mexico, Norway and the Slovak Republic, the single parents earning 67 per cent of the average wage saw increases of between 5 and 13 percentage points. There were increases of similar size for other family types in three countries. In Iceland, all the family types with married couples and children saw increase between 5 and 8 percentage points. In Mexico there were increases of between 4 and 8 percentage points for each of the other family types. In Turkey, the net personal average tax rate increased by 5 percentage points for the single worker on 167 per cent of the average wage.

6. Progressivity

The discussion of the results for 2012 in Part I of this publication gave some to consideration to their use in assessing the progressivity of personal income taxes and the results presented in Part II can also be used to look at the evolution of this measure.

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

On average, the progressivity of the personal income taxes has not changed drastically in OECD countries. On average (excluding Mexico), the single worker earning 67 per cent of the average wage level paid 52 per cent in 2000 and 50 per cent in 2012 of the tax burden of the worker earning 167 per cent of the average wage level.

Comparing the situation in each OECD country, personal income taxes have become more progressive in seventeen countries. The most significant reductions were in Israel, where the burden of the lower paid worker was about 44 per cent of the higher paid worker in 2000 and 25 per cent in 2012; in New Zealand where the corresponding reduction was from 77 per cent to 59 per cent; and in Sweden, where it was from about 68 per cent to about 50 per cent.

Personal income taxes have become slightly less progressive (using this measure) in twelve OECD countries: Austria, Denmark, France, Greece, Hungary, Iceland, Italy, Japan, Korea, Norway, Poland and Spain. The most significant change occurred in Hungary where the burden of the lower paid worker was about 58 per cent the higher paid worker in 2000 and about 89 per cent in 2012.

7. Families

The results presented in Tables II.5 and II.2 can be used to compare the tax burdens faced by a one-earner married couple with two children at the average wage and the single worker without children at the same income level. Focusing on the net tax burden (personal income tax plus employee social security contributions less cash benefits which can be found in Part c of the Tables), one observes that the OECD average fiscal savings for the married couple and the single worker increased slightly between 2000 and 2012 (by about one half of a percentage point).

The savings for the one-earner married couple have increased in sixteen countries and declined in sixteen others. There were three countries where the fiscal savings have increased by more than 5 percentage points; in New Zealand increasing by 10.0 percentage points from 5.8 to 15.8 per cent of income and in Ireland and Hungary where the increases were between 5 and 7 percentage points.

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	25.8	24.6	25.1	24.7	23.7	21.9	20.7	21.0	20.6	21.5
Austria	43.2	44.0	43.3	43.7	44.2	44.5	43.2	43.4	43.8	44.2
Belgium	51.3	49.0	49.3	49.4	49.6	50.2	49.9	50.3	50.5	50.5
Canada	27.8	27.5	27.4	27.4	26.5	26.6	26.1	25.8	26.0	26.1
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	41.3	41.9	42.0	40.0	40.5	40.1	38.7	38.9	39.6	39.3
Denmark	40.8	38.9	38.9	38.9	38.9	38.5	38.0	36.7	36.8	37.0
Estonia	39.8	39.6	38.1	37.3	37.6	37.0	37.7	38.7	39.0	39.2
Finland	43.0	39.4	39.5	38.8	38.6	38.6	37.1	36.7	36.6	36.7
France	43.7	46.2	46.4	46.0	46.3	46.4	46.4	46.7	47.1	47.1
Germany	47.5	46.9	47.3	47.4	47.0	46.6	46.0	45.0	45.6	45.6
Greece	36.0	36.1	35.4	36.4	36.0	35.5	35.6	34.8	38.6	38.6
Hungary	51.4	44.8	43.1	43.3	46.0	46.7	46.2	43.8	45.2	47.6
Iceland	23.8	27.7	28.2	28.2	27.0	27.6	26.1	28.3	29.4	29.9
Ireland	18.1	19.5	16.8	16.1	14.9	15.0	16.2	16.7	19.9	20.1
Israel	22.3	18.1	17.5	15.4	16.0	14.3	13.3	12.8	12.6	12.5
Italy	43.6	42.2	42.5	42.7	42.8	43.2	43.5	44.0	44.4	44.5
Japan	23.4	26.1	26.5	27.4	27.8	28.0	27.8	28.9	29.5	29.9
Korea	15.0	15.5	15.6	16.0	16.8	17.4	16.9	17.3	17.8	18.0
Luxembourg	31.1	28.1	28.7	29.1	29.9	28.2	27.4	27.7	29.4	28.9
Mexico	7.5	10.5	10.0	10.6	11.1	10.9	11.9	12.3	13.2	13.5
Netherlands	42.2	40.8	41.6	33.2	33.3	34.0	33.3	33.5	33.3	33.2
New Zealand	18.6	18.8	18.8	18.9	19.0	18.0	15.5	14.2	12.9	13.1
Norway	35.1	35.0	34.2	34.3	34.2	34.2	34.0	34.0	34.3	34.3
Poland	37.0	37.2	37.5	37.8	37.1	33.6	33.1	33.2	33.3	34.6
Portugal	33.2	32.8	32.1	32.8	32.5	32.1	31.8	32.2	32.2	32.0
Slovak Republic	40.6	39.2	34.8	35.2	35.5	36.0	34.4	34.7	36.0	36.9
Slovenia	42.6	43.6	41.8	41.3	40.9	40.3	39.7	38.6	38.6	38.5
Spain	34.8	35.3	35.7	35.9	35.7	34.0	34.3	36.5	36.7	37.0
Sweden	48.6	47.2	46.6	45.9	43.3	42.5	41.3	40.6	40.7	40.7
Switzerland	19.5	18.9	18.9	18.9	19.1	18.5	18.6	18.7	19.0	18.6
Turkey[1]	39.1	41.9	41.9	41.8	41.8	37.8	35.0	35.7	36.2	36.1
United Kingdom	29.1	30.5	30.5	30.6	30.8	29.7	29.1	29.4	28.7	28.2
United States	28.3	27.7	27.6	27.7	27.9	27.1	27.6	27.9	27.4	27.4
Unweighted average										
OECD-Average	**33.3**	**33.0**	**32.7**	**32.4**	**32.3**	**31.8**	**31.3**	**31.4**	**31.8**	**32.0**
OECD-EU 21	**39.9**	**39.2**	**38.7**	**38.2**	**38.2**	**37.8**	**37.3**	**37.2**	**37.9**	**38.1**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	21.1	20.1	20.6	20.2	19.1	17.2	15.7	16.0	15.9	16.8
Austria	7.5	9.7	8.7	9.3	9.8	10.3	8.6	8.9	9.4	9.9
Belgium	22.7	21.6	21.7	21.6	21.8	22.1	21.8	22.4	22.5	22.4
Canada	15.1	13.9	13.0	13.0	12.2	12.4	11.9	11.6	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
Czech Republic	8.2	9.0	9.2	6.6	7.2	6.6	6.9	7.1	8.1	7.7
Denmark	27.6	26.7	26.6	26.7	26.8	26.5	25.9	25.1	33.3	33.4
Estonia	19.9	18.4	16.3	15.8	16.2	15.5	14.9	14.8	15.2	15.4
Finland	21.2	18.8	18.8	17.5	17.2	17.7	16.4	15.6	15.3	14.8
France	12.5	11.9	12.3	11.8	12.1	12.1	12.2	12.3	12.4	12.6
Germany	16.3	15.0	14.9	14.9	15.2	15.5	14.9	13.9	14.0	14.2
Greece	2.2	2.2	1.3	2.5	2.0	1.4	1.5	0.5	4.9	4.6
Hungary	17.5	10.8	8.7	8.9	10.1	11.0	11.7	10.8	12.1	16.0
Iceland	19.9	23.3	23.9	23.9	22.9	23.0	20.7	21.4	22.5	23.7
Ireland	11.1	6.3	5.2	4.4	3.1	3.1	4.4	5.0	8.5	8.7
Israel	11.2	6.7	6.1	5.8	6.6	4.9	4.3	3.6	3.6	3.6
Italy	15.2	13.9	14.3	15.2	15.0	15.6	15.8	16.6	17.1	17.2
Japan	5.5	5.3	5.2	5.7	6.4	6.3	6.3	6.1	6.1	6.0
Korea	0.8	1.0	1.0	1.1	1.5	1.7	1.3	1.4	1.4	1.5
Luxembourg	10.2	6.8	7.2	7.8	8.3	8.1	6.8	7.2	7.7	7.9
Mexico	-6.1	-2.7	-3.3	-2.8	-2.3	-2.6	-1.5	-1.1	-0.1	0.3
Netherlands	5.3	3.5	4.2	4.4	4.8	5.2	5.4	5.3	5.2	5.1
New Zealand	18.6	18.8	18.8	18.9	19.0	18.0	15.5	14.2	12.9	13.1
Norway	18.9	18.8	17.8	17.8	17.9	18.0	17.8	17.8	17.9	17.8
Poland	5.3	4.9	5.0	5.2	5.5	6.0	5.4	5.5	5.7	5.8
Portugal	6.3	5.8	4.9	5.8	5.4	5.0	4.6	5.1	5.1	4.9
Slovak Republic	6.0	4.4	4.3	4.9	5.1	5.9	3.8	4.2	5.9	5.9
Slovenia	10.2	10.2	8.1	8.0	7.9	8.0	7.9	6.6	6.7	6.4
Spain	8.5	9.2	9.6	10.0	10.0	7.8	8.4	11.1	11.5	11.8
Sweden	24.7	22.9	22.2	21.5	17.9	16.9	15.8	15.0	15.1	15.1
Switzerland	7.7	7.9	7.9	7.9	8.1	7.6	7.6	7.7	7.7	7.2
Turkey[1]	13.2	14.4	14.5	14.2	14.3	10.2	9.3	10.1	10.7	10.6
United Kingdom	15.1	15.4	15.4	15.5	15.6	14.6	14.2	14.3	13.6	13.2
United States	14.9	14.4	14.3	14.4	14.6	13.7	12.3	12.6	13.9	14.0
Unweighted average										
OECD-Average	**12.2**	**11.4**	**11.1**	**11.1**	**11.1**	**10.8**	**10.3**	**10.3**	**11.0**	**11.2**
OECD-EU 21	**13.0**	**11.8**	**11.4**	**11.3**	**11.3**	**11.2**	**10.8**	**10.8**	**11.9**	**12.1**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	21.1	20.1	20.6	20.2	19.1	17.2	15.7	16.0	15.9	16.8
Austria	25.6	27.7	26.7	27.3	27.9	28.4	26.6	27.0	27.5	28.0
Belgium	35.8	34.7	35.0	35.1	35.3	36.0	35.7	36.3	36.4	36.4
Canada	19.6	19.1	19.0	18.9	18.0	18.2	17.7	17.4	17.5	17.4
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	20.7	21.5	21.7	19.1	19.7	19.1	17.9	18.1	19.1	18.7
Denmark	40.9	38.9	38.9	38.9	38.9	38.5	38.0	36.7	36.8	37.0
Estonia	19.9	19.4	17.3	16.4	16.8	16.1	16.7	17.6	18.0	18.2
Finland	28.1	24.8	25.0	24.2	23.8	23.8	22.6	22.6	22.3	22.3
France	25.9	25.5	25.9	25.4	25.8	25.8	25.9	26.0	26.1	26.3
Germany	36.8	35.8	36.3	36.6	36.4	36.2	35.5	34.4	34.9	34.9
Greece	18.1	18.2	17.3	18.5	18.0	17.4	17.5	16.5	21.1	21.1
Hungary	30.0	24.3	22.2	23.3	27.1	28.0	28.7	27.8	29.6	34.5
Iceland	20.1	23.5	24.1	24.1	23.1	23.7	21.5	22.1	23.3	24.4
Ireland	11.1	10.9	7.9	7.0	5.8	5.9	7.2	7.8	11.3	11.5
Israel	18.5	13.3	12.8	11.1	12.2	10.6	9.8	9.1	9.1	9.0
Italy	24.4	23.0	23.5	24.3	24.5	25.0	25.3	26.0	26.6	26.7
Japan	15.5	16.8	17.1	17.9	18.4	18.5	18.4	19.1	19.5	19.7
Korea	7.5	8.1	8.1	8.3	8.9	9.3	8.9	9.2	9.5	9.7
Luxembourg	21.8	18.3	18.9	19.4	20.3	20.1	19.0	19.4	20.7	20.2
Mexico	-4.8	-1.4	-2.1	-1.6	-1.1	-1.4	-0.2	0.1	1.2	1.5
Netherlands	32.9	30.9	31.9	27.1	27.1	27.6	27.0	27.0	26.9	26.5
New Zealand	18.6	18.8	18.8	18.9	19.0	18.0	15.5	14.2	12.9	13.1
Norway	26.7	26.6	25.6	25.6	25.7	25.8	25.6	25.6	25.7	25.6
Poland	26.5	26.7	27.0	27.4	26.5	23.8	23.2	23.4	23.5	23.6
Portugal	17.3	16.8	15.9	16.8	16.4	16.0	15.6	16.1	16.1	15.9
Slovak Republic	18.0	17.8	17.7	18.3	18.5	19.3	17.2	17.6	19.3	19.3
Slovenia	32.3	32.3	30.2	30.1	30.0	30.1	30.0	28.7	28.8	28.5
Spain	14.9	15.5	16.0	16.3	16.3	14.2	14.7	17.5	17.8	18.2
Sweden	31.7	29.9	29.2	28.5	24.9	23.9	22.8	22.0	22.1	22.1
Switzerland	14.2	13.9	14.0	14.0	14.2	13.6	13.7	13.7	13.9	13.5
Turkey[1]	27.2	29.4	29.5	29.2	29.3	25.2	24.3	25.1	25.7	25.6
United Kingdom	22.7	23.7	23.8	23.8	24.0	22.9	22.4	22.6	21.9	21.4
United States	22.6	22.0	21.9	22.0	22.3	19.3	20.0	20.2	19.6	19.6
Unweighted average										
OECD-Average	**22.0**	**21.6**	**21.3**	**21.2**	**21.2**	**20.7**	**20.2**	**20.3**	**20.8**	**21.0**
OECD-EU 21	**25.5**	**24.6**	**24.2**	**24.0**	**24.0**	**23.7**	**23.3**	**23.4**	**24.1**	**24.3**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	31.0	28.2	28.5	28.3	27.7	26.9	26.7	26.8	26.7	27.2
Austria	47.3	48.3	48.1	48.5	48.8	49.0	47.9	48.2	48.5	48.9
Belgium	57.1	55.4	55.5	55.5	55.6	55.9	55.7	55.9	56.1	56.0
Canada	33.2	32.0	31.9	31.9	31.2	31.3	30.6	30.5	30.7	30.8
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	42.6	43.5	43.7	42.5	42.9	43.4	42.0	42.1	42.6	42.4
Denmark	44.1	41.0	40.9	41.0	41.1	40.9	39.5	38.3	38.4	38.6
Estonia	41.3	41.5	39.9	39.0	39.0	38.4	39.2	40.1	40.3	40.4
Finland	47.8	44.5	44.6	44.0	43.9	43.8	42.5	42.3	42.3	42.5
France	50.4	50.3	50.6	49.7	49.7	49.7	49.8	49.8	49.9	50.2
Germany	52.9	52.2	52.1	52.3	51.9	51.5	50.9	49.2	49.8	49.8
Greece	39.1	41.4	41.2	42.3	41.8	41.0	40.7	39.2	42.4	41.9
Hungary	54.7	51.7	51.1	51.9	54.5	54.1	53.1	46.6	49.5	49.4
Iceland	28.8	31.9	32.1	31.8	30.5	30.9	30.5	33.4	34.1	34.5
Ireland	28.9	24.1	23.5	23.0	22.2	22.3	24.7	25.8	25.8	25.9
Israel	29.0	25.3	24.9	23.5	24.1	21.7	20.2	19.4	19.4	19.2
Italy	47.1	46.3	45.9	46.1	46.4	46.6	46.8	47.2	47.6	47.6
Japan	24.7	27.3	27.7	28.8	29.3	29.5	29.2	30.2	30.8	31.2
Korea	16.4	17.0	17.3	18.2	19.7	20.0	19.5	20.1	20.5	21.0
Luxembourg	37.1	33.9	34.7	35.3	36.3	34.7	33.9	34.3	36.2	35.8
Mexico	12.4	15.2	14.7	15.0	15.9	15.1	15.3	15.5	18.7	19.0
Netherlands	40.0	38.8	38.9	38.4	38.7	39.2	38.0	38.1	38.0	38.6
New Zealand	19.4	19.7	20.0	20.4	21.1	20.5	18.1	17.0	15.9	16.4
Norway	38.6	38.1	37.2	37.4	37.5	37.6	37.3	37.3	37.6	37.6
Poland	38.2	38.4	38.7	39.0	38.2	34.7	34.1	34.2	34.3	35.5
Portugal	37.3	37.4	36.8	37.5	37.3	36.9	36.5	37.1	38.0	36.7
Slovak Republic	41.9	42.2	38.0	38.3	38.4	38.8	37.7	37.9	38.8	39.6
Slovenia	46.3	46.3	45.6	45.3	43.3	42.9	42.2	42.5	42.6	42.3
Spain	38.6	38.8	39.0	39.1	39.0	38.0	38.3	39.7	40.0	41.4
Sweden	50.1	48.4	48.1	47.8	45.3	44.8	43.2	42.8	42.8	42.8
Switzerland	22.4	21.7	21.7	21.6	21.9	21.4	21.5	21.6	21.9	21.5
Turkey[1]	40.4	42.8	42.8	42.7	42.7	39.9	37.4	37.9	38.2	38.2
United Kingdom	32.6	33.9	33.9	34.0	34.1	32.8	32.4	32.6	32.7	32.3
United States	30.4	29.8	29.8	29.9	30.3	29.8	30.1	30.5	29.6	29.6
Unweighted average										
OECD-Average	**36.7**	**36.3**	**36.1**	**36.1**	**36.1**	**35.6**	**35.1**	**35.0**	**35.5**	**35.6**
OECD-EU 21	**43.6**	**42.8**	**42.4**	**42.4**	**42.3**	**41.9**	**41.4**	**41.1**	**41.7**	**41.8**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	26.6	23.9	24.2	24.0	23.4	22.5	22.1	22.3	22.3	22.9
Austria	12.9	15.2	15.0	15.4	15.8	16.2	14.7	15.0	15.5	15.9
Belgium	29.0	27.9	28.0	27.9	28.1	28.5	28.3	28.7	28.8	28.8
Canada	19.5	17.1	16.4	16.4	15.8	16.2	15.3	15.2	15.4	15.2
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	10.0	11.3	11.5	9.9	10.4	11.1	11.3	11.5	12.1	11.8
Denmark	32.3	30.2	30.1	30.2	30.4	30.2	28.8	27.9	36.1	36.2
Estonia	21.9	20.9	18.8	18.1	18.1	17.3	16.8	16.7	16.9	17.1
Finland	27.2	25.0	25.0	23.8	23.7	24.2	23.0	22.3	22.1	21.8
France	15.8	15.0	15.3	14.0	14.1	14.1	14.1	14.2	14.3	14.6
Germany	22.7	21.4	20.8	20.8	21.1	21.3	20.8	18.9	19.0	19.2
Greece	6.1	9.0	8.8	10.1	9.5	8.5	8.0	6.1	9.8	8.9
Hungary	23.2	20.9	20.1	20.9	21.8	21.3	20.8	14.4	17.6	16.5
Iceland	25.3	27.9	28.0	27.7	26.7	26.8	25.7	27.1	27.9	28.9
Ireland	15.2	10.8	10.2	9.6	8.7	8.8	10.2	10.7	14.7	14.8
Israel	17.5	13.0	12.7	11.9	12.7	10.2	8.9	8.0	8.0	7.9
Italy	19.9	19.3	18.8	19.6	19.7	20.0	20.2	20.7	21.3	21.3
Japan	7.0	6.6	6.7	7.2	8.1	8.0	7.9	7.6	7.6	7.5
Korea	2.3	2.7	2.8	3.4	4.7	4.6	4.1	4.5	4.4	4.8
Luxembourg	17.0	13.5	14.2	14.9	15.6	15.3	14.0	14.6	15.2	15.5
Mexico	0.7	3.7	3.1	3.5	4.6	3.8	4.1	4.2	7.9	8.1
Netherlands	9.6	10.8	11.2	13.2	14.6	15.5	16.6	16.2	16.2	16.5
New Zealand	19.4	19.7	20.0	20.4	21.1	20.5	18.1	17.0	15.9	16.4
Norway	22.9	22.3	21.2	21.3	21.7	21.8	21.5	21.5	21.6	21.6
Poland	6.6	6.3	6.4	6.5	6.8	7.2	6.6	6.6	6.7	6.8
Portugal	11.4	11.5	10.8	11.7	11.4	11.0	10.5	11.2	12.3	10.7
Slovak Republic	7.8	8.4	8.4	8.7	8.9	9.4	8.0	8.3	9.4	9.4
Slovenia	13.5	13.5	12.6	12.7	10.7	11.0	10.8	11.2	11.3	11.0
Spain	13.5	13.7	13.9	14.1	14.2	12.9	13.4	15.4	15.7	17.5
Sweden	26.7	24.5	24.2	23.9	20.6	19.9	18.4	17.8	17.9	17.9
Switzerland	10.8	10.9	10.9	10.8	11.1	10.6	10.7	10.8	10.7	10.3
Turkey[1]	14.7	15.5	15.5	15.4	15.4	12.7	12.1	12.6	13.0	12.9
United Kingdom	17.4	17.6	17.6	17.7	17.7	16.4	16.1	16.2	15.7	15.5
United States	17.3	16.7	16.6	16.8	17.2	16.8	15.7	16.1	17.1	17.1
Unweighted average										
OECD-Average	**16.0**	**15.5**	**15.3**	**15.4**	**15.4**	**15.1**	**14.6**	**14.5**	**15.3**	**15.3**
OECD-EU 21	**17.1**	**16.5**	**16.3**	**16.4**	**16.3**	**16.2**	**15.8**	**15.5**	**16.6**	**16.6**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	26.6	23.9	24.2	24.0	23.4	22.5	22.1	22.3	22.3	22.9
Austria	31.0	33.2	33.0	33.4	33.8	34.3	32.8	33.1	33.6	34.0
Belgium	43.0	41.9	42.0	41.9	42.1	42.5	42.3	42.7	42.8	42.8
Canada	25.4	23.9	23.9	23.9	23.2	23.5	22.6	22.5	22.6	22.6
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	22.5	23.8	24.0	22.4	22.9	23.6	22.3	22.5	23.1	22.8
Denmark	44.2	41.0	40.9	41.0	41.1	40.9	39.5	38.3	38.4	38.6
Estonia	21.9	21.9	19.8	18.7	18.7	17.9	18.6	19.5	19.7	19.9
Finland	34.2	31.1	31.3	30.6	30.4	30.4	29.3	29.4	29.3	29.4
France	29.2	28.6	28.9	27.6	27.8	27.8	27.8	27.9	28.0	28.3
Germany	43.2	42.3	42.2	42.5	42.2	42.0	41.4	39.4	39.9	39.9
Greece	22.0	25.0	24.8	26.1	25.5	24.5	24.0	22.1	26.0	25.4
Hungary	35.7	34.4	33.6	35.2	38.8	38.3	37.8	31.4	35.1	35.0
Iceland	25.4	28.0	28.2	27.8	26.8	27.2	26.2	27.6	28.4	29.4
Ireland	20.3	15.9	15.2	14.7	13.9	13.9	16.7	17.9	17.8	18.0
Israel	25.5	20.9	20.6	19.4	20.4	18.1	16.6	15.7	15.7	15.5
Italy	29.0	28.5	28.0	28.7	29.2	29.5	29.7	30.2	30.7	30.8
Japan	17.0	18.2	18.5	19.4	20.2	20.2	20.0	20.6	21.0	21.2
Korea	9.0	9.8	9.9	10.6	12.1	12.1	11.7	12.3	12.5	13.0
Luxembourg	28.7	25.0	25.9	26.6	27.7	27.4	26.2	26.8	28.3	27.9
Mexico	2.2	5.2	4.6	5.0	6.0	5.1	5.4	5.6	9.2	9.5
Netherlands	33.6	32.6	32.5	32.5	32.5	32.8	31.8	31.7	31.6	31.9
New Zealand	19.4	19.7	20.0	20.4	21.1	20.5	18.1	17.0	15.9	16.4
Norway	30.7	30.1	29.0	29.1	29.5	29.6	29.3	29.3	29.4	29.4
Poland	27.8	28.1	28.4	28.7	27.8	25.0	24.4	24.5	24.5	24.6
Portugal	22.4	22.5	21.8	22.7	22.4	22.0	21.5	22.2	23.3	21.7
Slovak Republic	19.8	21.8	21.8	22.1	22.3	22.8	21.4	21.7	22.8	22.8
Slovenia	35.6	35.6	34.7	34.8	32.8	33.1	32.9	33.3	33.4	33.1
Spain	19.8	20.1	20.3	20.5	20.6	19.3	19.8	21.7	22.0	23.9
Sweden	33.7	31.5	31.2	30.9	27.6	26.9	25.4	24.8	24.8	24.9
Switzerland	17.3	16.9	16.9	16.9	17.2	16.6	16.7	16.8	17.0	16.5
Turkey[1]	28.7	30.5	30.5	30.4	30.4	27.7	27.1	27.6	28.0	27.9
United Kingdom	25.8	26.8	26.9	26.9	27.0	25.6	25.2	25.4	25.2	24.9
United States	24.9	24.4	24.3	24.4	24.8	23.1	23.3	23.8	22.8	22.7
Unweighted average										
OECD-Average	**26.0**	**25.6**	**25.4**	**25.5**	**25.6**	**25.1**	**24.6**	**24.5**	**25.1**	**25.1**
OECD-EU 21	**29.7**	**29.1**	**28.9**	**29.0**	**28.9**	**28.6**	**28.1**	**27.9**	**28.6**	**28.6**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	38.8	36.6	36.0	34.7	32.8	32.7	32.6	32.4	32.2	33.0
Austria	50.4	51.4	51.4	51.6	51.7	51.8	51.2	51.4	51.5	51.4
Belgium	62.6	61.3	60.9	60.8	60.9	61.1	60.8	61.0	61.1	61.0
Canada	35.3	33.2	33.2	33.2	32.9	32.9	32.6	32.7	32.9	32.9
Chile	7.4	7.0	7.0	7.0	7.0	7.0	7.0	7.6	7.7	7.9
Czech Republic	44.8	45.9	46.1	46.0	46.7	46.1	44.6	44.7	45.0	44.9
Denmark	51.4	49.4	49.2	49.4	49.6	49.6	48.5	44.5	44.9	45.1
Estonia	42.5	42.9	41.4	40.5	40.1	39.5	40.3	41.2	41.3	41.4
Finland	53.5	50.3	50.4	49.9	49.7	49.5	48.3	48.2	48.2	48.5
France	52.4	52.7	53.3	53.3	53.3	53.4	53.5	53.5	53.8	54.0
Germany	56.3	56.2	54.9	55.0	53.8	53.0	53.0	51.4	51.3	51.2
Greece	45.0	48.0	48.0	49.0	47.0	45.9	45.2	44.6	47.7	47.0
Hungary	59.1	57.7	56.7	56.7	58.6	59.1	58.3	53.1	51.6	50.6
Iceland	39.6	39.1	37.0	34.6	33.4	33.6	34.1	37.8	38.3	39.0
Ireland	39.4	35.3	34.9	34.0	33.0	33.0	35.1	36.4	38.0	38.2
Israel	37.3	34.9	34.1	33.0	33.6	31.2	29.0	28.3	28.0	27.4
Italy	51.1	50.9	50.6	50.9	51.4	51.8	52.0	52.5	52.9	53.0
Japan	28.5	30.0	30.3	31.6	32.4	32.5	32.3	33.3	33.8	34.1
Korea	20.4	21.7	21.4	21.8	22.5	22.6	21.8	21.7	22.2	22.6
Luxembourg	45.1	41.4	41.9	42.3	43.0	41.7	41.3	41.6	43.7	43.1
Mexico	19.2	21.3	21.8	21.9	22.0	20.6	20.9	21.3	21.6	21.9
Netherlands	44.9	42.5	42.4	41.3	42.0	42.5	41.8	41.8	41.7	42.3
New Zealand	24.2	25.4	25.8	26.2	26.8	26.3	24.6	23.3	22.0	22.4
Norway	45.2	44.9	43.8	43.0	43.1	43.2	43.0	43.0	43.2	43.2
Poland	39.1	39.4	39.6	40.1	39.0	36.0	34.9	35.0	35.0	36.2
Portugal	42.3	42.7	42.3	43.3	43.0	42.6	42.2	43.0	44.6	42.5
Slovak Republic	45.2	44.2	40.2	40.4	40.5	40.7	40.1	40.3	40.8	41.6
Slovenia	51.0	52.6	52.3	51.6	49.0	48.3	47.1	47.6	47.7	47.3
Spain	41.0	42.2	42.4	42.6	42.3	41.4	41.6	42.4	42.5	43.6
Sweden	55.7	54.7	54.7	54.5	53.0	52.7	51.1	50.9	50.9	50.7
Switzerland	27.0	26.2	26.2	26.0	26.3	26.0	26.1	26.2	26.4	26.0
Turkey[1]	35.0	44.5	44.6	44.3	44.5	42.8	40.2	41.0	41.7	41.6
United Kingdom	35.8	37.7	37.7	37.8	37.9	37.5	36.9	37.2	38.2	38.1
United States	36.8	35.2	35.1	35.2	35.5	35.3	35.4	35.7	34.4	34.4
Unweighted average										
OECD-Average	**41.3**	**41.2**	**40.8**	**40.7**	**40.5**	**40.1**	**39.6**	**39.6**	**39.9**	**39.9**
OECD-EU 21	**48.0**	**47.6**	**47.2**	**47.2**	**46.9**	**46.5**	**46.1**	**45.8**	**46.3**	**46.3**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	34.9	32.8	32.2	30.7	28.7	28.7	28.3	28.2	28.2	29.1
Austria	20.3	22.7	22.1	22.4	22.8	23.1	22.0	22.1	22.5	22.9
Belgium	36.0	34.7	34.7	34.7	34.9	35.2	35.1	35.4	35.5	35.5
Canada	25.9	22.8	22.4	22.4	22.1	22.3	21.7	21.8	21.9	21.7
Chile	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.7	0.9
Czech Republic	13.0	14.4	14.8	14.7	15.6	14.8	14.8	14.9	15.3	15.1
Denmark	40.7	39.7	39.5	39.7	40.0	40.0	38.9	34.9	43.2	43.4
Estonia	23.6	22.8	20.8	20.0	19.6	18.7	18.3	18.2	18.3	18.4
Finland	34.3	32.2	32.1	31.0	30.9	31.2	30.0	29.4	29.3	29.0
France	21.2	19.8	20.0	19.9	20.1	20.1	20.3	20.3	20.6	20.9
Germany	31.6	30.6	28.8	28.8	29.1	29.3	28.8	27.4	27.6	27.8
Greece	13.8	17.4	17.4	18.7	16.1	14.7	13.8	13.0	16.5	15.4
Hungary	30.3	29.4	28.1	27.6	27.5	28.1	27.6	22.7	20.3	18.0
Iceland	36.6	35.5	33.3	30.7	29.7	29.8	29.7	32.1	32.7	34.0
Ireland	26.7	23.3	22.7	21.6	20.5	20.6	21.3	22.0	27.8	28.0
Israel	25.5	22.2	21.4	20.0	20.7	18.3	16.1	15.4	14.9	14.3
Italy	25.2	25.5	25.1	25.9	26.3	26.8	27.0	27.6	28.2	28.3
Japan	11.1	10.7	10.8	11.6	12.8	12.8	12.4	12.0	12.0	11.8
Korea	6.7	8.1	8.1	8.6	9.4	9.3	8.6	8.6	8.5	8.7
Luxembourg	26.2	22.0	22.4	22.8	23.3	23.1	22.3	22.6	23.6	23.8
Mexico	7.8	10.8	11.7	12.0	12.3	11.1	11.5	11.9	12.3	12.5
Netherlands	25.4	24.8	25.0	25.6	27.2	27.9	28.8	28.4	28.4	28.8
New Zealand	24.2	25.4	25.8	26.2	26.8	26.3	24.6	23.3	22.0	22.4
Norway	30.3	30.0	28.7	27.6	28.1	28.1	27.9	27.9	28.0	28.0
Poland	7.7	7.4	7.5	7.9	7.8	8.7	7.5	7.5	7.6	7.6
Portugal	17.6	18.1	17.6	18.8	18.4	18.0	17.4	18.5	20.4	17.8
Slovak Republic	12.4	11.7	11.7	11.9	12.0	12.3	11.4	11.6	12.3	12.3
Slovenia	19.1	19.1	18.8	18.7	16.3	16.7	16.5	17.0	17.2	16.7
Spain	18.5	18.7	18.8	19.1	19.1	18.5	19.1	20.5	21.0	22.3
Sweden	36.3	35.3	35.3	35.2	33.2	32.8	31.0	30.8	30.7	30.4
Switzerland	15.8	16.0	16.0	15.8	16.2	15.6	15.7	15.9	15.7	15.3
Turkey[1]	18.0	17.6	17.7	17.4	17.6	16.2	15.3	16.3	17.1	17.0
United Kingdom	23.0	24.0	24.1	24.2	24.5	23.2	21.9	22.4	22.9	23.1
United States	24.2	22.5	22.4	22.6	22.8	22.8	22.1	22.4	23.0	22.9
Unweighted average										
OECD-Average	**22.5**	**22.0**	**21.7**	**21.6**	**21.5**	**21.3**	**20.8**	**20.7**	**21.4**	**21.3**
OECD-EU 21	**24.0**	**23.5**	**23.2**	**23.3**	**23.1**	**23.0**	**22.6**	**22.3**	**23.3**	**23.1**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	34.9	32.8	32.2	30.7	28.7	28.7	28.3	28.2	28.2	29.1
Austria	36.3	38.6	38.3	38.6	38.8	39.0	38.1	38.3	38.5	38.6
Belgium	50.0	48.7	48.8	48.7	48.9	49.3	49.2	49.5	49.6	49.5
Canada	29.6	27.1	27.3	27.2	26.8	27.0	26.5	26.7	26.8	26.7
Chile	7.4	7.0	7.0	7.0	7.0	7.0	7.0	7.6	7.7	7.9
Czech Republic	25.5	26.9	27.3	27.2	28.1	27.3	25.8	25.9	26.3	26.1
Denmark	51.5	49.4	49.2	49.4	49.6	49.6	48.5	44.5	44.9	45.1
Estonia	23.6	23.8	21.8	20.6	20.2	19.3	20.1	21.0	21.1	21.2
Finland	41.4	38.4	38.6	37.8	37.6	37.4	36.4	36.6	36.5	36.7
France	33.1	32.4	33.0	32.9	33.1	33.2	33.3	33.4	33.7	33.9
Germany	48.8	48.4	46.9	47.1	46.2	45.7	45.5	43.8	43.8	43.8
Greece	29.7	33.4	33.4	34.7	32.1	30.7	29.8	29.0	32.7	31.9
Hungary	42.8	42.9	41.6	41.9	44.5	45.1	44.6	39.7	37.8	36.5
Iceland	36.7	35.6	33.4	30.8	29.8	30.1	30.0	32.4	33.0	34.3
Ireland	32.1	28.4	27.9	26.9	25.8	25.8	28.2	29.5	31.3	31.5
Israel	34.2	31.0	30.3	29.4	30.1	27.8	25.5	24.8	24.3	23.7
Italy	34.5	34.7	34.3	35.1	35.8	36.3	36.6	37.2	37.8	37.9
Japan	21.1	21.7	21.9	23.1	24.1	24.2	24.0	24.5	24.8	25.0
Korea	13.4	15.0	14.7	15.1	15.8	15.8	15.1	15.0	15.3	15.7
Luxembourg	37.9	33.6	34.1	34.6	35.4	35.2	34.6	34.9	36.7	36.1
Mexico	9.8	12.6	13.4	13.7	13.9	12.6	12.9	13.4	13.7	14.0
Netherlands	40.6	38.4	38.3	37.5	38.1	38.5	37.9	37.7	37.7	38.1
New Zealand	24.2	25.4	25.8	26.2	26.8	26.3	24.6	23.3	22.0	22.4
Norway	38.1	37.8	36.5	35.4	35.9	35.9	35.7	35.7	35.8	35.8
Poland	28.9	29.2	29.5	30.1	28.8	26.6	25.3	25.3	25.4	25.4
Portugal	28.6	29.1	28.6	29.8	29.4	29.0	28.4	29.5	31.4	28.8
Slovak Republic	24.4	24.8	24.8	25.0	25.1	25.4	24.6	24.8	25.4	25.4
Slovenia	41.2	41.2	40.9	40.8	38.4	38.8	38.6	39.1	39.3	38.8
Spain	24.4	24.9	25.1	25.3	25.3	24.6	25.1	26.4	26.8	28.1
Sweden	41.1	39.9	40.0	39.8	37.8	37.4	35.8	35.5	35.4	35.2
Switzerland	22.2	21.9	21.9	21.7	22.0	21.6	21.7	21.8	21.8	21.5
Turkey[1]	26.9	32.6	32.7	32.4	32.6	31.2	30.3	31.3	32.1	32.0
United Kingdom	28.8	30.5	30.5	30.6	30.8	30.3	29.7	30.0	30.7	30.7
United States	31.9	30.2	30.1	30.2	30.5	29.6	29.7	30.0	28.6	28.6
Unweighted average										
OECD-Average	**31.6**	**31.4**	**31.2**	**31.1**	**31.0**	**30.7**	**30.2**	**30.2**	**30.5**	**30.5**
OECD-EU 21	**35.5**	**35.1**	**34.9**	**35.0**	**34.8**	**34.5**	**34.1**	**33.9**	**34.4**	**34.3**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	3.5	-7.7	-3.5	-3.5	-4.6	-5.2	-7.4	-6.9	-6.0	-4.0
Austria	25.1	25.7	25.6	26.6	27.5	28.3	25.4	25.9	27.1	27.9
Belgium	36.3	34.9	35.2	35.4	35.4	35.8	35.6	36.6	36.9	36.9
Canada	0.5	-0.8	-0.7	0.2	-3.2	-6.0	-9.5	-7.2	-6.9	-7.1
Chile	2.8	2.9	3.0	3.0	3.1	3.1	3.2	6.0	6.0	6.1
Czech Republic	12.5	18.2	17.6	19.0	16.4	14.9	15.4	15.6	17.0	14.6
Denmark	14.7	12.8	12.5	12.9	13.6	13.5	12.9	11.1	11.6	11.7
Estonia	18.3	21.6	21.7	18.0	21.8	18.6	22.6	24.0	25.1	26.1
Finland	28.8	26.2	27.0	26.6	27.0	26.8	25.5	25.4	25.4	25.5
France	34.3	37.7	37.9	37.7	38.1	38.4	38.3	38.6	39.1	39.0
Germany	31.7	33.0	33.3	33.7	33.5	33.3	31.4	30.1	31.1	31.4
Greece	35.3	35.4	35.1	36.6	34.9	34.5	34.6	34.4	38.0	37.6
Hungary	33.9	27.0	26.0	25.9	29.0	29.8	29.7	27.3	20.1	21.7
Iceland	5.7	13.6	14.6	15.4	15.2	14.8	12.1	16.5	18.8	20.6
Ireland	-0.9	-15.0	-19.6	-31.0	-26.1	-25.5	-29.9	-28.2	-26.7	-25.6
Israel	1.7	4.0	4.2	1.5	1.7	1.5	0.8	0.4	-0.5	-0.8
Italy	29.4	27.7	27.4	27.9	24.9	26.3	26.7	27.9	28.7	28.7
Japan	21.0	22.1	22.5	21.6	21.7	21.9	21.5	18.6	19.8	23.3
Korea	14.4	14.9	15.3	15.7	16.1	16.6	16.3	16.7	17.1	17.3
Luxembourg	6.2	4.4	4.9	5.1	6.0	2.0	0.2	0.7	2.8	2.7
Mexico	7.5	10.5	10.0	10.6	11.1	10.9	11.9	12.3	13.2	13.5
Netherlands	26.3	22.5	22.7	12.8	12.8	13.6	11.2	12.0	11.6	11.2
New Zealand	-3.3	0.5	-6.4	-15.3	-17.1	-17.5	-17.3	-17.9	-18.5	-18.4
Norway	16.2	19.0	18.6	19.4	19.9	20.5	20.5	20.9	21.6	21.9
Poland	29.7	28.2	35.1	35.5	32.4	28.4	28.4	28.4	28.4	29.6
Portugal	26.5	24.2	23.5	24.8	24.1	22.7	19.4	20.5	22.2	21.7
Slovak Republic	25.2	25.8	20.9	21.5	22.7	24.1	21.5	21.8	23.5	24.5
Slovenia	13.3	16.7	14.8	15.0	15.4	13.5	12.4	12.3	12.7	12.5
Spain	28.5	29.6	30.0	30.2	28.2	28.3	28.4	29.1	29.8	29.9
Sweden	39.9	38.7	38.4	36.7	34.4	34.1	33.0	32.3	32.5	32.8
Switzerland	6.0	5.5	5.7	5.3	5.7	2.7	4.0	4.2	4.6	4.2
Turkey[1]	39.1	41.9	41.9	41.8	41.8	36.7	33.8	34.5	35.2	35.0
United Kingdom	15.0	13.2	13.4	14.1	15.6	11.3	8.2	9.0	8.5	8.4
United States	9.6	6.0	6.2	7.0	8.5	7.4	7.1	8.4	8.4	9.3
Unweighted average										
OECD-Average	**18.7**	**18.3**	**18.1**	**17.3**	**17.3**	**16.5**	**15.5**	**15.9**	**16.4**	**16.8**
OECD-EU 21	**24.3**	**23.3**	**23.0**	**22.1**	**22.3**	**21.6**	**20.5**	**20.7**	**21.2**	**21.4**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	15.3	20.2	20.5	20.2	18.8	17.1	13.9	14.2	14.2	15.2
Austria	5.7	6.6	5.7	6.4	7.1	7.6	5.3	5.7	6.3	6.9
Belgium	16.5	16.1	16.2	16.1	16.3	16.7	16.3	17.0	17.2	17.1
Canada	6.7	5.9	5.0	5.0	1.0	1.4	0.5	1.0	1.1	1.0
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	2.2	3.5	1.0	-1.2	0.1	-5.2	-4.5	-5.0	-3.7	-5.7
Denmark	27.6	26.7	26.6	26.7	26.8	26.5	25.9	25.1	33.3	33.4
Estonia	19.9	18.4	16.3	8.7	10.5	4.6	9.2	9.2	9.9	10.5
Finland	21.2	18.8	18.8	17.5	17.2	17.7	16.4	15.6	15.3	14.8
France	7.1	6.9	7.2	7.1	7.4	7.4	7.4	7.5	7.5	7.6
Germany	-2.8	-1.9	-1.6	-1.4	-0.7	-0.1	-2.3	-3.7	-3.1	-2.5
Greece	1.4	1.3	0.9	2.9	0.7	0.1	0.3	0.0	4.1	3.2
Hungary	10.2	2.3	0.8	8.9	10.1	11.0	11.7	10.8	0.0	2.9
Iceland	19.9	23.3	23.9	23.9	22.9	23.0	20.7	21.4	22.5	23.7
Ireland	2.2	0.0	0.0	0.0	0.0	0.0	1.7	2.0	3.8	3.9
Israel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Italy	9.9	7.1	6.3	7.3	7.0	7.9	8.3	9.2	10.0	10.1
Japan	2.8	2.5	2.6	2.7	3.1	3.1	2.9	2.7	4.1	6.0
Korea	0.1	0.4	0.6	0.7	0.8	0.8	0.6	0.7	0.7	0.7
Luxembourg	0.0	0.0	0.0	0.0	0.0	3.0	0.0	0.0	0.2	0.5
Mexico	-6.1	-2.7	-3.3	-2.8	-2.3	-2.6	-1.5	-1.1	-0.1	0.3
Netherlands	3.0	2.2	2.5	2.2	2.4	3.5	3.5	3.5	3.5	3.2
New Zealand	18.6	18.8	18.8	18.9	19.0	18.0	17.2	15.9	14.5	14.6
Norway	13.2	15.0	14.0	14.1	14.3	14.3	14.0	14.0	14.1	14.1
Poland	2.5	2.0	2.2	2.5	0.0	0.0	0.0	0.0	0.0	0.0
Portugal	3.3	1.8	0.9	2.0	1.3	0.7	0.1	0.5	0.5	0.1
Slovak Republic	3.3	-3.0	-2.8	-3.8	-2.9	-1.8	-4.1	-3.6	-1.7	-1.7
Slovenia	3.3	3.4	0.5	0.6	0.8	1.0	0.9	0.0	0.0	0.0
Spain	0.3	1.7	2.2	2.5	0.2	0.4	0.7	1.6	2.5	2.6
Sweden	24.7	22.9	22.2	21.5	17.9	16.9	15.8	15.0	15.1	15.1
Switzerland	3.5	3.8	3.8	3.2	3.5	3.0	2.9	3.0	2.8	2.4
Turkey[1]	13.2	14.4	14.5	14.2	14.3	8.9	7.9	8.7	9.5	9.3
United Kingdom	8.4	4.1	4.3	4.7	6.0	1.7	-1.0	-0.3	-1.0	-1.1
United States	-5.2	-9.1	-8.9	-8.0	-6.4	-7.0	-10.4	-8.9	-7.1	-6.1
Unweighted average										
OECD-Average	**7.4**	**6.9**	**6.5**	**6.6**	**6.4**	**5.9**	**5.3**	**5.3**	**5.8**	**5.9**
OECD-EU 21	**8.1**	**6.7**	**6.2**	**6.3**	**6.1**	**5.7**	**5.3**	**5.2**	**5.7**	**5.8**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	-2.7	-14.2	-9.7	-9.8	-10.9	-11.5	-14.3	-13.5	-12.3	-10.2
Austria	1.8	4.1	3.9	5.2	6.4	7.5	3.6	4.4	5.8	6.9
Belgium	15.9	16.6	16.9	17.1	17.1	17.5	17.4	18.8	18.9	18.9
Canada	-10.9	-12.6	-12.4	-11.4	-15.1	-18.1	-21.9	-19.5	-19.3	-19.7
Chile	2.8	2.9	3.0	3.0	3.1	3.1	3.2	6.0	6.0	6.1
Czech Republic	-18.1	-10.4	-11.3	-9.3	-12.9	-14.8	-13.3	-13.1	-11.2	-14.5
Denmark	14.9	12.8	12.5	12.9	13.6	13.5	12.9	11.1	11.6	11.7
Estonia	-8.6	-4.7	-4.6	-9.3	-4.3	-8.5	-3.6	-2.2	-0.6	0.7
Finland	10.3	8.5	9.4	8.9	9.5	9.2	8.4	8.8	8.6	8.6
France	13.5	13.7	14.1	14.1	14.5	14.8	14.6	14.8	14.9	15.0
Germany	17.7	19.0	19.5	20.0	20.2	20.3	18.0	16.5	17.5	18.0
Greece	17.3	17.3	16.9	18.9	16.7	16.1	16.3	16.0	20.3	19.7
Hungary	4.8	-0.1	-1.2	-0.3	4.0	5.2	6.8	6.6	-2.6	2.0
Iceland	1.2	8.7	9.7	10.5	10.6	10.2	6.6	9.3	11.8	14.4
Ireland	-9.5	-27.4	-32.5	-45.1	-39.6	-39.0	-43.9	-42.0	-40.3	-39.1
Israel	-3.2	-1.7	-1.2	-3.6	-2.7	-2.7	-3.2	-3.8	-4.6	-4.8
Italy	5.3	3.8	3.3	4.7	0.8	2.6	3.2	4.8	5.9	5.8
Japan	12.8	12.3	12.6	11.4	11.6	11.6	11.3	7.4	8.4	12.2
Korea	6.8	7.5	7.7	7.9	8.1	8.4	8.2	8.5	8.7	8.9
Luxembourg	-6.5	-8.6	-8.1	-7.9	-6.8	-9.0	-11.3	-10.7	-9.1	-9.3
Mexico	-4.8	-1.4	-2.1	-1.6	-1.1	-1.4	-0.2	0.1	1.2	1.5
Netherlands	14.4	9.5	9.8	5.0	4.6	5.2	2.9	3.4	3.2	2.4
New Zealand	-3.3	0.5	-6.4	-15.3	-17.1	-17.5	-17.3	-17.9	-18.5	-18.4
Norway	5.5	8.5	8.0	8.7	9.6	10.3	10.3	10.7	11.3	11.7
Poland	18.0	16.1	24.2	24.7	21.0	17.8	17.8	17.8	17.8	17.8
Portugal	9.0	6.2	5.4	6.9	6.0	4.4	0.2	1.6	3.7	3.1
Slovak Republic	-3.2	-0.3	0.2	0.9	2.4	4.3	0.9	1.3	3.4	3.4
Slovenia	-2.2	0.1	-2.2	-1.3	-0.1	-1.3	-1.8	-1.8	-1.4	-1.6
Spain	6.7	8.1	8.5	8.9	6.6	6.7	7.0	7.9	8.8	8.9
Sweden	20.1	18.7	18.4	16.3	13.1	12.7	11.9	11.0	11.3	11.7
Switzerland	-0.2	-0.2	0.0	-0.5	0.0	-3.2	-1.8	-1.6	-1.4	-1.7
Turkey[1]	27.2	29.4	29.5	29.2	29.3	23.9	22.9	23.7	24.5	24.3
United Kingdom	7.4	4.8	5.0	5.8	7.3	2.7	-0.6	0.3	-0.3	-0.2
United States	2.4	-1.4	-1.2	-0.3	1.3	-2.5	-2.7	-1.3	-1.5	-0.5
Unweighted average										
OECD-Average	**4.8**	**4.3**	**4.3**	**3.7**	**3.7**	**2.9**	**2.0**	**2.5**	**3.0**	**3.3**
OECD-EU 21	**6.1**	**5.1**	**5.2**	**4.6**	**4.8**	**4.2**	**3.2**	**3.6**	**4.1**	**4.3**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	23.4	15.8	17.0	17.1	14.9	14.9	14.2	14.6	15.2	16.5
Austria	35.2	36.1	36.3	37.0	37.7	38.2	36.0	36.4	37.3	38.0
Belgium	42.6	42.7	40.3	40.3	40.3	40.6	40.4	41.2	41.4	41.4
Canada	23.9	21.5	21.5	21.9	19.4	19.3	17.1	18.1	18.5	18.2
Chile	6.1	6.1	6.1	6.1	6.1	6.2	6.2	6.3	7.0	7.0
Czech Republic	22.0	28.9	27.0	26.0	21.3	20.8	20.9	21.1	22.2	20.7
Denmark	30.7	29.1	28.9	29.1	29.4	29.3	28.7	27.2	27.6	27.8
Estonia	32.8	31.8	30.7	27.3	29.5	26.8	29.8	31.0	31.8	32.3
Finland	40.7	38.0	38.4	37.9	38.2	38.4	37.2	37.1	37.1	37.3
France	41.2	41.8	42.2	42.3	42.4	42.4	42.6	42.7	43.0	43.1
Germany	35.3	35.0	35.4	35.8	35.6	35.3	33.8	33.0	34.0	34.2
Greece	40.7	42.6	42.5	43.7	42.1	41.3	40.9	39.4	43.4	43.0
Hungary	43.9	40.9	40.6	41.1	44.0	43.9	43.2	36.7	33.0	33.6
Iceland	13.1	18.6	19.6	19.8	19.1	18.4	15.0	19.2	21.3	22.7
Ireland	15.5	6.6	5.7	1.9	4.0	3.8	2.8	4.7	5.6	6.4
Israel	24.8	22.5	22.2	20.2	21.0	18.6	17.0	15.9	15.4	15.1
Italy	39.3	37.2	36.3	36.6	35.7	36.6	36.9	37.8	38.4	38.3
Japan	21.0	23.5	23.9	23.6	23.8	24.0	23.6	22.1	23.1	25.5
Korea	15.7	16.0	16.2	16.8	17.5	17.8	17.1	17.8	18.0	18.5
Luxembourg	13.5	10.2	10.8	11.4	12.7	11.2	11.1	11.6	13.7	13.3
Mexico	12.4	15.2	14.7	15.0	15.9	15.1	15.3	15.5	18.7	19.0
Netherlands	29.9	29.6	29.7	29.1	29.6	30.3	29.7	30.8	30.9	32.0
New Zealand	13.6	17.0	12.8	0.5	0.8	0.7	-0.3	-0.9	-1.1	0.6
Norway	28.4	29.9	29.6	30.0	30.5	30.8	30.5	30.7	31.2	31.3
Poland	33.3	36.8	37.1	37.4	32.4	28.4	28.4	28.4	28.4	29.6
Portugal	30.2	28.4	27.5	28.3	27.7	26.3	25.4	26.3	28.1	26.9
Slovak Republic	30.8	27.1	22.1	23.0	23.9	25.3	22.8	22.9	24.9	25.8
Slovenia	25.0	26.2	24.2	24.2	24.5	23.1	22.1	22.9	23.2	22.8
Spain	32.3	33.0	33.4	33.6	32.9	32.0	32.4	34.0	34.3	35.4
Sweden	44.3	42.8	42.6	41.6	39.4	39.2	37.7	37.2	37.4	37.5
Switzerland	11.3	10.9	11.0	10.6	11.0	8.9	9.8	9.9	9.9	9.5
Turkey[1]	40.4	42.8	42.8	42.7	42.7	38.7	36.0	36.6	37.0	36.9
United Kingdom	27.8	27.8	27.9	28.0	28.4	26.9	26.2	26.5	26.7	27.9
United States	20.6	17.3	17.4	17.8	18.5	17.0	17.2	18.2	18.3	18.4
Unweighted average										
OECD-Average	**27.7**	**27.3**	**26.9**	**26.4**	**26.3**	**25.6**	**24.9**	**25.1**	**25.7**	**26.1**
OECD-EU 21	**32.7**	**32.0**	**31.4**	**31.2**	**31.0**	**30.5**	**30.0**	**29.9**	**30.6**	**30.8**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	25.6	23.9	24.2	24.0	23.4	22.5	20.9	21.1	21.1	21.8
Austria	11.7	13.2	13.0	13.5	13.9	14.4	12.5	12.8	13.3	13.8
Belgium	18.9	16.4	16.5	16.5	16.7	17.3	17.0	17.7	17.8	17.8
Canada	15.5	12.6	11.9	11.9	9.2	10.0	8.5	8.7	9.0	8.7
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	4.0	5.2	1.0	-2.6	-1.7	-5.8	-5.1	-5.3	-4.2	-5.4
Denmark	25.6	25.0	24.9	25.0	25.2	24.9	24.3	23.7	31.9	32.1
Estonia	17.9	16.0	13.8	8.7	10.5	6.4	9.2	9.2	9.9	10.5
Finland	27.2	25.0	25.0	23.8	23.7	24.2	23.0	22.3	22.1	21.8
France	7.3	7.3	7.9	7.8	8.1	7.9	8.3	8.3	8.5	8.6
Germany	1.5	0.6	0.9	1.1	1.8	2.3	0.5	-0.2	0.3	0.8
Greece	8.2	10.5	10.4	11.9	9.9	8.9	8.4	6.4	11.0	10.2
Hungary	18.4	15.2	14.9	20.9	21.8	21.3	20.8	14.4	8.5	7.8
Iceland	16.1	18.7	19.8	20.1	19.1	19.3	15.8	17.0	18.5	19.7
Ireland	5.0	2.7	5.2	1.6	0.6	0.4	1.7	2.2	7.0	7.3
Israel	17.5	13.0	12.7	11.9	12.7	10.2	8.9	8.0	8.0	7.9
Italy	15.6	12.9	11.5	12.4	12.1	12.8	13.2	13.9	14.6	14.7
Japan	2.9	3.5	3.5	3.8	4.3	4.3	4.1	3.9	4.9	6.1
Korea	1.5	1.6	1.5	1.9	2.3	2.2	1.4	1.9	1.7	2.1
Luxembourg	2.3	0.0	0.2	0.8	1.4	5.3	4.2	4.5	4.8	5.0
Mexico	0.7	3.7	3.1	3.5	4.6	3.8	4.1	4.2	7.9	8.1
Netherlands	4.8	10.6	10.9	12.8	14.2	15.1	16.3	15.9	16.0	16.3
New Zealand	19.4	19.7	20.0	20.4	21.1	20.5	18.4	17.0	15.9	16.4
Norway	18.1	19.3	18.7	18.8	19.3	19.3	19.0	19.0	19.1	19.1
Poland	4.8	4.4	4.5	4.7	0.0	0.0	0.0	0.0	0.0	0.0
Portugal	6.2	4.7	3.7	4.3	3.7	3.2	2.8	3.3	4.4	3.0
Slovak Republic	4.8	-4.5	-4.4	-4.8	-4.0	-2.8	-5.2	-5.1	-2.7	-2.7
Slovenia	4.8	4.8	2.0	2.2	2.4	2.6	2.5	2.9	3.0	2.6
Spain	5.2	6.2	6.6	7.0	6.3	5.2	5.8	7.9	8.3	9.8
Sweden	26.7	24.5	24.2	23.9	20.6	19.9	18.4	17.8	17.9	17.9
Switzerland	5.8	6.2	6.2	5.6	5.9	5.5	5.4	5.5	5.0	4.5
Turkey[1]	14.7	15.5	15.5	15.4	15.4	11.2	10.5	11.1	11.6	11.5
United Kingdom	17.4	15.7	15.8	15.9	16.1	14.7	14.5	14.6	14.2	15.5
United States	6.8	3.2	3.3	3.7	4.5	4.1	1.6	2.7	4.7	4.8
Unweighted average										
OECD-Average	**11.3**	**10.5**	**10.3**	**10.2**	**10.1**	**9.7**	**9.2**	**9.0**	**9.8**	**9.9**
OECD-EU 21	**11.3**	**10.3**	**9.9**	**9.9**	**9.7**	**9.4**	**9.2**	**8.9**	**9.8**	**9.9**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	18.4	10.7	12.0	12.1	9.8	9.8	8.7	9.3	10.1	11.6
Austria	15.1	17.5	17.8	18.7	19.5	20.3	17.4	17.9	19.0	19.9
Belgium	23.7	22.0	22.1	22.1	22.1	22.6	22.4	23.6	23.7	23.7
Canada	15.0	12.2	12.3	12.8	10.1	10.0	7.5	8.6	9.0	8.5
Chile	6.1	6.1	6.1	6.1	6.1	6.2	6.2	6.3	7.0	7.0
Czech Republic	-5.3	4.1	1.4	0.0	-6.2	-6.9	-6.0	-5.7	-4.2	-6.3
Denmark	30.8	29.1	28.9	29.1	29.4	29.3	28.7	27.2	27.6	27.8
Estonia	10.6	8.9	7.5	3.1	6.0	2.5	6.1	7.3	8.3	9.1
Finland	25.3	23.1	23.6	23.1	23.3	23.6	22.7	23.0	22.9	23.1
France	16.1	16.4	16.9	17.0	17.3	17.4	17.6	17.8	17.9	18.1
Germany	22.0	21.5	22.0	22.6	22.7	22.7	20.9	20.0	21.0	21.3
Greece	24.1	26.5	26.4	27.9	25.9	24.9	24.4	22.4	27.3	26.7
Hungary	20.5	19.7	19.5	20.7	24.7	24.6	24.7	18.7	14.0	14.7
Iceland	8.9	13.9	15.0	15.2	14.8	14.0	9.7	12.2	14.5	16.7
Ireland	5.4	-3.5	-4.4	-8.7	-6.4	-6.6	-7.6	-5.5	-4.5	-3.7
Israel	21.1	17.9	17.8	15.9	17.1	14.8	13.2	12.0	11.5	11.1
Italy	18.6	16.4	15.2	16.2	15.1	16.3	16.7	17.8	18.7	18.5
Japan	12.9	13.9	14.2	13.6	13.9	14.0	13.8	11.3	12.2	14.8
Korea	8.2	8.7	8.7	9.1	9.6	9.8	9.0	9.7	9.8	10.2
Luxembourg	1.9	-1.9	-1.2	-0.6	0.9	1.3	0.8	1.5	3.0	2.6
Mexico	2.2	5.2	4.6	5.0	6.0	5.1	5.4	5.6	9.2	9.5
Netherlands	22.4	22.3	22.3	22.3	22.4	23.0	22.6	23.6	23.8	24.7
New Zealand	13.6	17.0	12.8	0.5	0.8	0.7	-0.3	-0.9	-1.1	0.6
Norway	19.3	20.8	20.3	20.7	21.6	21.9	21.7	21.8	22.2	22.4
Poland	22.1	26.1	26.5	26.9	21.0	17.8	17.8	17.8	17.8	17.8
Portugal	13.6	11.3	10.3	11.2	10.5	8.8	7.7	8.8	11.1	9.6
Slovak Republic	4.4	1.5	1.7	2.8	4.0	5.8	2.5	2.6	5.2	5.2
Slovenia	10.1	11.6	9.1	9.8	10.6	9.9	9.6	10.4	10.8	10.4
Spain	11.5	12.5	13.0	13.3	12.6	11.5	12.2	14.2	14.7	16.1
Sweden	26.0	24.1	24.0	22.8	19.8	19.4	18.1	17.4	17.7	17.9
Switzerland	5.5	5.6	5.7	5.2	5.6	3.4	4.3	4.5	4.3	3.8
Turkey[1]	28.7	30.5	30.5	30.4	30.4	26.2	25.5	26.1	26.6	26.5
United Kingdom	20.6	20.1	20.2	20.3	20.6	19.0	18.4	18.7	18.7	20.0
United States	14.4	10.9	10.9	11.4	12.1	9.0	9.3	10.4	10.3	10.4
Unweighted average										
OECD-Average	**15.1**	**14.8**	**14.5**	**14.1**	**13.9**	**13.3**	**12.7**	**12.8**	**13.5**	**13.8**
OECD-EU 21	**16.2**	**15.7**	**15.4**	**15.3**	**15.0**	**14.6**	**14.2**	**14.3**	**15.0**	**15.1**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	24.6	18.7	20.8	20.5	19.6	19.1	18.0	18.0	17.9	18.6
Austria	36.3	37.2	37.3	37.8	38.3	38.7	36.4	36.7	37.4	37.8
Belgium	44.3	43.6	41.4	41.3	41.2	41.7	41.6	42.3	42.4	42.6
Canada	27.4	25.6	25.4	25.7	23.9	24.1	23.2	23.4	23.6	23.7
Chile	4.8	4.9	5.0	4.9	4.5	4.5	4.5	4.8	4.8	4.8
Czech Republic	31.1	35.6	35.1	33.5	29.5	30.5	30.3	30.3	31.0	29.8
Denmark	35.7	33.9	33.8	34.0	34.1	33.9	33.4	31.9	32.2	32.5
Estonia	35.7	35.1	34.0	31.1	32.6	30.4	33.1	34.1	34.5	35.0
Finland	39.7	36.5	36.9	36.4	36.4	36.4	35.2	35.0	34.9	34.9
France	40.4	40.6	40.4	39.9	40.0	39.3	40.3	40.4	40.7	41.0
Germany	41.2	40.6	40.8	41.1	40.8	40.5	39.2	38.0	38.8	39.0
Greece	39.1	40.6	40.5	41.4	40.2	39.6	39.3	38.2	41.8	41.4
Hungary	44.8	40.3	40.0	40.2	42.8	42.8	42.1	36.4	34.5	34.8
Iceland	20.2	25.8	26.3	26.0	25.2	24.6	22.6	26.3	27.7	28.8
Ireland	20.3	10.8	9.6	8.6	7.3	7.4	8.8	10.6	12.4	12.6
Israel	21.1	19.3	19.1	17.1	17.6	15.7	14.5	13.7	11.3	10.0
Italy	41.2	38.6	38.2	39.2	37.8	38.6	39.0	39.6	40.2	40.2
Japan	22.4	24.3	24.7	24.8	25.1	25.2	24.9	24.0	25.1	27.0
Korea	15.3	15.8	16.0	16.6	17.3	17.6	17.1	17.8	18.0	18.5
Luxembourg	17.5	14.6	15.5	16.1	17.3	15.8	15.4	16.0	18.0	17.6
Mexico	9.5	12.9	12.2	12.7	13.7	13.1	13.5	13.8	16.3	16.6
Netherlands	34.4	32.2	32.2	29.6	29.6	30.2	29.2	29.5	29.3	29.6
New Zealand	18.6	18.9	19.2	9.6	9.8	9.3	8.1	7.5	7.1	8.7
Norway	30.8	31.9	31.3	31.3	31.4	31.6	31.4	31.6	32.0	32.0
Poland	34.6	37.2	37.5	37.8	32.5	29.1	29.0	29.2	29.5	30.9
Portugal	30.6	29.4	28.7	29.6	28.9	28.4	27.7	28.3	29.2	28.1
Slovak Republic	35.1	32.8	28.2	28.9	29.1	30.1	26.7	27.2	29.4	30.4
Slovenia	33.7	34.3	32.3	32.2	32.1	30.7	30.0	30.4	30.6	28.9
Spain	35.0	35.2	35.3	35.5	35.1	34.4	34.6	35.7	35.9	36.9
Sweden	44.7	43.0	42.5	41.6	39.1	38.8	37.3	36.8	37.0	37.1
Switzerland	13.9	13.5	13.6	13.1	13.5	11.9	12.6	12.7	12.7	12.2
Turkey[1]	39.7	42.2	42.4	42.3	42.3	39.5	37.1	37.4	37.8	37.7
United Kingdom	25.5	25.9	25.9	26.1	26.4	25.2	24.4	24.8	25.3	24.9
United States	24.2	21.6	21.6	21.9	22.4	21.4	22.9	23.3	22.9	23.0
Unweighted average										
OECD-Average	**29.8**	**29.2**	**28.9**	**28.5**	**28.2**	**27.7**	**27.2**	**27.2**	**27.7**	**27.9**
OECD-EU 21	**35.3**	**34.2**	**33.6**	**33.4**	**32.9**	**32.5**	**32.0**	**32.0**	**32.6**	**32.7**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	22.1	20.7	21.0	20.6	19.6	19.0	17.3	17.4	17.4	18.0
Austria	9.4	11.2	11.0	11.3	11.6	11.9	10.5	10.7	11.1	11.4
Belgium	24.0	20.5	21.9	22.0	22.1	22.6	22.3	22.9	22.8	22.8
Canada	16.6	14.4	13.7	13.6	11.8	12.2	11.2	11.2	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
Czech Republic	5.2	6.3	5.1	2.7	3.7	2.5	2.8	2.5	3.2	2.2
Denmark	27.6	26.8	26.7	26.8	26.9	26.7	26.1	25.3	33.5	33.6
Estonia	19.9	18.4	16.3	12.2	13.4	10.1	12.0	12.0	12.5	13.0
Finland	23.7	21.3	21.2	20.1	19.8	20.2	19.1	18.4	18.1	17.4
France	8.9	7.9	7.7	7.2	7.3	6.3	7.7	7.8	8.0	8.4
Germany	8.7	7.3	7.4	7.5	8.0	8.5	7.0	5.8	6.1	6.5
Greece	6.2	7.9	7.8	8.9	7.4	6.7	6.3	4.8	8.9	8.2
Hungary	15.8	11.4	11.1	15.7	16.4	16.1	15.9	10.8	7.4	9.8
Iceland	19.9	23.3	23.9	23.9	22.9	23.0	20.7	21.7	22.8	24.0
Ireland	11.1	6.3	5.2	4.4	3.1	3.1	4.0	4.5	8.9	9.1
Israel	13.1	9.8	9.5	8.9	9.5	7.7	6.7	6.0	3.9	2.7
Italy	14.4	11.2	10.7	11.8	11.1	12.1	12.4	13.2	13.9	14.0
Japan	4.4	4.1	4.2	4.5	5.1	5.0	4.9	4.7	5.7	6.6
Korea	1.1	1.4	1.4	1.8	2.0	2.0	1.5	1.9	1.7	2.1
Luxembourg	3.9	1.7	2.2	2.8	3.4	6.4	5.2	5.6	6.0	6.2
Mexico	-4.3	-0.7	-1.5	-0.9	0.2	-0.4	0.0	0.3	3.2	3.5
Netherlands	7.8	8.1	8.5	10.1	11.1	11.7	12.5	12.3	12.2	12.5
New Zealand	18.6	18.9	19.2	19.5	20.1	19.2	17.2	15.9	14.8	15.2
Norway	19.2	20.0	19.1	18.7	18.9	19.0	18.7	18.7	18.8	18.7
Poland	5.3	4.9	5.0	5.2	0.2	0.7	0.6	0.9	1.2	1.5
Portugal	5.7	4.6	3.7	4.7	3.9	3.4	2.9	3.3	4.3	3.0
Slovak Republic	4.6	1.4	1.5	1.2	1.1	2.0	-1.6	-1.0	1.7	1.7
Slovenia	6.8	6.8	4.3	4.3	4.3	3.6	3.6	3.8	3.8	3.6
Spain	8.7	9.0	9.2	9.4	9.1	8.2	8.6	10.1	10.4	11.7
Sweden	25.3	22.9	22.3	21.8	18.2	17.5	16.1	15.4	15.5	15.6
Switzerland	6.9	7.2	7.2	6.7	7.0	6.6	6.6	6.7	6.2	5.7
Turkey[1]	14.0	14.8	15.0	14.9	14.9	12.2	11.7	12.1	12.5	12.4
United Kingdom	15.1	14.0	14.1	14.2	14.4	13.3	13.0	13.1	13.6	13.2
United States	10.5	7.8	7.8	8.1	8.7	8.5	7.1	7.5	8.9	9.0
Unweighted average										
OECD-Average	**11.8**	**10.9**	**10.7**	**10.7**	**10.5**	**10.2**	**9.7**	**9.6**	**10.3**	**10.4**
OECD-EU 21	**12.3**	**11.0**	**10.6**	**10.7**	**10.3**	**10.2**	**9.9**	**9.6**	**10.6**	**10.7**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	19.8	13.8	16.1	15.7	14.8	14.3	12.7	12.9	13.0	13.7
Austria	16.5	18.9	19.1	19.7	20.3	20.9	17.9	18.3	19.1	19.7
Belgium	29.3	25.8	26.8	26.5	26.5	26.8	26.7	27.6	27.5	27.5
Canada	19.1	17.0	16.8	17.1	15.2	15.5	14.5	14.7	14.8	14.8
Chile	4.8	4.9	5.0	4.9	4.5	4.5	4.5	4.8	4.8	4.8
Czech Republic	7.0	13.1	12.4	10.2	4.8	6.2	6.5	6.6	7.6	5.9
Denmark	35.9	33.9	33.8	34.0	34.1	33.9	33.4	31.9	32.2	32.5
Estonia	14.4	13.4	11.8	8.2	10.1	7.2	10.2	11.3	12.0	12.6
Finland	24.0	21.3	21.7	21.1	21.1	21.2	20.3	20.5	20.3	20.1
France	18.8	18.1	17.9	17.5	17.7	16.8	18.1	18.3	18.5	18.9
Germany	29.2	28.2	28.6	29.0	28.9	28.9	27.4	26.0	26.7	27.0
Greece	22.1	23.9	23.8	24.9	23.4	22.7	22.3	20.8	25.1	24.7
Hungary	20.5	18.1	18.0	19.1	22.8	22.8	23.1	18.3	15.8	19.6
Iceland	16.4	21.5	22.1	21.8	21.2	20.6	17.8	19.9	21.5	23.2
Ireland	11.4	1.7	0.4	-0.7	-2.2	-2.1	-0.5	1.5	3.4	3.7
Israel	17.2	14.5	14.5	12.8	13.7	12.0	10.8	9.9	7.4	6.0
Italy	21.2	18.2	17.8	19.7	17.9	19.0	19.4	20.2	21.0	21.1
Japan	14.4	14.8	15.1	14.9	15.3	15.4	15.2	13.5	14.5	16.5
Korea	7.8	8.5	8.5	9.0	9.4	9.6	9.1	9.7	9.8	10.2
Luxembourg	6.4	3.1	4.0	4.6	6.0	6.4	5.7	6.3	7.9	7.5
Mexico	-2.9	0.7	-0.1	0.5	1.5	0.9	1.3	1.6	4.5	4.8
Netherlands	26.7	24.3	24.2	23.2	22.9	23.3	22.5	22.6	22.5	22.4
New Zealand	18.6	18.9	19.2	9.6	9.8	9.3	8.1	7.5	7.1	8.7
Norway	22.0	23.0	22.3	22.1	22.6	22.9	22.7	22.8	23.1	23.1
Poland	23.6	26.7	27.0	27.4	21.2	18.6	18.5	18.7	19.0	19.3
Portugal	14.1	12.6	11.7	12.8	12.0	11.4	10.6	11.2	12.4	11.0
Slovak Republic	10.5	9.2	9.4	10.2	10.5	11.8	7.5	8.2	11.0	11.0
Slovenia	21.2	21.9	19.5	19.8	20.0	18.9	18.8	19.2	19.4	17.5
Spain	15.1	15.4	15.5	15.7	15.5	14.6	15.0	16.5	16.8	18.1
Sweden	26.5	24.3	23.9	22.7	19.4	18.9	17.6	16.9	17.2	17.3
Switzerland	8.3	8.2	8.3	7.9	8.3	6.6	7.3	7.4	7.2	6.7
Turkey[1]	28.0	29.8	30.0	29.9	29.9	27.2	26.7	27.1	27.5	27.4
United Kingdom	18.8	18.7	18.8	18.9	19.2	18.0	17.2	17.5	18.1	17.7
United States	18.2	15.4	15.4	15.8	16.3	13.0	14.7	15.1	14.6	14.7
Unweighted average										
OECD-Average	**17.8**	**17.1**	**17.0**	**16.7**	**16.3**	**15.8**	**15.4**	**15.5**	**16.0**	**16.2**
OECD-EU 21	**19.7**	**18.6**	**18.4**	**18.3**	**17.7**	**17.4**	**17.0**	**17.1**	**17.8**	**17.9**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	26.7	21.6	23.5	23.9	23.4	22.9	22.3	23.7	24.2	24.9
Austria	39.0	40.2	40.0	40.6	41.1	41.6	39.7	40.0	40.7	41.2
Belgium	50.9	48.1	48.2	48.2	48.2	48.5	48.3	48.8	49.0	49.0
Canada	30.0	28.6	28.5	28.8	27.3	27.4	26.7	26.6	26.9	26.9
Chile	5.3	5.4	5.4	5.4	5.4	5.5	5.5	6.6	6.6	6.6
Czech Republic	36.3	39.3	38.9	37.8	34.1	34.5	34.2	34.3	35.0	34.0
Denmark	38.7	35.7	35.6	35.7	35.9	35.6	35.1	33.7	34.0	34.2
Estonia	37.4	37.1	35.9	33.4	34.4	32.5	34.7	35.8	36.2	36.6
Finland	41.6	38.5	38.9	38.3	38.3	38.5	37.1	36.9	36.9	37.1
France	43.2	44.4	44.7	44.5	44.8	45.0	45.0	45.1	45.5	45.6
Germany	45.4	44.7	44.7	45.0	44.6	44.3	43.2	41.7	42.4	42.5
Greece	39.4	40.9	40.7	41.9	40.8	40.1	39.8	38.3	42.3	41.9
Hungary	46.9	42.5	41.6	42.0	44.8	45.0	44.4	39.5	37.9	39.1
Iceland	25.4	30.0	30.3	29.7	28.8	28.1	26.9	30.4	31.6	32.5
Ireland	21.8	16.2	14.6	13.8	12.7	12.8	14.5	16.2	17.8	18.0
Israel	20.7	18.2	18.0	16.1	16.5	15.0	13.9	13.3	12.9	12.7
Italy	44.2	42.1	41.7	41.9	41.1	41.6	41.9	42.4	43.0	43.0
Japan	22.9	25.0	25.4	25.7	26.0	26.2	25.9	25.4	26.4	28.0
Korea	15.5	15.9	16.1	16.7	17.4	17.8	17.2	17.9	18.2	18.6
Luxembourg	22.9	19.8	20.7	21.4	22.6	21.2	20.7	21.3	23.3	23.0
Mexico	10.4	13.3	12.8	13.2	14.0	13.4	13.9	14.2	16.5	16.8
Netherlands	38.0	36.2	36.5	32.7	32.9	33.5	31.6	31.8	31.7	31.8
New Zealand	19.0	19.3	19.6	15.9	16.1	15.6	14.7	13.8	13.2	14.7
Norway	33.0	33.5	32.8	33.1	33.2	33.4	33.3	33.4	33.8	33.8
Poland	37.7	38.0	38.2	38.5	34.1	30.6	30.4	30.6	30.8	32.2
Portugal	32.9	32.7	32.0	33.3	32.8	32.2	31.2	32.5	35.0	31.4
Slovak Republic	36.9	35.5	31.1	31.6	32.1	33.0	31.2	31.5	32.7	33.6
Slovenia	37.1	37.9	36.2	35.9	35.7	34.9	34.2	34.0	34.1	34.1
Spain	35.4	35.8	36.1	36.3	35.8	34.6	34.9	36.7	37.0	37.9
Sweden	46.0	44.6	44.2	43.3	41.0	40.5	39.1	38.6	38.7	38.8
Switzerland	17.0	16.5	16.6	16.2	16.6	15.1	15.6	15.8	15.8	15.3
Turkey[1]	39.9	42.2	42.5	42.3	42.4	40.0	37.6	38.1	38.4	38.4
United Kingdom	28.3	28.9	29.9	29.3	29.9	28.6	28.0	28.4	28.4	28.0
United States	26.3	24.1	24.1	24.3	24.7	24.0	25.2	25.4	24.8	24.8
Unweighted average										
OECD-Average	**32.1**	**31.5**	**31.4**	**31.1**	**30.9**	**30.4**	**29.9**	**30.1**	**30.6**	**30.8**
OECD-EU 21	**38.1**	**37.1**	**36.7**	**36.5**	**36.1**	**35.7**	**35.2**	**35.2**	**35.8**	**35.9**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	23.8	22.4	22.8	22.5	21.7	20.4	18.8	19.0	19.7	20.5
Austria	10.7	13.0	12.5	12.9	13.4	13.9	11.9	12.2	12.7	13.2
Belgium	26.4	23.9	24.0	23.9	24.0	24.5	24.2	24.7	24.9	24.8
Canada	17.7	15.8	15.0	15.1	13.5	13.8	13.1	12.9	13.0	12.9
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	6.8	7.7	7.1	5.5	6.2	4.6	5.0	4.9	5.5	4.8
Denmark	30.4	28.4	28.3	28.4	28.5	28.2	27.7	26.8	35.0	35.1
Estonia	21.1	19.9	17.8	14.3	15.1	12.2	13.8	13.7	14.1	14.4
Finland	24.8	22.5	22.5	21.3	21.1	21.6	20.3	19.6	19.4	19.0
France	10.8	10.5	10.8	10.6	10.9	11.0	11.1	11.1	11.3	11.5
Germany	13.7	12.3	12.1	12.2	12.6	13.0	11.8	10.2	10.4	10.8
Greece	6.5	8.3	8.1	9.7	8.2	7.3	6.9	5.0	9.6	8.8
Hungary	18.0	13.5	12.4	16.1	17.1	17.2	17.1	12.9	9.9	11.1
Iceland	23.1	26.0	26.4	26.2	25.2	25.3	23.7	24.8	25.7	26.8
Ireland	13.3	9.0	8.2	7.5	6.5	6.5	7.9	8.4	12.2	12.4
Israel	11.7	7.8	7.6	7.1	7.6	6.1	5.3	4.8	4.8	4.7
Italy	16.8	14.5	14.0	14.8	14.8	15.3	15.6	16.3	16.9	17.0
Japan	4.9	4.7	4.7	5.2	5.8	5.7	5.6	5.5	6.2	6.9
Korea	1.3	1.5	1.5	1.8	2.2	2.2	1.6	2.0	1.9	2.2
Luxembourg	8.2	5.5	6.2	6.8	7.6	9.9	8.8	9.2	9.8	10.0
Mexico	-2.0	1.1	0.5	1.0	1.8	1.2	1.8	2.1	4.7	5.0
Netherlands	7.9	7.8	8.3	9.6	10.6	11.2	11.9	11.7	11.7	11.8
New Zealand	19.0	19.3	19.6	19.8	20.3	19.5	17.9	16.5	15.3	15.7
Norway	20.6	20.9	19.9	19.9	20.2	20.3	20.0	20.0	20.1	20.1
Poland	6.1	5.8	5.9	6.0	2.0	2.5	2.3	2.5	2.7	3.0
Portugal	8.1	8.1	7.3	8.4	7.8	7.2	6.5	7.2	8.5	6.5
Slovak Republic	5.8	3.9	4.0	3.7	4.2	4.9	3.2	3.5	5.0	4.9
Slovenia	8.1	8.1	5.9	6.0	6.0	6.1	6.0	5.6	5.7	5.5
Spain	9.3	9.8	10.2	10.5	10.0	8.5	9.1	11.4	11.8	13.0
Sweden	25.9	23.9	23.4	22.9	19.5	18.7	17.4	16.7	16.7	16.8
Switzerland	9.1	9.4	9.5	9.0	9.3	8.8	8.8	8.9	8.5	7.9
Turkey[1]	14.1	14.8	15.1	14.9	15.0	12.9	12.3	12.9	13.3	13.2
United Kingdom	16.5	15.6	16.7	16.0	16.5	15.4	15.0	15.3	14.9	14.6
United States	12.8	10.5	10.5	10.7	11.2	11.1	10.0	10.3	11.5	11.5
Unweighted average										
OECD-Average	**13.3**	**12.5**	**12.3**	**12.4**	**12.2**	**12.0**	**11.5**	**11.4**	**12.2**	**12.2**
OECD-EU 21	**14.1**	**12.9**	**12.6**	**12.7**	**12.5**	**12.4**	**12.1**	**11.9**	**12.8**	**12.8**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	22.0	16.9	18.9	19.3	18.8	18.3	17.3	18.9	19.7	20.5
Austria	20.0	22.8	22.6	23.3	24.0	24.6	22.1	22.6	23.4	24.1
Belgium	34.9	32.8	32.9	32.9	32.9	33.3	33.1	33.9	34.0	34.0
Canada	22.0	20.2	20.2	20.5	18.8	19.1	18.2	18.2	18.3	18.3
Chile	5.3	5.4	5.4	5.4	5.4	5.5	5.5	6.6	6.6	6.6
Czech Republic	14.0	18.0	17.5	16.0	11.0	11.6	11.8	11.9	12.8	11.6
Denmark	38.8	35.7	35.6	35.7	35.9	35.6	35.1	33.7	34.0	34.2
Estonia	16.7	16.1	14.4	11.2	12.6	10.1	12.6	13.7	14.2	14.7
Finland	26.5	23.8	24.2	23.5	23.5	23.7	22.7	22.9	22.7	22.8
France	21.4	21.3	21.6	21.5	22.0	22.1	22.1	22.2	22.5	22.7
Germany	34.2	33.2	33.3	33.7	33.5	33.5	32.2	30.4	31.0	31.3
Greece	22.4	24.3	24.1	25.7	24.2	23.3	22.9	21.0	25.8	25.3
Hungary	24.3	21.5	20.6	21.8	25.6	26.0	26.3	22.3	20.2	22.6
Iceland	21.8	26.0	26.3	25.6	25.0	24.3	22.3	24.4	25.7	27.2
Ireland	13.5	7.2	5.4	4.5	3.4	3.5	5.3	7.1	9.0	9.2
Israel	16.8	13.3	13.3	11.7	12.5	11.2	10.2	9.4	9.1	8.8
Italy	25.1	22.9	22.4	23.3	22.2	22.9	23.2	24.0	24.7	24.7
Japan	14.9	15.6	15.8	15.9	16.4	16.5	16.3	15.1	16.0	17.6
Korea	8.0	8.5	8.6	9.0	9.5	9.8	9.3	9.8	9.9	10.3
Luxembourg	12.6	9.0	10.0	10.7	12.1	12.4	11.6	12.3	13.9	13.5
Mexico	-0.6	2.5	1.9	2.3	3.2	2.5	3.2	3.4	6.0	6.3
Netherlands	30.0	28.0	28.3	26.4	26.3	26.8	24.9	24.9	24.9	24.6
New Zealand	19.0	19.3	19.6	15.9	16.1	15.6	14.7	13.8	13.2	14.7
Norway	24.4	24.9	24.0	24.2	24.7	24.9	24.7	24.8	25.1	25.2
Poland	27.3	27.5	27.8	28.2	23.0	20.4	20.1	20.3	20.6	20.8
Portugal	17.0	16.7	15.9	17.5	16.8	16.1	14.8	16.4	19.5	15.1
Slovak Republic	12.9	12.8	13.0	13.6	14.4	15.4	13.2	13.5	15.0	15.0
Slovenia	25.1	25.5	23.5	23.6	23.8	23.7	23.6	23.3	23.5	23.5
Spain	15.6	16.2	16.5	16.8	16.4	14.8	15.5	17.8	18.2	19.4
Sweden	28.3	26.4	26.1	25.0	21.8	21.2	20.0	19.3	19.4	19.6
Switzerland	11.6	11.5	11.6	11.1	11.5	10.0	10.5	10.7	10.5	10.0
Turkey[1]	28.1	29.8	30.1	29.9	30.0	27.9	27.3	27.9	28.3	28.2
United Kingdom	21.4	21.5	22.7	22.0	22.6	21.3	20.7	21.1	20.9	20.6
United States	20.5	18.1	18.1	18.4	18.8	16.3	17.7	18.0	17.1	17.2
Unweighted average										
OECD-Average	**20.5**	**19.9**	**19.8**	**19.6**	**19.4**	**18.9**	**18.6**	**18.7**	**19.3**	**19.4**
OECD-EU 21	**23.0**	**22.1**	**21.8**	**21.8**	**21.3**	**21.1**	**20.7**	**20.7**	**21.4**	**21.4**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	27.4	25.1	25.5	25.1	24.2	23.5	23.1	23.1	22.9	23.4
Austria	44.6	45.1	45.1	45.3	45.5	45.7	44.3	44.5	44.8	45.1
Belgium	51.2	49.9	48.0	47.8	47.9	48.4	48.2	48.6	48.7	48.8
Canada	30.3	29.2	28.9	28.8	28.0	28.2	27.4	27.3	27.6	27.7
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	41.4	42.3	42.6	40.9	41.3	41.4	39.9	40.0	40.3	40.2
Denmark	40.8	39.0	38.9	38.9	39.0	38.7	38.1	36.8	37.0	37.2
Estonia	39.8	39.6	38.1	37.3	37.6	37.0	38.0	38.8	39.0	39.2
Finland	45.0	41.4	41.5	40.9	40.7	40.5	39.2	38.9	38.8	38.8
France	45.2	45.2	45.0	44.3	44.3	45.9	46.0	46.0	46.2	46.4
Germany	47.5	46.9	47.3	47.4	47.0	46.6	46.0	45.0	45.6	45.6
Greece	38.9	40.5	40.4	41.1	40.7	40.1	39.8	38.7	41.5	41.2
Hungary	52.7	48.4	47.8	48.3	50.7	50.4	49.5	43.8	46.8	47.2
Iceland	23.8	27.7	28.2	28.2	27.0	27.6	26.1	28.6	29.6	30.1
Ireland	23.5	18.4	17.5	16.7	15.5	15.6	17.3	18.2	19.5	19.6
Israel	24.3	21.4	21.1	19.6	20.0	18.1	16.9	16.3	16.3	16.1
Italy	44.1	42.7	42.4	42.7	42.7	43.2	43.5	43.9	44.4	44.5
Japan	24.0	26.6	27.0	28.0	28.4	28.6	28.3	29.4	30.0	30.3
Korea	15.8	16.4	16.7	17.4	18.6	19.0	18.6	19.2	19.5	20.0
Luxembourg	28.9	26.5	27.1	27.5	28.3	26.6	25.9	26.2	27.9	27.4
Mexico	9.5	12.9	12.2	12.7	13.7	13.1	13.5	13.8	16.3	16.6
Netherlands	38.0	36.8	36.9	34.1	34.2	34.7	33.9	34.2	34.0	34.5
New Zealand	18.6	18.9	19.2	19.5	20.1	19.2	16.9	15.9	14.8	15.2
Norway	36.1	36.1	35.4	35.1	35.1	35.1	34.8	34.9	35.1	35.0
Poland	37.0	37.2	37.5	37.8	37.1	33.6	33.1	33.2	33.3	34.6
Portugal	33.8	33.1	32.4	33.1	32.5	32.1	31.8	32.2	33.1	32.0
Slovak Republic	40.7	39.7	35.3	35.7	35.5	36.0	33.2	33.7	35.7	36.6
Slovenia	44.5	44.5	43.3	43.0	41.4	40.4	39.9	40.1	40.2	40.0
Spain	36.0	36.2	36.3	36.4	36.3	35.5	35.7	36.8	37.0	38.0
Sweden	49.1	47.2	46.6	46.2	43.6	43.0	41.5	41.0	41.1	41.1
Switzerland	20.2	19.5	19.6	19.5	19.8	19.0	19.1	19.2	19.5	19.1
Turkey[1]	39.7	42.2	42.4	42.3	42.3	40.0	37.7	38.0	38.3	38.3
United Kingdom	29.1	30.5	30.5	30.6	30.8	29.7	29.1	29.4	28.7	28.2
United States	28.8	27.8	27.7	27.8	28.0	27.7	28.2	28.4	28.0	28.0
Unweighted average										
OECD-Average	**34.0**	**33.6**	**33.3**	**33.2**	**33.1**	**32.7**	**32.1**	**32.1**	**32.6**	**32.7**
OECD-EU 21	**40.6**	**39.6**	**39.1**	**38.9**	**38.7**	**38.3**	**37.8**	**37.6**	**38.3**	**38.4**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	22.8	20.7	21.0	20.6	19.6	19.0	18.2	18.3	18.3	18.8
Austria	9.4	11.2	11.0	11.3	11.6	11.9	10.8	11.0	11.4	11.7
Belgium	25.9	22.5	23.8	23.9	24.0	24.5	24.2	24.7	24.6	24.6
Canada	16.6	14.4	13.7	13.6	12.8	13.3	12.3	12.3	12.4	12.3
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	8.3	9.7	10.0	7.7	8.3	8.4	8.5	8.6	9.1	8.9
Denmark	27.6	26.8	26.7	26.8	26.9	26.7	26.1	25.3	33.5	33.6
Estonia	19.9	18.4	16.3	15.8	16.2	15.5	14.9	14.8	15.2	15.4
Finland	23.7	21.3	21.2	20.1	19.8	20.2	19.1	18.4	18.1	17.4
France	11.9	10.9	10.7	9.9	10.0	12.1	12.2	12.3	12.4	12.6
Germany	16.3	15.0	14.9	14.9	15.2	15.5	14.9	13.9	14.0	14.2
Greece	5.9	7.9	7.7	8.6	8.1	7.3	6.9	5.5	8.6	7.9
Hungary	19.4	15.7	15.1	15.7	16.4	16.1	15.9	10.8	14.2	16.4
Iceland	19.9	23.3	23.9	23.9	22.9	23.0	20.7	21.7	22.8	24.0
Ireland	11.1	6.3	5.2	4.4	3.1	3.1	4.0	4.5	8.9	9.1
Israel	13.1	9.8	9.5	8.9	9.5	7.7	6.7	6.0	6.0	5.9
Italy	15.9	14.5	14.1	15.2	14.8	15.5	15.8	16.5	17.1	17.1
Japan	6.1	5.8	5.8	6.3	7.1	7.1	6.9	6.7	6.7	6.6
Korea	1.7	2.0	2.1	2.6	3.5	3.4	3.1	3.4	3.4	3.7
Luxembourg	7.7	5.1	5.5	5.9	6.5	6.4	5.2	5.6	6.0	6.2
Mexico	-4.3	-0.7	-1.5	-0.9	0.2	-0.4	0.0	0.3	3.2	3.5
Netherlands	7.8	8.2	8.6	10.2	11.2	11.9	12.7	12.4	12.4	12.6
New Zealand	18.6	18.9	19.2	19.5	20.1	19.2	16.9	15.9	14.8	15.2
Norway	20.1	20.0	19.1	18.7	18.9	19.0	18.7	18.7	18.8	18.7
Poland	5.3	4.9	5.0	5.2	5.5	6.0	5.4	5.5	5.7	5.8
Portugal	7.1	6.2	5.3	6.2	5.4	5.0	4.6	5.1	6.2	4.9
Slovak Republic	6.2	5.0	5.0	5.5	5.1	5.9	2.3	2.9	5.5	5.5
Slovenia	11.9	11.9	10.4	10.5	8.9	8.2	8.1	8.4	8.5	8.2
Spain	10.1	10.3	10.5	10.6	10.7	9.7	10.1	11.5	11.8	13.1
Sweden	25.3	22.9	22.3	21.8	18.2	17.5	16.1	15.4	15.5	15.6
Switzerland	8.4	8.6	8.6	8.6	8.8	8.1	8.2	8.3	8.2	7.8
Turkey[1]	14.0	14.8	15.0	14.9	14.9	12.9	12.4	12.8	13.1	13.1
United Kingdom	15.1	15.4	15.4	15.5	15.6	14.6	14.2	14.3	13.6	13.2
United States	15.5	14.4	14.3	14.4	14.7	14.4	13.0	13.2	14.6	14.6
Unweighted average										
OECD-Average	**13.1**	**12.4**	**12.2**	**12.3**	**12.2**	**12.0**	**11.4**	**11.3**	**12.2**	**12.3**
OECD-EU 21	**13.9**	**12.9**	**12.6**	**12.6**	**12.5**	**12.5**	**12.0**	**11.8**	**13.0**	**13.1**

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

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

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

	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	22.8	20.7	21.0	20.6	19.6	19.0	18.2	18.3	18.3	18.8
Austria	27.5	29.2	29.1	29.4	29.7	30.0	28.1	28.4	28.7	29.1
Belgium	38.1	34.1	35.0	34.7	34.8	35.2	35.0	35.5	35.4	35.4
Canada	22.4	20.9	20.7	20.6	19.7	20.1	19.1	19.1	19.3	19.2
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	20.8	22.2	22.5	20.2	20.8	20.9	19.5	19.6	20.1	19.9
Denmark	40.9	39.0	38.9	38.9	39.0	38.7	38.1	36.8	37.0	37.2
Estonia	19.9	19.4	17.3	16.4	16.8	16.1	16.7	17.6	18.0	18.2
Finland	30.7	27.3	27.5	26.8	26.4	26.3	25.2	25.3	25.1	24.8
France	25.3	24.5	24.3	23.5	23.7	25.8	25.9	26.0	26.1	26.3
Germany	36.8	35.8	36.3	36.6	36.4	36.2	35.5	34.4	34.9	34.9
Greece	21.8	23.9	23.7	24.6	24.1	23.3	22.9	21.5	24.9	24.4
Hungary	31.9	29.2	28.6	30.0	33.4	33.1	32.9	27.8	31.7	34.9
Iceland	20.1	23.5	24.1	24.1	23.1	23.7	21.5	22.4	23.5	24.7
Ireland	15.0	10.1	9.1	8.2	6.9	7.0	8.9	9.9	11.2	11.4
Israel	20.6	16.8	16.6	15.4	16.2	14.4	13.3	12.6	12.6	12.5
Italy	25.1	23.7	23.3	24.3	24.3	25.0	25.3	26.0	26.6	26.6
Japan	16.1	17.4	17.7	18.6	19.2	19.3	19.1	19.7	20.1	20.3
Korea	8.4	9.1	9.2	9.8	10.9	11.0	10.7	11.2	11.4	11.8
Luxembourg	19.3	16.6	17.1	17.6	18.5	18.4	17.4	17.7	19.1	18.5
Mexico	-2.9	0.7	-0.1	0.5	1.5	0.9	1.3	1.6	4.5	4.8
Netherlands	30.8	29.4	29.4	28.0	27.9	28.3	27.7	27.7	27.6	27.8
New Zealand	18.6	18.9	19.2	19.5	20.1	19.2	16.9	15.9	14.8	15.2
Norway	27.9	27.8	26.9	26.5	26.7	26.8	26.5	26.5	26.6	26.5
Poland	26.5	26.7	27.0	27.4	26.5	23.8	23.2	23.4	23.5	23.6
Portugal	18.1	17.2	16.3	17.2	16.4	16.0	15.6	16.1	17.2	15.9
Slovak Republic	18.2	18.4	18.4	18.9	18.5	19.3	15.7	16.3	18.9	18.9
Slovenia	34.0	34.0	32.5	32.6	31.0	30.3	30.2	30.5	30.6	30.3
Spain	16.5	16.7	16.8	16.9	17.0	16.1	16.4	17.9	18.1	19.5
Sweden	32.3	29.9	29.3	28.8	25.3	24.5	23.1	22.4	22.5	22.6
Switzerland	14.9	14.7	14.7	14.6	14.9	14.1	14.2	14.3	14.4	14.1
Turkey[1]	28.0	29.8	30.0	29.9	29.9	27.9	27.4	27.8	28.1	28.1
United Kingdom	22.7	23.7	23.8	23.8	24.0	22.9	22.4	22.6	21.9	21.4
United States	23.1	22.1	22.0	22.1	22.3	20.0	20.6	20.9	20.2	20.2
Unweighted average										
OECD-Average	**22.9**	**22.4**	**22.2**	**22.2**	**22.1**	**21.8**	**21.2**	**21.2**	**21.8**	**21.9**
OECD-EU 21	**26.3**	**25.3**	**25.1**	**25.0**	**24.8**	**24.6**	**24.1**	**24.0**	**24.7**	**24.8**

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

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Table II.9. **Annual average gross and net wage earnings, single individual no children, 2000-12**

In US dollars using PPP

	2000		2004		2005		2006		2007		2008		2009		2010		2011		2012	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Australia	31 408	23 054	36 871	28 064	37 866	28 695	39 097	29 722	40 129	30 755	40 783	31 587	43 307	33 754	43 612	33 894	44 894	34 895	48 199	37 169
Austria	33 026	22 800	37 684	25 164	38 385	25 704	40 985	27 280	41 761	27 631	43 705	28 730	44 566	29 954	45 570	30 500	46 891	31 159	48 187	31 807
Belgium	35 516	20 242	39 824	23 133	40 766	23 648	42 617	24 751	43 591	25 254	46 592	26 795	48 838	28 184	50 263	28 792	51 507	29 448	53 047	30 356
Canada	29 849	22 272	31 642	24 078	32 807	24 952	33 638	25 607	34 301	26 345	34 988	26 782	35 730	27 657	36 680	28 435	37 109	28 710	38 291	29 644
Chile	9 717	9 037	10 117	9 408	10 363	9 638	9 869	9 178	10 392	9 665	11 566	10 756	11 885	11 053	13 783	12 818	14 431	13 421	15 666	14 569
Czech Republic	11 323	8 776	14 630	11 156	15 301	11 623	16 621	12 896	17 978	13 863	19 117	14 598	20 168	15 673	20 172	15 643	21 224	16 324	21 793	16 817
Denmark	33 499	18 699	37 660	22 207	37 287	22 029	39 696	23 424	42 063	24 765	44 844	26 502	46 600	28 181	48 083	29 666	49 187	30 285	49 887	30 653
Estonia	8 636	6 741	11 775	9 201	12 559	10 073	14 316	11 634	16 109	13 097	18 302	15 032	17 998	14 657	18 259	14 702	19 157	15 381	19 866	15 913
Finland	27 176	17 873	32 212	22 186	33 552	23 042	35 269	24 481	37 803	26 306	40 727	28 362	42 332	29 942	42 578	30 050	42 562	30 107	44 148	31 169
France	28 465	20 163	31 498	22 481	33 055	23 512	34 709	25 132	36 297	26 220	38 062	27 487	39 427	28 448	40 205	29 002	41 502	29 897	42 494	30 460
Germany	35 576	20 207	42 495	24 529	44 643	25 797	46 695	26 842	48 516	28 027	51 007	29 588	50 512	29 607	52 300	31 692	54 378	32 702	56 058	33 683
Greece	23 148	18 048	31 154	23 365	30 673	23 078	34 000	25 135	32 534	24 246	32 560	24 588	32 892	24 999	31 050	24 196	30 055	22 251	28 846	21 529
Hungary	10 069	6 471	13 421	8 804	14 121	9 369	15 434	9 995	16 417	10 046	18 049	11 144	19 297	12 011	19 472	13 360	20 293	13 171	20 875	13 566
Iceland	32 167	23 984	38 197	27 490	41 785	30 019	42 830	30 920	44 877	32 837	46 397	33 754	40 384	29 788	38 628	27 967	40 276	28 846	42 761	30 183
Ireland	22 880	18 227	27 795	23 376	28 670	24 298	30 377	25 913	32 536	28 025	34 208	29 438	35 453	29 550	37 887	31 122	38 572	31 690	39 042	32 019
Israel	26 689	19 871	27 417	21 694	26 964	21 397	26 431	21 301	29 174	23 222	28 945	23 719	28 110	23 440	28 235	23 806	28 957	24 419	29 531	24 968
Italy	26 373	18 713	27 181	19 430	28 212	20 310	30 252	21 555	31 585	22 366	34 030	23 981	34 988	24 589	35 301	24 631	36 197	25 069	36 563	25 303
Japan	32 152	26 696	36 687	29 998	38 431	31 322	39 877	32 125	41 495	33 133	42 654	34 021	41 892	33 495	42 863	34 021	45 159	35 662	46 086	36 307
Korea	26 601	24 220	33 841	30 538	36 557	32 944	39 359	35 180	42 102	37 023	42 837	37 635	42 715	37 722	44 835	39 324	44 866	39 265	47 242	41 117
Luxembourg	38 172	27 229	43 974	32 968	44 142	32 714	47 553	34 916	48 951	35 392	51 902	37 683	52 820	38 958	53 179	38 944	54 575	39 116	54 211	39 112
Mexico	7 783	7 614	9 061	8 591	9 734	9 287	10 194	9 688	10 468	9 840	10 885	10 325	10 971	10 376	11 017	10 399	11 121	10 096	11 262	10 195
Netherlands	35 740	23 725	41 690	28 119	43 185	29 145	46 944	31 691	48 981	33 076	51 222	34 401	52 491	35 802	53 177	36 343	54 449	37 230	55 640	37 868
New Zealand	24 226	19 534	25 565	20 525	25 771	20 609	27 476	21 860	28 563	22 543	29 866	23 740	31 554	25 851	31 643	26 267	32 246	27 129	33 528	28 034
Norway	32 687	22 653	40 739	28 481	42 545	30 197	45 716	32 416	47 961	33 792	50 687	35 684	50 624	35 807	52 132	36 867	54 099	38 181	55 350	39 080
Poland	12 526	9 043	14 505	10 432	14 921	10 687	15 854	11 303	17 520	12 652	18 158	13 611	18 603	14 066	19 507	14 735	20 004	15 093	20 591	15 521
Portugal	15 609	12 105	19 130	14 820	20 519	16 049	23 419	18 106	23 564	18 276	24 000	18 727	24 519	19 256	26 006	20 233	25 594	19 637	25 341	19 838
Slovak Republic	9 603	7 705	11 062	8 650	12 114	9 477	13 348	10 394	14 654	11 384	16 559	12 781	17 593	13 829	17 829	13 968	18 067	13 947	18 511	14 290
Slovenia	16 727	10 780	20 362	13 116	21 225	13 857	22 489	14 653	23 240	15 605	24 858	16 642	24 812	16 639	25 937	17 303	26 962	17 953	26 793	17 934
Spain	23 592	18 910	26 403	21 100	26 953	21 483	28 742	22 855	30 184	23 969	32 288	26 058	33 873	27 167	34 375	26 905	35 551	27 715	36 162	27 526
Sweden	28 854	19 123	33 578	22 994	33 640	23 149	35 697	24 672	37 906	27 446	40 175	29 361	40 412	30 148	40 610	30 551	42 115	31 651	43 685	32 813
Switzerland	39 381	32 563	44 925	37 328	45 686	37 954	48 617	40 407	52 047	43 119	53 651	44 740	54 987	45 800	56 468	46 958	59 394	49 307	61 048	50 945
Turkey[1]	19 608	13 974	17 188	11 954	18 946	13 167	18 442	12 843	19 946	13 878	21 431	15 498	20 399	14 877	22 703	16 437	24 881	17 907	25 395	18 298
United Kingdom	39 167	29 059	46 342	33 908	47 682	34 879	50 077	36 612	51 467	37 565	51 290	38 168	50 626	37 849	51 397	38 347	51 515	38 510	52 720	39 572
United States	33 129	24 877	36 739	27 785	37 637	28 502	39 377	29 765	42 064	31 615	43 196	33 235	44 295	33 966	45 665	34 807	46 671	36 048	47 650	36 819
OECD Average	25 326	18 382	29 217	21 384	30 197	22 135	31 942	23 390	33 446	24 499	34 987	25 740	35 461	26 268	36 218	26 844	37 190	27 418	38 131	28 091

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

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Table II.10. **Annual average gross and net wage earnings, single individual no children, 2000-12 (national currency)**[1]

	2000		2004		2005		2006		2007		2008		2009		2010		2011		2012	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Australia	41 322	30 332	50 265	38 259	52 572	39 840	55 042	41 844	57 120	43 777	60 321	46 720	63 546	49 529	66 724	51 856	69 903	54 334	73 494	56 676
Austria	29 732	20 526	32 952	22 004	34 025	22 784	35 143	23 391	36 228	23 970	37 258	24 492	37 832	25 428	38 504	25 770	39 693	26 376	40 855	26 968
Belgium	31 644	18 035	35 704	20 739	36 673	21 273	37 674	21 880	38 659	22 397	40 698	23 405	42 149	24 324	43 423	24 873	44 636	25 520	46 065	26 360
Canada	36 764	27 431	38 945	29 636	39 816	30 283	40 628	30 928	41 546	31 909	43 189	33 060	42 879	33 191	44 717	34 665	45 816	35 446	46 857	36 275
Chile	2 770 353	2 576 428	3 255 122	3 027 263	3 458 172	3 216 100	3 594 042	3 342 459	3 856 095	3 586 168	4 218 584	3 923 283	4 478 647	4 165 142	5 508 104	5 122 537	5 804 093	5 397 806	6 218 640	5 783 335
Czech Republic	160 922	124 729	209 080	159 424	219 050	166 403	233 580	181 234	250 710	193 316	272 651	208 198	281 887	219 060	287 320	222 803	294 987	226 886	300 421	231 830
Denmark	281 700	157 242	316 500	186 627	320 300	189 227	330 900	195 259	346 400	203 947	359 300	212 344	367 051	221 974	376 073	232 025	386 457	237 944	392 456	241 147
Estonia	3 931	3 068	5 722	4 471	6 304	5 056	7 456	6 059	8 939	7 268	10 045	8 250	9 492	7 729	9 712	7 820	10 368	8 324	10 950	8 771
Finland	27 037	17 781	31 416	21 638	32 788	22 517	33 543	23 283	35 559	24 744	37 372	26 026	38 444	27 191	39 395	27 804	39 936	28 249	41 478	29 283
France	26 731	18 935	29 608	21 132	30 521	21 710	31 369	22 713	32 413	23 415	33 580	24 250	34 132	24 628	34 933	25 199	35 928	25 882	36 673	26 287
Germany	34 400	19 539	38 100	21 993	38 700	22 363	39 149	22 505	40 300	23 281	41 400	24 015	41 100	24 090	42 400	25 693	43 681	26 270	44 811	26 925
Greece	15 693	12 236	21 669	16 251	21 902	16 478	23 800	17 594	23 381	17 424	22 825	17 236	23 070	17 534	22 151	17 261	21 449	15 880	20 086	14 991
Hungary	1 086 240	698 166	1 695 108	1 112 008	1 815 852	1 204 835	1 985 412	1 285 714	2 156 184	1 319 406	2 336 124	1 442 307	2 436 408	1 516 415	2 512 020	1 723 560	2 645 040	1 716 782	2 749 566	1 786 901
Iceland	2 712 000	2 022 102	3 600 000	2 590 885	4 140 000	2 974 230	4 596 000	3 317 884	5 076 000	3 714 076	5 448 000	3 963 490	5 076 000	3 744 125	5 256 000	3 805 407	5 628 000	4 030 857	6 079 006	4 290 863
Ireland	22 008	17 532	27 963	23 517	28 963	24 547	29 931	25 533	31 185	26 861	32 550	28 011	31 802	26 507	32 308	26 540	32 264	26 508	32 626	26 758
Israel	91 884	68 412	96 912	76 682	100 224	79 531	101 388	81 708	108 516	86 375	111 936	91 726	112 908	94 149	113 280	95 509	116 484	98 228	119 880	101 356
Italy	21 550	15 291	23 723	16 959	24 450	17 602	25 241	17 985	25 805	18 273	26 845	18 918	27 419	19 270	28 230	19 697	28 820	19 960	28 908	20 006
Japan	4 987 116	4 140 942	4 921 998	4 024 511	4 978 855	4 057 883	4 979 155	4 011 225	4 988 400	3 983 177	4 983 948	3 975 163	4 828 001	3 860 274	4 773 076	3 788 423	4 821 385	3 807 417	4 788 323	3 772 295
Korea	19 849 729	18 073 190	26 937 234	24 308 585	28 840 599	25 990 086	30 495 639	27 257 957	32 361 506	28 457 420	33 658 172	29 570 496	34 410 564	30 387 885	36 929 183	32 390 144	36 816 740	32 220 027	38 546 380	33 549 050
Luxembourg	35 875	25 591	40 575	30 420	42 063	31 173	43 532	31 963	45 258	32 722	47 035	34 150	48 175	35 532	49 385	36 166	50 549	36 230	51 312	37 020
Mexico	47 469	46 441	65 394	62 005	69 370	66 184	73 208	69 572	77 145	72 518	81 306	77 124	84 727	80 135	87 324	82 428	91 014	82 627	94 136	85 223
Netherlands	31 901	21 176	37 900	25 563	38 700	26 118	40 800	27 543	42 000	28 362	43 146	28 977	44 412	30 292	45 215	30 901	45 898	31 384	46 418	31 592
New Zealand	34 923	28 159	38 611	30 999	39 559	31 635	40 843	32 495	43 022	33 955	44 521	35 389	46 653	38 221	48 007	39 850	49 395	41 557	51 278	42 875
Norway	298 385	206 788	366 161	255 986	378 498	268 644	397 765	282 046	420 917	296 570	443 613	312 312	455 910	322 474	472 199	333 933	492 015	347 250	510 739	360 608
Poland	23 061	16 649	26 999	19 416	27 889	19 975	29 271	20 867	32 292	23 320	33 711	25 270	34 878	26 372	36 121	27 284	37 537	28 322	38 910	29 329
Portugal	10 922	8 470	13 700	10 613	14 042	10 983	15 517	11 997	15 549	12 060	15 581	12 158	15 613	12 262	16 542	12 870	16 208	12 435	15 720	12 307
Slovak Republic	5 048	4 050	6 334	4 953	6 856	5 364	7 418	5 776	7 997	6 213	8 820	6 808	9 043	7 108	9 325	7 306	9 592	7 405	9 821	7 582
Slovenia	8 894	5 732	12 437	8 011	12 981	8 475	13 684	8 916	14 625	9 821	15 769	10 557	16 079	10 783	16 915	11 284	17 373	11 568	17 227	11 531
Spain	17 319	13 882	20 045	16 019	20 616	16 433	21 168	16 833	21 989	17 461	23 252	18 765	24 164	19 380	24 786	19 400	25 515	19 892	25 558	19 455
Sweden	263 581	174 686	305 732	209 363	315 492	217 096	324 618	224 362	336 818	243 870	352 470	257 589	362 291	270 277	368 208	277 001	376 309	282 810	387 294	290 912
Switzerland	72 910	60 288	78 798	65 472	79 620	66 145	80 727	67 095	83 325	69 031	83 088	69 288	83 974	69 945	85 068	70 741	85 984	71 380	86 920	72 535
Turkey[2]	5 545	3 952	13 959	9 708	15 737	10 937	15 645	10 895	17 238	11 993	19 074	13 794	18 709	13 644	21 661	15 683	25 633	18 448	27 547	19 848
United Kingdom	24 910	18 481	29 312	21 447	30 334	22 189	31 419	22 971	33 216	24 244	33 382	24 841	33 391	24 964	34 297	25 589	34 968	26 140	35 883	26 934
United States	33 129	24 877	36 739	27 785	37 637	28 502	39 377	29 765	42 064	31 615	43 196	33 235	44 295	33 966	45 665	34 807	46 671	36 048	47 650	36 819

1. The annual average gross wage earnings in euro area countries are expressed in euros for all years.
2. Turkey wage figures are based on the old definition of average worker (ISIC D, Rev. 3).

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Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

PART III

Country details, 2012

This part of the publication provides the individual country details for 2012 that lie behind the comparative analysis. For each country, a table of detailed country results is followed by a description of the tax/benefit system.

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

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

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

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

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

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

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

Australia
(2011-12 income tax year)

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

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

Australia 2012

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**	48 996	73 494	122 490	48 996
	Principal Gross wage earnings	48 996	73 494	122 490	48 996
	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)**	48 996	73 494	122 490	48 996
5.	**Central government income tax liability (exclusive of tax credits)**				
	Income tax	8 249	15 598	33 271	8 249
	Medicare Levy	735	1 102	1 837	735
	Flood Levy	0	117	475	0
	Total	8 984	16 818	35 584	8 984
6.	**Tax credits**				
	Basic credit	740	0	0	740
	Married or head of family	0	0	0	818
	Children				
	Other				
	Total	740	0	0	1 558
7.	**Central government income tax finally paid (5-6)**	8 244	16 818	35 584	7 426
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)**	8 244	16 818	35 584	7 426
11.	**Cash transfers from general government**				
	For head of family	0	0	0	0
	For two children	0	0	0	12 407
	Total	0	0	0	12 407
12.	**Take-home pay (1-10+11)**	40 752	56 676	86 906	53 978
13.	**Employers' payroll tax**	2 911	4 366	7 277	2 911
14.	**Average rates**				
	Income tax	16.83%	22.88%	29.05%	15.16%
	Employees' social security contributions	0.00%	0.00%	0.00%	0.00%
	Total payments less cash transfers	16.83%	22.88%	29.05%	-10.17%
	Total tax wedge including employer payroll taxes	21.49%	27.21%	33.03%	-3.99%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	35.50%	32.00%	39.50%	55.50%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	39.12%	35.81%	42.89%	58.00%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Australia 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	73 494	97 992	122 490	97 992
	Principal Gross wage earnings	73 494	73 494	73 494	73 494
	Spouse Gross wage earnings	0	24 498	48 996	24 498
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)**	73 494	97 992	122 490	97 992
5.	**Central government income tax liability (exclusive of tax credits)**				
	Income tax	15 598	18 373	23 847	18 373
	Medicare Levy	1 102	1 470	1 837	1 470
	Flood Levy	117	117	117	117
	Total	16 818	19 960	25 802	19 960
6.	**Tax credits**				
	Basic credit	0	1 500	740	1 500
	Married or head of family	818	818	0	0
	Children				
	Other				
	Total	818	2 318	740	1 500
7.	**Central government income tax finally paid (5-6)**	16 000	17 642	25 062	18 460
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)**	16 000	17 642	25 062	18 460
11.	**Cash transfers from general government**				
	For head of family	0	0	0	0
	For two children	7 508	4 198	0	0
	Total	7 508	4 198	0	0
12.	**Take-home pay (1-10+11)**	65 002	84 547	97 428	79 532
13.	**Employers' payroll tax**	4 366	5 821	7 277	5 821
14.	**Average rates**				
	Income tax	21.77%	18.00%	20.46%	18.84%
	Employees' social security contributions	0.00%	0.00%	0.00%	0.00%
	Total payments less cash transfers	11.56%	13.72%	20.46%	18.84%
	Total tax wedge including employer payroll taxes	16.51%	18.56%	24.92%	23.39%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	52.00%	32.00%	32.00%	32.00%
	Total payments less cash transfers: Spouse	20.22%	16.50%	35.50%	16.50%
	Total tax wedge: Principal earner	54.69%	35.81%	35.81%	35.81%
	Total tax wedge: Spouse	24.69%	21.18%	39.12%	21.18%

The national currency is the Australian dollar (AUD). For the 2011-12 income tax year AUD 0.97 was equal to USD 1. The average worker earned AUD 73 494 in 2011-12.

1. Personal income tax system

1.1. Federal government income tax

1.1.1. Tax unit

Members of the family are taxed separately.

1.1.2. Tax allowances and credits

1.1.2.1. Standard tax reliefs

- *Basic reliefs:* Income earned up to AUD 6 000 by resident taxpayers is subject to tax at a zero rate.
- *Standard marital status reliefs:* A taxpayer may claim a tax credit where he or she contributes to the maintenance of a dependent spouse (legal or de facto). From 1 July 2011, eligibility for the dependent spouse tax offset is confined to taxpayers with a dependent spouse born before 1 July 1971 or who is permanently unable to work due to disability or significant caring responsibilities for an aged or disabled person. For eligible families, during 2011-12, this credit amount was AUD 2 355 for a dependent spouse without dependent children. The credit reduces by AUD 1 for every AUD 4 by which the spouse's adjusted taxable income exceeds AUD 282. From 1 July 2008, an income test was introduced so that the offset is not available where the primary earner's adjusted taxable income exceeds AUD 150 000.*Relief(s) for children:* A refundable tax offset called the First Child Tax Offset, is available for families with a child born between 1 July 2001 and 30 June 2004. Families with a child born on or after 1 July 2004 are eligible for a payment called the Baby Bonus which replaces the First Child Tax Offset. See Section 4.2 for more detail.
- *Relief for social security contributions* and other taxes: No such contributions are levied.
- *Reliefs for low income earners:* An AUD 1 500 tax credit is available for taxpayers whose taxable income was less than AUD 30 000. This credit is reduced by AUD 0.04 for every AUD 1 by which the taxpayer's taxable income exceeds AUD 30 000, and no tax credit is available once the taxpayer's taxable income exceeds AUD 67 500.
- *Relief for mature age workers:* Taxpayers aged 55 or above who have net income from working may be eligible for the Mature Age Worker Tax Offset. It is worth a maximum of AUD 500, and part payment is possible when earned income is less than AUD 63 000.
- There are also tax rebates to ensure that those receiving certain social security pensions or benefits pay less tax. The Pensioner Tax Offset is designed to ensure that eligible persons can have certain (low) levels of income in addition to their pension without being liable for tax. In 2011-12 for single people it was worth at most

AUD 2 859, with this amount reduced by AUD 0.125 for every dollar of private income over AUD 25 060. The Beneficiary Tax Offset is calculated so as to ensure that a person who receives a full rate rebatable benefit for a whole year, and has no other private income, will pay no tax.

- *Relief for senior Australians:* Taxpayers who are of Age Pension age (65 for males and 64.5 for females for 2011-12) may be eligible for the senior Australians tax offset (SATO), which is worth up to AUD 2 230 for a single senior, up to AUD 1 602 for each member of a couple not separated by illness and AUD 2 040 for each member of a couple separated by illness. The offset is withdrawn at the rate of AUD 0.125 for every dollar that a recipient's income exceeds their effective tax-free threshold. For a single senior Australian, this means that the offset is withdrawn from AUD 30 685 and is no longer available once income reaches AUD 48 525. For members of a couple not separated by illness, who each have the same amount of income, the offset is withdrawn from AUD 26 680 and is no longer available once both their incomes reach AUD 39 496.
- *Other:* No other standard relief available.

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

- *Relief for school education expenses:* The Education Tax Refund is available to eligible families and independent students to help meet the cost of primary and secondary school education. Eligible families include those in receipt of Family Tax Benefit Part A (FTB(A)), or those with children in receipt of a government payment which prevented the family from receiving FTB(A). See Section 4.2 for FTB(A) eligibility requirements. Eligible families will receive AUD 409 for each primary school student and AUD 818 for each secondary school student. The calculations in Table 1 and Table 2 assume dependents are of primary school age.
- *Relief for superannuation:* Contributions to a low income spouse's superannuation attract an 18 per cent rebate up to a maximum rebate of AUD 540.
- *Relief for private health insurance:* There is a 30 per cent rebate on the cost of cover for eligible private health care.
- *Relief for medical expenses:* Annual net out-of-pocket medical expenses over AUD 2 060 attract a 20 per cent rebate.
- Other non-standard reliefs provided as deductions are:
  - subscriptions paid in respect of membership of a trade, business or professional association or union;
  - charitable contributions of AUD 2 or more to specified funds, authorities and institutions, including public benevolent institutions, approved research institutes for scientific research, building funds for schools conducted by non-profit organisations etc.; and
  - work-related expenses including cost of replacement of tools of trade, cost of provision and of cleaning protective clothing and footwear, travelling between jobs or travelling in the course of employment.

1.1.3. Tax schedule

General rates of tax – resident individuals

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

To nominally contribute towards the cost of basic medical and hospital care a Medicare Levy is imposed on the taxable incomes of resident taxpayers. In 2011-12 the levy applies at the rate of 1.5 per cent of the taxable income of an individual.

Certain thresholds are applied before the levy is imposed. In 2011-12, an individual taxpayer does not pay the levy where their taxable income does not exceed AUD 19 404. A taxpayer in a couple or sole parent family does not pay the levy if the taxable family income does not exceed AUD 32 743. The threshold is increased by AUD 3 007 for each dependent child. Where an individual's taxable income exceeds AUD 19 404, or a family's income exceeds AUD 32 743 (plus AUD 3 007 for each dependent child), the levy shades in at a rate of 10 per cent of the excess of taxable income over the threshold, until the levy is equal to 1.5 per cent of the individual's or family's taxable income.

For 2011-12, individual pensioners under Age Pension age do not pay the levy where their taxable income does not exceed AUD 31 352. Where taxable income exceeds AUD 31 352 but does not exceed AUD 36 885 shading in provisions apply under which the levy payable is 10 per cent of the excess of taxable income over AUD 31 352.

Similarly, for 2011-12, individual senior Australians of Age Pension age do not pay the levy where their taxable income does not exceed AUD 30 685. Where taxable income exceeds AUD 30 685 but does not exceed AUD 36 100 shading in provisions apply under which the levy payable is 10 per cent of the excess of taxable income over AUD 30 685. Senior Australian couples do not pay any Medicare levy until their combined income exceeds AUD and pay a concessional Medicare levy until their combined income exceeds AUD 44 500.

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

For the 2011-12 income year alone, the Government introduced a temporary flood and cyclone reconstruction levy to assist with the cost of helping communities affected by the natural disasters and rebuilding essential infrastructure. The levy is only imposed on taxpayers whose taxable incomes exceed AUD 50 000, and who have not been directly affected by the floods and cyclones. The temporary flood and reconstruction levy applies at the rate of five cents in every ten dollars of income over AUD 50 000 and ten cents in every ten dollars of income over AUD 100 000.

1.2. State and local income taxes

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

2. Social security contributions

2.1. Employees' contributions

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

2.2. Employers' contributions

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

Part of Australia's retirement income system is the provision of compulsory employer contributions (the Superannuation Guarantee system). The Superannuation Guarantee requires employers to pay 9 per cent on top of employees' gross ordinary time earnings to an approved superannuation fund, provided they earn more than AUD 450 per month. However, they may choose to make contributions for workers earning less than this threshold. This threshold is not indexed. There is also a limit to the Guarantee. In each quarter any earnings beyond a threshold are not covered by the Superannuation Guarantee. This threshold is indexed to a measure of average earnings. In the 2011-12 tax year this threshold was AUD 43 820 per quarter.

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

3. Other taxes

3.1. Pay-roll tax

Australian State Governments levy pay-roll taxes on wages, cash or in kind, provided by larger employers to their employees. The rates of pay-roll tax, thresholds and deductions differ across States. In New South Wales, the State with the largest population, the pay-roll tax rate was 5.45 per cent from 1 July 2011 to 30 June 2012 for employers with total Australian wages in excess of AUD 678 000 in 2011-12. The employer is entitled to an exemption from tax, or a pro-rated pay-roll tax threshold, on wages paid in New South Wales up to a maximum of AUD 678 000. The exempt amount is reduced based on the proportion of the employer's New South Wales pay-roll to total Australian pay-roll.

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

4. Universal cash transfers

4.1. Transfers related to marital status

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

4.2. Transfers related to dependent children

- For 2011-12, the base rate of FTB(A) is payable where the combined "adjusted" taxable income of parents does not exceed AUD 94 316 plus AUD 3 796 for each child after the first. The payment shades out at the rate of AUD 0.30 per AUD 1 of income over the ceiling. The base rate of payment is AUD 2 098.75 for a dependent child aged under 18, and AUD 2 565.95 for a dependent child aged 18 to 20 or a dependent full-time student aged 21 to 24. The base rate of payment is increased by a Large Family Supplement (LFS) for families with three or more children. The LFS is payable at a rate of AUD 295.65 for the third and each subsequent child. A higher benefit is available for lower income earners, and the value of this benefit is dependent on the age and number of children. Families may receive a maximum payment of AUD 5 018.75 for each child aged under 13 years and AUD 6 307.20 for each child aged 13 to 15 years for 2011-12, and from 1 January 2012 for each child aged 16-19 in full time secondary school. Families can receive up to AUD 2 098.75 for children aged 16-17 and AUD 2 565.95 for those aged 18-21 who are not in secondary school. The higher benefit is also boosted by the LFS for families with three or more children. For 2011-12, the higher benefit tapers out at the rate of AUD 0.20 for each dollar of income over AUD 46 355 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 the existence of at least one dependent child under the age of 16 or a qualifying dependent full-time student up to and including the age of 18. There are two separate income tests applied to the parent(s). The parent earning the higher amount (or the sole parent, in the case of single parent families) must earn AUD 150 000 or less for the financial year for the family to be eligible. A secondary earner income threshold is also applied to the parent earning the lower amount. For 2011-12, this threshold is AUD 4 891, 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 2011-12, the maximum payment is AUD 2 898.10 if the youngest dependent child is aged between 5 and 18 years, and AUD 4 004.05 if there is a child under 5 years. The attached calculations assume each dependant is between 5 and 12 years of age.
- Recipients of the Family Tax Benefit may elect to receive the benefit in fortnightly instalments or as an end of year lump sum payment.
- From 1 July 2004, a one-off Baby Bonus is paid to families for each baby born. The value of the payment in 2011-12 is AUD 5 437. Baby Bonus is payable to families with a combined income of AUD 75 000 or less in the six months following the birth. This payment replaces the First Child Tax Offset for new births. 2008-09 was the last year for claims of the First Child Tax Offset.
- On 1 January 2011 the Government introduced Australia's first Paid Parental Leave (PPL) scheme. PPL provides the primary carer of a child with 18 weeks' pay at the national minimum wage (AUD 589.40 per week before tax in 2011-12), in the year following the child's birth or adoption. The primary carer must have worked for at least 10 of the 13 months prior to the birth or adoption, and for at least 330 hours in that 10 month period. The primary carer's income must be AUD 150 000 or less in the financial year

prior to the date of claim or date of birth or adoption. PPL and Baby Bonus cannot be paid for the same child. A person cannot claim FTB(B) or the dependent spouse, child housekeeper and housekeeper tax offsets while they are receiving PPL.

- Child Care Benefit (CCB) is a means-tested payment which assists families with the cost of approved child care. In 2011-12 CCB is payable to eligible families with incomes up to AUD 138 065 for one child in care, with the income limit rising for each additional child in care. Families with annual incomes under AUD 39.785 receive the maximum rate of CCB, which is AUD 3.78 per hour for a non-school child. CCB is payable for a maximum of 50 hours per week. To receive more than 24 hours of CCB per week both parents must be participating in work, training or study activities for at least 15 hours per week. The attached calculations assume no child care usage.
- Child Care Rebate (CCR) is an additional payment aimed at promoting workforce participation. CCR is not means tested. It pays 50 per cent of out-of-pocket child care expenses (after any CCB), up to an annual cap of AUD 7 500 in 2011-12. Both parents be undertaking at least one hour of work, training or study activity per week in order to qualify for the payment.
- Parenting Payment is a taxable payment payable to partnered and sole parents for low income families with a qualifying child under six and eight years of age respectively; or to parents with a qualifying child under 16, provided the parent has been in continuous receipt of Parenting Payment prior to 1 July 2006. In 2011-12 the maximum annual amount of Parenting Payment (Partnered) (PP(P)) was AUD 11 378.38. Only one parent in a couple can be entitled to PP(P). The maximum annual amount of Parenting Payment (Single) (PP(S)) was AUD 16 634.28. These payments are subject to income and assets tests. The Parenting Payment (Partnered) tapers out at a rate of AUD 0.50 per AUD 1 of income over AUD 1 612 up to AUD 6 500 and reduces at a rate of AUD 0.60 per AUD 1 for income over AUD 6 500. Under the PP(P) income test, a spouse receives a reduced Parenting Payment, tapering at a rate of AUD 0.60, when the higher earning partner's income exceeds AUD 20 800. If the spouse has little or no income (less than AUD 1 612 per annum), he or she would not receive any Parenting Payment when the higher earning partner's income exceeds AUD 39 165.10. PP(S) reduces by AUD 0.40 for each AUD 1 of income above AUD 4 539.60 plus AUD 639.60 for each child other than the first. A sole parent with two qualifying dependants may be entitled to some taxable PP(S) in 2011-12 where private income does not exceed AUD 46 764.9. The attached calculations assume dependants are aged six and seven.
- The Newstart allowance is a taxable payment payable to single persons and partnered individuals who are unemployed. It is also payable to a member of a couple if their youngest child is aged six years or more and to single parents if their youngest child is aged eight years or more. It is conditional on recipients fulfilling a personal Activity Agreement, which typically involves taking part in activities such as job seeking and training. In 2011-12 the Newstart allowance for singles without dependants was AUD 12 605.58 and for partnered individuals was AUD 11 378.38. These payments taper out at a rate of AUD 0.50 per AUD 1 for incomes over AUD 1 612 and reduces at a rate of AUD 0.60 for incomes over AUD 6 500. The Newstart allowance for partnered individuals also reduces by AUD 0.60 for each AUD 1 of their partner's income above AUD 20 800.
- A non-taxable supplementary payment called Pharmaceutical Allowance (PA) is payable with PP(S). This payment is added to the maximum basic rate of PP(S) before a person's

entitlement is calculated. Anyone with a PP(S) entitlement, after PA has been added, receives the full amount of PA. For 2011-12, the payment is AUD 158.60.

- A Telephone Allowance is available on a quarterly basis to eligible individuals, including individuals who receive PP(S) or PA if their PP(S) entitlement is reduced to 0. The basic rate of the Telephone Allowance is AUD 99.88 for 2011-12, with a higher rate of AUD 149.92 available for recipients of Disability Support Pension who are under the age of 21 and where a home internet service is connected in the individual's or partner's name. The attached calculations assume the standard rate is applicable.

5. Recent changes in the tax/benefit system

5.1. *Temporary flood and cyclone reconstruction levy*

- The government has introduced a temporary flood and cyclone reconstruction levy (flood levy), which applies to taxable income for the 2011-12 financial year only.
- The flood levy is designed to help affected communities recover from the recent natural disasters by providing additional funding to rebuild essential infrastructure – for example, roads, bridges and schools.
- In 2011-12, a taxpayer does not pay the levy where their taxable income does not exceed AUD 50 000. Where an individual's taxable income exceeds AUD 50 000, the levy applies at a rate of 0.5 per cent of the excess income over the threshold. Where an individual's taxable income exceeds AUD 100 000, the levy is applied at a rate of 0.5 per cent on income between AUD 50 000 and 100 000 and 1.0 per cent income in excess of AUD 100 000.

5.2. *Education Tax Refund*

- From 1 July 2008, eligible parents of primary and secondary school students and independent secondary school students have been able to claim the Education Tax Refund (ETR). The ETR is a fully refundable tax offset of up to 50 per cent of expenditure on eligible education items. Eligible items include computers, education software, textbooks and stationery. See Section 1.121.
- For the 2011-12 financial year the Education Tax Refund was paid in full in June 2012 to eligible families.

5.3. *General rates of tax – resident individuals*

- There have been no changes to the personal income tax rates and thresholds from those which applied in the 2010-11 income year. See Section 1.13.

6. Memorandum items

6.1. *Identification of an average worker*

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

In August 2009 the Australian Bureau of Statistics replaced the 1993 edition of the Australian and New Zealand Standard Industrial Classification (ANZSIC), which had been in use since 1994, with the 2006 edition of ANZSIC. The 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 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 in private households employing staff;
- employees of overseas embassies, consulates, etc.;
- employees based outside Australia; and
- employees on workers' compensation who are not paid through the payroll.

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

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

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

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

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

Earnings comprise weekly ordinary time earnings and weekly overtime earnings.

Weekly ordinary time earnings refers to one week's earnings of employees for the reference period attributable to award, standard or agreed hours of work. It is calculated before taxation and any other deductions (e.g. superannuation, board and lodging) have been made. Included in ordinary time earnings are award, workplace and enterprise bargaining payments, and other agreed base rates of pay, over award and over agreed payments, penalty payments, shift and other allowances; commissions and retainers;

bonuses and similar payments related to the reference period; payments under incentive or piecework; payments under profit sharing schemes normally paid each pay period; payment for leave taken during the reference period; all workers' compensation payments made through the payroll; and salary payments made to directors. Excluded are overtime payments, retrospective pay, pay in advance, leave loadings, severance, termination and redundancy payments, and other payments not related to the reference period.

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

6.2. Employers' contribution to private health and pension scheme

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

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

2012 parameter values

	Year	2012	
Average earnings/yr	Ave_earn	73 494	
Spouse	spouse_cr	0	
income limit	sp_lim	282	
withdrawal rate	sp_redn	0.25	
income limit (primary earner)	sp_lim_p	150 000	
Low income credit	low_inc_cr	1 500	
	low_inc_lim	30 000	
	low_inc_redn	0.04	
Tax schedule	tax_sch	0	6 000
		0.15	37 000
		0.30	80 000
		0.37	180 000
		0.45	
Medicare levy	medic_rate	0.015	
exemption limits	sing_lim	19 404	
married/sole parent	m_lim	32 743	
+ per child	ch_lim	3 007	
shading-in rate	shade_rate	0.1	
Part A FTB max	FTB_A_max	5 018.75	
Part A FTB basic	FTB_A_base	2 098.75	
part A income limit 1	FTB_A_lim1	46 355	
part A income limit 2	FTB_A_lim2	94 316	
reduction rate 1	FTB_A_taper1	0.2	
reduction rate 2	FTB_A_taper2	0.3	
additional limit2 per extra child	FTB_A_child	3 796	
Large family supplement	FTB_A_large	295.65	
Part B FTB	FTB_B	2 898.1	
part B partner income limit	FTB_B_lim	4 891	
reduction rate	FTB_B_taper	0.2	
income limit (primary earner)	FTB_B_lim_p	150 000	
Parenting payment single	PPS	16 634.28	
reduction rate	PPS_taper	0.4	
income limit	PPS_lim	4 539.6	
additional limit per child	PPS_ch_lim	639.6	
Pharmaceutical allowance	PA	158.6	
State pay-roll tax rate (NSW)	Pay_roll_rate	0.0545	
Newstart allowance single	NSAS	12 605.58	
Newstart allowance partnered	NSAP	11 378.38	
reduction rate 1	NSA_taper1	0.5	
reduction rate 2	NSA_taper2	0.6	
income limit 1	NSA_lim1	1 612	
income limit 2	NSA_lim2	6 500	
Pensioner tax offset single	PTOS	2 859	
Pensioner tax offset threshold single	PTOS_thresh	25 060	
Pensioner tax offset taper rate	PTOS_taper	0.125	
Education tax refund	Edu_TR	409	
Telephone allowance	Tele_A	99.88	
Flood levy	tax_flo	0	50 000
		0.005	100 000
		0.01	

2012 tax equations

The equations for the Australian system in 2012 are mostly repeated for each individual of a married couple. But the spouse credit is relevant only to the calculation for the principal earner and the calculation of employee social security contributions (Medicare levy) uses shading-in rules which depend on the levels of earnings of the spouses. The basis of calculation is shown by the Range indicator in the table below.

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

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

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

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**		27237	40855	68092	27237
2.	**Standard tax allowances**					
	Basic allowance		60	60	60	60
	Married or head of family					
	Dependent children		0	0	0	440
	Deduction for social security contributions and income taxes		4918	7377	10693	4918
	Work-related expenses		132	132	132	132
	Other		620	620	620	620
		Total	5730	8189	11505	6170
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		21507	32666	56587	21067
5.	**Central government income tax liability (exclusive of tax credits)**		3041	6855	15912	2881
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	669
	Children					
	Other		345	345	345	345
		Total	345	345	345	1014
7.	**Central government income tax finally paid (5 - 6)**		2696	6510	15567	1867
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4918	7377	10693	4918
	Taxable income					
		Total	4918	7377	10693	4918
10.	**Total payments to general government (7 + 8 + 9)**		7615	13887	26261	6785
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	4897
		Total	0	0	0	4897
12.	**Take-home pay (1-10+11)**		19622	26968	41832	25349
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		5891	8836	12808	5891
	payroll taxes		2043	3064	5107	2043
		Total	7934	11901	17915	7934
14.	**Average rates**					
	Income tax		9.9%	15.9%	22.9%	6.9%
	Employees' social security contributions		18.1%	18.1%	15.7%	18.1%
	Total payments less cash transfers		28.0%	34.0%	38.6%	6.9%
	Total tax wedge including employer's social security contributions		44.2%	48.9%	51.4%	27.9%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		44.4%	49.1%	37.9%	44.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		56.9%	60.6%	42.2%	56.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Austria 2012

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
1.	**Gross wage earnings**		40855	54474	68092	54474
2.	**Standard tax allowances**					
	Basic allowance		60	120	120	120
	Married or head of family					
	Dependent children		440	440	528	0
	Deduction for social security contributions and income taxes		7377	9428	12296	9428
	Work-related expenses		132	264	264	264
	Other		620	1240	1240	1240
		Total	8629	11492	14448	11052
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		32226	42982	53645	43422
5.	**Central government income tax liability (exclusive of tax credits)**		6665	6665	9686	6855
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		669	0	0	0
	Children					
	Other		345	690	690	690
		Total	1014	690	690	690
7.	**Central government income tax finally paid (5 - 6)**		5651	6210	8996	6400
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		7377	9428	12296	9428
	Taxable income					
		Total	7377	9428	12296	9428
10.	**Total payments to general government (7 + 8 + 9)**		13028	15638	21292	15828
11.	**Cash transfers from general government**					
	For head of family					
	For two children		4897	4897	4897	0
		Total	4897	4897	4897	0
12.	**Take-home pay (1-10+11)**		32724	43733	51698	38646
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		8836	11782	14727	11782
	Payroll taxes		3064	4086	5107	4086
		Total	11901	15867	19834	15867
14.	**Average rates**					
	Income tax		13.8%	11.4%	13.2%	11.7%
	Employees' social security contributions		18.1%	17.3%	18.1%	17.3%
	Total payments less cash transfers		19.9%	19.7%	24.1%	29.1%
	Total tax wedge including employer's social security contributions		38.0%	37.8%	41.2%	45.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		49.1%	49.1%	49.1%	49.1%
	Total payments less cash transfers: Spouse		19.2%	15.1%	44.4%	15.1%
	Total tax wedge: Principal earner		60.6%	60.6%	60.6%	60.6%
	Total tax wedge: Spouse		37.4%	34.2%	56.9%	34.2%

The Austrian currency is the euro (EUR). In 2012, EUR 0.78 was equal to USD 1. In that year, the average worker in Austria earned EUR 40 855 (Secretariat estimate).

1. Personal income tax

1.1. Central government income tax

1.1.1. Tax unit

Each person is taxed separately.

1.1.2. Tax allowances

1.1.2.1. Standard tax reliefs

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

1.1.2.2. Non-standard tax reliefs

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

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

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

- Special expenses allowance ("Sonderausgaben"): some personal expenses (for example, life insurance premiums, and expenses for the purchase of residence including repayments of housing loans) are partly deductible from income. The allowance is limited to EUR 2 920 per taxpayer or EUR 5 840 for sole earners or parents. A quarter of "Sonderausgaben" can be deducted up to a taxable income of EUR 36 400, whereas between EUR 36 400 and EUR 60 000 the deductible amount is (linearly) reduced to EUR 60. Unless higher special expenses can be proved, a standard deduction for "Sonderausgaben" of EUR 60 is granted (see Section 1.121). Grants to non-profit charitable organisations up to 10% of taxable income are deductible. Additionally, contributions to the church are deductible up to an amount of EUR 400.

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

1.1.3. Rate schedule

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

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

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

1.1.4. Tax credits

Tax credits are available as follows:

- Employee's tax credit of EUR 54. In the overall tax calculation, negative tax is possible where the amount paid to the taxpayer would equal the gross tax minus tax credits but is limited to 10 per cent of social security contributions to a maximum of EUR 110. For employees with a traffic allowance (see 1.12.2) the maximum is EUR 251.
- Traffic (commuting) tax credit EUR 291.
- Sole earner's and sole parent's tax credit for families with children. The sole earner's credit is not given when a spouse's income exceeds EUR 6 000. This tax credit is EUR 494 for one child and increases by EUR 175 for the second and by EUR 220 for the third and every additional child. This tax credit is non-wastable and can be paid out as a negative income tax (in addition to the negative tax permitted in respect of the Employee's tax credit).
- Children's tax credit EUR 700.8 (58.40 per month) per child. As this tax credit is paid together with children allowances and not connected with income tax assessment, it is treated as a transfer in this Report (similar treatment as in *Revenue Statistics*).
- Tax credit for retired persons. The tax credit amounts to EUR 764 for sole earners with income up to EUR 19 930 and if the spouse's income does not exceed EUR 2 200. Otherwise the tax credit is EUR 400 and is linearly reduced to 0 between EUR 17 000 and EUR 25 000 of income.

1.2. State and local income taxes

None.

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

2.1. Employee and employer social security contributions

	Ceilings (EUR)		Rates (%)	
	Regular wage per month	Christmas and leave bonus	Employee[2]	Employer[3]
Health insurance	4 230	8 460	3.95	3.70
Unemployment insurance	4 230	8 460	[4]	3.00
Pension insurance	4 230	8 460	10.25	12.55
Accident insurance	4 230	8 460	–	1.40
Contribution to the labour chamber	4 230	[1]	0.50	–
Contribution for the promotion of residential building	4 230	[1]	0.50	0.50
Addition to secure wage payments in the case of bankruptcy	4 230	8 460	–	0.55

1. No contributions on Christmas and leave bonus. In Revenue Statistics, the contribution to the labour chamber is accounted under Taxes on Income of Individuals (1110) the total of the contribution for the promotion of residential buildings is included in Taxes on payroll (3000).
2. There is a threshold for employee contributions of EUR 376.26 per month.
3. A new program has been introduced as of 1 January 2004 for severance payments. Employers are required to pay 1.53 per cent of gross wages to the Social Health Security Fund ("Krankenkassen") for those whose employment starts after 1 January 2003 or where the employer and employee opt to participate in the new program. This contribution is seen as a non-tax compulsory wage-related payment.
4. Mid 2008, the employees' unemployment insurance rate was reduced for low earnings. In 2010, it is zero for monthly earnings up to EUR 1 186, 1% up to EUR 1 294, 2% up to EUR 1 456 and 3% above.

2.2. Payroll taxes

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

3. Universal cash transfers

3.1. Amount for marriage

No recurrent payments.

3.2. Amount for children

A family allowance is granted for each child. The monthly payment is EUR 105.40 for the first child, EUR 118.20 for the second, EUR 140.40 for the third and EUR 155.40 for each subsequent child. It is increased by EUR 7.30 for children above 3 years, EUR 25.50 for children above 10 years of age and by EUR 47.30 for students (above 19). Parents of children under the age of 3 years are entitled to a childcare transfer, introduced in 2002. Beginning 2010, the flexibility of the childcare transfer was increased significantly. The entitled parent can now choose between four alternatives: EUR 14.53 per day until the 36th month of birth, EUR 20.80 (24 month) or EUR 26.60 (18 month). Additionally instead of the fix amounts the entitled person can opt for 80% of the last net-earning, whereas the transfer is at least EUR 1 000 and EUR 2 000 at most (14 month). The children's tax credit (EUR 50.90 monthly, see § 1.14) is paid out together with the family allowance and therefore treated as a transfer.

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

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

4. Main changes in tax/benefit systems since 1994

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

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

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

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

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

The budget consolidation measures for 2001 included an abolition of the general tax credit for incomes exceeding ATS 487 400, the halving of the employee's tax credit to ATS 750 and a phasing-out of the pensioner's tax credit for income between ATS 230 000 and 300 000. The adaptation of the tax laws to the euro did not bring any substantive changes. In 2004 (effective), the family allowances for children above three years of age were increased by EUR 7.30 per month.

In 2004, the first step of a comprehensive tax reform came into force. The general tax credit was increased from EUR 887 to EUR 1 264 and the phasing-out rules were considerably simplified and made uniform for all groups of taxpayers.

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

In 2007, the traffic allowances were increased by 10 per cent (effective from 1 July), the maximum negative tax for employees with traffic allowances was increased from EUR 110 to EUR 240 (for 2008 and 2009). For 2008, the family allowances for the third and subsequent children were increased. In 2008, the unemployment insurance contributions of low-earning employees were reduced (effective from 1 July). In 2008 up to monthly earnings of EUR 1 100 the rate was zero, for earnings below EUR 1 200 the contribution was 1 per cent, below EUR 1 350 2 per cent and above the current rate of 3 per cent. These income limits are increased according to the raise of the ceiling levels of social security contributions every year.

In September 2008, the parliament decided some measures to compensate for the strong increase of food and energy prices: inter alia, the tax exemption of overtime supplements was increased and a 13th payment of children allowances introduced.

The tax reform 2009 (effective from 1 January) brought an increase of the zero bracket (from EUR 10 000 to EUR 11 000), a reduction of the income tax rates (except the top rate), an upward shift of the top rate bracket (from EUR 51 000 to EUR 60 000) and several measures for families with children: children allowance (EUR 220 or EUR 132 each parent p.a.), deductibility of cost for child care (up to EUR 2 300 p.a. per child), tax-free payments (up to EUR 500 p.a.) from employers to their employees for child care and an increase of the children tax credit.

5. Memorandum items

5.1. *Calculation of earnings data*

- Sector used: All private employees except apprentices employed full-time for the whole year
- Geographical coverage: Whole country
- Sex: Male and Female
- Earnings base:
  - Items excluded:
    - Unemployment compensation
    - Sickness compensation
  - Items included:
    - Vacation payments
    - Overtime payments
    - Recurring cash payments
    - Fringe benefits (taxable value)
- Basic method of calculation used: Average annual earnings
- Income tax year ends: 31 December

  Period to which the earnings calculation refers to: one year.

2012 parameter values

Average earnings/yr	Ave_earn	40 855	(Secretariat estimate)
Non current income as %	non_cur_pc	14.286%	
Tax free inc on non-current	Bonus	620	
Ceiling for taxing non-current income	nonc_ceil	2 000	
Work related	work_rel	132	
Allowance f."Special expenses"	Basic_al	60	
Children allowance for 2 earning parents	Child_al_2	132	
Children allowance for sole earner/parent	Child_al_1	220	
Tax free inc.	tax_free	0%	
Basic tax credit	basic_cr		
Employee's tax credit	wage_cr	54	
Max. neg. employee's tax credit	neg_wage_cr	110	
Traffic (commuting) tax credit	traffic_cr	291	
Sole earner's (parent's) tax credit	sole_cr	0	
Children suppl.to SETC: 1st child	dsole1_cr	494	
2nd child	dsole2_cr	175	
3rd+ child	dsole3_cr	220	
Spouse income not more than	sole_lim0	0	
Spouse with children	sole_lim1	6 000	
Tax on non-current income	non_cur_rate	6%	
Altern.tax on non-current income	alt_nonc_rate	30%	
Income tax schedule	Tax_sch	0	11 000
		0.365	25 000
		0.43214	60 000
		0.5	
Ceiling f. soc. security contributions	SSC_ceil	4 230	
lower limit	SSC_low	376.26	
Employees' contr. rates	health_rate	3.95%	
	unemp_rate	0%	1 186
		1%	1 294
		2%	1 456
		3%	
	Pension_rate	10.25%	
Sum without unempl. and others	empl_14	14.20%	
	others_rate	1%	
Employers' contr.rates	health_empr	3.70%	
	unemp_empr	3%	
	Pension_empr	12.55%	
	accident_empr	1.40%	
	payinsur_empr	0.55%	
Sum without others	empr_14	21.20%	
	others_empr	0.50%	
Payroll taxes	payroll_rate	7.50%	
Child benefit: 1st child	CB_1	1 264.8	
2nd child	CB_2	1 418.4	
3rd child	CB_3	1 684.8	
4th+ child	CB_4	1 864.8	
suppl.>3years	CB03sppl	87.6	
suppl.>10years	CB10sppl	306.0	
suppl >19years	CB19sppl	567.6	
5years<suppl<17years	CB5to17	100.0	
Child tax credit	child_cr_1	700.8	

2012 tax equations

The equations for the Austrian system are, in principle, on an individual basis. The only variable which is dependent on the marital status is the head of family (sole earner) tax credit which is also given to single people with children. For the Christmas and leave bonus (both amounting to one monthly wage or salary) there are special rules for the calculation of social security contributions (separate ceilings and slightly lower rate) and wage tax (reduced flat rate). The income tax schedule and the tax credits are applied only for "current pays". The children tax credit is in principle given to the mother (as a negative tax together with "family allowances" = transfer for children). The sole earner and the employee tax credit are connected with negative income tax rules. Therefore, the tax finally paid may be different from tax liability minus tax credits.

Bn	Variable	Code for docn equations	Excel-Function
3.	earnings (%AW)	percent	0, 1/3, 2/3, 1 or 5/3 in Taxing Wages output tables (but model can be applied to all earnings levels)
4.	number of children	child	0 or 2 in Taxing Wages output tables
5.	Gross earnings	earn	=Ave_earn*percent
6.	Current income	cearn	=(1-non_cur_pc)*earn
7.	Basic allowance	allow	=(earn>14*SSC_low)*Basic_al
8.	SSC on curr.inc.	SSCc	=(empl_14+unemp(earn,unemp_rate)+others_rate)* MIN(12*SSC_ceil;cearn)*(cearn>12*SSC_low)
9.	Work related expenses	work_rel	=work_rel
10.	Tax-free income	taxfrinc	=tax_free*earn
11.	Child allowance	Child_al_princ Child_al_spouse	IF(cearn_spouse-allow_spouse-SSCc_spouse-work_rel_spouse-taxfrinc_spouse-11945<0,Child_al_1, Child_al_2)*child IF(Child_al_princ=child*Child_al_2, Child_al_2, 0)*Child
12.	Tax base for schedule	ctbase	=(earn>14*SSC_low)*(cearn-allow-SSCc-work_rel-taxfrinc-child_al*child)
13.	Gross tax on current income	gtaxcur	=Tax(ctbase;tax_sch)
14.	Basic tax credit	btaxcr	=0
15.	Married or head of family	headcr	=(earn_sp<IF(child>0;sole_lim1;sole_lim0))*(sole_cr+(child>0) *dsole1_cr+(child>1)*dsole2_cr+(child>2)*(child-2)*dsole3_cr
16.	Other	othcr	=min(wage_cr;10%*SSC)+traffic_cr
17.	Interm. tax on current income	itcur	=gtaxcur-btaxcr-headcr-othcr
18.	Net tax on current income	ntaxcur	=IF(itcur>-headcr; itcur;MAX(-0.1*SSC-(child>0)*headcr; -neg_wage_cr-(child>0)*headcr))
19.	Non current income	ncearn	=earn-cearn
20.	SSC on non-curr. inc.	SSCnc	=(health_rate+unemp(earn,unemp_rate)+pension_rate)* MIN(2*SSC_ceil;ncearn)*(ncearn>2*SSC_low)
21.	Non current income-SSC	ncearn_adj1	=ncearn-SSCnc
22.	of which tax free	taxfree	=MIN(bonus;ncearn_adj)
23.	Non-curr. tax base	ncearn_adj2	=ncearn_adj-taxfree
24.	Tax on non current income	taxnc	=Positive(MIN((ncearn_adj1-nonc_ceil)*alt_nonc_rate;ncearn_adj2*non_cur_rate))
25.	Taxable income	taxinc	=ctbase+ncearn_adj2
26.	Tax liability excl. tax credits	inctax_ex	=gtaxcur+taxnc
27.	Income tax finally paid	inctax	=ntaxcur+taxnc
28.	Employee's SSC	SSC	=SSCc+SSCnc
29.	Employer's SSC	SSCf	=((empr_14+others_empr)*MIN(12*SSC_ceil;cearn)+empr_14*MIN(12*SSC_ceil;ncearn))
30.	Pay-roll taxes	payroll	=payroll_rate*earn
31.	Cash transfers	cash	=IF(child=0;0;IF(child=2;CB_1+CB_2+child*CB10sppl+child*(child_cr_1+CB5to17)))
32.	Take-home pay		=earn-inctax-SSC+cash
33.	Wage cost		=earn+SSCf+payroll

unemp is a Visual Basic Function which chooses lower unemployment SSC rates for low earnings.
Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

Belgium

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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 2012

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**	30710	46065	76775	30710
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	4014	6021	10034	4014
	Work-related expenses	2736	3136	3790	2736
	Other				
	Total	6750	9157	13824	6750
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	23960	36908	62950	23960
5.	**Central government income tax liability (exclusive of tax credits)**	8185	14042	27063	8185
6.	**Tax credits**				
	Basic credit	0	0	0	0
	Married or head of family	1768	1700	1700	2136
	Children	0	0	0	1150
	Other				
	Total	1768	1700	1700	3286
7.	**Central government income tax finally paid (5-6)**	6418	12342	25363	4900
8.	**State and local taxes**	475	913	1877	363
9.	**Employees' compulsory social security contributions**				
	Gross earnings	4014	6021	10034	4014
	Taxable income	261	429	731	261
	Total	4274	6450	10766	4274
10.	**Total payments to general government (7 + 8 + 9)**	11167	19705	38006	9537
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	3725
	Total	0	0	0	3725
12.	**Take-home pay (1-10+11)**	19543	26360	38769	24899
13.	**Employer's compulsory social security contributions**	8740	13910	22524	8740
14.	**Average rates**				
	Income tax	22.4%	28.8%	35.5%	17.1%
	Employees' social security contributions	13.9%	14.0%	14.0%	13.9%
	Total payments less cash transfers	36.4%	42.8%	49.5%	18.9%
	Total tax wedge including employer's social security contributions	50.5%	56.0%	61.0%	36.9%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	54.9%	59.4%	59.8%	54.9%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	66.3%	69.7%	68.5%	66.3%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Belgium 2012

The tax/benefit position of married couples

		100-0	100-33	100-67	100-33
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	46065	61420	76775	61420
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	6021	6021	10034	6021
	Work-related expenses	3136	5476	5872	5476
	Other				
	Total	9157	11497	15907	11497
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	36908	49923	60868	49923
5.	**Central government income tax liability (exclusive of tax credits)**	12122	17641	22227	17641
6.	**Tax credits**				
	Basic credit	0	120	0	120
	Married or head of family	3468	3468	3468	3468
	Children	1039	1039	1039	0
	Other				
	Total	4506	4626	4506	3587
7.	**Central government income tax finally paid (5-6)**	7616	13016	17721	14054
8.	**State and local taxes**	564	972	1311	1049
9.	**Employees' compulsory social security contributions**				
	Gross earnings	6021	6021	10034	6021
	Taxable income	429	598	731	598
	Total	6450	6619	10766	6619
10.	**Total payments to general government (7 + 8 + 9)**	14630	20607	29798	21722
11.	**Cash transfers from general government**				
	For head of family				
	For two children	3725	3725	3725	0
	Total	3725	3725	3725	0
12.	**Take-home pay (1-10+11)**	35160	44539	50702	39698
13.	**Employer's compulsory social security contributions**	13910	16163	22650	16163
14.	**Average rates**				
	Income tax	17.8%	22.8%	24.8%	24.6%
	Employees' social security contributions	14.0%	10.8%	14.0%	10.8%
	Total payments less cash transfers	23.7%	27.5%	34.0%	35.4%
	Total tax wedge including employer's social security contributions	41.4%	42.6%	49.0%	48.8%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	54.9%	59.4%	58.4%	59.4%
	Total payments less cash transfers: Spouse	38.9%	42.0%	53.8%	42.0%
	Total tax wedge: Principal earner	66.3%	69.7%	68.8%	69.7%
	Total tax wedge: Spouse	46.7%	61.3%	65.5%	61.3%

The national currency is the euro. In 2012, EUR 0.78 was equal to USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 46 065 (Secretariat estimate).

1. Personal income tax system

1.1. Federal government income tax

1.1.1. Tax unit

Spouses are taxed separately. As from 2004, the principle of separate taxation applies to all categories of income. A non-earning spouse is taxed separately on a notional share of income that can be transferred to him or her (see "non-earning spouse allowance", below). Married couples nonetheless file joint income tax returns.

1.1.2. Tax allowances

1.1.2.1. Deduction of social security contributions

Unless stated otherwise, social insurance contributions are deductible from gross income.

1.1.2.2. Work-related expenses

Salaried employees and self-employed professionals are entitled to a standard deduction for work-related expenses. This deduction may under no circumstances exceed EUR 3 790 per spouse and is computed as follows:

Gross earnings less social insurance contributions (EUR)	Rate (%)
Below 5 490	28.7
Between 5 490 and 10 910	10
Between 10 910 and 18 150	5
Above 18 150	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 2 280 per spouse.

An additional allowance may be granted to wage-earners if their workplace is more than a certain distance from their home.

Actual expenses incurred in order to acquire or retain earned income are deductible if they exceed the standard deduction. The deductibility of certain categories of work-related expenses (cars, clothing, restaurant meals and business gifts) is limited, however. Taxpayers who report actual expenses may deduct EUR 0.15 per kilometre, up to 100 km per single journey, for travel between their home and their workplace by means other than private car.

1.1.2.3. Non-earning spouse allowance (*quotient conjugal*)

A notional amount of income can be transferred between spouses if one of them earns no more than 30 per cent of the couple's combined earned income. In this case, the amount transferred is limited to 30 per cent of aggregate net earned income, less the individual income of the spouse to whom the notional share is transferred. This allowance is limited to EUR 9 810.

1.1.2.4. Exempt income

The base amount is:

Taxable income (S)	Fixed amount	Variable amount
0-25 270	7 070	0
25 270-25 540	6 800	25 540-S
25 540 and up	6 800	0

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

- 1 child 1 440
- 2 children 3 720
- 3 children 8 330
- 4 children 13 480
- > 4 children 5 150 per additional child

Dependent child exemptions in excess of available income give rise to a reimbursable tax credit. This reimbursable tax credit is calculated at the marginal rate and capped at EUR 420 per dependent child.

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

- Other dependants 1 440
- Handicapped spouse 1 440
- Other handicapped dependants 1 440
- Widow(er) with dependent child(ren) 1 440
- Single father or mother 1 440

These additional exemptions are applied first to the taxable income of the spouse having the most income, with any remainder then being applied to the income of the other spouse.

The basic exemption plus any additional exemptions for dependants and single parents is applied against each bracket from the bottom up; in other words, the lowest brackets are depleted first.

1.1.2.5. Schedule

Taxable income (EUR)	Marginal rate (%)
0-8 350	25
8 350-11 890	30
11 890-19 810	40
19 810-36 300	45
36 300 and above	50

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

1.2. Local government taxes

Local taxes are levied as a percentage of federal tax liability before deduction of reimbursable tax credits (for low earned income and for children). The rate of this surtax is set by each municipality, and there is no upper limit. The average rate is deemed to be 7.4%.

1.3. Tax credits

a) Refundable tax credit for low-income from professional activities

A refundable tax credit is granted for low earned income other than wage income. For wages, the credit is replaced by an "employment bonus" that reduces individual social security contributions (see below). However, civil servants that do not qualify for the "employment bonus", because they are not subject to social security contributions regulations that apply to the private sector, may qualify for the refundable tax credit.

The tax credit is based on the net amount of earned income other than wage income. The net amount is computed after deduction of work-related expenses.

The base for the credit is income before any transfer of notional income between spouses.

Tax credits are granted by spouse according to the following schedule:

Tax credit schedule

Net income brackets (R) in EUR		Amount of tax credit in EUR
L_1	L_2	
	4 770	0
4 770	6 370	B x (**R** – L_1)/(L_2 – L_1)
6 370	15 930	B
15 930	20 700	B x (L_2 – **R**)/(L_2 – L_1)
20 700	and above	0

For 2012 income, the amount of the base (B) was EUR 640.

b) Refundable tax credit for low-income workers

Since 2011, a new 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 5.7% of the "employment bonus" which is actually granted on remunerations earned during the taxable period. It cannot exceed EUR 120 per taxable period.

1.4. Rebate on the wage withholding tax

Employers benefit from a rebate on the wage withholding tax, at the rate of 1%. The rebate does not affect the PIT liability of the employee and the amount of the withholding tax he may credit on its PIT liability: it just reduces the amount of withholding tax that the employer has to be to the tax administration. This means that the rebate operates like a wage subsidy, or like a negative payroll tax. The rebate is a standard one: it applies in an unconditional way to any wage earners in Sectors C-K.

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

2.1. Rates and ceiling

a) Payroll deductions

The rates of employer and employee contributions are set by law. The applicable rates (in %) are as follows (for businesses having 20 or more employees):

2012	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		0.43	0.43
Wage restraint		7.59	7.59
Total	13.07	34.67	47.74

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 01.01.2012 is as follows:

Gross annual earnings (S) in EUR	Fixed amount	Variable amount
0-23 482.84	1 600	0.162 (23 482.84 – S)
23 482.84-48 000	1 600	0
48 000 and up	1 600	0.06 (S – 48 000)

c) Reduction of individual social security contributions

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

The schedule applicable as from 01.05.2011 is as follows:

Gross annual salary (S) in EUR	Reduction in euros
0 < S < 17 322.48	2 100
17 322.48 < S < 21 142.80	Min. (2 100, (2 100 – 0.2743 (S – 17 322.48))
21 142.80 < S < 27 511.92	Min. (1 716, (1 716 – 0.1718 (S – 17 322.48))
S > 27 511.92	0

The schedule applicable as from 01.02.2012 is as follows:

Gross annual salary (S) in EUR	Reduction in euros
0 < S < 17 668.80	2 100
17 668.80 < S < 21 565.56	Min. (2 100, (2 100 – 0.2636 (S – 17 668.80))
21 565.56 < S < 28 062.72	Min. (1 716, (1 716 – 0.1651 (S – 17 668.80))
S > 28 062.72	0

d) Special social security contribution

All persons totally or partially subject to the social security scheme for salaried workers are liable for this special contribution. In theory, the amount of the contribution is determined according to aggregate household income. Aggregate household income is equal to combined gross earnings less ordinary social security contributions and work-related expenses. The amount of the contribution is as follows:

Taxable income (EUR)	Amount due on the lower limit	% above the lower limit
From 0 to 18 592.02	0	0
From 18 592.02 to 21 070.96	0	9
From 21 070.96 to 60 161.85	223.10	1.3
60 161.85 and above	731.29	0

e) Work accidents

All employers are required to insure their employees against accidents that occur in the workplace or while travelling to or from the workplace. The insurance is written by a private company. The usual premiums are approximately 1 % of gross pay for office workers and 3.3% for labourers. The premiums are based on capped gross wages: in 2011 these premiums apply to gross wages (including holiday pay and extra-legal remunerations) with a minimum of EUR 6 068 and a maximum of EUR 37 546 (EUR 5 949 and EUR 36 810 respectively in 2010). Higher rates apply in certain industries in which risks are greater. The premium rate for construction workers, for example, varies between 7% and 8%.

2.2. Deductions according to family status or gender

None.

3. Universal cash transfers

Family allowances are granted for children. The annual amounts of these benefits (in euro) are as follows:

	< 5 years	5-6 years	7-10 years	11-12 years	12-16 years	17-18 years	> 18 years
1st child	1 090.98	11 121.36	1 306.72	1 329.69	1 426.57	1 454.41	1 541.81
2nd child	1 995.64	2 026.02	2 395.66	2 418.63	2 613.71	2 641.55	2 794.92
3rd child	2 966.28	2 996.66	3 366.30	3 389.27	3 584.27	3 612.19	3 765.56

To determine the resources available to the average worker, the *Taxing Wages* calculations assume that one child was between seven and ten years of age and that the other child was between eleven and twelve years of age.

4. Main changes in the tax/benefit system

None.

2012 parameter values

	Ave_earn	46 065		Secretariat estimate	
Work-related expenses	work_rel_max	3 790			
	work_rel_sch	0.287	5 490		
		0.1	10 910		
		0.05	18 150		
		0.03			
Tax credits (tranche exonérée)	single_cr	6 800			
	Married_cr	6 800			
	Supp_cr_base	270			
	supp_cr_thrsh1	25 270			
One child	child_cr1	1 440			
Two children	child_cr2	3 720			
Single parents	s_parent_cr	1 440			
Maximum Child Credit Payment	child_cr_max	420			
Basic Credit	basic_cr_base	0			
	basic_cr_thrsh1	4 770			
	basic_cr_thrsh2	6 370			
	basic_cr_thrsh3	15 930			
	basic_cr_thrsh4	20 700			
Income tax schedule		tax_rate1			
	tax_sch	0.25	8 350		
		0.30	11 890		
		0.40	19 810		
		0.45	36 300		
		0.50			
	quote_max	9 810			
	quote_rate	0.3			
Local tax	local_rate	0.074			
Unemployment	unemp_rate	0.0087			
Medical care	med_rate	0.0115			
Sickness	sickness_rate	0.0355			
Pension	pension_rate	0.0750			
Employee contribution	SSC_rt	0.1307			
	SSC_redn	0	0	2 100	0
	(annual)	17 639.94	17 639.94	2 100	0.2645
		21 530.33	17 639.94	1 716	0.1657
		28 016.82	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	0.3467			
	SSC_empr_redn	0	1 600	0.1620	23 482.84
		23 482.84	1 600	0	48 000
		48000	1 600	-0.06	48 000
		9 999 999	0	0	
Structural reduction on the withholding tax on wages	PrP_redn	0.01			
Low-income credit	LIC_rate	0.057			
	LIC_max	120.00			
Child benefit (age 7-10)	CB_1	1 329.69			
second child (age 7-10)	CB_2	2 395.66			
third child (age 7-10)	CB_3	3 366.30			

2012 tax equations

The equations for the Belgian system in 2012 are mostly calculated on an individual basis. But central government tax for a married couple is calculated on two bases and the lower value is used. One of the bases takes account of the combined income of the couple. Also, tax credits may be used against the tax liability of the secondary earner if the principal earner is unable to use them.

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

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	B	MIN(work_rel_max, Tax(earn-SSC, work_rel_sch))+SSC
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc_int	B	earn-tax_al
	Quote part	Q	J	IF(married, Positive(MIN(tax_inc_int_total*quote_rate, quote_max)-tax_inc_int_spouse), 0)
	CG adjusted taxable income – principal	tax_inc_adj_princ	P	Positive(tax_inc_int_princ – Q)
	CG adjusted taxable income – spouse	tax_inc_adj_spouse	S	Positive(tax_inc_int_spouse + Q)
5.	CG tax before credits	CG_tax_excl	J	Tax(tax_inc_adj, tax_sch)
6.	Calculation of credits			
	Child exemption amount	child_ex_inc	P	(children=1)*child_cr1+(children=2)*child_cr2
	Family exemption amount	fam_ex_inc	B	IF(Married,married_cr,single_cr+(Children>0)*s_parent_cr)+IF(tax_inc_adj<=0.0,IF(tax_inc_adj<=supp_cr_thrsh1,supp_cr_base,MAX(0,supp_cr_base+supp_cr_thrsh1-tax_inc_adj)))
	Initial exempt income – principal	ex_inc_int_princ	P	child_ex_inc+fam_ex_inc_princ
	Initial exempt income – spouse	ex_inc_int_spouse	S	fam_ex_inc_spouse
	Transferable amount	ex_inc_tran	J	married*IF(ex_inc_int_princ<tax_inc_adj_princ, MIN(MAX((ex_inc_int_spouse-tax_inc_adj_spouse), 0), tax_inc_adj_princ-ex_inc_int_princ), -(MIN(MAX((ex_inc_int_princ-tax_inc_adj_princ), 0), MAX(0, tax_inc_adj_spouse-ex_inc_int_spouse))))
	Final exempt income – principal	ex_inc_fin_princ	P	ex_inc_int_princ+ex_inc_tran
	Final exempt income – spouse	ex_inc_fin_spouse	S	ex_inc_int_spouse-ex_inc_tran
	Tax credits	tax_credits	J	Tax(ex_inc_fin, tax_sch)
	Basic Credit	basic_cr	B	basic_cr_base*IF(tax_inc<=basic_cr_thrsh1, 0, IF(tax_inc<=basic_cr_thrsh2, (tax_inc-basic_cr_thrsh1)/(basic_cr_thrsh2-basic_cr_thrsh1), IF(tax_inc<=basic_cr_thrsh3, 1, IF(tax_inc<=basic_cr_thrsh4, (basic_cr_thrsh4-tax_inc)/(basic_cr_thrsh4-basic_cr_thrsh3), 0)))) +IF(tax_inc=0;0;MIN(LIC_rate*(MIN(VLOOKUP(earn, SSC_redn,3), VLOOKUP(earn, SSC_redn, 3)-VLOOKUP(earn, SSC_redn, 4)*(earn-VLOOKUP(earn, SSC_redn, 2)))));LIC_max))
7.	CG tax			
	Tax prior to non-wasteable credits	CG_tax_init	B	Positive(CG_tax_incl-tax_credits)
	Non-wasteable child credit	child_credit_nw	J	MIN(Tax(MIN((children=1)*child_cr1+(children=2)*Parameters!child_cr2), (positive(ex_inc_int-tax_inc_int), tax_sch), children*child_cr_max)
	Final CG tax	CG_tax_final	J	CG_tax_init-basic_cr_total-child_credit_nw

Line in country table and intermediate steps	Variable name	Range	Equation
8. State and local taxes	local_tax	J	local_rate*CG_tax_init
9. Employees' soc security	SSC	B	Positive((earn)*SSC_rt-MIN(VLOOKUP(earn, SSC_redn,3), VLOOKUP(earn, SSC_redn, 3)-VLOOKUP(earn, SSC_redn, 4)*(earn-VLOOKUP(earn, SSC_redn, 2))))
	SSC_special	J	positive(Tax(tax_inc_total, SSC_special)
	SSC_total		SSC+SSC_special
11. Cash transfers	cash_trans	J	(Children>0)*CB_1+(Children>1)*CB_2
13. Employer's soc security	empr_sch	B	Positive(earn*(SSC_empr_rt- PrP_redn)-(VLOOKUP(earn, SSC_empr_redn, 2)-VLOOKUP(earn, SSC_empr_redn, 3)*(earn-VLOOKUP(earn, SSC_empr_redn, 1))))

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	31238	46857	78095	31238
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)**	31238	46857	78095	31238
5.	**Central government income tax liability (exclusive of tax credits)**	4686	7319	14191	4686
6.	**Tax credits**				
	Basic credit	1788	1788	1788	1788
	Married or head of family	0	0	0	1623
	Children	0	0	0	657
	Other(CPP & EI)	292	448	472	292
	Total	2079	2235	2260	4360
7.	**Central government income tax finally paid (5-6)**	2606	5084	11932	326
8.	**State and local taxes**	1004	2062	5053	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1945	2986	3147	1945
	Taxable income (Provincial Health Care Levy)	300	450	750	300
	Total	2245	3436	3897	2245
10.	**Total payments to general government (7 + 8 + 9)**	5855	10581	20881	2570
11.	**Cash transfers from general government**				
	For head of family	406	0	0	510
	For two children	0	0	0	8209
	Total	406	0	0	8720
12.	**Take-home pay (1-10+11)**	25788	36275	57213	37387
13.	**Employer's compulsory social security contributions**	3671	5569	7227	3671
14.	**Average rates**				
	Income tax	11.6%	15.2%	21.7%	1.0%
	Employees' social security contributions	7.2%	7.3%	5.0%	7.2%
	Total payments less cash transfers	17.4%	22.6%	26.7%	-19.7%
	Total tax wedge including employer's social security contributions	26.1%	30.8%	32.9%	-7.1%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	25%	35.1%	35.4%	55.8%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	33.6%	40.9%	38.3%	60.6%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Canada 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	46857	62476	78095	62476
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)**	46857	62476	78095	62476
5.	**Central government income tax liability (exclusive of tax credits)**	7319	9662	12005	9662
6.	**Tax credits**				
	Basic credit	3411	3575	3575	3575
	Married or head of family	1623	0	0	0
	Children	657	657	657	0
	Other(CPP & EI)	448	581	740	581
	Total	6139	4813	4972	4156
7.	**Central government income tax finally paid (5-6)**	2803	4849	7033	5506
8.	**State and local taxes**	1279	2166	3066	2166
9.	**Employees' compulsory social security contributions**				
	Gross earnings	2986	3872	4931	3872
	Taxable income (Provincial Health Care Levy)	450	450	750	450
	Total	3436	4322	5681	4322
10.	**Total payments to general government (7 + 8 + 9)**	7518	11336	15780	11994
11.	**Cash transfers from general government**				
	For head of family	0	0	0	0
	For two children	3532	2119	1494	0
	Total	3532	2119	1494	0
12.	**Take-home pay (1-10+11)**	42871	53258	63809	50482
13.	**Employer's compulsory social security contributions**	5569	7317	9239	7317
14.	**Average rates**				
	Income tax	8.7%	11.2%	12.9%	12.3%
	Employees' social security contributions	7.3%	6.9%	7.3%	6.9%
	Total payments less cash transfers	8.5%	14.8%	18.3%	19.2%
	Total tax wedge including employer's social security contributions	18.2%	23.7%	26.9%	27.7%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	65.0%	39.1%	39.1%	35.1%
	Total payments less cash transfers: Spouse	33.5%	34.2%	29.5%	30.2%
	Total tax wedge: Principal earner	68.1%	44.5%	44.5%	40.9%
	Total tax wedge: Spouse	40.2%	41.4%	37.2%	37.8%

The national currency is the Canadian dollar (CAD). In 2012, CAD 1.00 was equal to USD 1. In that year, the average worker earned CAD 46 857 (Secretariat estimate).

1. Personal income tax systems

1.1. Central/federal government income taxes

1.1.1. Tax unit

Under the present system, tax is levied on individuals separately; certain tax reliefs depend on family circumstances.

1.1.2. Tax allowances and credits

1.1.2.1. Standard credits

- *Basic personal amount:* All taxpayers qualify for a basic personal tax credit of CAD 1 623.30.
- *Credit for Spouse or Eligible Dependant*: A taxpayer supporting a spouse or other eligible dependant receives a tax credit of CAD 1 623.30 which is reduced by 15 cents for each dollar of the dependant's income.
- *Child Tax Credit:* A tax credit that provides up to CAD 328.65 of tax relief for each dependent child under the age of 18. The credit can be claimed by either parent.
- *Social security contributions:* Taxpayers are entitled to claim 15 per cent of their contributions to the Canada or Quebec Pension Plans (to a maximum of CAD 2 306.70 for the Canada Pension Plan and to a maximum of CAD 2 341.65 for the Quebec Pension Plan) and their Employment Insurance premiums (to a maximum of CAD 839.97).
- *Working Income Tax Benefit (WITB)*: The WITB provides a non-wastable tax credit equal to 25 per cent of each dollar of earned income in excess of CAD 3 000 to a maximum credit of CAD 970 for single individuals without dependents and CAD 1 762 for families (couples and single parents). The credit will be reduced by 15 per cent of net family income in excess of CAD 11 011 for single individuals and CAD 15 205 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 164.25 on employment income.

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

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

- *Medical expenses credit:* Taxpayers are entitled to a 15 per cent tax credit for an amount of eligible medical expenses that exceeds the lesser of 3 per cent of net income or CAD 2 109.
- *Charitable donations credit:* The credit is 15 per cent on the first CAD 200 of eligible charitable donations and 29 per cent on eligible donations in excess of CAD 200. Eligible donations are those made to registered charities, to a maximum of 75 per cent of net income.

- *Registered pension plan contributions:* Employees who are members of a registered pension plan are entitled to deduct their contributions to the plan in respect of current and/or past service. Generally, employee contributions to a defined benefit registered pension plan are not subject to any limit; however, limits apply to the benefits that a plan may provide. Individuals can deduct their contributions to a defined contribution registered pension plan up to a limit of 18 per cent of earned income, to a maximum of CAD 23 820.
- *Registered retirement savings plan (RRSP) premiums*: Individuals can deduct their contributions to an RRSP up to a limit of 18 per cent of the previous year's earned income, to a maximum of CAD 22 970 a year, unless they are also accruing benefits under a registered pension plan or a deferred profit sharing plan. Members of those other plans are limited to RRSP contributions of 18 per cent of the previous year's earned income to a maximum of CAD 22 970, minus a pension adjustment amount based on pension benefits accrued in the previous year.
- *Union and professional dues:* Individuals with annual dues paid to a trade union or an association of public servants or paying dues required to maintain a professional status recognised by statute are allowed to deduct such fees in computing taxable income.
- *Moving expenses:* Eligible moving expenses are deductible from income if the taxpayer moves at least 40 kilometres closer to a new place of employment.
- *Child care expenses:* A portion of child care expenses is deductible if incurred for the purpose of earning business or employment income, studying or taking an occupational training course or carrying on research for which a grant is received. The lower-income spouse must generally claim the deduction. The amount of the deduction is limited to the least of:
  1. the expenses incurred for the care of a child;
  2. two-thirds of the taxpayer's earned income; and
  3. CAD 7 000 for each child who is under age seven, and CAD 4 000 per child between seven and sixteen years of age. The amount for a disabled child under seventeen is CAD 10 000.

1.1.3. *Tax schedule*

2012 federal income tax rates

Taxable income (CAD)	Rate (%)
0-42 707	15
42 707-85 414	22
85 414-132 406	26
132 406 and over	29

1.2. State and local income taxes

1.2.1. General description

All provinces and territories levy their own personal income taxes. All, with the exception of 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 similar to the federal definition.

1.2.2. Tax regime selected for this study

The calculation of provincial tax for the average worker study assumes the worker lives in Ontario, the most populous of the 10 provinces and 3 territories. The main features of the Ontario tax system relevant to this report are summarised below:

Tax schedule

Income bracket	Rate (%)
CAD 0 to CAD 39 020	5.05
CAD 39 020 to CAD 78 043	9.15
CAD 78 043 to CAD 500 000	11.16
Over CAD 500 000	12.16

Surtax

Provincial tax after accounting for wastable credits	Surtax rate
Amounts exceeding CAD 4 213	20% of the excess amount
Amounts exceeding CAD 5 392	36% of the excess amount

Wastable tax credits

- A basic tax credit of CAD 474.95.
- A maximum credit of CAD 403.29 for a dependant spouse or eligible dependant that is withdrawn as the income of the spouse or eligible dependant exceeds CAD 798 and is completely withdrawn when the income of the spouse is at least CAD 8 783.94.
- 5.05 per cent of contributions made to the Canada Pension Plan and of Employment Insurance premiums.

Tax reduction

An earner is entitled to claim a tax reduction where the initial entitlement is equal to CAD 217 plus CAD 401 for each dependent child under the age of 19. Where someone has a spouse, only the spouse with the higher net income can claim the dependent child tax reduction. If this amount is greater or equal to the liable provincial tax, then no tax is due. If the amount is less than the liable tax, then the actual tax reduction is equal to twice the initial entitlement amount less the liable tax (if this calculation is zero or negative, the reduction is equal to zero).

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

2.1. Employees' contributions

2.1.1. Pensions

Generally, all employees are eligible for coverage under the Canada Pension Plan (Québec Pension Plan in the province of Québec). For 2012, all employees are required to contribute to the Canada Pension Plan at a rate of 4.95 per cent of income up to a maximum contribution of CAD 2 306.70 (the contribution rate is 5.025 per cent of income for the Québec Pension Plan up to a maximum contribution of CAD 2 341). Income subject to contributions is earnings (wages and salaries) less a CAD 3 500 basic exemption. The maximum contribution of CAD 2 306.70 is reached at an earnings level of CAD 50 100 i.e. (CAD 50 100 – CAD 3 500) × 0.0495 = CAD 2 306.70. For employees, each contribution to the CPP or QPP gives rise to a tax credit equal to 15 per cent of the contributed amount. Employers are also required to contribute to the Canada Pension Plan on behalf of their employees at the same rate and can deduct their contributions from taxable income (refer § 2.21).

Self-employed persons must also contribute to the Canada Pension Plan (Québec Pension Plan in the province of Québec) on their own behalf. However, the self-employed are required to contribute at the combined employer/employee rate of 9.90 per cent of earnings up to a maximum of CAD 4 613.40. The self-employed can deduct the employer portion of their contribution from income, equal to 50 per cent of the total contribution or CAD 2 306.70. The remaining 50 per cent, representing the employee portion, is then claimed as a tax credit at 15 per cent.

2.1.2. Sickness

There is no national sickness benefit plan administered by the federal government. However, all provinces have provincially-administered health care insurance plans. Three provinces, Quebec, Ontario, and British Columbia, levy health insurance premiums on individuals separately from the personal income tax to help finance their health programmes.

In the case of Ontario, the premium is determined based on taxable income. Individuals who earn up to CAD 20 000 are exempt. The premium is phased in with a number of different rates to a maximum of CAD 900 for taxable income levels greater than CAD 200 600. The following table provides further details on the structure that is applicable in 2012.

The Ontario Health Premium

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

2.1.3. Unemployment

In general, all employees are eligible for employment insurance. Eligibility to receive benefits is determined by insurable hours worked (with a minimum entry threshold of

420 hours). For 2012, employees are required to contribute at the rate of 1.83 per cent of insurable earnings. Insurable earnings are earnings (wages and salaries) up to a maximum of CAD 45 900 per year. The maximum employee contribution is therefore CAD 839.97 per year. Employment insurance contributions give rise to a tax credit equal to 15 per cent of the amount contributed. Employers are also required to contribute to the plan (see Section 2.2.3).

2.1.4. Work injury

See Section 2.2.4.

2.2. Employers' contributions

2.2.1. Pensions

Employers are required to contribute to the Canada Pension Plan on behalf of their employees an amount equal to their employees' contributions. Thus, employers also contribute at the rate of 4.95 per cent of earnings (less the CAD 3 500 earnings exemption) to a maximum of CAD 2 306.70.

2.2.2. Sickness

There is no national sickness benefit plan administered by the federal government. However, all provinces have provincially-administered health care insurance plans. Three provinces levy a special tax on employer payrolls to finance health services (Québec and Ontario) or health services and education (Manitoba). These payroll taxes are deductible from the employer's income subject to tax. In the case of the province of Ontario, employers pay a 1.95 per cent Employer Health Tax on the value of their payroll that exceeds CAD 400 000.

2.2.3. Unemployment

Employers are required to contribute to the employment insurance scheme. The general employer contribution is 1.4 times the employee contribution, that is, 2.56 per cent of insurable earnings. Premiums are adjusted for employers who provide sick pay superior to payments provided under the employment insurance regime. All employment insurance contributions are deductible from the employer's income subject to tax.

2.2.4. Work injury

There is no national work injury benefit plan administered by the federal government. However, employers are required to contribute to a provincial workers' compensation plan which pays benefits to workers (or their families in case of death) for work-related illness or injury. The employer contribution rates, which vary by industry and province, are related to industry experience of work-related illness and injury. Premiums are deductible from the employer's income subject to tax. In the case of Ontario, employers in the C to K industry sector pay, on average, 2.84 per cent of the wages paid to each employee to a maximum of CAD 81 700.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

3.2.1. Federal

The Canada Child Tax Benefit (CCTB) provides CAD 1 436 per child under age 18 plus a CAD 100 supplement for the 3rd child and each additional child. This basic benefit is reduced by 4 per cent of family net income in excess of CAD 43 647 for families with two or more children and 2 per cent for families with one child. In addition, a National Child Benefit supplement (NCB) is provided to low-income families with children. The maximum NCB is CAD 2 225 for one child, plus CAD 1 968 for a second child, plus CAD 1 872 for the third and each additional child. The NCB is phased out based on family net income in excess of CAD 25 409. The reduction rates are 12.2 per cent for families with one child, 23.0 per cent for families with two children and 33.3 per cent for larger families.

The Universal Child Care Benefit (UCCB) provides all families with CAD 1 200 for each child under age six. Amounts received under the UCCB are taxable in the hands of the lower-income spouse but are not used to reduce other income-tested benefits such as the CCTB. In the case of single parents, the UCCB can be taxable in the hands of the eligible dependant. Since the *Taxing Wages* model assumes that children are at least six years old, this benefit is not applicable for these estimates.

The Goods and Services Tax Credit provides a relief of CAD 266 for each adult 19 years of age or older and CAD 140 for each dependent child under the age of 19. Single tax filers without children and with an employment income higher than CAD 8 625 receive an additional CAD 140 that is phased in at a rate of 2 per cent. Single tax filers with children receive an additional CAD 140 that is not subject to phase-in. The credit received for the first dependent child of a single parent is also increased from CAD 140 to CAD 266. The total amount is reduced at a rate of five per cent of net family income over CAD 34 629. The amount is paid directly to families.*

3.2.2. Provincial

The province of Ontario announced the creation of the Ontario Child Benefit (OCB) in its 2007 Budget. This measure is replacing the Ontario Child Care Supplement for Working Families (OCCS). For each child under eighteen, qualifying families can receive up to CAD 1 210 from the OCB. The benefit is withdrawn at a rate of 8 per cent of family income that exceeds CAD 20 000.

Qualifying families will receive whichever entitlement is more generous during the transition period. The calculation of the OCCS is as follows: For each child under seven, qualifying two-parent families can receive up to CAD 1 100 annually while qualifying single parent families can receive up to CAD 1 310. The actual OCCS is calculated as being either the greater of qualifying child care expenses or a percentage of the earnings of a family over CAD 5 000. The percentage used depends upon the number of children. For a one child family, the rate is 21 per cent. For a two child family, the rate is 42 per cent. For families with more than two children, the rate is 63 per cent. The OCCS is withdrawn at a rate of 8 per cent of family income that exceeds CAD 20 000. Children born before 1 July 2009 and under age seven remain eligible for the OCCS in the transition period to the OCB.

* The payments that relate to the 2012 tax year are payable between July 2013 and June 2014. The amounts shown in this Report assume indexation of 2.2% for the 2012 tax year (and 2013-14 benefit year); the actual indexation parameter will be announced in December 2012.

Ontario has a Sales Tax Credit that provides a relief of up to CAD 279 for each adult and each child. It is reduced by four per cent of adjusted family net income over CAD 21 495 for single people and over CAD 26 868 for families. The amount is paid directly to families.

4. Main changes in the tax/benefit system since 2009

5. Memorandum items

5.1. *Identification of an average worker*

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

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

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

2012 parameter values

Average earnings/yr	Ave_earn	46 857	Secretariat estimate
Tax credits	Basic_cred	1623.30	
Spouse	Spouse_cred	1623.30	
withdrawal rate	Sp_crd_wth	0.15	
threshold	Sp_crd_thrsh	0	
Canada Employment Tax Credit	Empl_crd	164.25	
Child tax credit	Dep_ch_crd	328.65	
Canada Child Tax Benefit	Ch_credit	1 436	
Child under 7	Ch_crd_und7	0	
additional for 3rd+	Ch_crd_3rd	100	
reduction rate: 1 child	Ch_crd_red1	0.02	
Redn. rate: 2 or more	Ch_crd_red2	0.04	
threshold	Ch_crd_thrsh	43 647	
National Child Benefit Supplement	WIS_crd_1st	2 225	
	WIS_crd_2nd	1 968	
	WIS_crd_3rd	1 872	
threshold to start phase-out	WIS_phout_st	25 409	
threshold to end phase-out	WIS_phout_end	43 647	
reduction rate	WIS_redn1	0.122	
	WIS_redn2	0.230	
	WIS_redn3	0.333	
Working Income Tax Benefit	WITB_phzin_thrsh	3 000	
WITB – Phase-in Rate	WITB_phzn_rt	0.25	
WITB – Maximum Credit (per Adult/Equiv.)	WITB_max	970	
WITB – Addl. Maximum Credit (Fam.)	WITB_max_fam	792	
WITB – Reduction Rate	WITB_phzout_rt	0.15	
WITB – Threshold	WITB_phzout_thrsh	11 011	
WITB – Addl. Threshold (Fam.)	WITB_phzn_thrsh_fam	4 194	
Federal tax schedule	Fed_sch	0.15	42 707
		0.22	85 414
		0.26	132 406
		0.29	
High-income surtax rate	H_sur_rate	0	
threshold	H_sur_thrsh	18 500	
Canada pension plan rate	CPP_rate	0.0495	
exemption	CPP_ex	3 500	
max contrib.	CPP_max	2306.70	
Unemployment ins.rate	Unemp_rate	0.0183	
max contrib.	Unemp_max	839.97	
tax credit rate	Unemp_crd_rate	0.15	
employer contrib. mult.	Unemp_emplr	1.4	

2012 parameter values *(cont.)*

GST adult credit	GST_crd_ad	266		
child credit	GST_crd_ch	140		
threshold	GST_crd_thrsh	34 629		
reduction rate	GST_crd_redn	0.05		
single supplement	GST_crd_sgsp	140		
single supplement eligibility threshold	GST_sgsp_thrsh	8 625		
single supplement phase-in rate	GST_sgsp_rate	0.02		
Province: Ontario				
Tax Credits	P_basic_crd	474.95		
Spouse	P_spouse_crd	403.29		
withdrawal rate	P_sp_crd_wd	0.0505		
threshold	P_sp_crd_thr	798		
% of BFT	P_pct_bft	0.375		
Unemployement tax credit rate	P_unem_tc_rt	0.0505		
Surtax rate 1	P_sur_rt1	0.20		
threshold	P_sur_thr1	4 213		
rate 2	P_sur_rt2	0.36		
threshold	P_sur_thr2	5 392		
Tax reduction	P_tax_red	217		
amount per dependent	P_tr_chld	401		
amount per disabled dep	P_tr_dis_ch	401		
Provincial tax schedule	Prov_sch	0.0505	39 020	
		0.0915	78 043	
		0.1116	500 000	
		0.1216		
Ontario Child Care Supplement				
% per child of earnings over threshold				
For 1 Child under 7	P_pct_earn	0.21		
threshold	P_ch_crd_th	5 000		
max per child under 7	P_und7_max	1 100		
Single parent sup per ch under 7	P_sps_und7	210		
threshold reduction	P_thrsh_red	20 000		
reduction rate	P_redn_rate	0.08		
Ontario Child Benefit				
Amount per child	P_ch_amt	1 210		
threshold	P_ch_thresh	20 000		
Reduction rate	P_ch_redn_rate	0.08		
Sales tax credits				
Sales tax credit adult	P_sales_cred	279		
Sales tax credit child	P_salcr_chd	279		
threshold	P_ps_thresh	21 495		
threshold seniors/families	P_ps_thr_sen	26 868		
reduction rate	P_ps_red_rt	0.04		
reduction rate seniors	P_ps_rr_sen	0.04		
Ontario Health Premium	P_hlth_sch	20 000	0	0
		25 000	0.06	0
		36 000	0	300
		38 500	0.06	300
		48 000	0	450
		48 600	0.25	450
		72 000	0	600
		72 600	0.25	600
		200 000	0	750
		200 600	0.25	750
maximum	P_hlth_max	900		
Employer Health Tax	emp_healthtax	0.0195		
Employer Workers Compensation Levy	emp_workcomp	0.0284		
Employer Workers Compensation Levy Ceiling	emp_workcomp_ceil	81 700		
Maximum number of children under the age of 7	children_und7_max	1		

2012 tax equations

The equations for the Canadian system are mostly repeated for each individual of a married couple. But the spouse credit is relevant only to the calculation for the principal earner and the non-wastable credits are calculated only once. This is shown by the Range indicator in the table below.

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

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances	tax_al	B	0
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Earn
5.	CG tax before credits:	Basic_Fed_tax	B	Tax(earn, Fed_sch)
	Basic Federal tax	Basic_Fed_tax	B	Tax(earn, Fed_sch)
6.	Tax credits :			
	Basic credit	basic_cr	B	IF (Earn>0, (Basic_cred + Empl_crd) , Basic_cred)
	Spouse credit	spouse_cr	P	((married+children)>0)*Taper(Spouse_cred, earn_spouse, Sp_crd_thrsh, Sp_crd_wth)
	Unemployment insurance	unemp_cr	B	Unemp_crd_rate*SSC
	Child tax credit	dep_ch_crd	P	IF(Children>0, Children*Dep_Ch_crd, 0)
	Total (wastable) tax credits	tax_cr	B	basic_cr+spouse_cr+unemp_cr+dep_ch_crd
	Working Income Tax Benefit	WITB	P	IF(Married>0,MAX(0,MIN(WITB_max+WITB_max_fam,(WITB_phzn_rt*MAX(0,earn_total-WITB_phzin_thrsh)))-MAX(0,WITB_phzout_rt*MAX(0,earn_total-(WITB_phzout_thrsh+WITB_phzn_thrsh_fam)))), IF(Children>0,MAX(0,MIN(WITB_max+WITB_max_fam,(WITB_phzn_rt*MAX(0,earn_total-WITB_phzin_thrsh)))-MAX(0,WITB_phzout_rt*MAX(0,earn_total-(WITB_phzout_thrsh+WITB_phzn_thrsh_fam)))), MAX(0,MIN(WITB_max,(WITB_phzn_rt*MAX(0,earn_total-WITB_phzin_thrsh)))-MAX(0,WITB_phzout_rt*MAX(0,earn_total-WITB_phzout_thrsh))))))
7.	CG tax	CG_tax	B	Positive(Basic_Fed_tax-tax_cr)-WITB
8.	State and local taxes			
	Liable provincial tax	Prov_tax_sch	B	Tax(earn, Prov_sch)
	Provincial tax credits	Prov_tax_cred	B	P_basic_crd+P_unem_tc_rt*SSC+IF(AND(Married=0, Children>0), P_spouse_crd, Married*Taper(P_spouse_crd, earn_spouse, P_sp_crd_thr, P_sp_crd_wd))
	Provincial surtax	Prov_surtax	B	P_sur_rt1*Positive(Prov_tax_sch-Prov_tax_cred-P_sur_thr1)+P_sur_rt 2*Positive(Prov_tax_sch-Prov_tax_cred-P_sur_thr2)
	Provincial tax reduction	Prov_tax_redn	B	MAX(2*(P_tax_red+Children*P_tr_chld)-(Prov_tax_sch-Prov_tax_cred+Prov_surtax), 0)
	Provincial sales tax credit	Prov_tax_stcred	P	Taper(IF(Married=1, 2, 1)*P_sales_cred+Children*P_salcr_chd, earn_total, P_ps_thresh, P_ps_red_rt)
	Liable provincial tax	Prov_tax	B	Positive(Prov_tax_sch-Prov_tax_cred+Prov_surtax-Prov_tax_redn)
9.	Employees' soc security:			
	Canada Pension Plan	CPP	B	MIN(CPP_rate*Positive((earn-CPP_ex), CPP_max)
	Unemployment insurance	Unemp	B	MIN(Unemp_rate*earn, Unemp_max)
	State health premium	Prov_health	B	MIN(Hstep(tax_inc, P_hlth_sch), P_hlth_max)
	Total Employees'soc security	SSC	B	CPP+Unemp+Prov_health

Line in country table and intermediate steps	Variable name	Range	Equation
11. Cash transfers (nonwastable)			
Child Tax Benefit	CTB	P	(Children>0)*(Taper(Children*Ch_credit +MAXA((Children-2), 0)*Ch_crd_3rd+MINA(Children, children_und7_max)*Ch_crd_und7, earn_total, Ch_crd_thrsh, IF(Children=1, Ch_crd_red1, Ch_crd_red2)))+MAXA(IF(Children>0, IF(Children<2, WIS_crd_1st, IF(Children<3, WIS_crd_1st+WIS_crd_2nd, WIS_crd_1st+WIS_crd_2nd+(Children-2)* WIS_crd_3rd)), 0)-MAXA((earn_total-WIS_phout_st), 0)*IF(Children=1, WIS_redn1, IF(Children=2, WIS_redn2, WIS_redn3)), 0)
GST Credit – Total	GST_cr	P	Taper((GST_crd_ad+(Married=1)*(GST_crd_ad+Children*GST_crd_ch)+(Married=0)*(Children>0)*(GST_crd_ad+GST_crd_sgsp+Positive(Children-1)*GST_crd_ch)+(Married=0)*(Children=0)*Positive(MIN(GST_crd_sgsp, (earn_total-GST_sgsp_thrsh)*GST_sgsp_rate))), earn_total, GST_crd_thrsh, GST_crd_redn)
GST Credit – Adult	GST_cr_adult	P	Taper((GST_crd_ad+(Married=1)*(GST_crd_ad)+(Married=0)*Positive(MIN(GST_crd_sgsp, (earn_total-GST_sgsp_thrsh)*GST_sgsp_rate))), earn_total, GST_crd_thrsh, GST_crd_redn)
GST Credit – Child	GST_cr_child	P	GST_cr-GST_cr_adult
Ontario child benefit	Prov_child_ben	P	MAX(Taper(MIN(((earn_total)-P_ch_crd_th)*MIN(Children,children_und7_max,3)*P_pct_earn,Positive((P_und7_max+IF(Married=0,P_sps_und7.0))*MIN(Children,children_und7_max))),earn_total,P_thrsh_red,P_redn_rate),Taper(Children*P_ch_amt,(earn_total)),P_ch_thresh,P_ch_redn_rate))
Ontario sales tax credit	Prov_sales_cr	P	Taper(IF(Married=1.2,1)*P_sales_cred+Children*P_salcr_chd,earn_total, IF(Married+Children=0, P_ps_thresh,P_ps_thr_sen),P_ps_red_rt)
Total Cash Transfers	Cash_tran	P	CTB+GST_cr+Prov_child_ben+ Prov_sales_cr
13. Employer's soc security			
Canada Pension Plan	CPP_empr	B	CPP
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.

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	4145760	6218640	10364400	4145760
2.	**Standard tax allowances**				
	Basic allowance	3353091	5029636	6513372	3353091
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	290203	435305	725508	290203
	Work-related expenses				
	Other	502466	753699	1256165	502466
	Total	4145760	6218640	8495045	4145760
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	0	0	1869355	0
5.	**Central government income tax liability (exclusive of tax credits)**	0	0	93468	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	93468	0
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	290203	435305	725508	290203
	Taxable income				
	Total	290203	435305	725508	290203
10.	**Total payments to general government (7 + 8 + 9)**	290203	435305	818976	290203
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	39000
	Total	0	0	0	39000
12.	**Take-home pay (1-10+11)**	3855557	5783335	9545424	3894557
13.	**Employer's compulsory social security contributions**	0	0	0	0
14.	**Average rates**				
	Income tax	0.0%	0.0%	0.9%	0.0%
	Employees' social security contributions	7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers	7.0%	7.0%	7.9%	6.1%
	Total tax wedge including employer's social security contributions	7.0%	7.0%	7.9%	6.1%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	7.0%	7.0%	11.0%	7.0%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	7.0%	7.0%	11.0%	7.0%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Chile 2012

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
1.	**Gross wage earnings**		6218640	8291520	10364400	8291520
2.	**Standard tax allowances**					
	Basic allowance		5029636	6706181	8382727	6706181
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		435305	580406	725508	580406
	Work-related expenses					
	Other		753699	1004932	1256165	1004932
		Total	6218640	8291520	10364400	8291520
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		0	0	0	0
5.	**Central government income tax liability (exclusive of tax credits)**		0	0	0	0
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		0	0	0	0
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		435305	580406	725508	580406
	Taxable income					
		Total	435305	580406	725508	580406
10.	**Total payments to general government (7 + 8 + 9)**		435305	580406	725508	580406
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	178968	39000	0
		Total	0	178968	39000	0
12.	**Take-home pay (1-10+11)**		5783335	7890082	9677892	7711114
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		0.0%	0.0%	0.0%	0.0%
	Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers		7.0%	4.8%	6.6%	7.0%
	Total tax wedge including employer's social security contributions		7.0%	4.8%	6.6%	7.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers: Spouse		-1.6%	7.0%	7.0%	7.0%
	Total tax wedge: Principal earner		7.0%	7.0%	7.0%	7.0%
	Total tax wedge: Spouse		-1.6%	7.0%	7.0%	7.0%

Chile's national currency is the peso (CLP). For 2012, the average exchange rate was CLP 485.99 to USD 1. That same year, the average worker in Chile earned CLP 6 218 640 (country estimate).

Taxes allowances and tax thresholds for the personal income tax system and upper earnings limits for social security contributions are determined using and expressed in CPI-indexed units. At 31 December 2012, the following currency values applied to these units:

Major revenue items	Unit	CLP	USD
Social security contributions	Unidad de Fomento[1] (UF)	22 840.75[1]	46.93
Monthly tax thresholds	Unidad Tributaria Mensual (UTM)	40 206	82.60
Annual tax thresholds	Unidad Tributaria Anual (UTA)	482 472	991.21

1. This amount is subject to daily adjustment in line with the CPI and is compared with monthly earnings in the assessment of social security contributions

1. Personal income tax system

1.1. *Central/federal government income taxes*

1.1.1. *Tax unit*

Each family member declares and pays taxes separately.

1.1.2. *Tax allowances and credits*

1.1.2.1. Standard tax reliefs

- A *general basic allowance* of UTA 13.5, around CLP 6 513 372 is deductible from income in 2012.
- *Relief for social security contributions:* Employee's compulsory social insurance contributions are deductible for income tax purposes regardless of whether they are paid to government or private health insurers (see Section 2.1 below).

1.1.2.2. Main non-standard tax reliefs

- *Voluntary contributions and APV (Voluntary Pension Fund Savings):* Voluntary contributions to pension funds and voluntary pension savings fund (APV) may be deducted from taxable income, with an annual upper limit of CLP 13 704 450 (UF 600).
- *Mortgage Interest:* Taxpayers whose annual income falls below CLP 43 422 480 (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 72 370 800 (UTA 150). This relief cannot be granted along-side the *DFL2 Housing Mortgage Loan Payments* benefit, and cannot exceed CLP 3 859 776 (UTA 8) per annum.

1.1.3. *Tax schedule*

Tax rates are applied on monthly income and these taxes are retained and paid by employers. In order to estimate taxes, tax rates are applied proportionately to annual average income.

Taxable income (UTA-UTM)	Taxable income (CLP thousands)	Tax rates
0-13.5	0-6 513	Exempt
13.5-30	6 513-14 474	5%
30-50	14 474-24 124	10%
50-70	24 124-33 773	15%
70-90	33 773-43 422	25%
90-120	43 422-57 897	32%
120-150	57 897-72 371	37%
150 and over	72 371 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 18 294 271 (UF 67.4). They are free to choose whether to pay into a government-managed plan or alternatively to a private insurer* (Isapres). The public insurance is based on a joint system that, in general, operates on an equal basis for all its beneficiaries, irrespective of the risk and the amount of the individual contribution. Its financing is partly covered by the contributions and partly by way of a government subsidy. Premiums paid to the plans offered by Isapres are based on the contributors' individual risk and these plans are exclusively financed with the employees' contributions. These contributions are included in the modeling as the majority of employees pay into plans managed by the government sector.

Employee social security contributions in respect of pensions and unemployment are not classified as taxes in this report; though they are included in modeling as deductions for income tax.

- The mandatory contributions to pension funds and unemployment insurance plans are not classified as taxes, since the payments are made to private institutions. In 1980, the public social security system was replaced with a privately managed individual capitalization system. This system is obligatory to all employees who have joined the labor force since 1983, and of a voluntary nature to all contributing to the former system and free-lance workers. The contributions to the old government operated pension fund system are not included in the modeling because they relate to a minority of employees and the system will eventually disappear once the contributions and related benefit payments to those individuals remaining in it have ceased.
- The modeling allows that the contributions to pension funds and unemployment insurance managed by private institutions are deducted from gross income. In the case of their pension funds, these payments amount to 10% of their gross income, with an upper earnings limit of CLP 18 294 271 (UF 67.4). Added to that is an amount that varies depending on the managing company that covers the management of each pension fund account.** The monthly unemployment insurance premium is 0.6% of the employee's gross income,

* Enrollement in the private health system during 2011 amounted to 16.9% of all beneficiaries.
** Average cost in 2012 was 1.52% of income.

with an upper earnings limit of CLP 27 441 407 (UF 101.1) limit. Employees do not pay the monthly unemployment insurance premium when they have a fixed-term contract.

- There are also mandatory contributions to managed funds by members of the police force and the army which are classified as taxes but are not included in the modeling as they relate to a minority of the overall workforce.
- If the employee has a high risk job, he has to make an additional contribution of up to 2% of his gross income to the pension fund manager.

2.2. Employers' contributions

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

- Employers make mandatory payments of 0.95% of their employees' gross income for an occupational accident and disease insurance policy subject to an upper earnings limit. For the majority of employees the payments are made to employers' associations of labor security which are private non-profit institutions. Those remaining are made to the Social Security Regularisation Unit (ISL). Although this latter organisation is controlled by the government, the funds are invested on the private institutions market. The employers also pay an additional contribution which depends on the activity and risk associated to the enterprise (it cannot exceed 3.4% of the employees' gross earnings). This additional contribution could be reduced, down to 0%, depending on the safety measures the employer implements in the enterprise. If health and safety conditions at work are not satisfactory, this additional contribution could be applied with a surcharge of up to 100%.
- In addition, employers make payments of 2.4% of each employee's income (3% for fixed-term contracts) to finance unemployment insurance. These funds are managed privately.
- Employers have to pay a disability insurance of 1.26 per cent* of the employees' gross income, to the pension fund manager.
- If the employee has a high risk job, the employer has to pay up to 2% of the employee's gross income to the pension fund manager.

3. Universal cash transfers

3.1. Marital status-related transfers

No such transfers are paid.

3.2. Transfers related to dependent children

The "Family Allowance" is paid on a monthly basis to any employee making social security contributions who has dependant children. The definition of dependants includes;

- Adopted children as well as those born to the parents;
- Children up to the age of 18 or 24 years provided they are single and are regular students in an elementary, secondary, technical, specialized or higher education establishment, and whose income is less than or equal to half the minimum wage.

* Value in the second half of 2012.

- 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.

2012 transfer by dependant	
Annual income range (CLP)	Annual payment (CLP)
0-2 340 198	89 484
2 340 199-3 751 632	61 710
3 751 633-5 851 266	19 500
5 851 267 and over	0

4. Memorandum items

4.1. *Identification of an average worker*

- The source of information is a survey conducted by the National Statistics Institute (INE) to determine the Salary and Labour Cost Index. This nationwide survey is carried out on a monthly sample and gathers information on salaries and labour costs. It applies to companies with at least 5-worker payrolls grouped in accordance with UN ISIC Rev. 3 international economic activity standard.
- The average gross earnings was obtained by multiplying the average hourly wage by the average number of hours worked. It covers both full and part-time workers.

4.2. *Employers' contribution to private health and pension schemes*

- In Chile very few employers make any contributions towards health schemes for their employees, and the relevant information is not available.

2012 parameter values

Average earnings/yr	Ave_earn	6 218 640	Country estimate
Allowances	Basic_al	6 513 372	
Income tax	Tax_sch	0.05	14 474 160
		0.1	24 123 600
		0.15	33 773 040
		0.25	43 422 480
		0.32	57 896 640
		0.37	72 370 800
		0.4	
Employees SSC	SSC_sch	0.07	18 294 271
Upper threshold		0	
Family allowance	CTR_child	0	89 484
Child element		2 340 198	61 710
		3 751 632	19 500
		5 851 266	0

2012 tax equations

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

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	Tax_al	B	Min(Basic_al,earn)
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits :	tax_cr	B	0
7.	CG tax	CG_tax	B	CG_tax_excl
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	Tax(earn, SSC_sch)
11.	Family allowance	cash_trans	P/S	IF(Children=0.0, IF(earn_spouse>0, VLOOKUP (earn_spouse, CTR_child) , VLOOKUP (earn_princ, CTR_child)) * children)
13.	Employer's soc security	SSC_empr		0

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	200281	300421	500702	200281
2.	**Standard tax allowances**				
	Basic allowance	0	0	0	0
	Married or head of family	0	0	0	0
	Dependent children	0	0	0	0
	Deduction for social security contributions and income taxes	0	0	0	0
	Work-related expenses				
	Other				
	Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3 + 13)**	268376	402564	670940	268376
5.	**Central government income tax liability (exclusive of tax credits)**	40256	60385	100641	40256
6.	**Tax credits**				
	Basic credit				
	Married or head of family				
	Children				
	Other	24840	24840	24840	51648
	Total	24840	24840	24840	51648
7.	**Central government income tax finally paid (5-6)**	15416	35545	75801	-11392
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	22031	33046	55077	22031
	Taxable income				
	Total	22031	33046	55077	22031
10.	**Total payments to general government (7 + 8 + 9)**	37447	68591	130878	10639
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	39647
	Total	0	0	0	39647
12.	**Take-home pay (1-10+11)**	162833	231830	369823	229289
13.	**Employer's compulsory social security contributions**	68095	102143	170239	68095
14.	**Average rates**				
	Income tax	7.7%	11.8%	15.1%	-5.7%
	Employees' social security contributions	11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers	18.7%	22.8%	26.1%	-14.5%
	Total tax wedge including employer's social security contributions	39.3%	42.4%	44.9%	14.6%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	31.1%	31.1%	31.1%	40.7%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	48.6%	48.6%	48.6%	55.7%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Czech Republic 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	300421	400561	500702	400561
2.	**Standard tax allowances**				
	Basic allowance	0	0	0	0
	Married or head of family	0	0	0	0
	Dependent children	0	0	0	0
	Deduction for social security contributions and income taxes	0	0	0	0
	Work-related expenses				
	Other				
	Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3 + 13)**	402564	536752	670940	536752
5.	**Central government income tax liability (exclusive of tax credits)**	60385	80513	100641	80513
6.	**Tax credits**				
	Basic credit				
	Married or head of family				
	Children				
	Other	76488	51648	51648	24840
	Total	76488	51648	51648	24840
7.	**Central government income tax finally paid (5-6)**	-16103	8737	24153	35545
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	33046	44062	55077	44062
	Taxable income				
	Total	33046	44062	55077	44062
10.	**Total payments to general government (7 + 8 + 9)**	16943	52798	79230	79606
11.	**Cash transfers from general government**				
	For head of family				
	For two children	35819	28974	21127	0
	Total	35819	28974	21127	0
12.	**Take-home pay (1-10+11)**	319297	376737	442598	320955
13.	**Employer's compulsory social security contributions**	102143	136191	170239	136191
14.	**Average rates**				
	Income tax	-5.4%	2.2%	4.8%	8.9%
	Employees' social security contributions	11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers	-6.3%	5.9%	11.6%	19.9%
	Total tax wedge including employer's social security contributions	20.7%	29.8%	34.0%	40.2%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	38.4%	38.4%	38.4%	31.1%
	Total payments less cash transfers: Spouse	42.6%	20.5%	38.4%	11.0%
	Total tax wedge: Principal earner	54.1%	54.1%	54.1%	48.6%
	Total tax wedge: Spouse	57.2%	40.7%	54.1%	33.6%

The national currency is the koruny (CZK). In 2012, CZK 19.54 equal to USD 1. In that year, the average worker earned CZK 300 421 (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 per cent of taxable income is available for donations made to municipalities or legal entities for the financing of social, health, cultural, humanitarian, religious, ecological and sport activities. The minimum limit for donations is the lesser of 2 per cent of taxable income or CZK 1 000.
- *Interest payments:* Taxpayers may claim an allowance of up to CZK 300 000 for mortgage interest payments or other interest payments related to the purchase or the improvement of their house. If more than one individual living in the same household apply for this allowance, the sum of their annual deductions is subject to the above-mentioned ceiling, i.e. CZK 300 000.
- *Supplementary pension scheme contributions:* Taxpayers who are members of a registered supplementary private pension scheme are entitled to deduct the individually paid (i.e. paid by employee) annual contributions to a registered pension scheme reduced by CZK 6 000 from the earned income. The maximum allowance is CZK 12 000 a year.
- *Private life insurance premiums:* Taxpayers may claim an allowance of up to CZK 12 000 for premiums paid according to a contract between the taxpayer and an insurance company if the benefit (lump sum or recurrent pension) is paid out 60 months after the signature of the contract and in the year in which the taxpayer reaches the age of 60.

1.1.2.3. Tax schedule

From January 2008 a progressive system of taxation is replaced by a single rate of 15%, levied on gross earnings augmented with employer social security contributions net of non-standard tax reliefs. The non-standard tax reliefs are not included in the tax equations underlying the *Taxing Wages* results.

1.1.2.4. Tax credits

- Credit of CZK 24 840 per taxpayer.

- Credit of CZK 24 840 per spouse (husband or wife) living with a taxpayer in one household provided that the spouse's own income does not exceed CZK 68 000 in the taxable period.
- Credit for children: Payable tax credit of CZK 13 404 (irrespective of the child's own income) if the child satisfies one or more of the following criteria:
  - age below 18;
  - age below 26 and receiving full-time education ;
  - age below 26 and physically or mentally disabled provided that the child is not in receipt of a state disability payment.

  Non-standard tax credits:
- Credit of CZK 2 520 if the taxpayer is in receipt of a partial disability pension or is entitled to both an old-age pension and a partial disability pension.
- Credit of CZK 5 040 it the taxpayer is in receipt of a full disability pension, or another type of pension conditional on his full disability pension, or if the taxpayer is entitled to both old-age pension and full disability pension or deemed to be fully disabled under statutory provisions, but his application for a full disability pension was rejected for reasons other than that he was not fully disabled (handicapped).
- Credit of CZK 16 140 if the taxpayer is a "ZTP-P" card holder (ZTP-P means handicapped person requiring an escort).
- Credit of CZK 4 020 if the taxpayer takes part in a systematic educational or training programme under statutory provisions in order to prepare for his future vocation (profession) by means of such studies or prescribed training until completion of his/her 26 or 28 years (Ph.D. programme).

1.2. State and local income tax

There are no regional or local income taxes.

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

Since 2012, there are two ceilings on social security contributions. The estimates of the ceiling on social security contributions are CZK 1 206 576 per year for social insurance (four times the average wage) and CZK 1 809 864 per year for health insurance (six times the average wage).

2.1. Employees' contributions

Compulsory contributions of 11 per cent of gross wages and salaries are paid by all employees into government operated schemes. The total is made up as follows (in %):

Health insurance	4.5
Social insurance	6.5

2.2. Employers' contributions

The total contribution for employers is 34 per cent of gross earnings.

The contribution consists of the health insurance contribution (9 per cent of gross wages and salaries) and social insurance (25 per cent).

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

Non-taxable family allowances are paid as follows:

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

The central government pays this allowance in respect of each dependent child based on the family income level and provided that family income does not exceed 2.4 times the relevant living minimum (LM). Family income includes the earnings of both parents net of income tax and the employees' social security and health insurance contributions. The monthly LM for the AW-type family with children can be calculated by summing the following amounts (in CZK):

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

A family is also entitled to a social allowance if there is at least one child in the family and the net monthly income of the family is below two times the LM. The transfer is calculated based on the following formula:

$$\text{child's basic personal requirement} - \frac{\text{child's basic personal requirement} * \text{net family income}}{\text{LM} * 2}$$

If the net family income is below the LM, then the LM is to be used in this formula instead of the net family income. The central government pays this allowance monthly.

3.3. Additional transfers

An additional allowance is paid by local government to low income families. The amount transferred varies according to the budget capacity and is provided if total family income including family allowances is less than the LM. This allowance is not included in the computation.

4. Main changes in tax/benefit systems since 2012

Main changes in the tax and benefit systems in force since January 2012:

- The tax credit for taxpayer was increased from CZK 23 640 to CZK 24 840 in the taxable period. Reduction of the tax credit for taxpayer to CZK 1 200 per year was applied only for the year 2011 (provisional application).
- The tax credit for children was increased from CZK 11 604 to CZK 13 404.

5. Memorandum items

5.1. Identification of AW and valuation of earnings

The Ministry of Finance estimates the average earnings of the AW based on the data supplied by the Czech Statistical Office. The data supplied cover years up to 2010. The calculation of the average earnings AW is made by CZ-NACE division, which is compatible with ISIC classifications Rev. 4.

5.2. Employers' contributions to private pension, health and related schemes

There are supplementary private pension schemes only, but employers' contributions vary. Relevant information is not available.

2012 parameter values

	Ave_earn	300 421	Secretariat estimate
Income tax rate	tax_rate	0.15	
Social security – social insurance	SSs_rate	0.065	
Social security – health insurance	SSh_rate	0.045	
Employers – social insurance	SSs_empr_rate	0.25	
Employers – health insurance	SSh_empr_rate	0.09	
Child Tax credit	child_ cr	13 404	
Tax credit for individuals	tax_cr_base	24 840	
Tax credit for spouse	tax_cr_spo	24 840	
Tax credit for spouse income ceiling	Tax_cr_spo_inc_ceil	68 000	
Living minimum (LM)			
	basic_adult	3 410	
	basic_household	5 970	
	basic_child	2 140	
	house_exp	1	3 140
		2	5 970
		3	7 710
		4	9 850
		5	12 300
Cash transfers	transf_1	610	
Social security, social insurance – ceiling	soc_sec_si_ceil	1 206 576	
Social security, health insurance – ceiling	soc_sec_hl_ceil	1 809 864	

2012 tax equations

The equations for the Czech system are on an individual basis. But the spouse tax credit is relevant only to the calculation for the principal earner and cash transfers are calculated only once. This is shown by the Range indicator in the table below.

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

		Variable name	Range	Equation
1.	Earnings	earn	B	
2.	CG taxable income	tax_inc_princ	B	Earn+(earn*SSC_empr_rate)
3.	CG tax before credits			
	CG tax before credits principal	CG_tax_excl_princ	B	Tax(tax_inc_princ, tax_rate)
4.	Tax credits:			
	Tax credit for children	tax_cr_ch	P	children*child_cr
	Basic tax credit	tax_cr_bas	B	tax_cr_bas
	Tax credit for spouse	tax_cr_spouse	P	Married*tax_cr_spo
5.	CG tax			
	CG tax principal	CG_tax_princ	B	Max(CG_tax_excl_princ – tax_cr_bas_princ – tax_cr_spo , 0) – tax_cr_ch
6.	State and local taxes	local_tax	B	0
7.	Employees’ soc security	SSs	B	MIN(earn,soc_sec_si__ceil)*SSs_rate
		SSh	B	MIN(earn,soc_sec_hi_ceil)*SSh_rate
8.	Cash transfers			
	Net family income	net_inc	J	earn_total-CG_tax_total-SSs-SSh
9.	Living minimum (monthly)	LM	J	(1-Married)*basic_adult+Married*basic_household +Children*basic_child+ VLOOKUP((1+Married+Children), house_exp, 2, FALSE)
10.	Total cash transfers	cash_trans	J	Children*IF(net_inc<=(2.4)*LM*12, transf_1*12) +Children*12*IF(net_inc<LM*12, basic_child*(1/2), IF(net_inc<2*LM*12, basic_child*(1- net_inc/(2*LM*12)),0))
11.	Employer’s soc security	SSs_empr	B	MIN(earn,soc_sec_sir_ceil)*SSs_empr_rate
		SSh_empr	B	MIN(earn,soc_sec_hi_ceil)*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.

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	261638	392456	654094	261638
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	20931	31397	52328	20931
	Work-related expenses	10710	10710	10710	10710
	Other				
	Total	31641	42107	63038	31641
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
	Earnings tax credit deduction	11512	14100	14100	11512
	Total	-11512	-14100	-14100	-11512
4.	**Central government taxable income (1 - 2 + 3)**	218485	336250	576956	218485
5.	**Central government income tax liability (exclusive of tax credits)**	26413	40241	99744	26413
6.	**Tax credits**				
	Basic credit	4994	4994	4994	4994
	Married or head of family				
	Children				
	Other				
	Total	4994	4994	4994	4994
7.	**Central government income tax finally paid (5-6)**	42350	66644	147078	42350
8.	**State and local taxes**	45044	75256	137007	45044
9.	**Employees' compulsory social security contributions**				
	Gross earnings	10710	10710	10710	10710
	Taxable income				
	Total	10710	10710	10710	10710
10.	**Total payments to general government (7 + 8 + 9)**	98104	152609	294795	98104
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	65628
	Green check	1300	1300	0	1900
	Total	1300	1300	0	67528
12.	**Take-home pay (1-10+11)**	164833	241147	359299	231061
13.	**Employer's compulsory social security contributions**	0	0	0	0
14.	**Average rates**				
	Income tax	33.4%	36.2%	43.4%	33.4%
	Employees' social security contributions	4.1%	2.7%	1.6%	4.1%
	Total payments less cash transfers	37.0%	38.6%	45.1%	11.7%
	Total tax wedge including employer's social security contributions	37.0%	38.6%	45.1%	11.7%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	40.9%	42.3%	56.1%	40.9%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	40.9%	42.3%	56.1%	40.9%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Denmark 2012

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
1.	**Gross wage earnings**		392456	523275	654094	523275
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		31397	41862	52328	41862
	Work-related expenses		10710	21420	21420	21420
	Other					
		Total	42107	63282	73748	63282
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
	Earnings tax credit deduction		14100	14100	14100	14100
		Total	-14100	-14100	-14100	-14100
4.	**Central government taxable income (1 - 2 + 3)**		336250	440137	554734	440137
5.	**Central government income tax liability (exclusive of tax credits)**		40241	53047	66653	53047
6.	**Tax credits**					
	Basic credit		14981	9987	9987	9987
	Married or head of family					
	Children					
	Other					
		Total	14981	9987	9987	9987
7.	**Central government income tax finally paid (5-6)**		61650	84922	108994	84922
8.	**State and local taxes**		64250	90902	120300	90902
9.	**Employees' compulsory social security contributions**					
	Gross earnings		10710	21420	21420	21420
	Taxable income					
		Total	10710	21420	21420	21420
10.	**Total payments to general government (7 + 8 + 9)**		136610	197243	250714	197243
11.	**Cash transfers from general government**					
	For head of family					
	For two children		24132	24132	24132	0
	Green check		3200	3200	3200	2600
		Total	27332	27332	27332	2600
12.	**Take-home pay (1-10+11)**		283178	353364	430712	328632
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		32.1%	33.6%	35.1%	33.6%
	Employees' social security contributions		2.7%	4.1%	3.3%	4.1%
	Total payments less cash transfers		27.8%	32.5%	34.2%	37.2%
	Total tax wedge including employer's social security contributions		27.8%	32.5%	34.2%	37.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		42.3%	42.3%	42.3%	42.3%
	Total payments less cash transfers: Spouse		46.3%	40.9%	40.9%	40.9%
	Total tax wedge: Principal earner		42.3%	42.3%	42.3%	42.3%
	Total tax wedge: Spouse		46.3%	40.9%	40.9%	40.9%

The national currency is the kroner (DKK). In 2012, DKK 5.79 was equal to USD 1. In that year, the average worker earned DKK 392 456 (Secretariat estimate, which is calculated on the background of the extrapolated 2011 average worker income with the 2012 growth rate on 1.6 pct).

1. Personal income tax system

In the Danish personal income tax system, the income of the individual taxpayer is split into three categories:

- *Personal income,* which consists of employment income, business income, pensions, unemployment benefits, etc., and with fully deductibility of Labour Market Contributions.
- *Capital income* (e.g. interest income and some capital gains) is calculated as a net amount (the sum of positive and negative capital income net of interest expenses). Dividend income and the property value of owner-occupied dwellings are taxed at different tax rates.
- *Taxable income* – the aggregate of personal income and capital income less deductions (e.g. work-related expenses, etc.).

All three categories are relevant for various tax rates, see Section 1.2.1.

The employees' social security contributions and their payments to labour market supplementary pension schemes (see Section 2.1) are not included in personal income (or taxable income).

Regarding the tax unit, the earned income of each spouse is taxed separately. However, as is mentioned in Section 1.2.1, some unutilised personal allowances can be transferred between them.

1.1. Tax allowances and tax credits

1.1.1. Standard reliefs

Wage or salary earners who make expenses in order to earn their income (e.g. transport expenses, trade union membership dues, unemployment premiums) can fully deduct these expenses from taxable income. In this Report, contributions to unemployment insurance are therefore regarded as a standard tax allowance (and as a social security contribution).

The tax credit scheme allows the taxpayer to deduct 4.40 per cent of earned income to a maximum of DKK 14 100 in order to calculate taxable income. The effective value of the credit is equal to the municipality tax (24.9 per cent), the church tax rate (0.7 per cent) plus the 7.0 per cent health tax rate that is paid to the state (32.7 per cent on average) multiplied by the value of the deduction.

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

- *Interest payments* are fully deductible from capital income.

- The *non-standard deduction for wage and salary earners:* The actual costs that are made in order to acquire income are deductible from taxable income. The main items are:
  - ❖ Contributions paid to trade unions.
  - ❖ Transportation costs: Up to 24 km per day: no deduction. 24-120 km: DKK 2.10 per km. Above 120 km: DKK 1.05 per km as a standard, but transport from municipalities placed in the outskirts of the country gives a credit of DKK 2.10 also above 120 km.
  - ❖ Other costs above DKK 5 500.
- *Contributions/premiums* paid to *private pension saving plans* are in general deductible from personal income. From 1999 onwards, contributions/premiums paid to private pension saving plans with sum payments are no longer deductible from income subject to the top tax bracket rate.
- Other reliefs:
  - ❖ Alimonies, if according to contract, are deductible from taxable income.
  - ❖ Contributions to certain non-profit institutions are deductible from taxable income (limit DKK 14 500).
  - ❖ Losses incurred from unincorporated business in earlier years are, in principle, deductible from personal income.

1.1.3. *Tax credits*

Each individual is granted a personal allowance, which is converted into a wastable tax credit by applying the marginal tax rate of the first bracket of the income tax schedule. For taxpayers who are 18 years of age or are older, the tax credit amounts to:

For central government income tax	4.64 per cent of DKK 42 900 = DKK 1 991
For central government health tax	7.00 per cent of DKK 42 900 = DKK 3 003
For local government income tax and church tax (average rate)	25.654 per cent of DKK 42 900 = DKK 11 006

Special personal allowance for an individual younger than 18: DKK 32 200.

If a married person cannot utilise the personal allowance, the unutilised part is transferred to the spouse.

1.2. *Central government income taxes*

1.2.1. *Tax schedule*

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

Before 2008, the revenue was earmarked for certain social security expenditures through the Labour market Fund, but this system was abolished from 2008, and the tax enters the budget in the same way as any other income taxes. From 2011 the last links regarding socially security of the tax were removed making all taxpayers working in Denmark pay the labour market contribution. The labour market contribution is thus treated as a PIT in *Taxing Wages* from 2011.

Low tax bracket to the central government is assessed on the aggregate of personal income and positive net capital income at the rate of 4.64 per cent.

From 2010 and onwards the medium tax bracket was removed.

Top tax bracket to the central government is assessed on the excess of DKK 389 900 of the aggregate of personal income and positive net capital income at the rate of 15 per cent. If a married individual cannot utilise the total allowance of DKK 389 900, the unutilised part is *not* transferred to the spouse.

If the marginal tax rate including local tax but excluding church tax exceeds 51.5 per cent, the top tax bracket rate is reduced by the difference between the marginal tax rate and 51.5 per cent. The reduction at the average local tax rate is 0.1 per cent in 2012.

1.2.2. Health care tax

Central government levies an additional health care tax of 7 per cent. The tax base is taxable income (see Section 1).

1.3. State and local income taxes

1.3.1. General description

Local income taxes are levied only by the municipalities (and the church). The rates vary across jurisdictions.

1.3.2. Tax base

The tax base is taxable income (see Section 1). Tax credit varies with tax rates. The average amount is given below.

1.3.3. Tax rates

Lowest rate: 22.7 per cent (municipalities)

Highest rate: 27.8 per cent (municipalities)

Average rate: 25.654 per cent (municipalities: 24.923 per cent; church: 0.731 per cent).

The average rate is used in this study. It is applied to the tax base less personal allowances (see Section 1.1).

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

2.1. Employees' contributions

Employees make a fixed contribution of DKK 10 710 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 3780) while the other part consists of a voluntary contribution to an early retirement scheme (DKK 5 520). In addition an administration fee of DKK 1 410 on average is added.

Contributions to the unemployment funds are not mandatory. Nevertheless these payments are defined as social security contributions and classified as taxes in the Danish national accounts because there is no direct link between what members pay to the schemes and what they receive and the funds are subsidized by the state. In this Report, both contributions as well as the administration fee are included.

In addition, there is a compulsory fixed contribution to a general Labour Market Supplementary Pension Scheme of DKK 1 080 for workers who work at least 117 hours per month (for workers who work less than 117 hours but not less than 78 hours, the rate is DKK 720; for workers who work less than 78 hours but not less than 39 hours, the rate is DKK 360); their employer makes a corresponding contribution that is double this amount. Under this scheme, each employee has a plan and it should be noted that the contribution that is ascribed to this plan is determined by the level of employment and does not necessarily relate to the actual amount described above. The employee contribution of DKK 1 080 is modelled as a standard tax relief from the personal income tax. As the employee and employer contribution is paid to a privately-managed pension scheme, these contributions are not considered to be taxes but rather as non-tax compulsory payments and are therefore not included in the tax calculations.

2.2. Employers' contributions

From 2000 onwards, the social security contribution is zero. The employer only contributes to a Labour Market Supplementary Pension scheme, which in case of a full-time employee corresponds to a fixed amount of DKK 2 160 (being twice the fixed amount of DKK 1 080 mentioned in Section 2.1).

3. Universal cash transfers

The transfers for each dependent child are as follows:

Age group	Quarterly amount (DKK) for each child
0-2	4 266
3-6	3 375
7-17	2 658

The transfer is independent of the parents' income. There are additional special amounts for single parents: the transfer for each dependent child is DKK 5 104 per year and a yearly transfer of DKK 5 200 regardless of the number of children. In addition, there is a state transfer of DKK 13 044 per year for each dependent child in case an "absent parent" does not contribute (this amount) to the family. This transfer is included in this Report's calculations for single parents.

Individuals older than 18 years receive a "green check" of DKK 1 300; this amount is increased with DKK 300 per child for up to two children. Only one partner in a married couple receives the increased "green check" for children. The "green check" is nominally fixed and is phased out at a rate of 7.5 per cent for income above DKK 362 800.

4. Main changes in tax/benefit systems

From 2000 to 2002, the low tax bracket rate has been reduced from 7 per cent to 5.5 per cent. The low tax bracket is assessed on the aggregate of personal income and positive net capital income.

After the parliamentary elections in 2001, the Conservative/Liberal government adopted a tax freeze policy, which implied that tax rates could not be increased, either in nominal or relative terms, during that government term. Taxes were therefore not increased during the period 2002-05. After the parliamentary elections in February 2005, the Conservative/Liberal government and the tax freeze policy were confirmed.

In order to respect the "tax freeze", the low tax bracket has been reduced by 0.36 per cent from 2004 to 2010 as a compensation for increases in local income taxes from 33.31 per cent in 2004 to 33.66 per cent in 2011.

In the spring of 2003, the government agreed with one of the opposition parties to implement a tax package. The aim of this package was to decrease the level of labour taxation in Denmark, and thereby to reduce the distortions in the labour market and to improve the incentives to work. The package contained two main elements: an increase of the threshold for the medium tax bracket of nearly DKK 50 000 and the introduction of a tax credit scheme whereby the taxpayer can deduct 2.5 per cent of earned income to a maximum of DKK 7 500 (in 2007) in the calculation of taxable income.

Before 2004, a compulsory contribution of 1 per cent of employees' gross earnings was paid to an individual Labour Market Supplementary Pension Scheme established for the employee – this contribution is not considered as a social security contribution but rather as savings being made by the individual. However, from 2004 to 2010, this contribution was suspended and finally abolished and the deposits paid out as of April 2010.

In September 2007, the tax cuts from the 2003-package was extended. The threshold for the medium tax bracket was to be raised with DKK 57 900 in 2009 to meet with the top tax bracket threshold. The deductible tax credit was increased to 4.0 per cent of earned income in 2008 and to 4.25 per cent in 2009; thus raising the maximum to 12 300 in 2008 and to 13 600 in 2009. The effective value of the credit and of the personal income allowance is equal to the local income tax rate, the church tax plus the health care tax rate (33.5 per cent on average) multiplied by the value of the deduction.

From the 1 January 2007 a Local Government Reform has come into force, which changes the structure of labour taxation. The reform however had only a minimal impact on the overall level of taxation. The number of municipalities has been cut from 270 to 98 and five regions have replaced the 14 counties. The regions will not impose taxes but will be financed through state subsidies and by contributions from the municipalities. The reform implied an increase in the average municipal tax rate from 24.134 per cent in 2006 to 24.577 per cent in 2007. Since then, there has been a further increase in the average municipal tax to 24.903 per cent in 2010. The county tax has been replaced by a new health care tax of 8 per cent which is levied by central government. The health care tax rate has remained 8 per cent since 2008. The county tax was part of state income taxation. The levels of taxation have thus been reduced from three to two: only the central and local governments now levy taxes.

In the spring of 2009, the government and one of the opposition parties agreed upon a major tax reform to be phased in from 2010 to 2019. The reform aims at reducing the high marginal tax rates on personal income and thus to stimulate labour supply in the medium to long-term. The reform decreases income taxes by DKK 29 billion in 2010. The tax reform is planned to be revenue neutral as a whole, but is underfinanced in the short run (2010-12) in order to stimulate the economy. The main measures taken in 2010 include the reduction of the rate of the bottom tax bracket from 5.26 per cent to 3.67 per cent, abolition of the medium tax bracket with the 6 per cent rate altogether, and increase the top tax bracket threshold by DKK 28 800 to DKK 389 000. The reform will decrease the lowest marginal tax rate from 42.4 per cent to 41.0 per cent and the highest marginal tax rate on labour income from 63.0 per cent to 56.1 per cent. The marginal tax rate on positive net capital income (up to 51.5 after abolition of the middle tax bracket) is further reduced for the vast majority by introduction of an extra allowance of DKK 40 000 (DKK 80 000 for married couples) for positive net capital income in the top bracket tax.

The reform is partly financed by higher energy, transport and environmental taxes to support the energy and climate policy objectives of the government, and also by increases of excise rates on health-related goods (fat, candy, sugary drinks, tobacco). These increases are partly compensated by giving a "green check" to households (see Section 3). The tax reform is also partly financed by base broadening measures. The measures include a gradual reduction from 2012 to 2019 of the tax value (from 33.5 per cent to 25.5 per cent) of assessment oriented deductions and limitations of the tax deductibility of net interest payments over a nominal threshold of DKK 50 000 (DKK 100 000 for married couples). Also the deductibility of payments above DKK 100 000 a year to individual pension insurance schemes with less than life-long coverage has been limited, as well as tightening of the tax treatment of company cars and other fringe benefits. Furthermore, a 6 per cent tax is imposed from 2011 on pension payments exceeding DKK 362 800.

To consolidate the budget, a *Fiscal Consolidation Agreement* was reached in May 2010, somewhat modifying the prescriptions of the Spring Package of 2009.

The specific provisions of the *Fiscal Consolidation Agreement* include:

- The suspension from 2011 until 2013 of automatic adjustments in various tax thresholds (including personal allowances).
- Postponing from 2011 to 2014 the increase of the threshold for the top income tax rate (15 per cent) from DKK 389 900 to 409 100 (EUR 52 316 to 54 892). The increase was an element of the *Spring Package 2.0*.
- The labour union membership fees' tax deductibility is limited to DKK 3 000 (EUR 403) from the year 2011. The threshold is not adjusted.
- From 2011, the annual amount of child allowance is limited to DKK 35 000 (EUR 4 696), irrespective of the number of children. This was abolished by the new government by 2012. Child allowances will be gradually reduced by 5 per cent until 2013.

5. Memorandum items

5.1. Identification of an AW

The AW is identified as an average worker employed at firms which are members of the Danish Employers' Confederation.

5.2. Employers' contribution to private schemes

The employer must provide his employees with work injuries' insurance.

Employees typically participate in a private occupational (labour market) pension scheme to which both the employee and the employer make contributions. The employee's contribution is deductible for income tax purposes and is treated in this Report as a non-standard tax relief. The employer's contribution is not included in the gross wage income of the employee.

2012 parameter values

Average earnings/yr	Ave_earn	392 456	Secretariat estimate
Central taxes	Health_tax_rate	0.07	
	Low_rate	0.0464	
	Medium_thrsh	0	
	Medium_rate	0	
	Top_thrsh	389 900	
	Top_rate	0.15	
	Marg_rate_ceil	0.515	
	Adj_top_rate	0.14937	
	Temp_tax_rate	0.00	
	Temp_tax_thrsh	0	
	Personal_al	42 900	
The green check	green_check	1 300	
	1 child	300	
	child max	600	
	Green_check_thrsh	362 800	
	Green_check_taper_rate	0.075	
Local taxes	gener_rate	0.24923	
	church_rate	0.00731	
Total local tax rate	Local_rates	0.25654	
Earned income tax credit scheme	earncredit_rate	0.044	
	earncredit_max	14 100	
Child transfers	Child_3to6	13 500	
	Child_7to17	10 632	
For single parents	Sing_par_basic	5 200	
	Sing_par_ch	18 148	
Individual Labour Market Pension Scheme	Pension_rate	0	
Employees soc. security:			
suppl. pension scheme	Pension	1 080	
unempl. insurance	Unemp	10 710	
Labour Market Contribution	Labour_market_rate	0.08	
Employer soc. security:			
suppl. pension scheme	Pension_empr	2 160	
refunded by government	Pension_ref	0.00	
SSC rate	SSC_empr	0.00	

2012 tax equations

The equations for the Danish system in 2012 are mostly on an individual basis but there is an interaction in the calculation of Central Government tax between spouses and the child benefit is calculated only once. This is shown by the Range indicator in the table below.

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

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	B	Labour_market_contr+Pension_rate*earn
		earncredit	B	Min(earn*earncredit_rate, earncredit_max)
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al-earncredit+taxbl_cr)
	Personal income	pers_inc	B	Positive(earn-pension-pension_rate*earn-Labour_market_contr)
5.	CG tax before credits	CG_tax_excl_princ	P	Low_rate*tax_inc_princ+Medium_rate*Positive(tax_inc_princ-Medium_thrsh-Married*Positive(Medium_thrsh-pers_inc_spouse))+ Adj_top_rate*Positive(tax_inc_princ-Top_thrsh)
		CG_health_tax_excl_princ	P	Health_tax_rate*tax_inc_princ
		CG_tax_excl_spouse	S	Low_rate*tax_inc_spouse+Medium_rate*Positive(tax_inc_spouse-Medium_thrsh)+Adj_top_rate*Positive(tax_inc_spouse-Top_thrsh)
		CG_health_tax_excl_spouse	S	(Married=1)*Health_tax_rate*tax_inc_spouse
6.	Tax credits :	tax_cr_princ	P	Personal_al*Low_rate+Married*Positive(Personal_al-pers_inc_spouse)*Low_rate
		health_tax_cr_princ	P	Health_tax_rate*(Personal_al+Married*Positive(Personal_al-tax_inc_spouse))
		tax_cr_spouse	S	Personal_al*Low_rate
		health_tax_cr_spouse	S	(Married=1)*Health_tax_rate*Personal_al
	Labour Market Contribution	Labour_market_contr	B	Labour_market_rate*earn
7.	CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)+Positive(CG_health_tax_excl-health_tax_cr)+Labour_market_contr
8.	State and local taxes	local_tax_princ	P	Positive((Local_rates)*(tax_inc_princ-Personal_al-Married*Positive(Personal_al-tax_inc_spouse)))
		local_tax_spouse	S	(Local_rates)*Positive(tax_inc_spouse-Personal_al)
9.	Employees' soc security			
	contribution	SSC	B	(earn>0)*Unemp
10.	Total payments	tot_payments	J	Positive(CG_tax_total+local_tax_total+SSC_total)
11.	Cash transfers	cash_trans	J	(Children>0)*(Child_3to6+(Children>1)*(Children-1)*Child_7to17+(Married=0)*(Sing_par_basic+Children*Sing_par_ch)) +IF(Married=1,(Taper(green_check,pers_inc_princ,Green_check_thrsh,Green_check_taper_rate)+Taper(green_check+MIN(Children* Green_check_child, Green_check_children), pers_inc_spouse, Green_check_thrsh,Green_check_taper_rate)),Taper(green_check+MIN(Children* Green_check_child, Green_check_children), pers_inc_princ, Green_check_thrsh, Green_check_taper_rate))
	13. Employer's soc security	SSC_empr	B	0

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	7300	10950	18250	7300
2.	**Standard tax allowances**				
	Basic allowance	1728	1728	1728	3456
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	204	307	511	204
	Work-related expenses	0	0	0	0
	Other				
	Total	1932	2035	2239	3660
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	5368	8915	16011	3640
5.	**Central government income tax liability (exclusive of tax credits)**	1127	1872	3362	764
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)**	1127	1872	3362	764
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	204	307	511	204
	Taxable income				
	Total	204	307	511	204
10.	**Total payments to general government (7 + 8 + 9)**	1332	2179	3873	969
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	921
	Total	0	0	0	921
12.	**Take-home pay (1-10+11)**	5968	8771	14377	7252
13.	**Employer's compulsory social security contributions**	2511	3767	6278	2511
14.	**Average rates**				
	Income tax	15.4%	17.1%	18.4%	10.5%
	Employees' social security contributions	2.8%	2.8%	2.8%	2.8%
	Total payments less cash transfers	18.2%	19.9%	21.2%	0.7%
	Total tax wedge including employer's social security contributions	39.2%	40.4%	41.4%	26.1%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	23.2%	23.2%	23.2%	23.2%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	42.9%	42.9%	42.9%	42.9%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Estonia 2012

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
1.	**Gross wage earnings**		10950	14600	18250	14600
2.	**Standard tax allowances**					
	Basic allowance		5184	5184	5184	3456
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		307	409	511	409
	Work-related expenses		0	0	0	0
	Other					
		Total	5491	5593	5695	3865
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		5459	9007	12555	10735
5.	**Central government income tax liability (exclusive of tax credits)**		1146	1892	2637	2254
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)**		1146	1892	2637	2254
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		307	409	511	409
	Taxable income					
		Total	307	409	511	409
10.	**Total payments to general government (7 + 8 + 9)**		1453	2300	3148	2663
11.	**Cash transfers from general government**					
	For head of family					
	For two children		460	460	460	0
		Total	460	460	460	0
12.	**Take-home pay (1-10+11)**		9957	12760	15563	11937
13.	**Employer's compulsory social security contributions**		3767	5022	6278	5022
14.	**Average rates**					
	Income tax		10.5%	13.0%	14.4%	15.4%
	Employees' social security contributions		2.8%	2.8%	2.8%	2.8%
	Total payments less cash transfers		9.1%	12.6%	14.7%	18.2%
	Total tax wedge including employer's social security contributions		32.3%	35.0%	36.6%	39.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		23.2%	23.2%	23.2%	23.2%
	Total payments less cash transfers: Spouse		0.0%	23.2%	23.2%	23.2%
	Total tax wedge: Principal earner		42.9%	42.9%	42.9%	42.9%
	Total tax wedge: Spouse		0.0%	42.9%	42.9%	42.9%

The Estonian currency is the euro (EUR). In 2012, EUR 0.78 was equal to USD 1. In 2012, the average worker in Estonia earned EUR 10 950 (country estimate).

1. Personal income tax system

1.1. Central government income tax

1.1.1. Tax unit

The tax unit is the family.

1.1.2. Tax allowances

1.1.2.1. Standard tax reliefs

- *A general (basic) allowance* of EUR 1 728 is deductible from individual income in 2012.
- A *child* allowance of EUR 1 728 is also deductible from income for each of the second and any subsequent children up to and including the age of 16.
- *Relief for social security contributions:* Employee's compulsory contributions for unemployment insurance are deductible for income tax purposes.
- *Tax credits*: None for employees.

1.1.2.2. Non-standard tax reliefs applicable to income from employment

- *II pillar pension contributions*: In 2012, these represent voluntary payments to private funds for all employees and are paid at a rate of 2% of earnings.
- Occupational accident and illness benefits that are not paid as insurance benefits are deductible from taxable income within the limit of EUR 768 per year.
- *Housing loan interest, educational costs, gifts and donations* are deductible from taxable income within upper limits of EUR 1 920 and 50% of taxable income per year.
- *Voluntary pension contributions (III pillar)*: Contributions paid by a resident to the provider of a pension plan based in Estonia or in another EU member state according to a pension plan that is approved and entered into a special register in accordance with the pension legislation are deductible from taxable income. In 2012, such deductions are subject to an annual limit of a sum equal to 15% of the employee's income from employment.

1.1.3. Tax schedule

The rate of 21% applies for all levels of taxable income.

1.2. Regional and local income tax

There are no regional or local income taxes.

2. Compulsory social security insurance system

The compulsory social security insurance system consists of three schemes as follows:

- pension insurance;

- health insurance;
- unemployment insurance.

2.1. Employees' contributions

Employees pay 2.8% of their earnings in contributions for unemployment insurance. The taxable base is the total amount of the gross wage or salary including vacation payments, fringe benefits and remuneration of expenses related to work above a certain threshold. The assessment period is the calendar month.

2.2. Employers' contributions

Social security insurance contributions are also paid by employers on behalf of their employees. The taxable base and the assessment period are the same as for employees' contributions. The employers' contribution rates are applied in two parts:

- Unemployment insurance – 1.4% of employee earnings.
- Pension and health insurance – as follows for monthly earnings above EUR 278.02.

Scheme name	Rate of contribution (%)
Pension insurance	20.00
Health insurance	13.00
Total	**33.00**

In addition there is a lump sum payment for each employee of EUR 91.75 per month (split between pensions and health insurance on a 20:13 basis).

3. Payroll tax

None.

4. Universal cash transfers

4.1. Transfers related to marital status

None.

4.2. Transfers for dependent children

Estonia's family benefits are designed to provide partial coverage of the costs families incur in caring for, raising and educating their children.

The state pays family benefits to all children until they reach the age of 16. Children enrolled in basic or secondary schools or vocational education institutions operating on the basis of basic education have the right to receive family benefits until the age of 19. Applications for the allowance are made on an annual basis and the payments are not taxable. The values of these benefits in 2011 are shown in the table below. The single parent child allowance is paid for each child.

In addition there are nine other types of family benefits for which payment depends on either the age of the child(ren) and/or the status of the person(s) looking of them: maternity benefit; childbirth allowance; parental benefit; child care allowance; conscript's child allowance; child's school allowance, child allowance for a child under guardianship or foster care; start in independent life allowance; adoption allowance (single payment). These are not included in the modelling.

Type of benefit	Annual amount of benefit (in EUR)
Child allowance (paid until children turn 16 or until the end of the academic year in which they turn 19 if they continue studying).	
For the first and second child	230.16
For the third and any subsequent children	690.48
Single parent's child allowance	230.16
Parents allowance for families with seven or more children	2 024.88

5. Main changes in tax/benefit system since 2005

- The personal income tax rate was steadily reduced from 24% in 2005 to 21% in 2008.
- The child tax allowance applied for the third and subsequent children for 2005 and the second and subsequent children in 2006 and 2007. It applied to all children in 2008 and then returned to the 2007 position in 2009.
- The employee unemployment contribution rate was reduced from 1% to 0.6% in 2006 and then raised in 2 stages to 2.8% at the end of 2009. The corresponding rates for employers were a reduction from 0.5% to 0.3% in 2006 increasing to 1.4%.

6. Memorandum items

6.1. Average gross annual wage earnings calculation

In Estonia the gross earnings figures cover wages and salaries paid to individuals in formal employment including payment for overtime. They also include bonus payments and other payments such as pay for annual leave, paid leave up to seven days, public holidays, absences due to sickness for up to 30 days, job training, and slowdown through no fault of the person in formal employment.

The average gross wage earnings figures of all adult workers covering industry Sectors B-N by NACE Rev. 2 are estimated with average wage growth rate forecast of Estonian Ministry of Finance.

6.2. Employer contributions to private pension and health schemes

Some employer contributions are made to private health and pension schemes but there is no relevant information available on the amounts that are paid.

2012 parameter values

Average earnings/yr	Ave_earn	10 950	Country estimate
Allowances	Basic_al	1 728	
	Child_al	1 728	
Income tax	Tax_rate	0.21	
Employers SSC	SSC_rate1	0.33	
	Threshold	3 336.24	
	lump_sum	1 101	
	SSC_rate2	0.014	
Employees SSC	SSC_rate3	0.028	
Child allowances			
First & second child	CA_first&second	230.16	
Other children	CA_others	690.48	
Additional for children of lone parents	CA_onepar	230.16	
Days in tax year	numdays	365	

2012 tax equations

The equations for the Estonian system are mostly on an individual basis.

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

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	J	Min(Basic_al*(1+married)+SSC_empee+(children>1)*child_al*(Children-1),earn)
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax_inc*tax_rate
6.	Tax credits :	tax_cr	B	0
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC_empee	B	earn*SSC_rate3
11.	Cash transfers	cash_trans	J	IF(Children<3,CA_firstsecond*Children,(2*CA_firstsecond)+(CA_other*(Children-2)))+(Married=0)*Children*CA_onepar
13.	Employer's soc security	SSC_empr	B	IF(earn>0,IF(earn>threshold,earn*SSC_rate1,lump_sum),0)+earn*SSC_rate2

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**			27652	41478	69130	27652
2.	**Standard tax allowances**						
		Basic allowance					
		Married or head of family					
		Dependent children					
		Deduction for social security contributions and income taxes		1817	2725	4542	1817
		Work-related expenses		620	620	620	620
		Other					
			Total	2437	3345	5162	2437
3.	**Tax credits or cash transfers included in taxable income**			0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**			25215	38133	63968	25215
5.	**Central government income tax liability (exclusive of tax credits)**			745	3006	8522	745
6.	**Tax credits**						
		Basic credit		945	859	554	945
		Married or head of family					
		Children					
		Other					
			Total	945	859	554	945
7.	**Central government income tax finally paid (5-6)**			0	2147	7967	0
8.	**State and local taxes**			4092	6886	12099	4092
9.	**Employees' compulsory social security contributions**						
		Gross earnings		1817	2725	4542	1817
		Taxable income		259	436	767	259
			Total	2076	3162	5309	2076
10.	**Total payments to general government (7 + 8 + 9)**			6168	12195	25375	6168
11.	**Cash transfers from general government**						
		For head of family					
		For two children		0	0	0	3797
			Total	0	0	0	3797
12.	**Take-home pay (1-10+11)**			21484	29283	43755	25281
13.	**Employer's compulsory social security contributions**			6305	9457	15762	6305
14.	**Average rates**						
	Income tax			14.8%	21.8%	29.0%	14.8%
	Employees' social security contributions			7.5%	7.6%	7.7%	7.5%
	Total payments less cash transfers			22.3%	29.4%	36.7%	8.6%
	Total tax wedge including employer's social security contributions			36.7%	42.5%	48.5%	25.5%
15.	**Marginal rates**						
	Total payments less cash transfers: Principal earner			43.0%	44.1%	47.8%	43.0%
	Total payments less cash transfers: Spouse			n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner			53.6%	54.5%	57.5%	53.6%
	Total tax wedge: Spouse			n.a.	n.a.	n.a.	n.a.

Finland 2012

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
1.	**Gross wage earnings**		41478	55304	69130	55304
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		2725	3633	4542	3633
	Work-related expenses		620	1240	1240	1240
	Other					
		Total	3345	4873	5782	4873
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		38133	50430	63348	50430
5.	**Central government income tax liability (exclusive of tax credits)**		3006	3006	3751	3006
6.	**Tax credits**					
	Basic credit		859	1663	1804	1663
	Married or head of family					
	Children					
	Other					
		Total	859	1663	1804	1663
7.	**Central government income tax finally paid (5-6)**		2147	2147	2147	2147
8.	**State and local taxes**		6886	7488	10978	7488
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2725	3633.5	4542	3633
	Taxable income		436	475	696	475
		Total	3162	4108	5238	4108
10.	**Total payments to general government (7 + 8 + 9)**		12195	13743	18362	13743
11.	**Cash transfers from general government**					
	For head of family					
	For two children		2632	2632	2632	0
		Total	2632	2632	2632	0
12.	**Take-home pay (1-10+11)**		31915	44193	53399	41561
13.	**Employer's compulsory social security contributions**		9457	12609.3	15762	12609
14.	**Average rates**					
	Income tax		21.8%	17.4%	19.0%	17.4%
	Employees' social security contributions		7.6%	7.4%	7.6%	7.4%
	Total payments less cash transfers		23.1%	20.1%	22.8%	24.8%
	Total tax wedge including employer's social security contributions		37.3%	34.9%	37.1%	38.8%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		44.1%	44.1%	44.1%	44.1%
	Total payments less cash transfers: Spouse		11.2%	22.4%	43.0%	22.4%
	Total tax wedge: Principal earner		54.5%	54.5%	54.5%	54.5%
	Total tax wedge: Spouse		27.7%	36.8%	53.6%	36.8%

The national currency is the euro (EUR). In 2012, EUR 0.78 was equal to USD 1. In that year, the average worker earned EUR 41 478 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income taxes

1.1.1. Tax unit

Spouses are taxed separately for earned income.

1.1.2. Standard tax allowances and tax credits

1.1.2.1. Standard reliefs

- *Work-related expenses:* A standard deduction for work-related expenses equal to the amount of wage or salary, with a maximum amount of EUR 620 is granted.
- *Tax credit*: An earned income tax credit is granted against the central government income tax. If the credit exceeds the amount of central government income tax, the excess credit is deductible from the municipal income tax and the health insurance contribution for medical care. The credit is calculated on the basis of taxpayers' income from work. The credit amounts to 7.1 per cent of income exceeding EUR 2 500, until it reaches its maximum of EUR 945. The amount of the credit is reduced by 1.1 per cent of the earned income minus work related expenses exceeding EUR 33 000. The credit is fully phased out when taxpayers' income is about EUR 120 000.

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

- *Interest:* Interest on loans associated with the earning of taxable income, 85 per cent of the interest on loans for the purchase of owner-occupied dwellings, and student loans guaranteed by the state can be deducted against capital income. Of the excess of interest over capital income, 30 (32 per cent for first-time homebuyers) per cent can be credited against income tax up to a maximum of EUR 1 400.
- *Membership fees:* Membership fees paid to employees' organisations or trade unions.
- *Travelling expenses:* Travelling expenses from the place of residence to the place of employment using the cheapest means in excess of EUR 600 up to a maximum deduction of EUR 7 000.
- *Double housing expenses*: If the place of employment is located too far from home in order to commute (distance > 100 km), the taxpayer can deduct the costs of hiring a second dwelling located near the place of work up to EUR 250 per month. This deduction can be claimed only by one person per household.
- *Other work-related outlays:* Outlays for tools, professional literature, research equipment and scientific literature, and expenses incurred in scientific or artistic work (unless compensated by scholarships).

Travelling expenses and other work-related outlays are deductible only to the extent that their total amount exceeds the amount of the standard deduction for work-related expenses.

1.1.3. Rate schedule

Central government income tax:

Taxable income (EUR)	Tax on lower limit (EUR)	Tax on excess income in bracket (%)
16 100-23 900	8	6.5
23 900-39 100	515	17.5
39 100-70 300	3 175	21.5
70 300 and more	9 883	29.75

1.2. Local income tax

1.2.1. Tax base and tax rates

The tax base of the local income tax is taxable income as established for the income tax levied by central government.

Municipal tax is levied at flat rates. In 2012 the tax rate varies between 16.25 and 21.75 per cent, the average rate being approximately 19.25 per cent.

Municipal tax is not deductible against central government taxes. Work-related expenses and other non-standard deductions are deductible, as for purposes of the central government income tax.

1.2.2. Tax allowances in municipal income taxation

- An earned income tax allowance is calculated on the basis of taxpayer's income from work. The allowance amounts to 51 per cent of income between EUR 2 500 and EUR 7 230, and 28 per cent of the income exceeding EUR 7 230, until it reaches its maximum of EUR 3 570. The amount of the allowance is reduced by 4.5 per cent on earned income minus work related expenses exceeding EUR 14 000.
- A basic tax allowance is granted on the basis of taxable income remaining after the other allowances have been subtracted. The maximum amount, EUR 2 850, is reduced by 20 per cent on income exceeding the aforementioned amount.

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

2.1. Employee contributions

2.1.1. Rate and ceiling

In 2012, the rate of the health insurance contribution for medical care paid by an employee is 1.22 per cent. The tax base for thiscontribution is net taxable income for municipal income tax purposes.

In addition there is an employees' pension insurance contribution which amounts to 5.15 per cent of gross salary, an employees' unemployment insurance contribution equal to 0.6 per cent of gross salary and a health insurance contribution for daily allowance equal to 0.82 per cent of gross salary. For employees aged 53 and older, the pension insurance contribution amounts to 6.5 per cent of gross salary. These contributions are deductible for income tax purposes.

2.1.2. Distinction by marital status or sex

The rates do not differ.

2.2. Employers' contributions

The average rate of the employers' social security contribution in 2012 is 22.8 per cent of gross wage.

3. Universal cash transfers

3.1. Amount for marriage

None.

3.2. Amount for children

The central government pays in 2012 the following allowances (EUR):

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

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

4. Main changes in the tax/benefit system since 2011

In January 2012 all central government tax brackets were adjusted by about 3 %.

The maximum amount of the earned income tax credit in state taxation was raised from EUR 740 to EUR 945.

The maximum amount of the basic allowance in municipal taxation was raised from EUR 2 250 to EUR 2 850.

The rate of the employees' health insurance contribution for medical care was increased from 1.19 per cent to 1.22 per cent. The rate of employees' pension insurance contributions was raised from 4.7 per cent to 5.15 per cent. Home-loan interest counts at 85 per cent, down from 100 per cent, as deductible/creditable interest.

5. Memorandum items

5.1. Calculation of average gross annual wage

The Finnish figures are generally calculated as follows:

- Gross annual earnings are calculated at an individual level on the basis of the hour's usually worked, average hourly pay for the fourth quarter, and the share of annual periodic bonuses.

- The earnings exclude sickness and unemployment compensations, but include all normal overtime compensations, bonuses, holiday remunerations and remunerations for public holidays.

5.2. Employer contributions to private pension and health schemes

No information is available.

2012 parameter values

Average earnings/yr	Ave_earn	41 478	Secretariat estimate
Expenses	Work_exp_max	620	
	Work_exp_rate	1	
Allowances	al_SSC_rate	0.0657	
State tax	Tax_min	8	
Tax schedule	Tax_sch	0	16 100
		0.065	23 900
		0.175	39 100
		0.215	70 300
		0.2975	
Earned income tax credit	eitc_thrsh	2 500	
	eitc_rate	0.071	
	eitc_redn_thrsh	33 000	
	eitc_redn_rate	0.011	
	eitc_max	945	
Earned income tax allowance	al_thrsh	2 500	
	al_thrsh2	7 230	
	al_rate	0.51	
	al_rate2	0.28	
	al_redn_thrsh	14 000	
	al_redn_rate	0.045	
	al_max	3 570	
low income	SL_max	2 850	
	SL_rate	0.2	
Local intax	Local_rate	0.1925	
	Church_rate	0	
	Local_tot	0.1925	
Soc sec taxpayer	SSC_rate	0.0122	
soc.sec empr	SSC_empr	0.228	
Cash transfer	ch_1	1 250.28	
	ch_2	1 381.56	
	ch_3	1 762.92	
	ch_4	2 019.24	
	ch_5	2 275.56	
	ch_small	0	
	ch_lone	582.6	

2012 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))
7.	CG tax	CG_tax	B	Positive(CG_tax_excl – tax_cr)
	Earned income allowance	earninc_al	B	MIN(al_max, IF(earn>al_thrsh2, al_rate*(al_thrsh2-al_thrsh1)+al_rate2*(earn-al_thrsh2), Positive(earn-al_thrsh)))- MIN(al_max, al_redn_rate* Positive(earn-work_rel-al_redn_thrsh))
	Low income	low_inc	B	Positive(MIN(earn-work_rel-low_al-SSC_al, SL_max)-SL_rate*Positive(earn- work_rel- low_al-SSC_al-SL_max))
	Taxable income (local)	tax_inc_l	B	tax_inc-earninc_al-low_inc
8.	State and local taxes	local_tax	B	Positive(tax_inc_l*Local_tot-(local_tot/(local_tot+SSC_rate))*Positive(Tax_cr-CG_tax_excl))
9.	Employees' soc security	SSC	B	Positive(SSC_rate*tax_inc_l – (SSC_rate/(local_tot+SSC_rate))*Positive(Tax_cr-CG_tax_excl)) + SSC_al
11.	Cash transfers	cash_trans	J	(Children>0)*ch_1+(Children>1)*ch_2+ (Children>2)*ch_3+ (Children>3)*ch_4+ Positive(Children-4)*ch_4 +(Married=0)*Children*ch_lone
13.	Employer's soc security	SSC_empr	B	earn*SSC_empr

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	24449	36673	61122	24449
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	4575	6857	11053	4575
	Work-related expenses	1987	2982	5007	1987
	Other				
	Total	6562	9839	16060	6562
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	17887	26835	45062	17887
5.	**Central government income tax liability (exclusive of tax credits)**	3087	5367	12757	1922
6.	**Tax credits**				
	Basic credit				
	Married or head of family				
	Children				
	Other	0	0	0	72
	Total	0	0	0	72
7.	**Central government income tax finally paid (5-6)**	3087	5367	12757	1850
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	3349	5020	7990	3349
	Taxable income				
	Total	3349	5020	7990	3349
10.	**Total payments to general government (7 + 8 + 9)**	6436	10386	20747	5199
11.	**Cash transfers from general government**				
	For head of family (Gross)				
	For two children (Gross)	0	0	0	1532
	CRDS Deducted	0	0	0	-8
	Total	0	0	0	1524
12.	**Take-home pay (1-10+11)**	18013	26287	40375	20774
13.	**Employers' compulsory social security contributions**	9606	16138	26727	9606
14.	**Average rates**				
	Income tax	12.6%	14.6%	20.9%	7.6%
	Employees' social security contributions	13.7%	13.7%	13.1%	13.7%
	Total payments less cash transfers	26.3%	28.3%	33.9%	15.0%
	Total tax wedge including employer's social security contributions	47.1%	50.2%	54.0%	39.0%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	31.8%	42.4%	42.4%	21.6%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	63.6%	59.8%	59.8%	58.1%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

France 2012

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
1.	**Gross wage earnings**		36673	48898	61122	48898
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		6857	9144	11432	9144
	Work-related expenses		2982	3975	4969	3975
	Other					
		Total	9839	13120	16401	13120
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		26835	35778	44721	35778
5.	**Central government income tax liability (exclusive of tax credits)**		3141	4835	7048	6174
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		0	752	0	0
		Total	0	752	0	0
7.	**Central government income tax finally paid (5-6)**		3141	4083	7048	6174
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		5020	6694	8369	6694
	Taxable income					
		Total	5020	6694	8369	6694
10.	**Total payments to general government (7 + 8 + 9)**		8160	10777	15417	12868
11.	**Cash transfers from general government**					
	For head of family (Gross)					
	For two children (Gross)		1532	1532	1532	0
	CRDS Deducted		-8	-8	-8	0
		Total	1524	1524	1524	0
12.	**Take-home pay (1-10+11)**		30038	39645	47230	36029
13.	**Employers' compulsory social security contributions**		16138	18339	25744	18339
14.	**Average rates**					
	Income tax		8.6%	8.3%	11.5%	12.6%
	Employees' social security contributions		13.7%	13.7%	13.7%	13.7%
	Total payments less cash transfers		18.1%	18.9%	22.7%	26.3%
	Total tax wedge including employer's social security contributions		43.1%	41.0%	45.6%	46.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		26.2%	30.4%	30.4%	30.4%
	Total payments less cash transfers: Spouse		21.4%	31.2%	31.8%	31.8%
	Total tax wedge: Principal earner		48.5%	51.5%	51.5%	51.5%
	Total tax wedge: Spouse		33.4%	41.7%	63.6%	42.2%

The national currency is now the euro (EUR). In 2012, EUR 0.78 equalled USD 1. In that year, the average worker earned EUR 36 673 (Secretariat estimate).

1. Personal income tax system

1.1. Tax levied by the central government on 2012 income

1.1.1. Tax unit

The tax unit is aggregate family income, but children are included only if their parents claim them as dependants. Other persons may be included on certain conditions: unlike spouses, who are always taxed jointly, children and other members of the household may opt to be taxed separately. Beginning with the taxation of 2004 income, the law provides for joint taxation of partners in a French civil union (*pacte 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 421 and a ceiling of EUR 12 000 per earner).
- Family status: The "family quotient" (*quotient familial*) system takes a taxpayer's marital status and family responsibilities into account. It involves dividing net taxable income into a certain number of shares [two shares for a married (or "PACSed") couple, one share for a single person, one half-share for each dependent child, an additional half-share for the third and each subsequent dependent child, an additional half-share for each dependent child of a single parent, and so on]: the total tax due is equal to the amount of tax corresponding to one share multiplied by the total number of shares. The tax benefit for a half-share is limited, however, to EUR 2 000 per half-share in excess of two shares for a couple, or one share for a single person, except for the first two half-shares granted for the first child of a lone parent, in which case the maximum benefit is EUR 4 040.

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 (13%, 22% or 45% tax credits, subject to a multi-year maximum); compensatory allowances if paid in a lump sum (25% reduction, capped at EUR 30 500); child care costs for children under seven (50% reduction, up to annual expenditure of EUR 2 300), dependent children attending secondary school or in higher education; donations to charities or other organisations assisting the needy; trade union dues, etc.

1.1.2.3. Refundable tax credit: employment premium (*prime pour l'emploi*, or PPE)

This is a tax credit for households comprising wage-earners whose equivalent full-time net taxable earned income was between EUR 3 743 and EUR 26 572. The credit is determined in a multi-step calculation. First, the amount of the premium is calculated for each eligible wage-earner, and then the individual amounts are aggregated. The resulting amount may then be increased under certain conditions (dependent children or single-parent wage-earner). It is this final amount that is deducted from the family's tax liability. However, the credit is attributed only if the household's reference taxable income does not exceed the following limits: EUR 16 251 for a single person, EUR 25 231 for a single-parent family with two children, EUR 32 498 for a married or PACSed couple with no children, EUR 41 478 for a married or PACSed couple with two children. The credit was increased sharply, since the maximum amount was raised to EUR 960 in 2008. The PPE is not paid if it is less than EUR 30.

In the event of part-time work, the income used to compute the amount of the credit is converted to a full-time equivalent, and the resultant credit is then adjusted to the actual amount of time worked and increased. The increase has been raised: in 2007 (2006 income), the PPE of persons whose work ratio is 50% (persons working half-time all year or full-time for six months) amounts to 92.5% of the PPE of persons working full-time all year, versus 82.5% in 2006.

The following table shows the applicable schedule for computing the employment premium by income level and type of family, as selected by the OECD:

Family status	Full-time equivalent annual earnings between	Amount of employment premium (PPE)	Increase for family responsibilities	
Single person with no children	EUR 3 743 < R < = EUR 12 475	R*7.7%		
	EUR 12 475 < R < = EUR 17 451	(EUR 17 451 – R) * 19.3 %		
			Childless	Two children
Two-earner couple (married/PACSed)	EUR 3 743 < R < = EUR 12 475	R * 7.7%	–	EUR 72
	EUR 12 475 < R < = EUR 17 451	(EUR 17 451 – R) * 19.3 %	–	EUR 72
			Childless	Two children
Single-earner couple (married/PACSed)	EUR 3 743 < R < = EUR 12 475	R * 7.7% + EUR 83	–	EUR 72
	EUR 12 475 < R < = EUR 17 451	(EUR 17 451 – R) * 19.3% + EUR 83	–	EUR 72
	EUR 17 451 < R < = EUR 24 950	EUR 83	–	EUR 36
	EUR 24 950 < R < = EUR 26 572	(EUR 26 572 – R) * 5.1%	–	EUR 36
Single-parent family with two children	EUR 3 743 < R < = EUR 12 475	R * 7.7%	EUR 108	
	EUR 12 475 < R < = EUR 17 451	(EUR 17 451 – R) * 19.3 %	EUR 108	
	EUR 17 451< R < = EUR 26 572	0	EUR 72	

The PPE is increased for dependants in a household, and whether a married/PACSed couple has one or two earners can also affect the amount of the credit (with the amount for single-earner couples increased by EUR 83). The PPE is increased by EUR 36 for each dependent child, except in special cases (e.g. single-earner married/PACSed PPE recipients in the top two income brackets).

For the fourth consecutive year, the government decided to continue the freeze on the PPE scale for 2012.

Since 2010, the PPE is partly replaced by a new cash transfer benefit implemented in July 2009: the RSA (active solidarity income). This cash transfer ensures households earn a minimum income that increases with the number of hours worked. The RSA is not assessed here because to do so the knowledge of every cash transfer of the households (such as cash transfers for housing, unemployment, etc.) is needed. The RSA is designed to meet three goals:

- encourage people to enter or return to the labour market, by guaranteeing them a lasting improvement in income;
- reduce poverty by providing recipients with a decent income;
- improve social support and occupational reintegration.

The RSA is a new benefit that supersedes two existing basic welfare payments, the so called "revenu minimum d'insertion" (minimum unemployment benefit – RMI) and the so called "allocation de parent isolé" (single-parent allowance – API). It also replaces temporary payments for welfare recipients who return to work ("prime de retour à l'emploi", "prime forfaitaire de retour à l'emploi" bonuses and the "intéressement proportionnel" system of benefits combined with part-time work). However, the eight family types studied here earn too high an income to benefit from this credit.

1.1.2.4. Tax exemption on overtime work

Since the 21 August 2007 Act, overtime work is exempted from employee social contributions, universal social contributions and personal income tax. Employer contributions are also reduced.

1.1.3. *Tax schedule*

	Fraction of taxable income (1 share, in euros)	Rate (in %)
1st bracket	Up to 5 963	0
2nd bracket	From 5 963 to 11 896	5.5
3rd bracket	From 11 896 to 26 420	14
4th bracket	From 26 420 to 70 830	30
5th bracket	70 830 to 150 000	41
6th bracket	Above 150 000	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 960, in which case the rebate is equal to one-half the difference between this ceiling and the amount of tax before the rebate. If the final tax is less than EUR 61, no tax is payable.

1.2. *Taxes levied by decentralised authorities*

Local taxes levied on working households are:

- Residency tax (*taxe d'habitation*), which is set by municipalities.
- Property taxes on developed and undeveloped land.
- There are common rules for each type of tax, to which certain municipalities make certain adjustments.

These local taxes, the rates of which vary widely, depending on the municipality, are not assessed here.

1.3. Universal social contribution (contribution sociale généralisée, or CSG)

The universal social contribution (CSG) was introduced on 1 February 1991. Since 1 January 2005, the rate of CSG has been 7.5%. This rate has been applied to a base of 98.25% of gross pay from this year. The CSG is deductible against taxable income, but at a lower rate of 5.1%.

1.4. Contribution to the reimbursement of social debt (contribution au remboursement de la dette sociale, 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 1 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 2012, the ceiling was EUR 3 031 (or EUR 36 372 per year).

2.1. Employee contributions

2.1.1. Pension

- 6.65% on earnings up to the ceiling.
- 0.10% on total earnings.

2.1.2. Illness, pregnancy, disability, death

- 0.75% on total earnings.

2.1.3. Unemployment

2.4% on earnings up to 4 times the ceiling.

2.1.4. Other

- Supplemental pension for non-managers: minimum 3% up to the ceiling and 8% between one and three times the ceiling.
- The AGFF (Association pour la Gestion du Fond de Financement) contribution replaces ASF (Association pour la Gestion de la Structure Financière), which had previously been included in "unemployment" levies. The rate of this contribution for non-managerial workers is 0.8% of earnings up to the social security ceiling plus 0.9% of any income in excess of the ceiling but not exceeding triple the amount of the ceiling.

2.2. Employer contributions

2.2.1. Pensions

8.3% of gross pay, up to the ceiling, plus a 1.6% levy on total pay.

2.2.2. Illness, pregnancy, disability, death

12.8% of total earnings.

An additional contribution of 0.3% (contribution de solidarité autonomie – (CSA) has been levied on total salary.

2.2.3. Unemployment

4.3% of earnings, up to four times the ceiling; in addition, 0.15% up to four times the ceiling to endow the salary guarantee fund (AGS).

2.2.4. Work-related accidents

Contribution rates for work-related accidents vary by line of business and are published annually in the official gazette (*Journal officiel de la République française*). In 2012, the average rate is 2.38%. The rates increased by 0.1% in 2011.

2.2.5. Family allowances

5.4% of total pay.

2.2.6. Other

- Supplemental pension: For non-managers, 4.5% up to the ceiling and 12% between one and three times the ceiling.
- The AGFF contribution is 1.2% for non-managers up to the ceiling, and 1.3% for managers plus for non-managers between one and three times the ceiling. In the table, this is combined with the rates for supplemental pensions.
- Others (construction, housing, apprenticeship, further training): 3.23% of pay. The transport tax is not included because it varies geographically.

2.2.7. Reduction of employer-paid social insurance contributions

Act No. 2003-47 of 17 January 2003 on salaries, working time and the development of employment (the "Fillon Act") amended how the reduction of contributions is calculated.

As a result, since 1 July 2005 the maximum reduction has been 26% 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 1 January 2011 the "Fillon act" (device designed for low wages, up to 1.6 SMIC, to reduce the amount of employer contributions and totally exempt from these dues pay at level of the SMIC) is modified and included an annualized calculation of the general tax reliefs of employer contributions.

The Budget Act for 2007 (Article 41 V) bolsters this measure for very small enterprises with effect from 1 July 2007. For employers with between 1 and 19 employees, the maximum deduction was raised to 28.1% at the minimum wage, declining gradually – here too – to zero at 160% of the minimum wage.

For part-time wage-earners, the relief is computed using an equivalent full-time salary and is then adjusted proportionally to the number of hours paid.

The gross annual minimum wage (for 1 820 hours) in 2012 was an estimated EUR 16 944. The minimum wage is adjusted each year at 1 July.

The over-time hours of work are not taken into account in the calculation of the reduction as far as there are not paid more than 25% or 50% more than a normal hour of work.

3. Universal cash transfers

Main family benefits (in respect of dependent children)

- Family allowances: Monthly base for family allowances (BMAF) = EUR 399 as of 1 January 2012. Rate: two children: 32%; per additional child: 41%.
- ARS (Allocation 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 six 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 at 1 September 2012
6-10 years	89.72
11-14 years	94.67
15-18 years	97.95

- Family supplement: 41.65% of the BMAF at 1 January 2011. Subject to need, this is paid to families as of the third child (not incorporated into the model).
- The CRDS is levied on family allowances at a rate of 0.5%.

4. Main changes in the tax system and social benefits regime since the taxation of 2004 income

- Tax system: Reduction of marginal tax rates.

5. Memorandum items

To assess the degree of comparability between countries, the following additional information should be taken into account:

- Coverage is of the private and semi-public sectors of NACE Sections C to K up to 2007 and NACE Rev. 2 Sections B to N from 2008.
- The category “employees” encompasses all full-time dependent employees (excluding apprentices and interns).
- The figures presented are obtained by applying income tax and social contribution scales to gross salaries as listed in annual social data reports (DADS) in NACE.

2012 parameter values

Average earnings/yr	Ave_earn	36 673	(Secretariat estimate)
Work expenses	work_rel_fl	421	
	work_rel_ceil	12 000	
	work_rel_rate	0.1	
Basic allowance	basic_al_rate	0	
	basic_al_max	0	
Tax schedule	tax_sch	0	5 963
		0.055	11 896
		0.14	26 420
		0.3	70 830
		0.41	150 000
		0.45	
	limit_demipart	2 000	
	limit_sp_demipart1	4 040	
Décote value	decote	960	
	tax_min	61	
Prime Pour l´Emploi	rev_ref_sing	16 251	
	rev_ref_mar	32 498	
	maj_dem_part	4 490	
	rate1	0.077	
	rate2	0.193	
	extra_pers	36	
	rate3	0.051	
	seuil1	3 743	
	seuil2	12 475	
	seuil3	17 451	
	seuil4	24 950	
	seuil5	26 572	
	seuil_min	30	
	ppe_mar_1earn	83	
	maj_tp_seuil	0.5	
	maj_tp	0.85	
CSG+CRDS	CSG_CRDS_abat	0.0175	
	CSG_rat_noded	0.0240	
	CRDS_rat_noded	0.0050	
	CSG_CRDS_rat_noded	0.0290	
	CSG_rat_ded	0.0510	
	CRDS_special	0.00500	
Social security contributions	pension_rate	0.0665	
	pension_rate2	0.001	
	SSC_ceil	36 372	
	sickness_rate	0.0075	
	unemp_rate	0.0240	
Extra pension (non-cadres) (incl. AGFF)	pens_rate_ex	0.038	
	pens_rate_ex2	0.089	
Employer contributions	pens_empr1	0.083	
	pens_empr2	0.016	
Authonomous Solidarity Contribution	sickness_empr	0.128	
	CSA	0.003	
Unemployment (incl. “garantie de salaire”)	unemp_empr	0.0430	
Accidents	accidents_empr	0.0238	
	SMIC	16 944.2	
Family Allowance	fam_empr	0.054	
Extra pension (incl. AGFF)	pens_empr_ex	0.057	
	pens_empr_ex2	0.133	

2012 parameter values *(cont.)*

Others	others_empr1	0.0323
	others_empr2	0.0323
Transitory Empl. SSC reduction rate	SSC_empr_redrate1	0
Employer SSC reduction rate	SSC_empr_redrate2	0.6
Employer SSC reduction maximum	SSC_empr_red_max	0.26
Employer SSC reduction SMIC reference	SSC_empr_SMIC_ref	1.6
Child benefit (second child)	CB_2	1 532.16
third & subsequent	CB_3	1 963.08
Derivation of minimum income	SMIC_horaire	9.31
	SMIC_heures	1 820
	minrevtp	16 944.2

2012 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	J	MINA(work_rel_ceil,MAXA(work_rel_rate*decl_inc_pr,MINA(work_rel_fl, decl_inc_pr)))+MINA(work_rel_ceil,MAXA(work_rel_rate* decl_inc_sp,MINA(work_rel_fl, decl_inc_sp)))
	Basic	basic_al	B	0
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	J	Positive(earn_dec_total-work_exp)
5.	CG tax before credits			
	Calculation according to schedule	sch_tax	J	MAX(quotient*Tax(tax_inc/quotient, tax_sch), IF(Married, 2*Tax(tax_inc/2, tax_sch)-limit_demipart*(quotient-2), Tax(tax_inc, tax_sch)-(Children>0)*(limit_sp_demipart1+limit_demipart*(quotient-2))))
	Adjusted for decote	adj_tax	J	Positive(MIN(1.5*sch_tax-decote/2, sch_tax))
	Tax liable	inc_tax	J	(adj_tax>=tax_min)*adj_tax
	CSG+CRDS (non-deductible)	CSG_CRDS_nod	B	CSG_CRDS_rat_nod*((1-CSG_CRDS_abat)*MIN(earn,4*SSC_ceil)+Positive(earn-4*SSC_ceil))
6.	Tax credits :			
	Prime pour l'emploi	PPE_main_princ	P	=seuilMin(IF(tax_inc<((Married=0)*rev_ref_sing+(Married=1)*rev_ref_mar+ maj_dem_part*Children),1.0)*IF(earn_dec_princ>=seuil1,(Married=1)*(earn _dec_spouse<seuil1)*IF(earn_dec_princ*MAX(minrevtp/ earn_princ,1)>seuil4,Positive(seuil5-earn_dec_princ*MAX(minrevtp/ earn_princ,1)) *rate3*(((earn_princ/minrevtp)>=1)+((earn_princ/ minrevtp)<=maj_tp_seuil)*MIN(earn_princ/ minrevtp,1)*(1+maj_tp)+((earn_princ/minrevtp)>maj_tp_seuil)*((earn_princ/ minrevtp)<1)*((1-maj_tp)*MIN(earn_princ/minrevtp,1)+maj_tp)) ,ppe_mar_1earn)+(earn_dec_princ*MAX(minrevtp/ earn_princ,1)<seuil2)*rate1*earn_dec_princ*MAX(minrevtp/ earn_princ,1)*(((earn_princ/minrevtp)>=1)+((earn_princ/ minrevtp)<=maj_tp_seuil)*MIN(EARN_PRINC/ minrevtp,1)*(1+maj_tp)+((EARN_PRINC/ minrevtp)>maj_tp_seuil)*((earn_princ/ minrevtp)<1)*((1-maj_tp)*MIN(earn_princ/minrevtp,1) +maj_tp))+(earn_dec_princ*MAX(minrevtp/ earn_princ,1)>=seuil2)*Positive(seuil3-earn_dec_princ*MAX(minrevtp/ earn_princ,1))*rate2*(((earn_princ/minrevtp)>=1)+((earn_princ/ minrevtp)<=maj_tp_seuil)*MIN(earn_princ/ minrevtp,1)*(1+maj_tp)+((earn_princ/minrevtp)>maj_tp_seuil)*((earn_princ/ minrevtp)<1)*((1-maj_tp)* MIN(earn_princ/ minrevtp,1)+maj_tp)),0),seuil_min)

Line in country table and intermediate steps		Variable name	Range	Equation
		PPE_main_spouse	S	=seuilMin(IF(tax_inc<((Married=0)*rev_ref_sing+(Married=1)*rev_ref_mar+maj_dem_part*Children),1.0)*IF(earn_dec_spouse>=seuil1,(Married=1)*(earn_dec_princ<seuil1)*IF(earn_dec_spouse*MAX(minrevtp/earn_spouse,1)>seuil4,Positive(seuil5-earn_dec_spouse*MAX(minrevtp/earn_spouse,1))*rate3*(((earn_spouse/minrevtp)>=1)+((earn_spouse/minrevtp)<=maj_tp_seuil)*MIN(earn_spouse/minrevtp,1)*(1+maj_tp)+((earn_spouse/minrevtp)>maj_tp_seuil)*((earn_spouse/minrevtp)<1)*((1-maj_tp)*MIN(earn_spouse/minrevtp,1)+maj_tp)),ppe_mar_1earn)+(earn_dec_spouse*MAX(minrevtp/earn_spouse,1)<seuil2)*rate1*earn_dec_spouse*MAX(minrevtp/earn_spouse,1)*(((earn_spouse/minrevtp)>=1)+((earn_spouse/minrevtp)<=maj_tp_seuil)*MIN(earn_spouse/minrevtp,1)*(1+maj_tp)+((earn_spouse/minrevtp)>maj_tp_seuil)*((earn_spouse/minrevtp)<1)*((1-maj_tp)*MIN(earn_spouse/minrevtp,1)+maj_tp))+(earn_dec_spouse*MAX(minrevtp/earn_spouse,1)>=seuil2)*Positive(seuil3-earn_dec_spouse*MAX(minrevtp/earn_spouse,1))*rate2*(((earn_spouse/minrevtp)>=1)+((earn_spouse/minrevtp)<=maj_tp_seuil)*MIN(earn_spouse/minrevtp,1)*(1+maj_tp)+((earn_spouse/minrevtp)>maj_tp_seuil)*((earn_spouse/minrevtp)<1)*((1-maj_tp)*MIN(earn_spouse /minrevtp,1)+maj_tp)),0),seuil_min)
		add_all	J	=IF(tax_inc<((Married=0)*rev_ref_sing+(Married=1)*rev_ref_mar+maj_dem_part*Children),1.0)*OR((earn_dec_princ>=seuil1),(earn_dec_spouse>=seuil1))*(IF(OR(IF(earn_dec_princ>0,AND(earn_dec_princ>=seuil1,earn_dec_princ*MAX(minrevtp/earn_princ,1)<=seuil3),0),IF(earn_dec_spouse>0,AND(earn_dec_spouse>=seuil1,earn_dec_spouse*MAX(minrevtp/earn_spouse,1)<=seuil3),0)),extra_pers*Children,IF(OR(IF(earn_dec_princ>0,AND(seuil3<earn_dec_princ*MAX(minrevtp/earn_princ,1),earn_dec_princ*MAX(minrevtp/earn_princ,1)<=seuil5,earn_dec_spouse<seuil1),0),IF(earn_dec_spouse>0,AND(seuil3<earn_dec_spouse*MAX(minrevtp/earn_spouse,1),earn_dec_spouse*MAX(minrevtp/earn_spouse,1)<=seuil5,earn_princ<seuil1),0)),extra_pers*(Children>0),0))+(Married=0)*(Children>0)*extra_pers
	Total NWTC	tax_cr	J	PPE_main_princ+PPE_main_spouse+add_all
7.	CG tax	CG_tax	J	inc_tax+CSG_CRDS_noded+CSG_ded-tax_cr
8.	State and local taxes	local_tax	J	0
9.	Employees' soc security	SSC	B	=(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,3*SSC_ceil) – SSC_ceil,0)
11.	Cash transfers	cash_transf_gross	J	IF(Children<2, 0, CB_2+(Children-2)*CB_3)
		crds_cash_transf	J	cash_transf_gross*-1*CRDS_special
		cash_transf_net	J	cash_transf_gross+crds_cash_transf
13.	Employer's soc security	SSC_empr_gross	B	(sickness_empr + CSA + pens_empr2 + fam_empr + accidents_empr)*earn + pens_empr1*MINA(earn,SSC_ceil) + pens_empr_ex*MINA(earn,SSC_ceil) + pens_empr_ex2* MAX(MIN(earn,3*SSC_ceil) – SSC_ceil,0) + unemp_empr*MIN(earn,4*SSC_ceil) + others_empr*MINA(earn,SSC_ceil) + others_empr2*MAX(earn-SSC_ceil,0)
		SSC_empr_reduction	B	IF(OR(earn>SSC_empr_SMIC_ref*SMIC,earn=0),0,-MIN (SSC_empr_red_max*earn,(SSC_empr_red_max/SSC_empr_redrate2)*(SSC_empr_SMIC_ref*minrevtp/earn-1)*earn))
		SSC_empr_final	B	SSC_empr_gross+SSC_empr_reduction

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	29874	44811	74684	29874
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family	0	0	0	1308
	Dependent children	0	0	0	0
	Deduction for social security contributions and income taxes	4123	6185	7337	4049
	Work-related expenses	1000	1000	1000	1000
	Other	36	36	36	36
	Total	5159	7221	8373	6393
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	24715	37590	66311	23481
5.	**Central government income tax liability (exclusive of tax credits)**	4243	8598	20760	3666
6.	**Tax credits**				
	Basic credit				
	Married or head of family				
	Children	0	0	0	4416
	Other				
	Total	0	0	0	4416
7.	**Central government income tax finally paid (5-6)**	4243	8598	20760	-750
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	6191	9287	11920	6117
	Taxable income				
	Total	6191	9287	11920	6117
10.	**Total payments to general government (7 + 8 + 9)**	10435	17885	32680	5367
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)**	19439	26925	42004	24507
13.	**Employers' compulsory social security contributions**	5848	8772	11392	5848
14.	**Average rates**				
	Income tax	14.2%	19.2%	27.8%	-2.5%
	Employees' social security contributions	20.7%	20.7%	16.0%	20.5%
	Total payments less cash transfers	34.9%	39.9%	43.8%	18.0%
	Total tax wedge including employer's social security contributions	45.6%	49.7%	51.2%	31.4%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	47.2%	52.6%	44.3%	45.2%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	55.8%	60.3%	44.3%	54.1%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Germany 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1. Gross wage earnings		44811	59747	74684	59747
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		6073	8097	10121	8246
Work-related expenses		1000	2000	2000	2000
Other		72	72	72	72
	Total	7145	10169	12193	10318
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		37666	49578	62491	49429
5. Central government income tax liability (exclusive of tax credits)		4778	8321	12469	8486
6. Tax credits					
Basic credit					
Married or head of family					
Children		4416	4416	4416	0
Other					
	Total	4416	4416	4416	0
7. Central government income tax finally paid (5-6)		362	3905	8053	8486
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		9175	12233	15292	12383
Taxable income					
	Total	9175	12233	15292	12383
10. Total payments to general government (7 + 8 + 9)		9537	16138	23345	20869
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)		35274	43610	51339	38878
13. Employers' compulsory social security contributions		8772	11696	14619	11696
14. Average rates					
Income tax		0.8%	6.5%	10.8%	14.2%
Employees' social security contributions		20.5%	20.5%	20.5%	20.7%
Total payments less cash transfers		21.3%	27.0%	31.3%	34.9%
Total tax wedge including employer's social security contributions		34.2%	39.0%	42.5%	45.6%
15. Marginal rates					
Total payments less cash transfers: Principal earner		43.3%	46.9%	49.6%	47.2%
Total payments less cash transfers: Spouse		44.2%	46.9%	49.6%	47.2%
Total tax wedge: Principal earner		52.6%	55.6%	57.9%	55.8%
Total tax wedge: Spouse		53.3%	55.6%	57.9%	55.8%

The national currency is the euro (EUR). In 2012, EUR 0.78 was equal to USD 1. The average worker earned EUR 44 811 (Secretariat estimate).

1. Personal income tax systems

1.1. Central/federal government income taxes

1.1.1. Tax unit

Spouses are generally assessed jointly. They however have the option of being assessed separately. The income of dependent children is not assessable with that of the parents. The calculations in this Report assume joint taxation of the income of the spouses.

1.1.2. Tax allowances and tax credits:

1.1.2.1. Standard reliefs and work-related expenses

- *Basic reliefs:* None.
- *Standard marital status reliefs:* In the case of joint assessment, specific allowances are doubled. The income tax liability is computed by applying the income splitting method.
- *Relief(s) for children:* As of 1 January 2010, there are increased tax credits of EUR 2 208 for the first and the second child, of EUR 2 280 for the third child and of EUR 2 580 for the fourth and subsequent children. There is a tax allowance of EUR 2 184 for the subsistence of a child and an additional EUR 1 320 for minding and education or training needs (EUR 3 504). The amount of this allowance is doubled in case of jointly assessed parents. If the value of the tax credit is less than the relief calculated applying the tax allowances, the taxpayer obtains the tax allowance instead of the tax credit. It is also doubled for lone parents in cases where the other parent does not pay alimony. This is the assumption in the calculations presented in this Report.
- *Relief for lone parents:* Taxpayers who live alone with at least one child that entitles them to the tax allowances or tax credits for children, receive an additional allowance of EUR 1 308.
- *Reliefs for social security contributions and life insurance contributions:* Social security contributions and other expenses incurred in provision for the future (e.g. life insurance) are deductible up to specific ceilings. In 2005, a new calculation scheme came into force:

  Step 1: all contributions made to pension funds (i.e. both employee's and employer's contributions) are added up. Step 2: the resulting amount is limited to EUR 20 000. Step 3: a certain percentage is applied to this amount (starting from 60 per cent in 2005, this percentage will be increased by 2 percentage points each year; it will reach 100 per cent in 2025). Step 4: the resulting amount, diminished by the (tax-free) contributions of the employer, is deductible from income.

  The tax treatment of social security expenses (health, unemployment and care insurance) changed as of 1 January 2010. Employees' annual contributions to statutory health insurance excluding sickness benefit (assumed to amount to 96 per cent of statutory health contributions) and employees' contributions to mandatory long-term care insurance are deductible from the tax base. In case these contributions do not exceed EUR 1 900/3 800 (single/married couples), contributions to unemployment insurance and other insurances premiums can be deducted in addition up to this ceiling.

If the resulting sum of deductible amounts according the legislation in force since 2005 is lower than the allowance calculated under the scheme that was valid up to 2004, the former regulations are applied in favour of the taxpayer (for more details on the old scheme: see 2005 edition and Section 4. of this Report).

- *Work-related expenses:* EUR 1 000 lump-sum allowance per gainfully-employed person.
- *Special expenses:* Lump sum allowance (EUR 36/72 [singles/couples]) for special expenses, e.g. for tax accountancy. The actual expenses will be fully deductible from taxable income if the taxpayer proves that these expenses exceed the lump sum allowance.

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

- *Contributions to pensions, life insurance, superannuation schemes:* Other expenses than the compulsory contributions to social security are deductible as reliefs for (voluntary) social security contributions up to specific ceilings (see Section 1.121).
- *Medical expenses:* Partially deductible if not covered by insurance.
- *Other:* Work-related expenses that exceed the lump-sum allowance are fully deductible (no ceiling).

1.1.3. Tax schedule

The German tax schedule is formula-based. Taxable income is rounded down (to the EUR).

- X is the taxable income;
- T is the income tax liability;
- The following definitions are used in the income tax liability formulas:

$$Y = \frac{X - 8\,004}{10\,000}$$

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

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

1. T = 0 for X ≤ 8 004
2. T = (912.17 Y + 1 400) Y for 8 005 ≤ X ≤ 13 469
3. T = (228.74 Z + 2 397) Z + 1 038 for 13 470 ≤ X ≤ 52 881
4. T = 0.42 X – 8 172 for 52 882 ≤ X ≤ 250 730
5. T = 0.45 X – 15 694 for 250 731 ≤ X

These formulas are used to calculate the income tax for single individuals.

The income tax liability for spouses who are assessed jointly is computed as follows: the income tax is calculated with respect to one-half of the joint taxable income. The resulting amount is doubled to obtain the income tax liability of the family (splitting method).

1.1.4. Solidarity surcharge

The solidarity surcharge is levied at 5.5 per cent of the income tax liability subject to an exemption limit of EUR 972/1 944 (singles/couples). The income tax liability is calculated applying the tax allowance for children. If the income tax liability exceeds the exemption limit, the solidarity surcharge will be phased in at a higher rate of 20 per cent of the difference between the income tax liability and the exemption limit until it equals 5.5 per cent of the total liability.

1.2. State and local income taxes

None.

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

The amount of social security contributions depends on the wage and the insurance contribution rate. All contributions are subject to a contribution ceiling, i.e. the maximum income for which statutory insurance contributions are calculated. The contribution rates for pension, health, care and unemployment insurances are fixed by the government.

2.1. Employees' contributions

Earnings up to EUR 4 800 per year are free of employee social security contributions. As from 1 April 2003, there is an additional concession for employees with monthly income between EUR 400.01 and EUR 800 per month (EUR 4 800.12 and EUR 9 600 per year). If the employee's income falls within this range, part of the income will be exempt from social insurance contributions. However, employers are still required to pay the normal contributions on the employee's earnings. The arrangement is purely intended to relieve the financial burden on employees. The employees' contributions rise on a straight-line basis within the band. While the 30 per cent contributions on earnings up to EUR 400 are solely paid by employers, employees' earning EUR 400.01 per month pay a rate of 10.375 per cent, whereas the employers pay full contributions of 19.625 per cent. Together they pay 30 per cent, the same rate as for earnings up to EUR 400 (the real aggregate rate differs slightly because of individual health insurance rates as the 0.9 basis points of health insurance is borne solely by employees and because of the increased care insurance rate for childless employees). The employees' contributions to social insurance then rise over the income band reaching the full rate at EUR 800 per month. Details on social security contributions for workers earning more than EUR 9 600 per year are provided below.

2.1.1. Pensions

Employers and employees pay each half of the contribution rate of 19.6 per cent in 2012, that is 9.80 per cent of the employee's gross wage earnings, up to a contribution ceiling of EUR 67 200.

2.1.2. Sickness

Since 1 January 2011, the rate has been increased to 7.3 per cent for employers and 8.2 per cent for employees. The contribution ceiling is EUR 45 900. 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 2012, the contribution rate is 3.0 per cent of assessable income. Employee and employer each pay 1.5 per cent. The contribution ceiling is EUR 67 200.

2.1.4. Care

A long-term care insurance (a 1 per cent contribution rate) went into effect on 1 January 1995. The rate was raised to 1.7 per cent of the gross wage when home nursing care benefits were added six months later. As of 1 July 2008, the rate was increased to 1.95 per cent. The employers pay half of the contributions for long-term care insurance. In other words, employers and employees both pay a rate of 0.975 per cent. The assessable income is scaled according to the gross wage earnings but there is a contribution ceiling of EUR 45 900 in 2012.

As from 1 January 2005, child-raising is given special recognition in the law relating to statutory long-term care insurance. Childless contribution payers are required to pay a supplement of 0.25 per cent, raising the contribution rate paid by a childless employee from 0.975 per cent to 1.225 per cent as of 1 July 2008.

2.1.5. Work injury

Employer only.

2.1.6. Family allowances

None.

2.1.7. Others

None.

2.2. Employers' contributions

If employees have income up to EUR 4 800, there are special rules with respect to tax and social security contributions. All social security contributions and taxes are paid by the employer. The payment amounts to 30 per cent of the wage. This payment consists of a 28 per cent social security contribution rate and a 2 per cent tax rate. For employers' contributions for annual earnings between EUR 4 800.01 and EUR 9 600, see Section 2.1.

2.2.1.-2.2.4. (Pensions, sickness, unemployment, care):

See Section 2.1.

2.2.5. Work injury

Germany has established a statutory occupational accident insurance. It is provided by industrial, agricultural and public-sector employers' liability insurance funds. This insurance protects employees and their families against the consequences of accidents at work and occupational illnesses. It is funded through the contributions paid by employers only. The amount of the employer's contributions depends on the sum total of employee's annual pay and the employer's respective hazard level. As it is not possible to identify a representative contribution rate, these amounts are not considered in this Report.

2.2.6. Family allowances

None.

2.2.7. Others

None.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

None.

4. Main changes in tax/benefit systems since 1997

The following table shows changes in the tax credit and the tax allowance for children since 1997:

	Child credit				Child allowance
	First child	Second child	Third child	Fourth and subsequent children	
1997	1 350	1 350	1 841	2 147	3 534
1999	1 534	1 534	1 841	2 147	3 534
2000	1 657	1 657	1 841	2 147	5 080
2002	1 848	1 848	1 848	2 148	5 808
2009[1]	1 968	1 968	2 040	2 340	6 024
2010	2 208	2 208	2 280	2 580	7 008

1. Plus EUR 100 one-off child credit payment for each child.

Up to 2004, the calculation of the relief for social security contributions and other expenses proceeded in three steps. First, EUR 3 068/6 136 (singles/couples) was deducted. These amounts were, however, lowered by 16 per cent of gross wages (serving as a proxy for employers' social security contributions). This deduction was provided as a partial compensation for the self-employed which do not receive tax-free employers' social security contributions. Second, the remaining expenses were deductible up to EUR 1 334/ 2 668 (singles/couples). Third, half of the remaining expenses were deductible up to EUR 667/1 334 (singles/couples).

In 2004, the tax rate was reduced and the formula for calculating the income tax was changed. The relief for lone parents was reduced to EUR 1 308, the lump sum allowance for work related expenses was reduced to EUR 920.

As from 1 January 2005, the final stage of the 2000-tax reform came into effect. The bottom and top income tax rates were further reduced to 15 per cent and 42 per cent. Since 1998, both the bottom and top income tax rate have been reduced by about 11 percentage points while the personal allowance has been raised from EUR 6 322 to

EUR 7 664. The tax cuts reduce the tax burden for all income taxpayers, affording the greatest relief to employees and families with low and medium incomes as well as to small- and medium-sized unincorporated businesses.

On 1 January 2005, the law regulating the taxation of pensions and pension expenses entered into force. The law provides a gradual transition to ex-post taxation of pensions paid by the statutory pensions insurance. In the long run, the tax treatment of capital-based employee pension schemes based on a contract between employer and employee will be reformed in the same way as the tax treatment in respect of the state pension scheme. In addition to the increased deductibility of contributions to the state and certain private pension schemes, the law contains rules which are intended to increase the attractiveness of private capital-based pension schemes and to encourage individuals to invest privately for their old-age pension.

Up to 30 June of 2005, employees paid half of the sickness insurance contributions; the employer paid the other half. As from 1 July 2005, members of the statutory health insurance scheme also pay an income-linked contribution of 0.9 per cent to which employers do not contribute. As from 1 July 2005, all statutory health insurance funds have reduced their contribution rates by 0.9 percentage points.

In 2007, a new top income tax rate of 45 per cent was introduced for taxable income above EUR 250.000 (EUR 500.000 for jointly assessed spouses).

In 2009, the bottom income tax rate was reduced to 14 per cent. The basic allowance was increased to EUR 7 834. All thresholds were increased by EUR 400.

Since 1 January 2010, the basic allowance has been augmented to EUR 8 004 and all thresholds have been increased by EUR 330. Furthermore, new legislation improves the tax treatment of expenditure on health insurance and long-term care insurance.

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.

2012 parameter values

Average earnings/yr	Ave_earn	44 811	Secretariat estimate
Tax allowances	Child_al	7 008	
Lone Parents	Lone_al	1 308	
Work related	Work_rel_al	1 000	
SSC allowance	SSC_dn	2 400	
	SSC_dn_rt	0.16	
	SSC_dn_lim	1 334	
	SSC_dn_lump_rt	0.2	
Allow. for special expenses	SE_al	36	
Church tax rate	Ch_tax_rt	0	
Tax formula	Tax_rate2	0.42	
	Tax_rate3	0.45	
	Tax_thrsh1	8 004	
	Tax_thrsh2	13 469	
Top Rate Tax Reduction	Reduction	8 172	
	Reduction2	15 694	
Tax Equation Rates			
tax_eqn_rates	Squared	Single	Constant
z	228.74	2 397	1 038
y	912.17	1 400	0
income tax rate stage	tax_first_stage	8 004	
	tax_second_stage	13 469	
	tax_third_stage	52 881	
	tax_fourth_stage	250 730	
Solidarity Surcharge	surcharge	0.055	
Solidarity Exemption Limit	surcharge_limit	972	
Alternative Surcharge Rate	surcharge_alt	0.2	
Child credit	Ch_cred		
	1. ch.	2 208	
	2. ch.	2 208	
	3. ch.	2 280	
	4. ch.	2 580	

Social security	Sickness	Pension	Unemployment	Care	Alternative employer rate	SSC Factor F
period_1	12	12	12	12	12	12
period_2	0					
sum (Month's)	12	12	12	12	12	12
employer_1	0.073	0.0980	0.015	0.00975	0.3	0.7491
employer_2	0					
employee_1	0.082	0.0980	0.015	0.00975		0.7491
employee_2	0					
childless_1	0.082	0.0980	0.015	0.01225		0.7491
childless_2	0					
ceil	45 900	67 200	67 200	45 900		
SSC Floor	SSC_floor	9 600				
Intermediate SSC Ceiling	SSC_floor1	4 800				

2012 tax equations

The equations for the German system in 2012 are mostly calculated on a family basis.

The standard functions which are used in the equations are described in the technical note about tax equations. The function acttax carry out a rounded calculation for the tables but the unrounded version purtax is used in calculating the marginal rates.

For a taxpayer with children, either the child allowance is given in the tax calculation or the cash transfer is given if this is more beneficial. In practice, therefore, it is necessary to make two calculations – with and without the child allowance. Nevertheless, the calculation of solidarity surcharge is always based on the calculation which does assume that the child tax allowance is given.

Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". The affixes "_princ" and "_spouse" on Variable names in functions indicate that the values have to be calculated for the principal and spouse, respectively. The parameter year in function SSC_Allowance is the year for which you calculate the Allowance.

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
	Quotient for tax calculation	quotient	J	1+Married
2.	Allowances:			
	Children	children_al	J	Children*Child_al
	Lone parent	lone_allce	J	Lone_al*(Children>0)*(Married=0)
	Soc sec contributions	SSC_al	J	Function: SSC_Allowance(earn_princ, earn_spouse , SSC_princ + SSC_spouse , Quotient, SSC_dn, SSC_dn_rt, SSC_dn_lim, SSC_dn_lump_rt, If(Children>0; "employee"; "childless"), year, rounded)
	Work related	work_al	J	Work_rel_al+MIN(earn_spouse,Work_rel_al)
	Allow. for special expenses	SE_al	J	SE_al*quotient
	Total	tax_al	J	children_al+SSC_al+work_al+ lone_allce + SE_al
3.	Credits in taxable income	taxbl_cr	J	0
4.	CG taxable income	tax_inc	J	earn-tax_al
5.	CG tax before credits			
	adjusted taxable income	adj	J	tax_inc/quotient
	formula based tax schedule	tax_formula	J	Function: acttax(taxinc, rate, reduction, threshold1, threshold2, threshold3, equationrate, tax_first_stage, tax_second_stage, tax_third_stage, tax_fourth_stage, rate2, reduction2)
	Adjust for the quotient	tax_adj	J	Quotient*tax_formula
	Include solidarity surcharge	sol_surch	J	MIN(tax_adj * surcharge, Positive(tax_adj – surcharge_limit*Quotient) * surcharge_alt)
	Tax paid	CG_tax_excl	J	tax_adj+sol_surch
6.	Tax credits :	tax_cr	J	0
	7. CG tax	CG_tax	J	CG_tax_excl
8.	State and local taxes	local_tax	J	0
9.	Employees' soc security	SSC	B	Function: SSC (earn_princ, If(Children>0; "employee"; "childless"), rounded) + SSC (earn_spouse, If(Children>0; "employee"; "childless"), rounded)
11.	Cash transfers	Cash_tran	J	Children*ch_cred
13.	Employer's soc security	SSC_empr	B	Function: SSC (earn_princ, "employer", rounded) + SSC (earn_spouse, "employer", rounded)

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**		13391	20086	33477	14730
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		2209	3314	5524	2430
	Work-related expenses					
	Other					
		Total	2209	3314	5524	2430
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		11181	16772	27953	12299
5.	**Central government income tax liability (exclusive of tax credits)**		618	1613	4604	354
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**		618	1781	5163	477
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2209	3314	5524	2430
	Taxable income					
		Total	2209	3314	5524	2430
10.	**Total payments to general government (7 + 8 + 9)**		2828	5095	10686	2907
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)**		10563	14991	22791	11823
13.	**Employer's compulsory social security contributions**		3824	5737	9561	4207
14.	**Average rates**					
	Income tax		4.6%	8.9%	15.4%	3.2%
	Employees' social security contributions		16.5%	16.5%	16.5%	16.5%
	Total payments less cash transfers		21.1%	25.4%	31.9%	19.7%
	Total tax wedge including employer's social security contributions		38.6%	41.9%	47.0%	37.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		24.9%	38.2%	47.4%	32.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		41.5%	51.9%	59.1%	47.4%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Greece 2012

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
1.	**Gross wage earnings**		24103	32138	40172	29460
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		3977	5303	6628	4861
	Work-related expenses					
	Other					
		Total	3977	5303	6628	4861
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		20126	26835	33544	24599
5.	**Central government income tax liability (exclusive of tax credits)**		2052	2222	3007	2147
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)**		2454	2625	3543	2332
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3977	5303	6628	4861
	Taxable income					
		Total	3977	5303	6628	4861
10.	**Total payments to general government (7 + 8 + 9)**		6431	7928	10172	7193
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)**		17672	24210	30001	22267
13.	**Employer's compulsory social security contributions**		6884	9179	11473	8414
14.	**Average rates**					
	Income tax		10.2%	8.2%	8.8%	7.9%
	Employees' social security contributions		16.5%	16.5%	16.5%	16.5%
	Total payments less cash transfers		26.7%	24.7%	25.3%	24.4%
	Total tax wedge including employer's social security contributions		43.0%	41.4%	41.9%	41.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		39.0%	39.0%	39.0%	38.2%
	Total payments less cash transfers: Spouse		17.4%	24.9%	32.4%	24.9%
	Total tax wedge: Principal earner		52.6%	52.6%	52.6%	51.9%
	Total tax wedge: Spouse		35.7%	41.5%	47.4%	41.5%

The national currency is the euro (EUR). In 2012, EUR 0.78 was equal to USD 1. In 2012, the estimated gross earnings of the average worker are EUR 20 086 (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 is subject to tax on his/her worldwide income irrespective of the individual's nationality. Due consideration is given to bilateral conventions designed to obviate double taxation. Individuals who have a yearly income of more than EUR 3 000 (or EUR 5 000 for income derived only from salaried work) are obliged to file a tax return. Spouses file a joint return but each spouse is liable for the tax payable on his or her share of the joint income. Losses incurred by one spouse may not be set off against the income of the other spouse. Deductible personal expenses concerning both spouses and tax credits are apportioned to each spouse according to the income earned by each one of them. Income of children under the age of 18 is, in principle, added and taxed with the income of their parents.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard tax reliefs

- Social security contributions: all compulsory social security contributions and optional contributions to legally constituted funds are deductible from taxable gross income (for employed workers only).
- The basic allowance (untaxed amount of income) for an individual amounts to EUR 5 000 and in case of dependent children it is increased:
  - by EUR 2 000 for one child;
  - by EUR 4 000 for two children;
  - by EUR 3 000 more for each child above two;

Only the principal is entitled to the increase in the tax-free amount for dependent children. If the principal does not earn income or his/her income is less than the income in the first tax bracket augmented by the tax-free amount for children, then the tax-free amount related to the dependent children or the part of the band increase that is not used by the principal, is added to the tax-free amount of income of the other spouse.

In case of handicapped person (invalidity over 67%) living with the taxpayer and depended upon him, the untaxed amount of income is increased by EUR 2 000.

Persons living abroad and deriving income from a Greek source are not entitled to the above tax reductions, unless they are residents of the European Union member states and the income they derive from a Greek source exceeds 90 % of their total income.

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

- 10 per cent of the expenses of hospital care of the taxpayer and his/her dependents. The total credit cannot exceed EUR 3 000. Hospital expenses in respect of unmarried or widowed children who suffer from an incurable disease, who are mentally retarded or are blind and whose total annual income does not exceed EUR 3 000 are also included.
  - *a)* 10 per cent of the total annual amount of rent paid for the taxpayer's main residence, not exceeding EUR 1 000, provided that the taxpayer or his dependents do not own a dwelling with a surface equal to or larger than the rented dwelling in the same region and that the taxpayer does not receive any rent allowance from the state (the tax credit cannot exceed EUR 100).
  - *b)* 10 per cent of annual rent paid for the dependent children who are studying at a recognized educational establishment in Greece up to a maximum of EUR 1 000, provided that the dwelling is situated in the same region of the school or university (the tax credit cannot exceed EUR 100).
  - *c)* 10 per cent of the educational expenses incurred by the taxpayer for himself or for his dependent children up to a maximum of EUR 1 000 per person. The expenses paid by divorced parents are also included (the tax credit cannot exceed EUR 100 for each child separately). *Note:* All expenses have to be declared; they are calculated jointly for both spouses and are attributed to each spouse according to their declared income.
  - *d)* 10 per cent of the legally compulsory contributions to social security funds, and optional contributions to legally constituted funds.
  - *e)* 10 per cent of expenses paid to doctors (medical expenses) for the taxable person, his/her spouse and his/her dependents. Medical expenses in respect of unmarried or widowed children who suffer from an incurable disease, who are mentally retarded or are blind are also included. The tax reduction cannot exceed EUR 3 000.
- 10 per cent of the annual interest of mortgage loans for the main residence of the taxpayer. The credit is limited where the financed amount does not exceed EUR 200 000 and the residence does not exceed 120 square meters.
- 10 per cent of the interest paid on loans granted for by banks and other credit institutions for the restoration, maintenance or improvement of scheduled buildings and buildings located in areas classified as traditional urban districts or as traditional settlements. The amount of the deduction is calculated upon the interest derived from the part of the loan that does not exceed EUR 200 000.
- 10 per cent of the amount of alimony that is paid to a spouse and is adjudicated/or agreed by notary deed. The tax reduction cannot exceed EUR 1 500.
- EUR 60 in respect of each dependent child for taxpayers with employment income living for at least 9 months of the year in certain border areas or in certain islands. In case of a married couple, at least one spouse must satisfy these requirements in order for his/her family to receive this deduction.
  - *a)* 10 per cent of the total amount of donations to the State, municipalities and communities, state universities, the church, the monasteries of Mount Athos, the World Patriarchate of Constantinople, the Patriarchate of Alexandria and Jerusalem, the Sacred Monastery of Mountain Sinai, the state and municipal nursing homes and

hospitals which are subsidized from State budget and the Archaeological Resources Fund.

b) 10 per cent of the total amount of donations to public or private non-profit legal entities which have been or are being legally constituted for cultural purposes.

- 10 per cent of the amounts donated to philanthropic institutions, non-profit making bodies which provide educational services or grant scholarships, Greek legal entities governed by private or public law which have been or are being set up for philanthropic purposes. *Note:* The total amount of all the above donations cannot exceed 10 per cent of the total income that is taxed by the general provisions.
- 10 per cent of the insurance expenses for life/death/accident/sickness for the taxable person, his/her spouse or their dependent children. This also includes the expenses for child insurance paid annually by divorced parents. The tax credit cannot exceed EUR 120 for a single taxpayer and EUR 240 for a family.
- 10 per cent of the amount spent on the installation of natural gas systems, solar panel systems, thermal insulation and teleheating systems. The tax credit cannot exceed EUR 300.

Notes:

1. Taxpayers who reside abroad but derive taxable income from sources in Greece are not eligible for these deductions, with the exemptions of residents of the EU member states who derive at least 90 per cent of their total income from sources in Greece.
2. As regards second category deductions (i.e. from the payable amount of tax), when the wife derives income deemed taxable on the basis of the scale, then the following are deducted from her own payable amount of tax: *a)* medical expenses of the wife, her children from a former marriage, her children born out of wedlock, her parents and orphaned relatives of first and second degree of kin *b)* interest arising from first-home loans c) deductions for children afforded because of service in border areas.

If from the joint tax return submitted by the spouses no tax obligation arises for one of them, or the payable amount of tax is less than the sum of the deductions (medical expenses, rent of main residence or residence of children who are studying, expenses for additional outside or home tuition, deductions for children because of service in border areas) then the whole amount of the deductions or the ensuing difference is attributed to the payable tax of the other spouse.

1.1.2.3. Exemptions

Some forms of income, specified by Law (art. 6 of Law No. 2238/1994, as amended) are exempt from the tax.

Examples:

- on condition of reciprocity, income of all kinds derived abroad by foreign ambassadors and diplomatic representatives;
- on condition of reciprocity, income from salaried services derived by consuls, consulate agents and employees of embassies and consulates that have the nationality of the represented State;
- gross imputed income from residence of self-owned house (for income effected from 1.1.2003);

- imputed income deriving from the gratuitous granting of the use of house up to 200 square meters total by parents to children and vice versa, provided that the house will be used as residence;
- profits from the operation of ships under the Greek flag, where such profits are subject to the special taxation on ship owners' profits;
- all forms of pensions and relief provided to war victims and their families, as well as to soldiers and military personnel injured in the course of their duties in times of peace;
- salaries, pensions, etc., paid to totally blind individuals or to heavily (over 80%) mobility impaired individuals. Also non-institutional relief and the additional amount of pension paid to blind individuals and persons totally dependent for their care on others because of invalidity;
- the amount of grants and scholarships lawfully awarded by the Greek State, public entities or private charitable funds as specified by Law, provided that they are proven to be pursuing objectives beneficial to the Nation, or religious, educational, artistic, philanthropic etc ones; also grants and scholarships paid by foreign States, organisations and funds to Greek citizens;
- money awards paid by the State, the Academy of Athens or the Organisation of the "Music Hall" ("Megaro Mousikis") to reward scientific, artistic and generally intellectual performance;
- financial aid to recognised political refugees residing temporarily in Greece as well as to persons that have submitted the relevant application to the competent Greek authorities, paid by bodies carrying out refugee aid schemes financed by the UN, the EU or the Greek State;
- subsidies paid to young professionals and entrepreneurs within the framework of employment programmes of the National Employment Organisation (OAED), as specified by Law;
- subsidies paid to young professionals and entrepreneurs;
- benefits for third child or more.

1.1.2.4. Tax calculation

For income tax purposes, there are six categories of taxable income: income from immovable property (category A-B), income from movable property (category C), income from business (category D), income from agriculture (category E), income from employment (category F) and income from professional services or other sources (category G).

Net income is computed separately within each category with tax rules that vary across income categories. Total taxable income is computed as the aggregate of the net results of all categories. Losses in one category may be set off against income of another category. If the declared income is not accepted as the base for the tax assessment, the tax authorities can base the assessment on the presumptive income, which is the minimum amount of income required to cover the taxpayer's main living expenses.

Employment income (category F) is subject to withholding tax. The tax is withheld by the employer and is calculated by applying the taxpayer's progressive income tax schedule. The employer calculates the withholding tax on the basis of the taxpayer's annual net salary (net of social security contributions). The withholding tax is then reduced by 1.5 per cent of the total amount of taxes due. The resulting tax is the annual tax due, 1/14 of which constitutes the monthly withholding tax for the private sector's employees (every employee receives 14 monthly salaries per year, i.e. 12 monthly wages plus 1 salary as Christmas bonus, 1/2 salary as Easter bonus and 1/2 salary as summer vacation bonus). For the employees of the public sector, the monthly withholding tax is calculated approximately as 1/12 of the annual tax due, because of the fact that bonuses in the public sector have been very significantly reduced. If the taxpayer's final tax liability (derived from the annual declared income) exceeds the aggregate of the amounts already withheld or prepaid, the remaining tax is generally payable in three equal bimonthly instalments. Any excess tax paid or withheld will be refunded.

1.1.3. Rate schedule

According to the new Law 4024/2011, enacted in 28/10/11, with a retroactive application since 1/1/2011, the tax schedule for income earned from 1/1/2011 onwards was modified as following:

Tax schedule for individuals for income earned in 2011

Taxable income (EUR)	Tax rate %	Tax for the step (EUR)	Total	
			Income step (EUR)	Tax (EUR)
5 000	0	0	5 000	0
12 000	10	700	7 000	700
16 000	18	720	4 000	1 420
26 000	25	2 500	10 000	3 920
40 000	35	4 900	14 000	8 820
60 000	38	7 600	20 000	16 420
100 000	40	16 000	40 000	32 420
Over 100 000	45			

Note: Married persons must submit a joint return, but taxes, duties and levies are calculated separately on the income declared by each spouse.

With the new tax schedule, the tax free threshold is reduced from 12 000 (for income earned in 2010) to EUR 5 000 in general and EUR 9 000 for young people up to 30 years old, retired and handicapped people (if their declared income does not exceed EUR 9 000). There are now 8 tax brackets (instead of the previous 10).

The tax free amount of income is conditional upon the submission of a certain amount of receipts for goods or services received, which is calculated as 25% of the income and up to EUR 60 000 declared income. Receipts for acquisition of assets, bills for utilities, tickets of transportation and expenses that are recognised for other deductions or credits are exempted. The tax-free threshold is not granted if the taxpayer fails to provide the required receipts.

If the total income includes income from real estate, apart from generally exempted income from residence of self-owned house, the gross amount thereof is subject to an additional tax of 1.5%. The rate is raised to 3% where the surface area of such residence is greater than 300 sq. meters. The amount of additional tax may not be greater than the amount payable on the taxpayer's total net income.

Moreover, a special solidarity contribution was introduced for annual income exceeding EUR 12 000 and varied from 1% to 4% on the actual or imputed, taxable or tax exempt reported income. The special solidarity contribution is imposed on net income according to the next scale:

Net income (EUR)	Tax rate %
12 000-20 000	1
20 000-50 000	2
50 000-100 000	3
Above 100 000	4

Note that the tax rate is imposed on the total net income and not progressively according to scale (steps). The net income is defined as individual gross income minus social security contributions.
e.g. net income EUR 50 000 * 2% = EUR 1 000 for special solidarity contribution.

1.2. State and local income taxes

There are no local income taxes in Greece. Municipalities (the local authorities) receive 20 per cent of the national income tax revenues.

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

The great majority of individuals who are employed in the private sector and render dependent personal services are principally, directly and compulsorily insured in the Social Insurance Organisation (IKA). Apart from the main contribution, IKA compulsorily collects contributions for other minor Funds created for the employee's benefit (Unemployment Benefits Funds, etc.). A subsidiary Social Insurance Fund (ETEAM) for employees who are principally insured in IKA has been established since 1983.

The average rates of contributions payable by white-collar employees as a percentage of gross earnings are as follows (%) (since the beginning of 2003):

	Employer	Employee	Total
1. Social Insurance Organisation (IKA)	18.43	9.22	27.65
2. Subsidiary Social Insurance Fund (ETEAM)	3.00	3.00	6.00
3. Other Funds	7.13	4.28	11.41
Total	**28.56**	**16.50**	**45.06**

Higher contributions are due (19.45 per cent paid by the employee and 30.21 per cent paid by the employer) in case of blue-collar workers who are engaged in heavy work (unhealthy, dangerous, etc., work) as they are entitled to a pension five years earlier than the other workers. In the industrial sector, the employer pays an additional occupational risk contribution at a rate of 1 per cent because these workers are more vulnerable to labour accidents and occupational diseases.

Contributions are calculated on the basis of the monthly salary or wages paid but within the limits specified in the National General Collective Employment Agreement. Monthly gross remuneration includes salaries and wages, fringe benefits and bonuses and any profit distributions to employees. A ceiling of EUR 2 432.25 per month applies for individuals who have started working *prior* to 1-1-1993 (2010-ceiling). On the other hand, for individuals who have started working *after* 1-1-1993, the social security contributions ceiling is EUR 5 546.80.

Self-employed individuals must make monthly compulsory lump-sum contributions to OAEE (Free Professional Social Insurance Organisation); these contributions depend on the number of years that the self-employed has been insured (for more details, see the explanatory annex to Table III.3 of the *OECD's Tax Database*).

All of these social security contributions are fully deductible for income tax purposes.

3. Universal cash transfers

3.1. Transfers related to marital status

Employees working in the private sector, according to the relevant Collective Labour Agreement or arbitrary decision, are granted by their employers a benefit representing 10 per cent of their gross basic salary (excluding any other cash transfers), independently of their spouse's income status. For public servants this benefit is limited to a flat gross amount of EUR 35 monthly. In a two-earner family, this cash transfer is granted to both spouses.

3.2. Transfers for dependent children

Benefits for dependent children are determined by the worker's Collective Labour Agreement. The benefits are usually equal to 5 per cent of the gross basic monthly salary of each spouse per child. When a relevant Collective Labour Agreement does not exist, the rules of the National General Collective Labour Agreement apply. The latter agreement works as a safety net; it provides a benefit related to marital status but not related to dependent children.

Benefits for dependent children are granted for each child starting either from the 1st, 2nd or the 3rd child, depending on the provisions of the relative Collective Labour Agreement that is in force. Examples of industries whose workers receive benefits for each and every child are the insurance industry (7.5 per cent), the accountants (5 per cent) and the shipping industry (6 per cent). For public servants, this benefit is limited to a flat gross monthly amount of EUR 18 for each of the first two children (a different amount applies for the 3rd and additional children).

If no benefit for dependent children is provided by the worker's Collective Labour Agreement, a very small yearly subsidy is provided by the Manpower Employment Organisation (OAED) under certain circumstances and depending on the employees' income and family status. Only one of the spouses is entitled to this OAED cash transfer.

3.3. State benefits for having more than 2 children

Law 1892/1990 determines the benefits for having more than two children. For 2012 the monthly state benefit for a family that has a 3rd child is EUR 177. This benefit is tax-free and is given during the first 6 years of the child's life. In addition, families with more than 3 children receive a tax free monthly allowance of EUR 44 for each of every unmarried child under the age of 23. The Law also provides for a multi-children pension of EUR 102 that is given to the mother who no longer is the beneficiary of the monthly multi-children allowance of EUR 44. Law 3454/2006 provides for a lump sum amount of EUR 2 000 for all mothers for every of their 3rd and any additional child.

4. Main changes in the tax/benefit system since 2010

In the year 2011, a lot of changes have been introduced. There is still a unified progressive tax schedule, which treats all sources of income uniformly, but the steps and rates of the scale have changed. The new income tax schedule has 10 different rates. The new tax rates range between 0 per cent and 45 per cent. The tax free first tax bracket for the salaried persons, non salaried persons, self employed and pensioners have decreased from EUR 12 000 to EUR 5 000. Taxpayers will need to submit receipts for goods or services received in order to qualify for the EUR 5 000 exemption. The deductions from the taxable income have been altered to deductions from the payable amount of tax. The tax credit for legal services fees is abolished, most tax credits (for medical expenses, home rent, annual educational expenses, annual mortgage interest on loans, environment friendly interventions in buildings) are still granted but the ceiling has been reduced from 20% to 10% of the expense, subject to certain thresholds depending on the type of the expense.

Social Security Contributions, which previously were fully deductible, are now included in these tax credits (for self-employed individuals only).

Finally, it was introduced a "special solidarity contribution" for annual incomes exceeding EUR 12 000 and varied from 1% to 4% on the actual or imputed, taxable or tax exempt reported income (for financial years 2011-15 – for income earned in 2010-14).

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 2000-12

Terminology and coverage

The average annual earnings below 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, in order to have good match with the Sectors C to K of NACE Rev. 1.1.

In the average annual earnings are *included*:

- The special payments for shift and night work, as well as work during weekends and holidays.
- The total annual bonuses as well as those that are regularly paid on a monthly basis, the 13th salary (Christmas salary) and the 14th salary (Easter and vacation payments).
- The annual bonuses based on productivity.
- The education and working time allowance.
- The marriage and children allowance.

From the average annual earnings are *excluded*:

- The annual payments in kind: foods, drinks, footwear, clothes, accommodation, business cars provided, mobile phones, etc.
- The annual premiums related to profit-sharing schemes.

Data sources

In the estimation procedure of the average annual earnings per employee, for the period 2000-12 the following data are taken into account:

- Annual earnings and number of employees, as derived from the **Structure of Earnings Survey** (SES), of the years 2002, 2006 and 2010.*
- Hours worked and annual average number of employees, as derived from the **Labour Force Survey** (LFS), of the years 2000-12.**

* Provisional data.

- Average annual earnings indices, as derived from the Indices on **Quarterly Labour Cost Survey**, of the years 2000-12.**

Annual gross earnings per full time employee 2000-11 Greece

Year	NACE Rev. 2 classification
2000	15 693
2001	15 688
2002	**17 359**
2003	19 339
2004	21 669
2005	21 902
2006	**23 800**
2007	23 381
2008	22 825
2009	23 070
2010	**22 151**
2011	21 449

Notes: The data for 2010 were based on the provisional results of the Structure of Earnings Survey (SES) 2010. As a result estimates from 2007 and onwards will be revised when the final results of the SES 2010 will be available.
Source: ELSTAT.

5.2. *Main employers' contributions to private pension, health, and related schemes*

Contributions to private pension and sickness schemes made by employers are not added to employees' gross earnings for tax purposes and are therefore not subject to tax. Since these contributions are not obligatory for employers, no data is provided by the National Statistical Service of Greece. Very few employers have adopted such additional insurance schemes.

2012 parameter values

Average earnings/yr	Ave_earn	20 086	Secretariat estimate
Tax credit	Child_cred	0	
Rates of family subsidies			
paid by employers	Wife_sub	0.1	
children (up to 3)	Child_sub	0.05	
Income tax schedule	Tax_sch	0	5 000
		0.10	12 000
		0.18	16 000
		0.25	26 000
		0.35	40 000
		0.38	60 000
		0.40	100 000
		0.45	
	Bandaugment_ch	2 000	
	Bandaugment_ch2	4 000	
	Bandaugment_ch3	3 000	
Solidarity contribution	Solidarity_sch	0	12 000
		0.01	20 000
		0.02	50 000
		0.03	100 000
		0.04	
Social security contributions	SSC_rate	0.165	
	SSC_rate_empr	0.2856	
	SSC_ceil	77 655.20	
	SSC_ceil_use	0	

** Data only for the first two quarters of 2012.

2012 tax equations

The equations for the Greek system in 2012 are mostly on an individual basis. The level of gross earnings for the principal earner is increased by the spouse and child subsidy paid by the employer.

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

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn_princ	P	Ave_earn*(1+Married*Wife_sub+ MIN(Children,3)*Child_sub)
		earn_spouse	S	Ave_earn*(1+Married*Wife_sub+ MIN(Children,3)*Child_sub)
2.	Allowances:	tax_al	B	SSC
3.	Credits in taxable income	taxbl_cr		0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits			
	Increase in first income tax bracket	band_increase	P	(Children=1)*Bandaugment_ch+(Children=2)*Bandaugment_ch*Children
			S	IF(earn_spouse>0, IF(tax_inc_princ< Effect_low_band_princ, MIN(band_increase_princ, Effect_low_band_princ – tax_inc_princ),0),0)
	Effective first income tax bracket	Effect_low_band	B	IF(earn>0,Low_thrsh+band_increase,0)
	CG tax before credits	CG_tax_excl	B	Tax(tax_inc,tax_sch)-Low_rate*Positive(MIN(Effect_low_band-Low_thrsh,tax_inc-Low_thrsh))
	Solidarity contribution	sol_contr	B	=Solidarity(earn-SSC, Solidarity_sch)
6.	Tax credits :	tax_cr		0
7.	CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)+sol_contr
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	IF(SSC_ceil_use=1,SSC_rate*MIN(earn,SSC_ceil),SSC_rate*earn)
11.	Cash transfers	cash_trans	B	0
13.	Employer's soc security	SSC_empr	B	IF(SSC_ceil_use=1,SSC_rate_empr*MIN(earn,SSC_ceil),SSC_rate_empr*earn)

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	1833044	2749566	4582610	1833044
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children	0	0	0	1500000
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	0	0	0	1500000
3.	**Tax credits or cash transfers included in taxable income**	0	87903	582825	0
4.	**Central government taxable income (1 - 2 + 3)**	1833044	2837469	5165434	333044
5.	**Central government income tax liability (exclusive of tax credits)**				
	Central government income tax liability (exclusive of tax credits)	293287	453995	826469	53287
	Total	293287	453995	826469	53287
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)**	293287	453995	826469	53287
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	339113	508670	847783	339113
	Taxable income				
	Total	339113	508670	847783	339113
10.	**Total payments to general government (7 + 8 + 9)**	632400	962665	1674252	392400
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	355200
	Total	0	0	0	355200
12.	**Take-home pay (1-10+11)**	1200644	1786901	2908357	1795844
13.	**Employer's wage dependent contributions and taxes**				
	Employer's compulsory social security contributions	432048	742383	1237305	432048
	Payroll taxes	27496	41243	68739	27496
	Total	459544	783626	1306044	459544
14.	**Average rates**				
	Income tax	16.0%	16.5%	18.0%	2.9%
	Employees' social security contributions	18.5%	18.5%	18.5%	18.5%
	Total payments less cash transfers	34.5%	35.0%	36.5%	2.0%
	Total tax wedge including employer's social security contributions	47.6%	49.4%	50.6%	21.7%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	34.5%	38.8%	38.8%	34.5%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	54.0%	52.4%	52.4%	54.0%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Hungary 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	2749566	3666088	4582610	3666088
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children	1500000	1500000	1500000	0
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	1500000	1500000	1500000	0
3.	**Tax credits or cash transfers included in taxable income**	87903	87903	87903	87903
4.	**Central government taxable income (1 - 2 + 3)**	1337469	2253990	3170512	3753990
5.	**Central government income tax liability (exclusive of tax credits)**				
	Central government income tax liability (exclusive of tax credits)	213995	360638	507282	600638
	Total	213995	360638	507282	600638
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)**	213995	360638	507282	600638
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	508670	678226	847783	678226
	Taxable income				
	Total	508670	678226	847783	678226
10.	**Total payments to general government (7 + 8 + 9)**	722665	1038865	1355065	1278865
11.	**Cash transfers from general government**				
	For head of family				
	For two children	319200	319200	319200	0
	Total	319200	319200	319200	0
12.	**Take-home pay (1-10+11)**	2346101	2946423	3546745	2387223
13.	**Employer's wage dependent contributions and taxes**				
	Employer's compulsory social security contributions	742383	798657	1174431	798657
	Payroll taxes	41243	54991	68739	54991
	Total	783626	853648	1243170	853648
14.	**Average rates**				
	Income tax	7.8%	9.8%	11.1%	16.4%
	Employees' social security contributions	18.5%	18.5%	18.5%	18.5%
	Total payments less cash transfers	14.7%	19.6%	22.6%	34.9%
	Total tax wedge including employer's social security contributions	33.6%	34.8%	39.1%	47.2%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	38.8%	38.8%	38.8%	38.8%
	Total payments less cash transfers: Spouse	34.5%	34.5%	34.5%	34.5%
	Total tax wedge: Principal earner	52.4%	52.4%	52.4%	52.4%
	Total tax wedge: Spouse	39.1%	54.0%	54.0%	54.0%

The national currency is the forint (HUF). In 2012, HUF 224.82 was equal to USD 1. In that year, the average worker earned HUF 2 749 566 (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:* As of 1 January 2012 there is no employee tax credit.
- *Family tax allowance:* For families having children, the basis of income tax can be reduced by the family tax allowance, which amounts to HUF 62 500 per month/each dependent (for families having one or two children), or HUF 206 250 per month/each dependent (for families having at least three children). This tax allowance can be applied by a pregnant woman (or her husband) as from the 91st day after conception until birth of the child. The tax allowance may be claimed by one spouse or be split between the spouses.

1.1.2.2. Main non-standard tax reliefs

- *Trade Union membership dues:* Membership dues and contributions paid to trade unions and other corporate bodies of employees are deductible without any restriction.
- Tax credits are made available for physical disability or agricultural activities. Tax deduction is available for those having income from abroad.

1.1.3. Tax schedule

The rate of personal income tax amounts to 16 per cent.

From 2012, the base of the personal income tax is the gross yearly income and a tax base correction of 27% for incomes exceeding HUF 2 424 000.

1.2. State and local income taxes

In Hungary there is no local personal income tax system supplementing the central one. More precisely, the total income tax collected is split between the central government and local governments. At the same time, the local governments can levy taxes on sites and buildings, tourist facilities and business activities.

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

2.1. Employees' contributions

2.1.1. Pensions

The rate of pension contribution amounts to 10 per cent of gross earnings. The maximum annual amount of this contribution is HUF 7 942 200.

2.1.2. Sickness

The rate of health security contribution amounts to 7 per cent of gross earnings.

2.1.3. Unemployment

The worker must pay, as employees' contribution, 1.5 per cent of gross earnings.

2.1.4. Others

None. The average worker does not have any obligation to pay other contributions than the above mentioned. However, the contribution rates may be different for certain types of income or for certain groups of income recipients (e.g. employees with pensioner status). None of these exceptions are applicable to the workers taken into consideration in this report.

2.2. Employers' contributions

2.2.1. Pensions

None.

2.2.2. Sickness

None.

2.2.3. Unemployment

None.

2.2.4. Others

From 2012 the employers' social security contributions were merged into the new payroll tax, called social contribution tax. This change is of legal nature, the combined rate remains 27% while the revenue is divided among the pension, health care and labour – market funds in the same proportion as the separate SSCs were until 2011 (24% for pensions, 2% for health care, 1% for unemployment).

Social security contributions will have to be paid on other benefits than gross earnings (e.g. grants in kind) and payments (e.g. certain kind of contracts).

The employer contributions also include a payroll tax: the training levy amounts to 1.5 per cent of gross earnings.

A wage compensation scheme was introduced in 2012 and consists two elements: a differentiated wage increase recommendation in 2012, and a related SSC reduction (basically an employers' tax credit) in 2012 and 2013 to incentivize employers. The wage increases are based on the worker's 2011 regular wage excluding premiums and various one-off payments. The brackets for the wage increase recommendation were set to keep the 2012 net wage on the same level as in 2011. Above HUF 216 805/month there are no recommended wage raises.

Employers may claim for the SSC deduction if they have raised the wages of all affected workers by the recommendation. This employers' SSC deduction is applied to the worker's gross wage. Under HUF 75 000/month it is 21.5% of the gross wage, while above it is calculated using the formula: 16 125 – (wage – 75 000) * 0.14. This ensures, that an employer executing the recommended wage raises will face only a 5% wage cost increase in an average month. In case an employer doesn't raise the wages of at least 2/3 of the affected employees, some state subsidies are withdrawn.

In the public sector a separate compensation scheme was implemented.

The wage compensation scheme is a temporary measure. In 2013, the formula above will change to 12 000 – (wage – 75.000) * 0.2, and the rate of reduction below HUF 75 000/month decreases to 16%, which results that employers will face a further 5% increase of their wage bill and the costs of the scheme will be halved. In 2014, the compensation scheme will be phased out.

In the long term, the government decided to decrease wage costs – and thus reduce tax wedges – using targeted deductions in the employers' SSCs for the least productive employees and for those with the highest labour-supply elasticity. These deductions will be applied to employees under 25 years, over 55 years, working in elementary occupations (category 9 in ISCO-88), and returnees after childcare or at least six months of unemployment. These measures will come into force on 1 January 2013.

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 reduced.
- 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.
- A wage compensation scheme was introduced in form of an employers' SSC credit.

5. Memorandum items

5.1. *Employer contributions to private social security arrangements*

According to the relevant legislation in force, payments made by employers to private pension funds on behalf of their employees are exempted from both personal income tax and all social security contributions.

In Hungary the law dealing with the voluntary mutual insurance funds (like pension funds) was enacted on 6 December 1993. Based on the rules for 2011, the monthly contribution paid to a voluntary mutual pension fund by the employer of a private worker who participates in a voluntary mutual pension fund, limited to an amount below half of the mandatory minimum wage, is taxable according to an effective personal income tax rate of 19.04 (the nominal tax rate of 16 per cent multiplied by 1.19) per cent. In the case of employers' contributions paid to health or mutual aid funds, the applicable limit is 30 per cent of the mandatory minimum wage. Contributions in excess of these limits are taxable at an effective personal income tax rate of 19.04 per cent and a health contribution of 27 per cent is also payable on these amounts. Sponsor's donations paid by the employer to its employees' voluntary mutual insurance fund are taxable as well. In addition, employees can apply a 20 per cent tax credit (with a limit of HUF 100 000 or 130 000 per year; in the case of payments simultaneously made to pension, health or mutual aid funds, the limit is HUF 120 000 or 150 000 per year) on these taxable payments. The tax authority pays the tax credit directly to a voluntary mutual insurance fund.

In general, insurance premiums (on the basis of which an employee is named as the recipient/beneficiary of insurance services) paid by the employer are taxable, and social security contributions plus training contribution are also payable. At the same time insurance premiums related to life insurance policy for accidental death, injury liability, or medical care insurance for full and permanent incapacity to work are exempted from taxation and any contributions.

As from 2008 employer pension institutions can be established. Based on the rules for 2011, the monthly contribution paid to an employer pension institution by the employer of a private worker, limited to an amount below half of the mandatory minimum wage, is taxable according to an effective personal income tax rate of 19.04 per cent. Contributions in excess of this limit are taxable at an effective personal income tax rate of 19.04 per cent and a health contribution of 27 per cent is also payable on these amounts.

2012 parameter values

Average earnings/yr	Ave_earn	2 749 566	Secretariat estimate		
Child allowance (per child)	child_al	1	750 000		
		2	750 000		
		3	2 475 000		
		4	2 475 000		
Tax base correction	base_corr	0.27			
	base_corr_lim	2 424 000			
Income tax schedule	tax_sch	0.16			
Social security contributions	SSC_unemp	0.015			
	SSC_p	0.1			
	SSC_lim	7 942 200			
	SSC_h	0.07			
Wage Compensation Scheme	SSC_red_lim	900 000			
(employer SSC deduction)	SSC_red_rate	0.215			
	SSC_red_taper	193 500			
	SSC_red_taper_rate	0.14			
Payroll taxes	SSC_empr	0.27			
	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

2012 tax equations

The equations for the Hungarian system in 2011 are mostly on an individual basis. But the child allowance is relevant only to the calculation for the principal earner and cash transfers are calculated only once. This is shown by the Range indicator in the table below.

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

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
	Children	child_al	P	IF(Children>0, Children*VLOOKUP(Children, child_al, 2), 0)
	Total	tax_al	B	child_al
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	earn+MAX(earn-base_corr_lim;0)*base_corr+taxbl_cr-tax_al
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
9.	Employees' soc security	SSC	B	earn*SSC_unemp+earn*SSC_h+MIN(earn, SSC_lim)*SSC_p
11.	Cash transfers	cash_trans	J	Children*(VLOOKUP((1-Married), CB_rates, MIN(Children, 3)+1)*12)
13.	Employer's soc security	SSC_empr	B	earn*SSC_empr
	Final employer's social security		B	IF(earn<SSC_red_lim,SSC_empr-earn*SSC_red_rate,SSC_empr-MAX (0,SSC_red_taper-(earn-SSC_red_lim)*SSC_red_taper_rate))
	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.

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**		4052671	6079006	10131677	4052671
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		81053	121580	202634	81053
	Work-related expenses					
	Other					
		Total	81053	121580	202634	81053
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		3971617	5957426	9929043	3971617
5.	**Central government income tax liability (exclusive of tax credits)**		944637	1456976	2570252	944637
6.	**Tax credits**					
	Basic credit		558385	558385	558385	558385
	Married or head of family					
	Children					
	Other					
		Total	558385	558385	558385	558385
7.	**Central government income tax finally paid (5-6)**		386252	898591	2011867	386252
8.	**State and local taxes**		573502	860252	1433754	573502
9.	**Employees' compulsory social security contributions**					
	Gross earnings		29300	29300	29300	29300
	Taxable income					
		Total	29300	29300	29300	29300
10.	**Total payments to general government (7 + 8 + 9)**		989054	1788143	3474921	989054
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	405397
		Total	0	0	0	405397
12.	**Take-home pay (1-10+11)**		3063617	4290863	6656756	3469014
13.	**Employer's compulsory social security contributions**		315703	473555	789258	315703
14.	**Average rates**					
	Income tax		23.7%	28.9%	34.0%	23.7%
	Employees' social security contributions		0.7%	0.5%	0.3%	0.7%
	Total payments less cash transfers		24.4%	29.4%	34.3%	14.4%
	Total tax wedge including employer's social security contributions		29.9%	34.5%	39.0%	20.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		39.4%	39.4%	45.3%	44.3%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		43.8%	43.8%	49.3%	48.4%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Iceland 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	6079006	8105341	10131677	8105341
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	121580	162107	202634	162107
	Work-related expenses				
	Other				
	Total	121580	162107	202634	162107
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	5957426	7943235	9929043	7943235
5.	**Central government income tax liability (exclusive of tax credits)**	1456976	1911726	2401613	1911726
6.	**Tax credits**				
	Basic credit	1116770	1013135	1116770	1013135
	Married or head of family				
	Children				
	Other				
	Total	1116770	1013135	1116770	1013135
7.	**Central government income tax finally paid (5-6)**	340206	898591	1284843	898591
8.	**State and local taxes**	860252	1043368	1433754	1043368
9.	**Employees' compulsory social security contributions**				
	Gross earnings	29300	58600	58600	58600
	Taxable income				
	Total	29300	58600	58600	58600
10.	**Total payments to general government (7 + 8 + 9)**	1229758	2000559	2777197	2000559
11.	**Cash transfers from general government**				
	For head of family				
	For two children	215783	116493	17202	0
	Total	215783	116493	17202	0
12.	**Take-home pay (1-10+11)**	5065031	6221275	7371682	6104782
13.	**Employer's compulsory social security contributions**	473555	631406	789258	631406
14.	**Average rates**				
	Income tax	19.7%	24.0%	26.8%	24.0%
	Employees' social security contributions	0.5%	0.7%	0.6%	0.7%
	Total payments less cash transfers	16.7%	23.2%	27.2%	24.7%
	Total tax wedge including employer's social security contributions	22.7%	28.8%	32.5%	30.1%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	44.3%	44.3%	44.3%	39.4%
	Total payments less cash transfers: Spouse	42.9%	41.5%	44.3%	36.6%
	Total tax wedge: Principal earner	48.4%	48.4%	48.4%	43.8%
	Total tax wedge: Spouse	47.1%	45.7%	48.4%	41.2%

The national currency is the króna (plural: krónur) (ISK). In 2012, ISK 125.12 was equal to USD 1. In 2012, the average worker is expected to earn ISK 6 079 006 (Secretariat estimate).*

1. Personal income tax system

1.1. Central government income taxes

1.1.1. Tax unit

Income is taxed on an individual basis, except for capital income of married couples which is taxed jointly.

1.1.2. Tax allowances and credits

1.1.2.1. Standard reliefs

- *Basic tax credit*: A fixed tax credit, amounting to ISK 558 385 in 2012, is granted to all individuals 16 years and older, regardless of their marital status. The tax credit is deducted from levied central and local government taxes. Unutilised tax credits or portions thereof are wastable, i.e. non-refundable and non-transferable between tax years.
- *Standard marital status relief:* Married couples may utilise up to 100 per cent of each spouses' unutilised portion of his/her basic tax credit.
- *Relief(s) for children*: None.
- *Relief(s) forcompulsory pension contributions:* The compulsory payment to pension funds amounts to 4 per cent of wages and is deductible. In addition, an optional payment of up to 2 per cent of wages may also be deducted. As the additional 2 per cent contribution is optional, it is viewed as a non-standard relief in this Report.

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

- *Interest payment relief:* A fully refundable tax credit is granted to purchasers of personal dwellings (homes) to recuperate a part of mortgage-related interest expenses. The maximum tax-related interest credit in 2012 is ISK 400 000 for a single person, ISK 500 000 for a single parent and ISK 600 000 for a married couple. The following constraints apply to interest rebates: 1) They cannot exceed 7.0 per cent of the remaining debt balance incurred in buying a home for one's own use. 2) The maximum amount of interest payments that qualify for an interest rebate calculation is ISK 800 000 for an individual, ISK 1 000 000 for a single parent and ISK 1 200 000 for a couple. 3) Eight per cent of taxable income is subtracted from the interest expense. 4) The rebates begin to be curtailed at a net worth threshold of ISK 4 000 000 for a single individual and a single parent and ISK 6 500 000 for a couple and are eliminated altogether at a 60 per cent higher amount, or ISK 6 400 000 and 10 400 000, respectively. (These amounts are based on income in the year 2012 but are paid out in 2013).
- Fishermen are entitled to a special credit against income tax of ISK 493 per day at sea in 2012.

* The definition of average worker in Iceland includes workers in five categories. See Section 5.1.

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 2012 is 22.90 per cent for income up to ISK 230 000 per month. A 25.8 per cent tax rate applies to the next ISK 474 367 or up to ISK 704 367. For income exceeding ISK 704 367 the tax rate is 31.8 per cent. The income tax rate applies to all personal income in excess of ISK 124 617 per month (ISK 1 495 404 per year). Tax relief is provided by the basic credit described in Section 1.1.2.1.

The tax on capital income is 20 per cent. It is levied on all capital income of individuals, such as interest, dividends, rents etc. Interest income up to ISK 100.000 per year and 30 per cent of rent income is tax free.

1.2. Local government income tax

The local government income tax base is the same as the central government's personal income tax base.

The local governments' income tax is single-rated, but the rate varies between 12.44 and 14.48 per cent between municipalities. The average rate in 2012 is 14.44 per cent.

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

2.1. Employees' contributions

Fee to the Retiree Investment Fund: 16 to 70 year-old individuals are subject to a fixed tax of ISK 9 600 in 2012, provided the individual's taxable income is at least ISK 1 495 404 for the year. This tax will be collected in 2013.

Fee to the broadcast media: 16 to 70 year-old individuals with taxable income over ISK 1 495 404 for the year as well as legal entities are subject to a fixed tax of ISK 19 700 in 2012, which will be collected in 2013.

These amounts are estimates and thus subject to change as the fees are payable in 2013.

2.2. Employers' contributions

Employers have to pay a social security tax on total wages of 7.79 per cent. In addition, 0.65 per cent is levied on the wages of fishermen as a premium for their government accident insurance. Furthermore, a new financial activities tax was introduced in 2012, which requires financial and insurance companies to pay an additional 5.45 per cent 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 2012 they are as follows (in ISK per year):

For each child under the age of seven:	61 191
Children under the age of eighteen at the end of 2012:	
First child	152 331
Each additional child	181 323
Benefits for single parents:	
First child	253 716
Each additional child	260 262
Income threshold for benefit curtailment:	
For couples	3 600 000
For a single parent	1 800 000
Curtailment of benefits (children under the age of seven only):	
For each child	3 per cent
Curtailment of benefits (all children under the age of eighteen):	
For one child	3 per cent
For two children	5 per cent
For three children or more	7 per cent

Note that child benefits in this Report are based on income in the year 2012 but are paid out in 2013 (see also Section 4.4).

4. Main changes in the tax/benefit system since 1998

4.1. The deductibility of the payment to pension funds

All employees are required to participate in pension funds. The employee contribution is generally 4 per cent of wages and the employer contribution was 6 per cent, and increased to 8 per cent as of beginning 2007. Both contributions are deductible from income before tax. In some cases, the contributions of employees and employers are higher. An optional, additional payment from employees of up to 4 per cent of wages is also deductible and goes into an individual retirement account. However, in 2012-14, this additional payment has been temporarily set at 2%.

This voluntary pension savings option was first introduced in 1999 in order to encourage personal saving. At the time the contribution rate was 2 per cent for employees and 0.2 per cent for employers. In May 2000 these rates were doubled to 4 and 0.4 per cent, respectively, as noted above. In addition, some employers, such as the central government, have increased their employer counter-contribution by agreement with employees. The central government contributed 1 per cent against a voluntary employee contribution of 4 per cent in 2001 and 2 per cent as of the beginning of 2002. All such contributions are tax-deductible, both with the employer and the employee at the time the contribution is made. The actual pension is taxed as personal income when it is drawn. As of the beginning of 2004, the employer option of deducting the above 0.4 per cent against the social security tax was abolished. Since such employer counter-contributions had become part of wage agreements in most cases, it was no longer felt that such a tax incentive was needed.

4.2. Central and local income tax rates in 1997-2007

In 1997-2007, the Government pursued a policy of reducing the marginal tax rate, as can been seen in the table below. This development was reversed in 2009 when income tax was raised by 1.35 percentage points in response to the Treasury's rising debt burden brought on by the economic crisis. At the beginning of 2010 the tax system was changed from single rated to triple rated. The tax rate was set at 24.1 per cent for the first monthly ISK 200 000 but it was raised by 2.9 per cent for the next ISK 450 000 and again by 6 per cent for income in excess of ISK 650 000. In 2012, the rates are 22.9%, 25.8% and 31.8%, and the corresponding income thresholds are ISK 230 000 and 704 367 per month; see Section 1.1.3 for further details. From 1998 onwards, the central government and average local government personal income tax rates have been as follows:

	Central government general tax rate (%)	Municipal tax rate (%)	Total tax rate (%)	Central government surtax (%)
1998	27.41	11.61	39.02	7.00
1999	26.41	11.93	38.34	7.00
2000	26.41	11.96	38.37	7.00
2001	26.08	12.68	38.76	7.00
2002	25.75	12.79	38.54	7.00
2003	25.75	12.80	38.55	5.00
2004	25.75	12.83	38.58	4.00
2005	24.75	12.98	37.73	2.00
2006	23.75	12.97	36.72	0
2007	22.75	12.97	35.72	0
2008	22.75	12.97	35.72	0
2009	24.10	13.10	37.20	0
2010	24.10	13.12	37.32	2.90/6.00
2011	22.90	14.41	37.31	2.90/6.00
2012	22.90	14.44	37.34	2.90/6.00

4.3. A special tax on higher income

In 1998, the special tax on higher income was raised by 2 percentage points, from 5 to 7 per cent. For 2003-income, it was reduced back to 5 per cent. It was reduced to 4 per cent for 2004-income and to 2 per cent for 2005-income. In the fiscal year 2006, the tax was abolished. In the latter half of 2009 the special tax on higher income was introduced again at 8 per cent. In 2010 the tax system changed to triple-rated; see sections 4.2 and 1.13.

4.4. A revision of child benefit system

Child benefits are granted for each child, subject to income thresholds. The amendments to tax legislation that came into effect in 2004 included a schedule for raising child benefits. As from 2007, the child benefits will be paid for children up to 18 years instead of 16 years. For 2005-12, benefits are as follows (in ISK per year):

	2005	2006	2007	2008	2009	2010	2011	2012
For all children under the age of seven	46 747	56 096	57 891	61 191	61 191	61 191	61 191	61 191
Children under the age of eighteen:								
First child	139 647	139 647	144 116	152 331	152 331	152 331	152 331	152 331
Each additional child	166 226	166 226	171 545	181 323	181 323	181 323	181 323	181 323
Benefits for single parents:								
First child	232 591	232 591	240 034	253 716	253 716	253 716	253 716	253 716
Each additional child	238 592	238 592	246 227	260 262	260 262	260 262	260 262	260 262
Income threshold for benefit curtailment:								
For couples	1 859 329	2 231 195	2 880 000	3 600 000	3 600 000	3 600 000	3 600 000	3 600 000
For a single parent	929 665	1 115 598	1 440 000	1 800 000	1 800 000	1 800 000	1 800 000	1 800 000
Curtailment of benefits under the age of seven:								
For each child						3%	3%	3%
Curtailment of benefits under the age of eighteen:								
For one child	3%	2%	2%	2%	2%	3%	3%	3%
For two children	7%	6%	5%	5%	5%	5%	5%	5%
For three children or more	9%	8%	7%	7%	7%	7%	7%	7%

The data for 2012 is subject to change as the benefits are not payable until 2013.

4.5. *A revision of interest rebates*

In 2004, the interest rebate was cut by 10 per cent, effective for that year only. The ceiling on interest payments that qualify for the interest rebate was reduced from 7 per cent to 5.5 per cent in 2005 and the interest rate cut was reduced from 10 per cent to 5 per cent. As of the beginning of 2006, the ceiling was further reduced to 5 per cent. In 2005 and again in 2007 the net worth ceiling was lifted considerably in reaction to the increase in net worth due to the house price boom in 2005-07. In 2008, as mortgage-related interest expenses surged, the ceiling on interest payments was raised back to 7 per cent and the maximum rebate amount increased by 37 per cent. These measures stayed in effect in 2009. In 2010 the maximum rebate amount increased by 47-62 per cent and the net worth ceiling was reduced significantly. The rate of taxable income which is subtracted from the interest expense was increased from 6 per cent to 8 per cent. These measures still apply in 2012. In addition to the ordinary interest payment relief, a temporary interest cost rebate was in effect in 2010-11; 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 per cent of the credit became transferable, rising to 95 per cent in 2002 and 100 per cent in 2003.

5. Memorandum items

5.1. *Identification of AW (only five categories) and valuation of earnings*

The data on average earnings refers to average workers in five categories according to the NACE Rev. 1 classification which corresponds to the ISIC Rev. 3 system. The categories are D – production, F – construction, G – wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods, I – transport, storage and communication, and J – financial intermediation. Public sector employees are not included. Together, these five categories comprise approximately 80% of Iceland's private sector labour force. This classification system corresponds with the NACE Rev. 2 classification system, which corresponds with the ISIC Rev. 4 system (sectors B-N).

The original data are obtained from a monthly survey among Icelandic firms with 10 or more employees.

5.2. *Employer contributions to private pension funds, health and related schemes*

By law, all employees and employers must contribute to pension funds. These funds are private, generally linked to unions and employee associations. The private pension funds are not part of the government-run social security system, to which a payroll tax is paid as described under Section 2.2 above. Compulsory and voluntary payments to such funds are described in Section 4.1 above.

2012 parameter values

Average earnings/yr	Ave_earn	6 079 006	Secretariat estimate
Pension rate for tax allowance	pension_rate	0.02	
Tax credit	Basic_crd	558 385	
	Married_propn	1	
Central income tax	tax_sch	0.229	2 760 000
		0.258	8 452 400
		0.318	
Special tax	special_rate	0	
threshold	special_thrsh		
Local tax	local_rate	0.1444	
Church tax	church_tax	0	
Social Security Contr.	SSC_fixed	29 300	
	SSC_thrsh	1 495 407	
Employer SSC	SSC_empr	0.0779	
General child allowance:			
child allowance	CA	61 191	
Maximum number of children under 7	max_child_under7	1	
Supplement child allowance:			
Married couple case			
first child	SA_first_m	152 331	
other children	SA_others_m	181 323	
income threshold	SA_tresh_m	3 600 000	
Single parent case			
first child	SA_first_s	253 716	
other children	SA_others_s	260 262	
income threshold	SA_tresh_s	1 800 000	
reduction rate (one child)	SA_redn_1	0.03	
reduction rate (two children)	SA_redn_2	0.05	
reduction rate (tree or more children)	SA_redn_3	0.07	

2012 tax equations

The equations for the Iceland system are mostly on an individual basis. But the tax credit for married couples is relevant only to the calculation for the principal earner and child benefit is calculated only once. This is shown by the Range indicator in the table below.

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

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	B	earn*pension_rate
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	earn-tax_al
5.	CG tax before credits	CG_tax_excl	B	tax(tax_inc, tax_sch)
6.	Tax credits :	tax_cr	P	MIN(CG_tax_excl_princ,Basic_crd+MAX(Married*Basic_crd-CG_tax_excl_spouse-(tax_inc_spouse*local_rate),0))
			S	MIN(Married*Basic_crd, CG_tax_excl_spouse)
		special_tax	J	0
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr+special_tax
8.	State and local taxes	local_tax	P	MAX(tax_inc_princ*local_rate-MAX(Basic_crd+ Max(Married*Basic_crd-CG_tax_excl_spouse-(tax_inc_spouse*local_rate),0)-CG_tax_excl_princ,0),0)
			S	MAX(tax_inc_spouse*local_rate-MAX(Married*Basic_crd-CG_tax_excl_spouse,0),0)
9.	Employees' soc security	SSC	B	SSC_fixed*(earn>SSC_thrsh)
11.	Cash transfers:			
	Total family income	inc_tot	J	earn_total
	Child allowance	cash_trans	J	Positive(MIN(Children,max_child_under7)*CA-Positive(inc_total*(1-pension_rate)-IF(Married,SA_tresh_m,SA_tresh_s))*SA_redn_1) +(Children>0)*(IF(Married,SA_first_m+ Positive(Children-1)*SA_others_m,SA_first_s+ Positive(Children-1)*SA_others_s) – Positive(inc_tot*(1-pension_rate)-IF(Married,SA_tresh_m,SA_tresh_s))* IF(Children=1, SA_redn_1,IF(Children=2,SA_redn_2,SA_redn_3)))
13.	Employer's soc security	SSC_empr	B	earn*SSC_empr_rate

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	21751	32626	54377	21751
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)**	21751	32626	54377	21751
5.	**Central government income tax liability (exclusive of tax credits)**	4350	6525	15407	4350
6.	**Tax credits**				
	Basic credit	1650	1650	1650	1650
	Single, head of family	0	0	0	1650
	Children				
	Other	1650	1650	1650	1650
	Total	3300	3300	3300	4950
7.	**Central government income tax finally paid (5-6)**	1892	4828	15232	841
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	606	1041	1911	606
	Taxable income				
	Total	606	1041	1911	606
10.	**Total payments to general government (7 + 8 + 9)**	2497	5869	17143	1447
11.	**Cash transfers from general government**				
	For head of family	0	0	0	6600
	For two children	0	0	0	3360
	Total	0	0	0	9960
12.	**Take-home pay (1-10+11)**	19253	26758	37234	30264
13.	**Employer's compulsory social security contributions**	2338	3507	5846	2338
14.	**Average rates**				
	Income tax	8.7%	14.8%	28.0%	3.9%
	Employees' social security contributions	2.8%	3.2%	3.5%	2.8%
	Total payments less cash transfers	11.5%	18.0%	31.5%	-39.1%
	Total tax wedge including employer's social security contributions	20.1%	25.9%	38.2%	-25.6%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	31.0%	31.0%	52.0%	64.4%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	37.7%	37.7%	56.7%	67.9%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Ireland 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	32626	43502	54377	43502
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)**	32626	43502	54377	43502
5.	**Central government income tax liability (exclusive of tax credits)**	6525	8700	10875	8700
6.	**Tax credits**				
	Basic credit	3300	3300	3300	3300
	Single, head of family	0	0	0	0
	Children				
	Other	2460	3300	3300	3300
	Total	5760	6600	6600	6600
7.	**Central government income tax finally paid (5-6)**	2368	3937	6719	3937
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1041	1041	1647	1041
	Taxable income				
	Total	1041	1041	1647	1041
10.	**Total payments to general government (7 + 8 + 9)**	3409	4978	8366	4978
11.	**Cash transfers from general government**				
	For head of family	1252	0	0	0
	For two children	3360	3360	3360	0
	Total	4612	3360	3360	0
12.	**Take-home pay (1-10+11)**	33829	41884	49371	38524
13.	**Employer's compulsory social security contributions**	3507	4432	5846	4432
14.	**Average rates**				
	Income tax	7.3%	9.1%	12.4%	9.1%
	Employees' social security contributions	3.2%	2.4%	3.0%	2.4%
	Total payments less cash transfers	-3.7%	3.7%	9.2%	11.4%
	Total tax wedge including employer's social security contributions	6.4%	12.6%	18.0%	19.6%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	72.4%	31.0%	31.0%	31.0%
	Total payments less cash transfers: Spouse	25.9%	24.0%	31.0%	24.0%
	Total tax wedge: Principal earner	75.1%	37.7%	37.7%	37.7%
	Total tax wedge: Spouse	31.7%	30.0%	37.7%	30.0%

The national currency is the euro (EUR). In 2012, EUR 0.78 was equal to USD 1. In that year, the average production worker earned EUR 32 626 (Secretariat estimate).

1. Personal income tax systems

1.1. Central/federal government income taxes

1.1.1. Tax unit

Tax is levied on the combined income of both spouses. Either spouse may, however, opt for separate assessment, in which case the tax payable by both spouses must be the same as would be payable under joint taxation. A further option allows either spouse to opt for assessment as single persons in which case they are treated as separate units. The calculations presented in this Report are based on family taxation.

1.1.2. Tax credits

1.1.2.1. Standard reliefs:

- *Basic reliefs:* The single person's credit is EUR 1 650 per year.
- *Standard marital status reliefs:* The married person's credit is EUR 3 300 per year (i.e. twice the basic credit of EUR 1 650).
- *Employee credit:* With the exception of certain company directors and their spouses and the spouses of partners in partnership cases, all employees, including (subject to certain conditions) children who are full-time employees in the business of their parents, are entitled to an employee credit of EUR 1 650.
- *Single-Parent Family Relief*: The single parent family credit is EUR 1 650.

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

- *Interest on qualifying loans*: A qualifying loan in respect of the purchase, repair or improvement of the principal private residence. This relief is subject to the following overall limits in 2012.

	First Time Mortgage Holders	Other Mortgage Holders
Married Couple	EUR 8 000	EUR 5 079
Widowed Person	EUR 8 000	EUR 5 079
Single Person	EUR 4 000	EUR 2 539

- *Medical Insurance:* Relief at the taxpayer's standard rate of tax is available for taxpayers who make a payment to an authorised insurer under a contract which provides for the payment of medical expenses resulting from sickness of the person, his wife, child or other dependants. This *relief is now granted at source and is paid to the insurance provider.*
- *Mortgage Interest Relief:* Mortgage interest relief is discontinued for any mortgage over 7 years from 1 May 2009.

- *Work-related Expenses:* These are relieved to the extent that they are wholly, exclusively and necessarily incurred in the performance of the duties of an employment.
- *Home Carers Allowance:* This is a tax credit of EUR 810 for families where one spouse works at home to care for children, the aged or incapacitated persons, where the carer spouse's income does not exceed EUR 5 079. A reduced measure of relief is granted for income between EUR 5 080 and EUR 6 620: if the income exceeds EUR 5 080 the tax credit is reduced by one half of the income of the Home Carer that exceeds this limit. This credit and the increased standard rate tax band for two income couples (see tax schedule below) are mutually exclusive but the person may opt for whichever is the more beneficial. If the Home Carer earns income of up to EUR 5 080 in his/her own right for the tax year, the full tax credit may be claimed. For the purposes of this tax credit, income means any taxable income such as income from a part-time job, dividends, etc., but does not include the Carer's Allowance payable by the Department of Social and Family Affairs.

1.1.3. *Tax schedule*

Band of taxable income (EUR)				Rate (%)
Single/widow(er)	Married couple (one income)	Married couple (two incomes)	One-parent families	
Up to 32 800	Up to 41 800	Up to the lesser of: 65 600; 41 800 plus the amount of the lowest income	36 800	20
Balance	Balance	Balance	Balance	41

1.1.4. *Low income exemption and marginal relief tax*

Where total income is less than or equal to the income exemption limit that income is exempt from tax.

Exemption limits:

	EUR
Single/widowed	
Under 65	5 210
65 and over	17 000
Married	
Under 65	10 420
65 and over	34 000
Children	
One or two children (each)	575
Subsequent children	830

The marginal relief rate of tax applies where liability to tax at the marginal relief rate is less than that which would be chargeable under the normal tax schedule and where total income is less then twice the relevant exemption limit, otherwise tax is charged under the normal tax schedule.

Marginal relief tax is charged, where applicable, at a rate of 40 per cent on the difference between total income and the relevant exemption limit.

1.2. State and local income taxes

No State or local income taxes exist in Ireland.

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

2.1. Employees' contributions

Contributions are payable at a rate of 4 per cent of an employee's gross earnings less allowable superannuation contributions. No distinction is made by marital status or sex. Those earning less than EUR 352 per week are exempt. But if the employee is not exempt, then the 4 per cent rate is applied to all earnings subject to a weekly allowance of EUR 127. The following is a breakdown of the 2012 rate of contribution together with ceilings where applicable:

Description	Rate	Threshold (EUR)	Ceiling (EUR)
Pension and social insurance	4.00	352 per week	

2.2. Employers' contributions

Like employees' contributions, employers' contributions are payable as a percentage of gross employee earnings less allowable superannuation contributions. The following is a breakdown of the 2012rate of contribution:

Description	Rate %
Occupational injuries	0.50
Redundancy contribution	0.40
Pension and social insurance	9.85
TOTAL	10.75

The employers' contribution is reduced from 10.75 per cent to 8.5 per cent in respect of employees earning less than EUR 356 per week.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

These are payable to all children under the age of 16 (or under 19 years, if the child is undergoing full-time education by day or is incapacitated and likely to remain so for a prolonged period). These payments do not depend on any insurance or on the means of the claimant. Entitlements to higher rate for the third and subsequent child are being phased out over two years The amounts payable in 2012 are as follows:

Period	Monthly rate per child	
January 2012 to December 2012	First to second child: EUR 140.00	Subsequent children: EUR 148.00

3.3. Transfers for low income families

A non taxable family income supplement is payable to low income families where either the principal earner and/or the spouse are in full-time employment. Full-time employment is defined as working nineteen hours per week or more. The hours worked by the principal and the spouse can be aggregated for the purposes of this definition. When calculating income for the purposes of the relief superannuation payments, social welfare payments, tax payments, health and employment and training levies are all subtracted to arrive at disposable income.

The level of payment is dependent on the amount of family income and the number of children. The supplement payable is 60 per cent of the difference between the family income and the income limit applicable to the family. A minimum of EUR 20 per week is payable to eligible families. No supplement is payable to families with income in excess of the relevant income limit.

The income limit for a family with two children in 2012 is EUR 602 per week.

One Parent Family Payment: This new non taxable payment is available for men and women who for a variety of reasons are bringing up a child or children without the support of a partner. The payment which is means tested is payable in full where the persons earnings does not exceed EUR 7 618. Where earnings are between EUR 7 618 and EUR 22 100 a reduced payment is received. The amount of the full payment for 2010 is EUR 6 552 plus EUR 1 550 for each child. Because of the complex means testing system this type of person is excluded from the AW examples.

4. Other main changes in tax/benefit system since 2010

4.1.-4.2. Universal Social Charge (USC)

The Universal Social Charge (USC) replaces the Income and Health Levies and applies at a low rate on a broad base.

The USC is charged on an individualised basis on gross income at 2 per cent on income up to and including EUR 10 036, at 4 per cent for income in excess of EUR 10 036 but not greater than EUR 16 016 and at 7 per cent above that level. Those aged over 70 year do not pay this higher rate. The lower exemption threshold has been increased from EUR 4 004 to EUR 10 036.

The USC does not apply to social welfare payments, including contributory and non-contributory social welfare State pensions.

Individuals in possession of full medical card, including a Health Amendment Act card, will only pay USC at a max rate of 4% irrespective of the level of their income. However, when an individual has self-employment income in excess of EUR 100 000 for a tax year, the max rate is 7% on the amount of the excess. Non-medical card holders are subject to a maximum rate of 10% on such income.

USC rates for individuals aged 70 years and over and individuals who hold FULL medical cards: The 4% rate applies to all income over 10 036. There is a surcharge of 3% on individuals who have income from self employment that exceeds EUR 100 000 in a year, regardless of age. Where such individuals are aged over 70 years or hold a full medical card, a rate of 7% applies.

5. Memorandum items

5.1. *Employer contributions to private social security arrangements*

Information not available, although such schemes do exist.

2012 parameter values

Average earnings/yr	Ave_earn	32 626	Secretariat estimate
Tax allowances			
Tax Credits	Basic_al_at_standardrate	1 650	
	Married_al_at_standardrate	1 650	
	Empl_al_at_standardrate	1 650	
	Singleparent_at_standardrate	1 650	
	Carers_allow	810	
	Carers_thrsh1	5 080	
	Carers_thrsh2	6 620	
	Carers_taper_rt	0.5	
Exemption amount	Single_ex	5 210	
	Married_ex	5 210	
	Child_ex	575	
	Child_ex_3	830	
Marginal relief limit	Single_MR	10 420	
	Married_MR	10 420	
	Child_MR	1 150	
	Child_MR_3	1 660	
Marginal relief	marg_rel_rate	0.4	
Income tax	Single_sch	0.2	32 800
		0.41	
	Single_sch_child	0.2	36 800
		0.41	
	Married_sch_oneinc	0.2	41 800
		0.41	
	Married_sch_twoinc	0.2	65 600
		0.41	
Universal Social Charge	USC	0.02	10 036
		0.04	16 016
		0.07	
	USC_sch_med_card	0.02	10 036
		0.04	
	USC threshold	4 004	
Maximum increase in first band	Band_increase_lim	27 400	
Social security contributions	SSC_thresh	18 304	
Employees	pension_rate	0.04	
	pension_ceil	0	
	Emp_hlth_lower	26 000	
	Non_cum_Allc	6 604	
Employers	Empr_rate	0.1075	
	Empr_lower_rate	0.085	
	Empr_thrsh	18 512	
Child benefit	Ch_ben	1 680	
	Ch_ben_3	1 776	
Family income supplement	FIS_pay_limit	31 304	
	FIS_min	1 040	
	FIS_rate	0.6	
Medical card	single_med_card	9 568	
	married_med_card	13 858	
	child_add_med_card	1 976	

2012 tax equations

The equations for the Irish system in 2012 are mostly on a family basis using mainly a tax credit system for the first time. But social security contributions are calculated separately for each spouse. This is shown by the Range indicator in the table below.

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

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:			(provided at standard rate (tax credit equivalent))
3. Credits in taxable income	taxbl_cr	J	0
4. Taxable income	tax_inc	J	earn
New carers allowance (provided as a tax credit)	career_allow		IF((Married*Children)>0, IF(earn_spouse<=Carers_thrsh1, Carers_allow, IF(earn_spouse>Carers_thrsh2, 0, Positive (Carers_allow-Carers_taper_rt*(earn_spouse-Carers_thrsh1)))), 0)
Preliminary Tax 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
9. Employees' soc security			
weekly allowance	weekly_allce	B	IF(earn=0.0,MINA(Non_cum_Allc,earn))
Medical card factor	Med_crd_fac	J	(single_med_card+Married*(married_med_card-single_med_card) +child_add_med_card*Children<earn_princ+earn_spouse)
employees' soc security	SSC	B	IF(earn>SSC_thresh, pension_rate*Positive(earn-weekly_allce), 0)
11. Cash transfers			
	Child_benefit	J	Children*Ch_ben+(Children>2)*(Children-2)*(Ch_ben_3-Ch_ben)
	FIS	J	(Children>0)*IF((earn-_tax-SSC)<=FIS_pay_limit , MAXA((FIS_pay_limit-(earn-_tax-SSC))*FIS_rate, FIS_min), 0)
Total cash transfers	cash_trans		Child_benefit+FIS
13. Employer's soc security	SSC_empr	B	IF(earn<=Empr_thrsh, Empr_lower_rate, Empr_rate)* MIN(earn, Empr_ceil)

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	79920	119880	199799	79920
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)**	79920	119880	199799	79920
5.	**Central government income tax liability (exclusive of tax credits)**	8693	15220	34400	8693
6.	**Tax credits**				
	Basic credit	5805	5805	5805	7095
	Married or head of family	0	0	0	2580
	Children	0	0	0	5160
	EITC	0	0	0	0
	Unused wastable tax credits	0	0	0	6142
	Total	5805	5805	5805	14835
7.	**Central government income tax finally paid (5-6)**	2888	9415	28595	0
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	4314	9109	18699	4314
	Taxable income				
	Total	4314	9109	18699	4314
10.	**Total payments to general government (7 + 8 + 9)**	7202	18524	47295	4314
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	8177
	Total	0	0	0	8177
12.	**Take-home pay (1-10+11)**	72718	101356	152505	83783
13.	**Employer's compulsory social security contributions**	3194	5552	10267	3194
14.	**Average rates**				
	Income tax	3.6%	7.9%	14.3%	0.0%
	Employees' social security contributions	5.4%	7.6%	9.4%	5.4%
	Total payments less cash transfers	9.0%	15.5%	23.7%	-4.8%
	Total tax wedge including employer's social security contributions	12.5%	19.2%	27.4%	-0.8%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	26.0%	33.0%	42.0%	12.0%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	30.1%	36.7%	45.2%	16.9%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Israel 2012

The tax/benefit position of married couples

			100-0	100-33	100-67	100-33
		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
1.	**Gross wage earnings**		119880	159840	199799	159840
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)**		119880	159840	199799	159840
5.	**Central government income tax liability (exclusive of tax credits)**		15220	19216	23912	19216
6.	**Tax credits**					
	Basic credit		5805	12900	12900	12900
	Married or head of family		0	0	0	0
	Children		0	5160	5160	0
	EITC		0	5091	0	0
	Unused wastable tax credits		0	8259	3562	3099
		Total	5805	23151	18060	12900
7.	**Central government income tax finally paid (5-6)**		9415	4323	9415	9415
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		9109	10508	13423	10508
	Taxable income					
		Total	9109	10508	13423	10508
10.	**Total payments to general government (7 + 8 + 9)**		18524	14831	22838	19922
11.	**Cash transfers from general government**					
	For head of family					
	For two children		5163	5163	5163	0
		Total	5163	5163	5163	0
12.	**Take-home pay (1-10+11)**		106519	150172	182125	139917
13.	**Employer's compulsory social security contributions**		5552	6931	8746	6931
14.	**Average rates**					
	Income tax		7.9%	2.7%	4.7%	5.9%
	Employees' social security contributions		7.6%	6.6%	6.7%	6.6%
	Total payments less cash transfers		11.1%	6.0%	8.8%	12.5%
	Total tax wedge including employer's social security contributions		15.1%	10.0%	12.7%	16.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		33.0%	33.0%	33.0%	33.0%
	Total payments less cash transfers: Spouse		-9.2%	-20.7%	12.0%	3.5%
	Total tax wedge: Principal earner		36.7%	36.7%	36.7%	36.7%
	Total tax wedge: Spouse		-5.6%	-16.6%	16.9%	6.7%

The Israeli currency is the Israeli shekel (ILS). In 2012, ILS 3.85 was equal to USD 1. In that year, the average worker in Israel earned ILS 119 880 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income tax

1.1.1. Tax unit

In general, spouses are taxed separately on their earned income, subject to the condition that its sources are independent. The household is taxed jointly if their earned income is deemed to be interdependent. The conditions for interdependence involve situations where one spouse works in a business which the other spouse either owns or has certain levels of capital or management/voting rights.

1.1.2. Tax allowances and credits

1.1.2.1. Standard tax credits

The standard tax credits are given in the form of credit points subtracted from the tax liability. Each point is worth ILS 2 580 in 2012.

- *Basic credit*: Every resident taxpayer is entitled to 2.25 credit points (ILS 5 805 in 2012).
- *Additional credit for women*: Women are entitled to a further half credit point (ILS 1 290 in 2012).
- *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 2 580 in 2012). In 2012 this credit was increased to 2 credit points per child aged under 5 (ILS 5 160 in 2012). Since 2012, married working fathers with childen aged under 2 are also entitled to 2 credit points per child.
- *Single parent credit:* Single parents (male or female) are entitled to one additional credit point (ILS 2 580 in 2012).

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 2012 the credits range from 12% in the lowest category to 24% in the highest category with ceilings of ILS 155 520 and 233 400 respectively. About 8% of the population lives in these areas.
- New immigrants are entitled to three additional credit points in their first eighteen months in Israel, two additional credit points in the following year, and one credit point in the year after.
- Discharged soldiers receive 2 credit points for three years after the completion of at least 23 months of service or 1 credit point for a shorter service.

- Graduates of academic studies receive 1 credit point for three years after the completion of a B.A. degree (or after the completion of 1 700 study hours that led to a professional certificate) and 0.5 credit point for two years after the completion of a M.A. degree.

1.1.3. Tax schedule

The tax schedule for earned income in 2012 is as follows:

Taxable income (ILS)	Tax rate (%)
0-62 400	10
62 400-106 560	14
106 560-173 160	21
173 160-261 360	30
261 360-501 960	33
Above 501 960	48

1.2. Regional and local income tax

There are no regional or local income taxes.

2. Compulsory social security insurance system

Social security contributions are made up of a combination of those for National Insurance and Health Insurance. The tax rates paid by employees and employers are applied in two brackets:

- A reduced rate for income up to a level of 60% of the average wage per employee post (ILS 5 173 per month in 2012).
- A full rate for income exceeding 60% of the average wage per employee post and up to a level of around 5 times the average wage per employee post (ILS 41 850 per month in 2012).

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 2012 are as follows:

Insurance branch	Full rate contribution (%)	Reduced rate contribution (%)
Total for National Insurance branches	7.00	0.40
Health	5.00	3.10
Total contributions	12.00	3.50

2.2. Employers' contributions

Social security insurance contributions are also paid by employers on behalf of their employees. These relate to National Insurance only-employers do not pay any contributions for health insurance.

The employers' contribution rates in 2012 are as follows:

Insurance branch	Full rate contribution (%)	Reduced rate contribution (%)
Total for National Insurance branches	5.90	3.45
Health	–	–
Total contributions	5.90	3.45

3. Payroll taxes

The following payroll taxes exist in Israel but neither of them is included in the modelling as they have limited coverage:

- Wage tax on the non-profit institutions: the VAT law imposes a 7.5 per cent on the wage-bill on the non-profit sector including Government.
- Wage tax on the financial institutions: the VAT law also imposes a 16 per cent tax on the wage-bill of the financial institutions.

4. Universal cash transfers

4.1. Transfers related to marital status

None.

4.2. Transfers for dependent children

A monthly child allowance is paid to the parent (usually the mother) of unmarried children aged up to 18. The amount of the entitlement for each child depends on the date of birth of the child. Between August 2003 and June 2009, all children born after 1 June 2003 received the same benefit as the first child. But, according to the Coalition agreement signed in March 2009, the benefits for the second, third and fourth child (including those born after June 2003) are to be increased gradually over a period of five years (i.e. from 2009 to 2013).

In 2012 the monthly payments per child are shown in the following table. The "average" figure is used in the modelling.

	Children born before 1 June 2003			Children born on or after 1 June 2003		
	Average	Jan.-Mar.	Apr.-Dec.	Average	Jan.-Mar.	Apr.-Dec.
First child	173	173	173	173	173	173
Second child	257.25	252	259	257.25	252	259
Third child	289.25	284	291	257.25	252	259
Fourth child	451.25	446	453	257.25	252	259
Fifth child and above	384	384	384	173	173	173

In addition a Study Grant is paid to lone parents with children aged 6 to 14. The grant is paid in one instalment, usually in September at the beginning of the school year. In 2012, the rates of grant per child were 1 507 ILS and 837 ILS respectively for children aged 6-11 and 12-14.

5. Main changes in the tax and benefit systems since 2002

- There has been a policy of gradually reducing the level of personal income taxes since 2003. The number of tax brackets was reduced from seven to six in 2003. In addition, the tax rates in at least one of the six tax brackets (see Section 1.3 above) have been reduced in every year since then. 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 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%.
- The Employers tax on wage bill of the non-profit sector excluding Government was abolished in 2008
- In the period between August 2003 and June 2009, all children that were born on or after 1 June 2003 received the same level of benefit payment as the first child. The 2009 Coalition agreement introduced a gradual increase in the benefit payments for the second, third and fourth children in all families (including those where children were born after June 2003) over a period of five years from July 2009 to June 2013.

6. Memorandum items

6.1. Average gross annual wage earnings calculation

The average wage figures represent the amount earned for a full time post by employees working 35 hours per week or more. This information is available from the Israeli Income Survey for the years up to 2011 with an estimate for 2012. As to the economic classification, Israel uses a modified version of ISIC 3 where the B-I industries (see Table below) are a very close equivalent of C-K industries in ISIC 3.1. Israel's Central Bureau of Statistics is in the process to adopt ISIC 4.

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 2012 is 12.5 per cent of the employee's salary (up to the level of the average wage of ILS 8 619 per month), one third to be paid by the employee and two thirds by the employer. The minimum contribution rate will increase by 2.5 per cent of the employee's salary in each subsequent year, reaching 17.5 per cent by 2014.

6.3. Earned income tax credit

A non-wastable earned income tax credit was implemented in 2008 in selected geographical areas of Israel covering 15% of the population. Entitlement to this credit is established based on earnings in the previous year. The tax credit was extended to all areas of Israel in 2012 (based on the earnings in 2011 and therefore we already included it in the 2011 version of the model). For mothers of children up to the age of 2 and for single parents the full coverage started in 2011 (based on earnings in 2010).

Under the law, workers aged 23 or more who are parents of one or two children aged less than 18 (or workers aged 55 or more even without children), and earn at least ILS 2.070 per month (about 45 per cent of the minimum wage) but not more than ILS 6 240 per month are eligible for a monthly increment of up to ILS 330. The corresponding figure for a family with 3 or more children is ILS 480. These sums will be increased by 50% in 2013 (based on earnings in 2012), for working mothers and fathers in one-parent family. Families in which both parents work, and their joint income does not exceed ILS 12 000, will be entitled to these benefits for each wage-earner. The grant will is paid four times a year directly into the account of the eligible persons.

2012 parameter values

Average earnings/yr	Ave_earn	119 880	Secretariat estimate
Income tax	Tax_sch	0.1	62 400
		0.14	106 560
		0.21	173 160
		0.3	261 360
		0.33	501 960
		0.48	
Employees SSC	SSC_sch	0.035	62 076
		0.12	502 200
		0	
Employers SSC	SSC_rate2	0.0345	62 076
		0.059	502 200
		0.0000	
Child benefit	CB_firstchild	2 076	
	CB_secondchild	3 087	
	Studygrant_rate	1 507	
Wastable tax credits			
Basic element	WTC_Basic	5 805	
Lone parent	WTC_lone	2 580	
Parents/per child	WTC_Child	2 580	
Women	WTC_woman	1 290	
Negative Income tax			
Family with 1 or	NIT_sch1	0	24 840
2 children		0.161	43 188
		3.831	43 200
		0	57 600
		-0.23	74 880
Family with 3 or	NIT_sch2	0	24 840
more children		0.235	43 188
		0.685	43 200
		0	57 600
		-0.235	82 080
	NIT_basic1	960	
	NIT_basic2	1 440	
	NIT_min	240	
	NIT_MinIncome	24 840	
	NIT_MaxIncome	14 400	
	NIT_Bonus	1.50	
Days in tax year	numdays	366	

2012 tax equations

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	Tax_al	B	0
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Earn
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits (nonwastable):			
	Principal	tax_cr_princ	B	(earn>0)*(wtc_basic+(IF(married=0)*(children>0),wtc_woman+wtc_lone +(wtc_child*children))
	Spouse	tax_cr_spouse	B	(earn>0)*(wtc_basic+wtc_woman+(wtc_child*children))
	Tax credits (nonwastable)	NIT_princ	B	NIT=+MAX(0, MAX(0,+IF(princ_earnings<NIT_MinIncome,0,IF(Children=0.0,IF(Children <3,NIT_basic1+Tax(princ_earnings, NIT_sch1),NIT_basic2+Tax(princ_earnings,NIT_sch2)))))+NIT_sch1_rate 5*MAX(0,+(princ_earnings + spouse_earnings)-NIT_MaxIncome-MIN(MAX(princ_earnings – NIT_sch1_inc4.0),(NIT_sch1_inc5 – NIT_sch1_inc4))-MIN(MAX(spouse_earnings – NIT_sch1_inc4.0), (NIT_sch1_inc5- NIT_sch1_inc4)))) IF(NIT<NIT_min,NIT=0,NIT)*NIT_Bonus
		NIT_spouse	B	NIT=+MAX(0, MAX(0,+IF(spouse_earnings<NIT_MinIncome,0,IF(Children=0.0,IF(Childr en<3,NIT_basic1+Tax(spouse_earnings ,NIT_sch1),NIT_basic2+Tax(spouse_earnings,NIT_sch2)))))+NIT_sch1_ra te5*MAX(0,+(princ_earnings + spouse_earnings)-NIT_MaxIncome-MIN(MAX(princ_earnings – NIT_sch1_inc4.0),(NIT_sch1_inc5 – NIT_sch1_inc4))-MIN(MAX(spouse_earnings – NIT_sch1_inc4.0), (NIT_sch1_inc5- NIT_sch1_inc4)))) IF(NIT<NIT_min,NIT=0,NIT)*NIT_Bonus
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.

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**		19272	28908	48180	19272
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		1829	2743	4612	1829
	Work-related expenses					
	Other					
		Total	1829	2743	4612	1829
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		17443	26165	43568	17443
5.	**Central government income tax liability (exclusive of tax credits)**		4110	6465	12876	4110
6.	**Tax credits**					
	Basic credit		1256	993	382	1256
	Married or head of family		0	0	0	0
	Children		0	0	0	1363
	Other					
		Total	1256	993	382	2619
7.	**Central government income tax finally paid (5-6)**		2853	5471	12494	1490
8.	**State and local taxes**		459	688	1146	459
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1829	2743	4612	1829
	Taxable income					
		Total	1829	2743	4612	1829
10.	**Total payments to general government (7 + 8 + 9)**		5141	8903	18251	3778
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	2658
		Total	0	0	0	2658
12.	**Take-home pay (1-10+11)**		14131	20006	29929	18152
13.	**Employer's compulsory social security contributions**		6183	9274	15456	6183
14.	**Average rates**					
	Income tax		17.2%	21.3%	28.3%	10.1%
	Employees' social security contributions		9.5%	9.5%	9.6%	9.5%
	Total payments less cash transfers		26.7%	30.8%	37.9%	5.8%
	Total tax wedge including employer's social security contributions		44.5%	47.6%	53.0%	28.7%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		39.3%	39.4%	49.9%	40.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		54.1%	54.1%	62.0%	54.6%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Italy 2012

The tax/benefit position of married couples

		100-0	100-33	100-67	100-33
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	28908	38544	48180	38544
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	2743	3658	4572	3658
	Work-related expenses				
	Other				
	Total	2743	3658	4572	3658
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	26165	34886	43608	34886
5.	**Central government income tax liability (exclusive of tax credits)**	6465	8470	10574	8470
6.	**Tax credits**				
	Basic credit	993	2782	2250	2782
	Married or head of family	690	0	0	0
	Children	1219	1219	1283	0
	Other				
	Total	2903	4001	3532	2782
7.	**Central government income tax finally paid (5-6)**	3562	4469	7042	5689
8.	**State and local taxes**	688	918	1147	918
9.	**Employees' compulsory social security contributions**				
	Gross earnings	2743	3658	4572	3658
	Taxable income				
	Total	2743	3658	4572	3658
10.	**Total payments to general government (7 + 8 + 9)**	6993	9045	12761	10264
11.	**Cash transfers from general government**				
	For head of family				
	For two children	1631	931	860	0
	Total	1631	931	860	0
12.	**Take-home pay (1-10+11)**	23546	30430	36279	28280
13.	**Employer's compulsory social security contributions**	9274	12365	15456	12365
14.	**Average rates**				
	Income tax	14.7%	14.0%	17.0%	17.1%
	Employees' social security contributions	9.5%	9.5%	9.5%	9.5%
	Total payments less cash transfers	18.5%	21.1%	24.7%	26.6%
	Total tax wedge including employer's social security contributions	38.3%	40.2%	43.0%	44.5%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	40.7%	40.7%	40.1%	39.4%
	Total payments less cash transfers: Spouse	28.6%	39.2%	40.0%	39.2%
	Total tax wedge: Principal earner	55.1%	55.1%	54.6%	54.1%
	Total tax wedge: Spouse	45.9%	54.0%	54.6%	54.0%

The national currency is the euro (EUR). In 2012, EUR 0.78 was equal to USD 1. In that year the average worker earned EUR 28 908 (Secretariat estimate).

1. Personal income tax

1.1. Central government income tax

1.1.1. Tax unit

Spouses are taxed separately.

1.1.2. Tax allowances and tax credits

1.1.2.1. Tax allowances

- Social security contributions due by law

1.1.2.2. Tax credits

All the tax credits in Italy are non-refundable

- Standard tax credits

The PAYE tax credit is defined as a function of net income:

Taxable income (EUR)	PAYE tax credit (EUR)
Up to 8 000	1 840
From 8 001 to 15 000	Maximum tax credit + 502 * (15 000 – taxable income)/7 000
From 15 001 to 55 000	Maximum tax credit * (55 000 – taxable income)/40 000
More than 55 000	0

The maximum value for the tax credit depends on the level of taxable income:

Level of taxable income (EUR)	Maximum tax credit (EUR)
From 8 001 to 15 000	1 338
From 15 001 to 23 000	1 338
From 23 001 to 24 000	1 348
From 24 001 to 25 000	1 358
From 24 001 to 26 000	1 368
From 26 001 to 27 700	1 378
From 27 701 to 28 000	1 363
From 28 001 to 55 000	1 338

- Tax credits for family dependents

The tax credits for family dependants, which have replaced the former tax allowances, are as follows:

Family tax credit (EUR)[1]	Amount (EUR)
Spouse	800 decreasing to 0 for net income over 80 000
Children	
Under three years of age	900 decreasing to 0 for net income over 95 000
Over three years of age	800 decreasing to 0 for net income over 95 000
Other dependent relatives	750 decreasing to 0 for net income over 80 000

1. Tax credits are granted for family dependents earning less than EUR 2 840.51.

The spouse tax credit is calculated as a function of net income:

Level of taxable income (EUR)	Amount of tax credit (EUR)
Up to 15 000	800 – 110 * taxable income/15 000
From 15 001 to 29 000	690
From 29 001 to 29 200	700
From 29 201 to 34 700	710
From 34 701 to 35 000	720
From 35 001 to 35 100	710
From 35 101 to 35 200	700
From 35 201 to 40 000	690
From 40 001 to 80 000	690 * (80 000 – taxable income)/40 000
More than 80 000	0

The child tax credit is calculated as a function of net income:

- for families with only one child: 800 * (95 000 – taxable income)/95 000;
- for families with more than one child the amount of 95 000 is increased by 15 000 for each child other than the first, for every children (including the first one).

Families with more than 3 children receive an additional tax credit of EUR 200 per child.

A lone parent receives an actual tax credit for the first child equal to the maximum of the spouse tax credit and the child tax credit.

Tax credits for children have to be equally shared between the parents; different shares are no longer allowed.

If the spouse's tax liable net of the PAYE tax credit is less than his/her share (50 per cent) in the child tax credit, the entire child tax credit is provided to the principal earner.

1.1.2.3. Main non standard tax allowances and tax credits

- Other compulsory contributions.
- Periodical benefits allowed to the spouse fixed by judicial authority.
- Charitable donations to certain religious institutions (up to EUR 1 032.91).
- Medical and assistance expenses incurred by handicapped persons.
- Expenses to restore one's own residence at 36 per cent of full expenses (up to EUR 48 000), apportioned into 5 or 10 annual allowances of the same amount.
- Expenses for energy requalification of buildings at 55 per cent of full expenses (up to EUR 100 000) apportioned into 3 annual allowances of the same amount.

- Expenses for the replacement of covers, windows and shutters and for the installation of solar panels at 55 per cent of full expenses (up to EUR 60 000).

For the following expenses, a tax credit of 19 per cent of each incurred expense is allowed:

- Mortgage loan interest (up to EUR 4 000).
- Most medical expenses that exceed EUR 129.11.
- Payments to insurance funds up to EUR 1 291.14.
- Expenses to attend secondary school and university courses; in case such courses are private, the expenses allowed cannot exceed those foreseen for State courses.
- Expenses for nursery school (up to EUR 632 for each child).
- Rents paid by out of town students (up to EUR 2 633).
- Funeral charges up to EUR 1 549.37.
- Expenses for disabled persons.
- Donations to political parties (ranging from EUR 51.65 to EUR 103 291.38).
- Payments to foundations (up to EUR 2 065.83).
- Expenses related to sport activities for children between 5 and 18 years of age (up to EUR 210 per child).

1.1.3. Tax schedule

The following tax schedule is applied to taxable income:

Bracket (EUR)	Rate (%)
Up to 15 000	23
Over 15 000 up to 28 000	27
Over 28 000 up to 55 000	38
Over 55 000 up to 75 000	41
Over 75 000	43

Decree-Law No. 138 of 13 August 2011 introduced the “Contributo di Solidarietà” for the 2011-13 tax periods, that is a 3% “solidarity contribution” on the portion of income higher than EUR 300 000 (the amount paid is deductible from PIT base).

1.2. State and local taxes

These surcharges are due only by taxpayers who pay individual income tax IRPEF (*imposta sul reddito delle persone fisiche*).

Regional surcharge tax

This surcharge tax has been introduced in 1997. The tax is levied by each region on resident taxpayers’ total taxable income at a discretionary rate, which must fall within an established range. As from the year 2000 this range is 0.9 per cent-1.4 per cent.

In December 2011, with the DL 201/2011, the minimum state rate has been increased from 0.9% to 1.23%

The figure given in the 2012 parameter values table under the heading "Regional and local tax" includes the regional surcharge tax paid in the most representative city which is Rome (Lazio); the rate is 1.73 per cent in 2012.

Local surcharge tax

This surcharge tax has been introduced in 1999. The tax may be levied by each local government at an initial rate that cannot exceed 0.2 per cent. If the tax is levied, the local government can increase the initial rate, on a yearly basis, up to a maximum of 0.5 per cent. Each yearly increase cannot exceed 0.2 per cent.

The figure given in the 2012 parameter values table under the heading "Regional and local tax" includes the local surcharge tax paid in the most representative city which is Rome; the rate is 0.9 per cent in 2012.

Starting from 2011, exemption is provided to taxpayers whose total income consists of retirement income not exceeding EUR 8 000, income from land not exceeding EUR 185.92, and income from primary residence. The ordinary rate is applied if only one of this limits is overcome.

The surcharge rates can be adjusted above the fixed roof because of the health care losses

2. Compulsory social security

2.1. Employee contributions

- Rate and ceiling
  - ❖ The average rate is 9.49 per cent on earnings up to EUR 44 204.
  - ❖ The average rate is 10.49 per cent on earnings over EUR 44 204 and up to EUR 96 149.
  - ❖ For earnings exceeding EUR 96 149, the employee pays a fixed amount given by (0.0949 × 44 204) + 0.1049 × (96 149 – 44 204).
- Distinction by marital status or sex
  - ❖ None.

2.2. Employer contributions

- Contributions equal 32.08 per cent on earnings up to EUR 96 149. For earnings exceeding EUR 96 149, the employer pays a fixed amount given by 0.3208 × 96 149.

3. Universal cash transfers

3.1. Amount for spouse and for dependent children

Cash transfers are granted for family income that is:

- composed of at least 70 per cent wage and/or pension income;
- below a given threshold set by law each year.

Family income is the sum of the incomes of all individuals comprising the family.

Cash transfers are determined each year by INPS (Istituto Nazionale di Previdenza Sociale), the public body that collects and manages the social security contributions for dependent workers for the period beginning in July of that year (t) to June in the following year (t + 1) and relate to family income earned in the previous year (t – 1).

As such, the transfers granted in any given year t are determined by the family income in the previous two years. The following table provides a description of the calculations.

Transfer granted in year t	Relevant amounts as given in INPS tables
January-June	The amount of cash transfers is that given in the INPS table published in July t – 1. The transfers are granted with reference to family income earned in year t – 2.
July-December	The amount of cash transfers is that given in the INPS table published in July t. The transfers are granted with reference to family income earned in year t – 1.

For the purposes of *Taxing Wages*, the cash transfers that are calculated represent those amounts that would be received by the family based on their incomes for that year even though these amounts would only begin to be paid in July of the following year.

4. Main changes

The "extraordinary bonus" for low income families has been abolished.

5. Memorandum item

5.1. Identification of an AW

The data refer to the annual earnings of average workers.

5.2. Contributions by employers to private pension, health, etc., schemes

In addition to the mandatory social security contributions employers may pay contributions to private pension schemes (currently about forty pension funds). Employer's contributions are included in the taxable income of the employee.

Employees may also choose to contribute to the pension funds with all or part of the retirement allowance that is otherwise withheld by the employers. In this case the employee can deduct from his taxable income an amount equal to twice the amount of the contribution paid to fund.

Employer's contributions to private health insurance schemes are not included in the taxable income of the employee up to the limit of EUR 3 615.20.

2012 parameter values

Average earnings/yr	Ave_earn	28 908	Secretariat estimate
Tax schedule	tax_sch	0.23	15 000.00
		0.27	28 000.00
		0.38	55 000.00
		0.41	75 000.00
		0.43	999 999 999.99
Sloidarity contribution	sol_tax	0.03	
	sol_inc_limit	300 000	
Tax credits			
Employment			
	emp_add	0	1 840.00
		8 000	1 338.00
		15 000	1 338.00
		23 000	1 348.00
		24 000	1 358.00
		25 000	1 368.00
		26 000	1 378.00
		27 700	1 363.00
		28 000	1 338.00
		55 000	0.00
Spouse	Spouse_cred	0	800.00
		15 000	690.00
		29 000	700.00
		29 200	710.00
		34 700	720.00
		35 000	710.00
		35 100	700.00
		35 200	690.00
		40 000	690.00
		80 000	0
limit	Sp_crd_lim	2 840.51	
Child credit	Child_credit	800	
Additional child credit	add_child	200	
Regional and local tax	reg_rt	0.0263	
Social security contributions	SSC_sch	0.0949	44 204
		0.1049	96 149
		0.00	999 999 999.99
Employer contributions	Empr_sch	0.3208	96 149
		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	

2012 tax equations

The equations for the Italian system in 2012 are mostly repeated for each individual of a married couple. But the spouse credit is relevant only to the calculation for the principal earner and any child credit which the spouse is unable to use is transferred to the principal. This is shown by the Range indicator in the table below.

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

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:	tax_al	B	SSC
	Sol_tax	B	sol_tax*Positive(Gross-sol_inc_limit)
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	earn-tax_al1-sol_tax
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6. Tax credits :			
Employment credit	emp_cr_max	P	VLOOKUP(tax_inc, emp_add, 2))
	emp_cr_max_spouse	S	IF(tax_inc_spouse=0.0,(VLOOKUP(tax_inc_spouse,emp_add,2)))
	emp_cr	P	MIN(CG_tax_excl, IF(tax_inc<=8000,emp_cr_max, IF(tax_inc<=15000,emp_cr_max+502*(15000-tax_inc)/7000, IF(tax_inc>55000,emp_cr_max,emp_cr_max*(55000-tax_inc)/40000))))
		S	MIN(CG_tax_excl_spouse, IF(tax_inc_spouse<=8000,emp_cr_max_spouse, IF(tax_inc_spouse<=15000,emp_cr_max_spouse+502*(15000-tax_inc_spouse)/ 7000, IF(tax_inc_spouse>55000, emp_cr_max_spouse,emp_cr_max_spouse* (55000-tax_inc_spouse)/40000))))
Spouse credit	spouse_cr	P	IF(Married=1, IF(tax_inc_spouse>Sp_crd_lim,0, IF(tax_inc>80000.0, IF(tax_inc<15000.800-110*tax_inc/15000, IF(tax_inc>40000.690*(80000-tax_inc)/ 40000,VLOOKUP(tax_inc,Spouse_cred,2))))),0)
Child credit	child_cr_princ	P	IF(Children=0.0,IF(Married=1,(800*(95000-tax_inc)/ 95000+(Children-1)*800*(110000-tax_inc)/110000)*(1-child_crpct_spouse), MAX(800*(95000-tax_inc)/95000, IF(tax_inc>80000.0,IF(tax_inc<15000.800-110*tax_inc/15000, IF(tax_inc>40000.690*(80000-tax_inc)/40000, VLOOKUP(tax_inc,Spouse_cred,2)))))+(Children-1)*800*(110000-tax_inc)/ 110000))
	child_crfull_spouse	S	IF(Children=0.0,(spouse_cr=0)*Married*(800*(95000-tax_inc_spouse)/ 95000+(Children-1)*800*(110000-tax_inc_spouse)/110000))
	child_crpct_spouse	S	IF(child_crfull_spouse>0,IF((CG_tax_excl_spouse-emp_cr_spouse)/ child_crfull_spouse<0.5.0,0.5),0)
	child_cr_spouse	S	child_crfull_spouse*child_crpct_spouse
Total	tax_cr	B	MIN(emp_cr+spouse_cr+child_cr, CG_tax_excl)
7. CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)+sol_tax
8. State and local taxes	reg_rt	B	IF(CG_tax=0, 0, tax_inc*reg_rt)
9. Employees' soc security	SSC	B	Tax(earn, SSC_sch)
11. Cash transfers		J	IF(Children=0.0,12*VLOOKUP(earn_total, IF(Married,trans_sch,trans_sch_sp),1+Children))
13. Employer's soc security	SSC_empr	B	Tax(earn, Empr_sch)

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	3192215	4788323	7980538	3192215
2.	**Standard tax allowances:**				
	Basic allowance	380000	380000	380000	380000
	Married or head of family	0	0	0	0
	Dependent children	0	0	0	0
	Deduction for social security contributions and income taxes	437413	656120	1048858	437413
	Work-related expenses	1137665	1497665	1998054	1137665
	Other				
	Total	1955078	2533785	3426912	1955078
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	1237137	2254538	4553627	1237137
5.	**Central government income tax liability (exclusive of tax credits)**	61857	127954	483225	61857
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)**	61857	127954	483225	61857
8.	**State and local taxes**	130214	231954	461863	130214
9.	**Employees' compulsory social security contributions**				
	Gross earnings	437413	656120	1048858	437413
	Taxable income				
	Total	437413	656120	1048858	437413
10.	**Total payments to general government (7 + 8 + 9)**	629484	1016028	1993946	629484
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	240000
	Total	0	0	0	240000
12.	**Take-home pay (1-10+11)**	2562731	3772295	5986592	2802731
13.	**Employer's compulsory social security contributions**	461355	692032	1108712	461355
14.	**Average rates**				
	Income tax	6.0%	7.5%	11.8%	6.0%
	Employees' social security contributions	13.7%	13.7%	13.1%	13.7%
	Total payments less cash transfers	19.7%	21.2%	25.0%	12.2%
	Total tax wedge including employer's social security contributions	29.9%	31.2%	34.1%	23.3%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	22.1%	27.0%	30.8%	22.1%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	32.0%	36.2%	34.8%	32.0%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Japan 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	4788323	6384431	7980538	6384431
2.	**Standard tax allowances**				
	Basic allowance	380000	760000	760000	760000
	Married or head of family	380000	0	0	0
	Dependent children	0	0	0	0
	Deduction for social security contributions and income taxes	656120	874827	1093533	874827
	Work-related expenses	1497665	2147665	2635329	2147665
	Other				
	Total	2913785	3782491	4488862	3782491
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	1874538	2601939	3491676	2601939
5.	**Central government income tax liability (exclusive of tax credits)**	93727	145324	189811	145324
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)**	93727	145324	189811	145324
8.	**State and local taxes**	196454	273194	362168	273194
9.	**Employees' compulsory social security contributions**				
	Gross earnings	656120	874827	1093533	874827
	Taxable income				
	Total	656120	874827	1093533	874827
10.	**Total payments to general government (7 + 8 + 9)**	946301	1293344	1645512	1293344
11.	**Cash transfers from general government**				
	For head of family				
	For two children	240000	240000	240000	0
	Total	240000	240000	240000	0
12.	**Take-home pay (1-10+11)**	4082022	5331086	6575027	5091086
13.	**Employer's compulsory social security contributions**	692032	922710	1153387	922710
14.	**Average rates**				
	Income tax	6.1%	6.6%	6.9%	6.6%
	Employees' social security contributions	13.7%	13.7%	13.7%	13.7%
	Total payments less cash transfers	14.8%	16.5%	17.6%	20.3%
	Total tax wedge including employer's social security contributions	25.5%	27.0%	28.0%	30.3%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	23.6%	27.0%	27.0%	27.0%
	Total payments less cash transfers: Spouse	21.7%	26.6%	22.1%	26.6%
	Total tax wedge: Principal earner	33.3%	36.2%	36.2%	36.2%
	Total tax wedge: Spouse	31.6%	35.9%	32.0%	35.9%

The national currency is the yen (JPY). In 2012 JPY 79.81 was equal to USD 1. In that year, the average worker is assumed to earn JPY 4 788 323 (Secretariat estimate). In Japan, the central government income tax year is a calendar year and the local government income tax year is from April to March. The calculations in this report are based on the tax rules and rates, which are applicable the 1 April.

1. Personal income tax systems

1.1. Central government income tax

1.1.1. Tax unit

Each individual is taxed separately.

1.1.2. Allowances and tax credits

1.1.2.1. Standard reliefs

- *Basic allowance:* a taxpayer may deduct JPY 380 000 as a basic allowance from his or her income.
- *Allowance for spouse:* Allowance equal to JPY 380 000 is given to a resident taxpayer who lives with a spouse whose income does not exceed JPY 380 000.
- *Special allowance for spouse:* The allowance included in the following table is given to a resident taxpayer who lives with a spouse:

Spouse's income	Amount
0-380 000	0
380 001-399 999	380 000
400 000-449 999	360 000
450 000-499 999	310 000
500 000-549 999	260 000
550 000-599 999	210 000
600 000-649 999	160 000
650 000-699 999	110 000
700 000-749 999	60 000
750 000-759 999	30 000
760 000 or more	0

- *Allowance for dependents:* If a resident taxpayer has children and other relatives whose income does not exceed JPY 380 000 and who are over 15 years old, an allowance of JPY 380 000 is given for each dependent.
- *Special allowance for dependents:* If a resident taxpayer has dependents whose income does not exceed JPY 380 000 and who are between 19 and 22 years old, an allowance of JPY 630 000 is given for each dependent instead of the allowances for dependents mentioned above.

- *Deduction for social insurance premiums:* The amount of social insurance premiums for a resident taxpayer or his/her dependents shall be deducted from his/her income without any ceiling.
- *Employment income deduction:* The following amounts may be deducted from employment income in calculating taxable income:
  - If gross employment income does not exceed JPY 1 800 000, the deduction is 40 per cent of salaries (etc.), but the minimum amount deductible is JPY 650 000.
  - If gross employment income exceeds JPY 1 800 000, but not JPY 3 600 000, the deduction is JPY 180 000 plus 30 per cent of salaries.
  - If gross employment income exceeds JPY 3 600 000, but not JPY 6 600 000, the deduction is JPY 540 000 plus 20 per cent of salaries.
  - If gross employment income exceeds JPY 6 600 000, but not JPY 10 000 000, the deduction is JPY 1 200 000 plus 10 per cent of salaries.
  - If gross employment income exceeds JPY 10 000 000, the deduction is JPY 1 700 000 plus 5 per cent of salaries.
  - As from FY2014, If gross employment income exceeds JPY 15 000 000, the deduction will be fixed at JPY 2 450 000.

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

- *Credit for housing loans:* A resident taxpayer who constructs, purchases, enlarges or rebuilds a house and finances the cost by means of a housing loan and uses the property as his or her own dwelling is entitled to an income tax credit up to the amount described below for 10 years [or 15 years] after the first use of the house, provided that the floor space is not less than 50 m^2 and that at least half of the floor space is used as the owner-occupied dwelling. The base of the tax credit equals the balance of the housing loan debt amount, calculated at the end of each year, consisting of the loan obtained not only from private financial institutions but also from public institutions. This tax credit cannot be claimed by those whose total income is not less than JPY 30 million.

  The rates of the tax credits correspond to the year in which residence in the house commenced. The rates are as follows :

Residence starts:	From 1 January in 2005 to 31 December 2005	From 1 January in 2006 to 31 December 2006	From 1 January in 2007 to 31 December 2007
Tax credit rate	If the remaining housing loan balance at the end of year (R.H.L.B). is JPY 40 million or less: The R.H.L.B. x 1.0% (for first 8 years) The R.H.L.B. x 0.5% (for last 2 years)	If the R.H.L.B. is JPY 30 million or less: The R.H.L.B. x 1.0% (for first 7 years) The R.H.L.B. x 0.5% (for last 3 years)	If the R.H.L.B. is JPY 25 million or less: The R.H.L.B. x 1.0%[or 0.6%] (for first 6 years [or 10 years]) The R.H.L.B. x 0.5%[or 0.4%] (for last 4 years [or 5 years])
Maximum tax credit amount (for each year)	JPY 400 000 JPY 200 000 (for last 2 years)	JPY 300 000 JPY 150 000 (for last 3 years)	JPY 250 000 [or 150 000] JPY 125 000 [or 100 000] (for last 4 years [or 5 years])
Maximum tax credit amount (for the deductible period in total)	JPY 3.6 million	JPY 2.55 million	JPY 2 million

Residence starts:	From 1 January in 2008 to 31 December 2008	From 1 January in 2009 to 31 December 2010	From 1 January in 2011 to 31 December 2011
Tax credit rate	If the R.H.L.B. is JPY 20 million or less: The R.H.L.B. x 1.0%[or 0.6%] (for first 6 years [or 10 years]) The R.H.L.B. x 0.5%[or 0.4%] (for last 4 years [or 5 years])	If the R.H.L.B. is JPY 50 million or less: The R.H.L.B. x 1.0%	If the R.H.L.B. is JPY 40 million or less: The R.H.L.B. x 1.0%
Maximum tax credit amount (for each year)	JPY 200 000 [or 120 000] JPY 100 000 [or 80 000] (for last 4 years [or 5 years])	JPY 500 000	JPY 400 000
Maximum tax credit amount (for the deductible period in total)	JPY 1.6 million	JPY 5 million	JPY 4 million

Residence starts:	From 1 January in 2012 to 31 December 2012	From 1 January in 2013 to 31 December 2013
Tax credit rate	If the R.H.L.B. is JPY 30 million or less: The R.H.L.B. x 1.0%	If the R.H.L.B. is JPY 20 million or less: The R.H.L.B. x 1.0%
Maximum tax credit amount (for each year)	JPY 300 000	JPY 200 000
Maximum tax credit amount (for the deductible period in total)	JPY 3 million	JPY 2 million

- *Deduction for life insurance premiums and personal pension plan premiums:* If a resident taxpayer pays insurance premiums on life insurance contracts and the recipient of the insurance proceeds is the taxpayer, his/her spouse or other relatives living with him/her, the portion of these insurance premiums which does not exceed the maximum prescribed below, is deductible from ordinary income, retirement income or timber income.

In addition, if a resident taxpayer pays insurance premiums for a "qualified personal pension plan (insurance type)", and the recipient of the pension payment is the taxpayer or his/her spouse under a specific condition, the portion of such premiums which does not exceed the maximum prescribed below, is deductible from ordinary income, retirement income, or timber income.

Annual Premium Paid (JPY)		Deduction
Over	Not over	
	25 000	Total amount of premiums paid (1)
25 000	50 000	(1) x 1/2 + JPY 12 500
50 000	100 000	(1) x 1/4 + JPY 25 000
100 000	–	JPY 50 000

The insurance premiums of this type of pension plan are not considered as the life insurance premiums described above. Thus, a resident tax payer can claim the deduction up to JPY 100 000 in total. For the insurance contracts made on or after 1 January 2012 the maximum deduction will be increased to JPY 120 000 from JPY 100 000. A resident taxpayer can claim the deduction up to JPY 40 000 for life insurance premiums, personal pension plan premiums and long-term care insurance premiums respectively.

- *Deduction for medical expenses:* If a resident taxpayer pays bills for medical or dental care for himself/herself or for his/her spouse or other relatives living with him/her and the amount of such expenses (excluding those recovered by insurance) exceeds the lesser of JPY 100 000 or 5 per cent of the total of his/her ordinary income, retirement income and timber income, the excess amount is deductible from his/her ordinary income, retirement income or timber income. The maximum deduction is JPY 2 million.
- *Deduction for earthquake insurance premiums*: Earthquake insurance premiums up to JPY 50 000 can be deducted from income. Although the income deduction for casualty insurance premiums was basically abolished, the deduction for long-term casualty insurance premiums remains available if contracted before 31 December 2006. The maximum deduction for long-term casualty insurance premiums is JPY 15 000. If an individual applies for both a deduction for earthquake insurance premiums and a deduction for long-term casualty premiums, the maximum deductible amount is JPY 50 000 in total.

1.1.3. *Tax schedule*

Taxable income (JPY)[1]		Tax rate (%)	Deductible amounts for each bracket (JPY)
Over	Not over	(A)	(B)
	1 950 000	5	–
1 950 000	3 300 000	10	97 500
3 300 000	6 950 000	20	427 500
6 950 000	9 000 000	23	636 000
9 000 000	18 000 000	33	1 536 000
18 000 000		40	2 796 000

1. The fraction of taxable income that is less than JPY 1 000 is rounded down.

Tax liability is obtained by multiplying the taxable income by tax rate (A) and deducting the amount (B). For example, income tax due on taxable income of JPY 7 million is:

7 000 000 × 0.23 (A) – 636 000 (B) = JPY 974 000.

1.2. *State and local income taxes*

1.2.1. *General description of the system*

State and local income taxes in Japan consist of prefectural inhabitant's tax levied by prefectures and municipal inhabitant's tax levied by cities, towns and villages. The prefectural inhabitant's tax is collected together with the municipal inhabitant's tax by cities, towns and villages.

1.2.2. *Tax base*

Basically, prefectural and municipal inhabitants' taxes (local taxes) consist of two parts; one is proportional taxable income and the other is a fixed per capita amount. The way to compute the taxable income of local taxes is similar to that of the previous year's national income tax. The main difference is the amount of reliefs. For example, the amount of Basic Allowance, Allowance for Spouse, Allowance for Dependants is JPY 330 000, the amount of Special Allowance for dependants is JPY 450 000, etc. As from 1 April 2012, deduction for dependents (up to 15 years old) (JPY 330 000) and the additional part of the deduction for the specified dependents (between 16 and 18 years) (JPY 120 000) were abolished along with the change in the central government income tax.

1.2.3. Tax rate

- The standard fixed (annual) per-capita amount of Prefectural inhabitants tax is JPY 1 000.
- The standard fixed (annual) per-capita amount of Municipal inhabitants tax is JPY 3 000.
- The standard rate of the local taxes equals a proportional rate of 10 per cent (Prefectural inhabitant's tax: 4 per cent, Municipal inhabitant's tax: 6 per cent).*

Taxable income for local income tax purposes	The tax credit
JPY 2 000 000 or less	5 per cent of the lesser of: • total amount of differences in personal reliefs between those for national income tax purposes and for local income tax purposes; or • taxable income for local income tax purposes
More than JPY 2 000 000	((total amount of differences in personal reliefs between those for national income tax purposes and for local income tax purposes) – (taxable income for local income tax purposes – JPY 2 000 000)) * 5%. The minimum credit is JPY 2 500

Note: Local authorities do not levy the per-capita rate and the proportional rate on a taxpayer whose previous year's income does not exceed a certain amount. For example, in special wards of Tokyo, this threshold is calculated as follows:

- Per-capita rate: (1 + number of spouse and dependent(s) qualified for the allowance for spouse/dependents) * 350 000 (+ 210 000 in case the taxpayer has a qualified spouse or dependent(s)).
- Proportional rate: (1 + number of spouse and dependent(s) qualified for the allowance for spouse/dependents) * 350 000 (+ 320 000 in case the taxpayer has a qualified spouse or dependent(s)).

1.2.4. Tax rate selected for this study

Country-wide rates as described above. The local income tax rates chosen for the purpose of this Report represent a country-wide average.

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

2.1. Employees' contributions

2.1.1. Pension

8.206 per cent (8.383 per cent as from September 2012) of total remuneration (standard remuneration and bonuses), up to the insurable ceiling of JPY 620 000 (monthly).

* The local tax rate and the central government income tax rate were changed in the FY2006 tax reform. Also a new local income tax credit regime was introduced in order to alleviate the tax burden increase arising from the changes in the tax rates and from the difference between the personal reliefs (Basic Allowance, Allowance for Spouse, Allowance for Dependents, Special Allowance for dependents, etc.) for national income tax purposes and for inhabitant tax purposes.

2.1.2. Sickness

As from April 2012 about 5.00 per cent (about 4.75 per cent before March 2012), of total remuneration, (standard remuneration and bonuses), up to the insurable ceiling of JPY 1 210 000 (monthly).

2.1.3. Unemployment

0.5 per cent of total remuneration.

2.1.4.-2.1.5. Work injury and family allowance

None.

2.2. Employers' contributions

2.2.1. Pensions

8.206 per cent (8.383 per cent as from September 2012) of total remuneration, up to the insurable ceiling of JPY 620 000 (monthly).

2.2.2. Sickness

As from April 2012, about 5.00 per cent (about 4.75 per cent before March 2012) of total remuneration up to the insurable ceiling of JPY 1 210 000 (monthly).

2.2.3. Unemployment

0.85 per cent of total remuneration.

2.2.4. Work injury

0.25 per cent to 8.9 per cent of total remuneration, the contribution rate depending on each industry's accident rate over the last three years and other factors. There are thirty rates for fifty-five industrial categories at present.

2.2.5. Family allowance

0.15 per cent of total remuneration.

3. Universal cash transfers

3.1. Transfers related to marital status

Not available.

3.2. Transfers for dependent children

From April 2012 (Income caps are applied beginning from June 2012 payments):

a) For persons earning incomes below the income cap

JPY 15 000 (per month) is paid to parents/guardians for each child who is under 3 years old or for the third or subsequent child from 3 years old until he/she graduates from elementary school.

JPY 10 000 (per month) is paid to parents/guardians for each child who is for the first and second child from 3 years old until he/she graduates from elementary school or a junior high school student.

b) For persons earning incomes no less than the income cap

JPY 50 00 (per month) is paid to parents/guardians for each child until he/she graduates from junior high school as the Special Interim Allowances.

The income cap is set at JPY 6 220 000 (the principal's gross earnings net of certain deductions, plus JPY 380 000 per dependent).

4. Main changes in the tax/benefit systems since 1998

As part of the Fiscal Year 1999 tax reform, the highest marginal rate of the personal income tax imposed by the central government was reduced from 50 per cent to 37 per cent. The top rate of the local inhabitants' tax was reduced from 15 per cent to 13 per cent. A proportional tax reduction was granted with respect to the national income tax and the local inhabitants tax. The amount is equal to the lesser of 20 per cent (local inhabitants tax: 15 per cent) of the amount of tax before reduction or JPY 250 000 (local inhabitants tax: JPY 40 000).

As part of the FY 2005 tax reform, the rate of the reduction was reduced from 20 per cent to 10 per cent (local inhabitants tax: from 15 per cent to 7.5 per cent) and the ceiling was reduced from JPY 250 000 to JPY 125 000 (local inhabitants' tax from JPY 40 000 to JPY 20 000) as from 2006 (local inhabitants tax: FY 2006). And as part of the FY 2006 tax reform, the reduction was abolished as from 2007 (local inhabitants tax: FY 2007).

As part of the FY 2006 tax reform, the progressive rate structure of national income tax was reformed into a 6 brackets structure with tax rates ranging from 5 per cent to 40 per cent, and the rate of local inhabitants' tax became proportional at a rate of 10 per cent.

Eligible age for transfers for dependent children was raised from three to six as from 1 June 2001, from six to nine as from 1 April 2004 and from nine to twelve as from 1 April 2006. It has been doubled to JPY 10 000 for the first and second child under the age of three as from 1 April 2007.

As from 2010, JPY 13 000 per month is paid to parents/guardians regardless of their income for each child until he/she graduates from junior high school.

As from April 2012 (Income caps are applied beginning from June 2012 payments):

a) For persons earning incomes below the income cap

JPY 15 000 (per month) is paid to parents/guardians for each child who is under 3 years old or for the third or subsequent child from 3 years old until he/she graduates from elementary school.

JPY 10 000 (per month) is paid to parents/guardians for each child who is for the first and second child from 3 years old until he/she graduates from elementary school or a junior high school student.

b) For persons earning incomes no less than the income cap

JPY 50 00 (per month) is paid to parents/guardians for each child until he/she graduates from junior high school as the Special Interim Allowances.

5. Memorandum item

5.1. Average gross annual wage earnings calculation

The source of calculation is the *Basic Survey on Wage Structure,* published by the Ministry of Health, Labour and Welfare. This survey covers all establishments with ten or more regular employees over the whole country, and contains statistical figures for monthly contractual cash earnings in June and annual special cash earnings (such as bonuses) received by various categories of workers. Male and female workers of the manufacturing, mining and quarrying, construction, wholesale and retail trade, accommodation and food service activities, financial and insurance activities, real estate activities sector are the point of departure. Their gross annual earnings have been calculated by multiplying monthly contractual cash earnings by 12 and adding any annual special cash earnings. In the *Basic Survey*, sickness and unemployment compensations are excluded from cash earnings, but average overtime and bonuses are included.

As far as the *Basic Survey* is concerned, it covers the whole country, and no special assumption is made regarding the place of residence of the average worker.

5.2. Employer contributions to private pension and health schemes

No information available.

2012 parameter values

Average earnings/yr	Ave_earn	4 788 323	Secretariat estimate
Allowances for central tax	basic_al	380 000	
	spouse_al	380 000	
	Spouse_al_sp	0	0
		380 001	380 000
		400 000	360 000
		450 000	310 000
		500 000	260 000
		550 000	210 000
		600 000	160 000
		650 000	110 000
		700 000	60 000
		750 000	30 000
		760 000	0
spouse_al_ceil		380 000	
	child_al	0	
Employment income deduction	emp_inc_min	650 000	
	emp_inc_sch	0.4	1 800 000
		0.3	3 600 000
		0.2	6 600 000
		0.1	10 000 000
		0.05	
Central gov't tax schedule	tax_sch	0.05	1 950 000
		0.10	3 300 000
		0.20	6 950 000
		0.23	9 000 000
		0.33	18 000 000
		0.40	
Allowances for state/local tax	s_basic_al	330 000	
	s_spouse_al	330 000	
	s_spouse_al_sp	0	0
		380 001	330 000
		450 000	310 000
		500 000	260 000
		550 000	210 000
		600 000	160 000
		650 000	110 000
		700 000	60 000
		750 000	30 000
		760 000	0
	S_spouse_al_ceil	380 000	
	s_child_al	0	
Prefectural tax	pref_per_cap	1 000	
Municipal tax	mun_per_cap	3 000	
	local_sch	0.1	
Social security contributions	SSC_pens	0.08265	
	pens_ceil	7 440 000	
	SSC_sick	0.049375	
	sick_ceil	14 520 000	
	SSC_unemp	0.0050	
Employer contribution proportion	SSC_empr_unemp	0.0085	
	SSC_empr_oth	0.0040	
Child transfer	Child_transfer	120 000	
	Child_transfer2	90 000	
	Child_transfer_lim	6 220 000	
	Child_transfer_lim_incr	380 000	

2012 tax equations

The equations for the Japanese system are mostly on an individual basis. But the tax allowances for the spouse and for children are relevant only to the calculation for the principal earner. This is shown by the Range indicator in the table below.

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

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:			
	tax_al	P	basic_al + Married*(earn_princ – (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))<=spouse_al_ceil)*spouse_al + Married*VLOOKUP(Positive(earn_princ – (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))),spouse_al_sp,2,TRUE) + Children*child_al + MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch)) + SSC_princ
		S	MIN(earn_spouse, basic_al + MAX(emp_inc_min, Tax(earn, emp_inc_sch)) + SSC_spouse)
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al)
5. CG tax before credits	CG_tax_excl	B	Positive(Tax(tax_inc, tax_sch))
6. Tax credits :	tax_cr	B	0
7. CG tax	CG_tax	B	CG_tax_excl
8. State and local taxes			
Local taxable income	local_tax_inc	P	Positive(earn_princ- (s_basic_al+Married*((earn_spouse-(earn_spouse>0)* MAX(emp_inc_min,Tax(earn_spouse,emp_inc_sch))<=s_spouse_al_ceil)*s_spouse_al+VLOOKUP(Positive(earn_spouse-(earn_spouse>0)*MAX(emp_inc_min,Tax(earn_spouse,emp_inc_sch))),s_spouse_al_sp,2,TRUE))+Children*s_child_al+ MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch))+SSC_princ))
		S	Positive(earn_spouse- (s_basic_al+(earn_spouse>0)* MAX(emp_inc_min,Tax(earn_spouse,emp_inc_sch))+ SSC_spouse))
Local tax	local_tax	P	(earn_princ-MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch))>350000+(Married*(earn_princ – (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch)) <=s_spouse_al_ceil)+Children>0)*((Married*(earn_princ – (earn_princ>0)* MAX(emp_inc_min, Tax(earn_princ, emp_inc_sch))<=s_spouse_al_ceil)+Children)* 350000+210000))*(pref_per_cap+mun_per_cap)+(earn_princ-MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch))>350000+(Married*(earn_princ – (earn_princ>0)* MAX(emp_inc_min, Tax(earn_princ, emp_inc_sch)) <=s_spouse_al_ceil)+Children>0)* ((Married*(earn_princ – (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch)) <=s_spouse_al_ceil)+ Children)*350000+320000))*Positive(Tax(Positive(earn_spouse-tax_al_spouse),local_sch)-IF(Positive(earn_spouse-tax_al_spouse)>2000000,MAXA(2500,((Positive(earn_spouse-tax_al_spouse)-MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch)))-(Positive(earn_spouse-tax_al_spouse)-2000000))*5%),MINA((Positive(earn_spouse-tax_al_spouse)-MAX(emp_inc_min, Tax(earn_princ,emp_inc_sch))),Positive(earn_spouse-tax_al_spouse))*5%))
		S	(earn_spouse – (earn_spouse>0)*MAX(emp_inc_min,Tax(earn_spouse, emp_inc_sch))>350000)*(pref_per_cap+mun_per_cap+Positive(Tax(local_tax_inc_spouse, local_sch)-IF(local_tax_inc_spouse>2000000,MAXA(2500,((local_tax_inc_spouse-tax_inc_spouse)-(local_tax_inc_spouse-2000000))*5%),MINA((local_tax_inc_spouse-tax_inc_spouse),local_tax_inc_spouse)*5%)))
9. Employees' soc security	SSC	B	SSC_pens*MIN(earn, pens_ceil)+SSC_sick*MIN(earn, sick_ceil)+SSC_unemp*earn
11. Cash transfers	cash_trans	B	IF(Children>0,IF(Positive(princ_inc – princ_empl_inc)<Child_transfer_lim+ (Child_transfer_lim_incr*Children), Child_transfer,Child_transfer2)*Children,0)
13. Employer's soc security	SSC_empr	B	SSC_pens*MIN(earn, pens_ceil)+SSC_sick*MIN(earn, sick_ceil)+ (SSC_empr_unemp+SSC_empr_oth)*earn

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	25697587	38546380	64243967	25697587
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	14261029	16742294	19651247	19261029
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	11436557	21804086	44592720	6436557
5.	**Central government income tax liability (exclusive of tax credits)**	686193	2190613	5608908	386193
6.	**Tax credits**				
	Basic credit	330858	500000	500000	212406
	Married or head of family				
	Children				
	Other				
	Total	330858	500000	500000	212406
7.	**Central government income tax finally paid (5-6)**	355335	1690613	5108908	173787
8.	**State and local taxes**	35534	169061	510891	17379
9.	**Employees' compulsory social security contributions**				
	Gross earnings	2091771	3137656	4439048	2091771
	Taxable income				
	Total	2091771	3137656	4439048	2091771
10.	**Total payments to general government (7 + 8 + 9)**	2482640	4997330	10058847	2282936
11.	**Cash transfers from general government**				
	For head of family				
	For two children				
	Total	0	0	0	0
12.	**Take-home pay (1-10+11)**	23214947	33549050	54185120	23414650
13.	**Employer's compulsory social security contributions**	2610862	3916293	5736776	2610862
14.	**Average rates**				
	Income tax	1.5%	4.8%	8.7%	0.7%
	Employees' social security contributions	8.1%	8.1%	6.9%	8.1%
	Total payments less cash transfers	9.7%	13.0%	15.7%	8.9%
	Total tax wedge including employer's social security contributions	18.0%	21.0%	22.6%	17.3%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	11.9%	21.6%	18.7%	10.5%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	20.0%	28.9%	23.1%	18.8%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Korea 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	38546380	51395174	64243967	51395174
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	23242294	33244887	36503324	28244887
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	15304086	18150287	27740644	23150287
5.	**Central government income tax liability (exclusive of tax credits)**	1215613	1521385	2096806	2271385
6.	**Tax credits**				
	Basic credit	489684	544425	821858	544425
	Married or head of family				
	Children				
	Other				
	Total	489684	544425	821858	544425
7.	**Central government income tax finally paid (5-6)**	725929	976960	1274948	1726960
8.	**State and local taxes**	72593	97696	127495	172696
9.	**Employees' compulsory social security contributions**				
	Gross earnings	3137656	4183541	5229427	4183541
	Taxable income				
	Total	3137656	4183541	5229427	4183541
10.	**Total payments to general government (7 + 8 + 9)**	3936178	5258198	6631870	6083198
11.	**Cash transfers from general government**				
	For head of family				
	For two children				
	Total	0	0	0	0
12.	**Take-home pay (1-10+11)**	34610202	46136976	57612097	45311976
13.	**Employers' compulsory social security contributions**	3916293	5221724	6527155	5221724
14.	**Average rates**				
	Income tax	2.1%	2.1%	2.2%	3.7%
	Employees' social security contributions	8.1%	8.1%	8.1%	8.1%
	Total payments less cash transfers	10.2%	10.2%	10.3%	11.8%
	Total tax wedge including employer's social security contributions	18.5%	18.5%	18.6%	20.0%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	17.6%	21.6%	21.6%	21.6%
	Total payments less cash transfers: Spouse	10.3%	9.5%	11.9%	9.5%
	Total tax wedge: Principal earner	25.2%	28.9%	28.9%	28.9%
	Total tax wedge: Spouse	18.6%	17.8%	20.0%	17.8%

The national currency is the won (KRW). In 2012, KRW 1 125.94 was equal to USD 1. In this year, the average worker is expected to earn KRW 38 546 380 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income tax system

1.1.1. Tax unit

Each individual is taxed on his/her own income.

Non-taxable wage income includes the:

- national pension, medical insurance, unemployment insurance and work injury insurance that are borne by employer;
- overtime payment to productive workers: Up to KRW 2 400 000 of overwork payment of productive workers in manufacturing and mining sectors whose monthly wage is less than KRW 1 000 000 and whose yearly wage is less than 20 000 000.

1.1.2. Allowances and tax credits

1.1.2.1. Standard reliefs

- *Employment income deduction:* The following deduction from gross income is provided to wage and salary income earners:

Salary	Deduction
Up to KRW 5 000 000	80%
KRW 5 000 000 to KRW 15 000 000	KRW 4 000 000 plus 50% of the salary over KRW 5 000 000
KRW 15 000 000 to KRW 30 000 000	KRW 9 000 000 plus 15% of the salary over KRW 15 000 000
KRW 30 000 000 to KRW 45 000 000	KRW 11 250 000 plus 10% of the salary over KRW 30 000 000
Over KRW 45 000 000	KRW 12 750 000 plus 5% of the salary over KRW 45 000 000

- *Basic allowance*: A taxpayer can deduct KRW 1 500 000 from his/her income for each person who meets one of following conditions:
  - the taxpayer him/herself;
  - the taxpayer's spouse whose taxable income (gross earnings net of employment income deduction) is less than KRW 1 000 000;
  - the taxpayer's (including the spouse's) dependents (parents, siblings, children) within the same household whose income after accounting for the employment income deduction is less than KRW 1 000 000 and whose age is:

    1. parents: 60 years or older;
    2. brother/sister: 60 years or older or 20 years or younger;
    3. children: 20 years or younger (if both partners in the household earn wage-income, this Report assumes that the principal wage earner will claim the allowance).

- *Additional allowance:* A taxpayer can deduct KRW 1 000 000 (500 000 in the case of *c*), 2 000 000 in the case of *b*) and *e*)) from his/her gross income when the taxpayer or his/her dependents fall into one of the following categories (for this report, only cases *c*) and *d*) are modelled):
  - a person aged 70 years or older *(a)*;
  - a handicapped person *(b)*;
  - a female wage earner who is the head of a household with dependents (but without spouse) or a female wage earner with spouse (in this Report,* any female wage earner is entitled to this allowance) *(c)*;
  - a child aged 6 years or younger (in this Report, the allowance of KRW 1 000 000 is claimed by the principal wage earner in a household with children) *(d)*;
  - Lineal descendants who are born or adopted during the concerned taxable year (the allowance is KRW 2 000 000 per child) *(e)*.
- *Extra allowance for multiple children:* An income earner with two or more dependent children eligible for basic allowance may deduct from gross income KRW 1 000 000 if there are (at least) 2 children plus an additional KRW 2 000 000 for every additional child.
- *National pension deduction:* Employees can deduct 100 per cent of their National Pension contributions
- *Tax credits:* Wage and salary income earners obtain the following tax credit:

Calculated tax	Amount of tax credit
Up to KRW 500 000	55% of calculated tax
Over KRW 500 000	KRW 275 000 plus 30% of the calculated tax over KRW 500 000 (maximum credit: KRW 500 000)

1.1.2.2. Main non-standard tax reliefs

Wage and salary income earners may deduct from gross income the expenses for the following items during the tax year:

- *Insurance premiums (a):* The general insurance premium up to KRW 1 000 000, as well as the Medical insurance premium and the Unemployment insurance premium can be entirely (100 per cent) deducted from taxable income.
- *Medical expenses (b):* Up to KRW 7 000 000. Full deductions are allowed for medical expenses exceeding 3 per cent of taxable income for the taxpayer himself, taxpayer's dependents who are aged 65 years or older and handicapped persons.
- *Educational expenses (c):* Tuition fees for pre-school, elementary, middle school and college (but the graduate school fee deduction is allowed only for the taxpayer himself), either for the taxpayer himself or his/her dependents (including the taxpayer's spouse, children, and siblings), can be deducted from gross income. The deductible amount is 100 per cent for the taxpayer himself. For the taxpayer's dependents, the maximum deductions are as follows:
  - for pre-school: Up to KRW 3 000 000 per child;
  - for elementary, middle and high school: Up to KRW 3 000 000 per student;

* The calculations for Korea assume that the husband is the principal and that the wife is the spouse.

  - ❖ for college/university: up to KRW 9 000 000 per student.
- *Saving/Payment for housing (d):* The full amount of the interest paid on a long-term mortgage loan for buying a house which is not more than 85 m^2 in area and 300 million won in value; 40 per cent of the amount contributed to a savings account for housing by a non-homeowner; 40 per cent of the monthly rent or the principal and interest of a loan for leasing a house paid or repaid by a non-homeowner. The sum of the deductable amounts above shall not exceed 15 million won.
- *Charities (e):*
  - ❖ donations to a government body, donations for national defence, natural disaster, and certain charitable associations: Total amount up to gross income is deductible;
  - ❖ donations to public welfare or religious associations: Up to thirty per cent of gross income.
- *Credit card purchases (f):* Employees may deduct 20 per cent of their credit card (30 per cent of their debit card or prepaid card) purchases that exceed 25 per cent of their total income to a maximum of the lesser of KRW 3 000 000 or 20 per cent of their total income.
- *Lump-sum tax relief:* Any taxpayer whose total deductible expense for *(a), (b), (c), (d) and (e)* is not over KRW 1 000 000 May deduct KRW 1 000 000 from gross income as a lump-sum tax relief.

1.1.3. Tax schedule

Over (KRW)	Not more than (KRW)	Marginal tax rate (%)
0	12 000 000	6
12 000 000	46 000 000	15
46 000 000	88 000 000	24
88 000 000	300 000 000	35
300 000 000		38

1.2. Local income tax

1.2.1. Tax base

The local income tax base is the income tax paid to the central government.

1.2.2. Tax rate

A uniform rate of 10 per cent is applied. However, the local government can adjust the rate between the lower limit of 5 per cent and the upper limit of 15 per cent.

1.2.3. Tax rate (selected for this study)

A country-wide rate of 10 per cent is used in this Report.

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

2.1. Employees' contribution

2.1.1. National pension

The National pension contribution rate is 4.5 per cent of the standardised average monthly wage income as of 2012.

The scope of the standardised average monthly wage income is from KRW 240.000 to KRW 3.890.000 as of 1 July 2012.

2.1.2. Medical insurance

The Medical insurance premium, which has a rate of 3.08995 per cent (Health insurance: 2.9%, Long term care insurance: 6.55% of Health insurance premium rate), is levied on average monthly wage income as of 1 January 2012.

The scope of the average monthly wage income is from KRW 280 000 to KRW 78 100 000.

2.1.3. Unemployment insurance

0.55 per cent of gross income.

2.1.4. Industrial accident compensation insurance (premiums)

Compulsory application, premiums paid only by employers.

2.2. Employers' contribution

2.2.1. National pension

The national pension contribution rate is 4.5 per cent of the standardised average monthly wage income as of 2012.

The scope of the standardised average monthly wage income is from KRW 240.000 to KRW 3.890.000 as of 1 July 2012.

If the average monthly wage income of a person is less than KRW 240 000, the average monthly wage income of the person is regarded as KRW 240 000 and the rate (0.045) is applied. If the average monthly wage income of a person is more than KRW 3 890 000, the average monthly wage income of the person is regarded as 3 890 000 and the rate (0.045) is applied; so the maximum of the national pension contribution per year is KRW 2 100 600 (= KRW 3 890 000 × 0.045 × 12 months).

2.2.2. Medical insurance

The Medical insurance premium, which has a rate of 3.08995 per cent (Health insurance: 2.9%, Long term care insurance: 6.55% of Health insurance premium rate), is levied on average monthly wage income as of 1 January 2012.

The scope of the average monthly wage income is from KRW 280 000 to KRW 78 100 000.

2.2.3. Unemployment insurance

- the insurance premium is between 0.8 per cent and 1.4 per cent of total wage;
- the insurance premium selected for this study is 0.8 per cent.

2.2.4. Work injury insurance

- the insurance premium consists of an industry-specific rate which is set by the Ministry of Employment and Labour multiplied by total wage;
- the average rate of all industries (selected for this study) is 1.77 per cent.

3. Universal cash transfers

None.

4. Main Changes in Tax/Benefit System since 2000

2000	Contribution to National Pension are to be deductible from 2001, upper cap of employment income deduction limit (KRW 12 000 000) is abolished from 2001.
2001	Personal income tax rates are lowered by 10% (10, 20 ,30, 40% were reduced to 9, 18, 27, 36%, respectively) from 2002.
2002	Limits of deduction for education fees are expanded from 2003. For pre-school: from KRW 1 000 000 to KRW 1 500 000. For elementary, middle school and high school: from KRW 1 500 000 to KRW 2 000 000. For college and university: from KRW 3 000 000 to KRW 5 000 000. Limit of deduction for interest of long-term mortgage loan for housing is expanded from KRW 3 000 000 to KRW 6 000 000 from 2003
2003	Employment income deduction and tax credit applicable to low income are increased. The deduction rate for the taxable wage income range of KRW 5 000 000 to KRW 15 000 000 is increased from 45 per cent to 47.5 per cent. The tax credit rate for calculated tax below KRW 500 000 is increased from 45% to 50% and the maximum tax credit is increased from KRW 400 000 to KRW 450 000.
2004	Limits of deduction for education fees are expanded. For pre-school: from KRW 1 500 000 to KRW 2 000 000. For college and university: from KRW 5 000 000 to KRW 7 000 000. Limit of deduction for interest on long-term mortgage loan for housing is expanded from KRW 6 000 000 to KRW 10 000 000. The marginal deduction rate for the taxable wage income range from KRW 5 000 000 to KRW 15 000 000 is increased from 47.5 per cent to 50 per cent. The tax credit rate for tax amounts below KRW 500 000 is increased from 50% to 55% and the maximum permitted tax credit goes up from KRW 450 000 to KRW 500 000.
2005	Personal income tax rates are lowered by 1% point (9, 18, 27, 36% were reduced to 8, 17, 26, 35%, respectively). Lump-sum tax relief are expanded from KRW 600 000 to KRW 1 000 000.
2007	Eligibility for the extra allowance amount has been changed. Previously, an income earner with a small number of dependents (e.g. spouse, child) eligible for basic allowance was eligible for an allowance of up to KRW 1 000 000 depending on the number of dependents. As from 2007, however, an income earner with two or more dependent children eligible for basic allowance is eligible for an allowance equivalent to KRW 500.000 if there are 2 children plus an additional KRW 1 000 000 for every additional child (e.g. 2 children: KRW 500 000; 3 children: KRW 1 500 000; 4 children: KRW 2 500 000, etc.).
2008	Tax schedule has been changed : from KRW 10 000 000, KRW 40 000 000 , KRW 80 000 000 to KRW 12 000 000, KRW 46 000 000, KRW 88 000 000. New items have been added to the additional allowance with respect to lineal descendants who are born or adopted during the concerned taxable year. Credit card purchase deduction has been changed : Employees may deduct 20 per cent (previously 15%) of their credit/debit card purchases that exceed 20 per cent (previously 15%) of their total income; Deduction for donations to public welfare or religious associations has been increased up to 15% of gross income. Previously, the limit was 10% of gross income.
2009	Personal income tax rates have been changed: from 8%, 17%, 26%, 35% to 6%, 16%, 25%, and 35%. Employment income deduction has been changed: from 100%, 50%, 15%, and 10% 5% to 80%, 50%, 15%, and 10%. 5%
2010	Personal income tax rates have been changed: from 6%, 16%, 25%, 35% to 6%, 15%, 24%, and 35%.
2012	Personal income tax rates have been changed: from 6%, 15%, 24%, and 35% to 6%, 15%, 24%, 35% and 38%

5. Memorandum item

5.1. *Identification of the Average Worker (AW)*

Sectors used: Industry Sectors B-N with reference to the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev. 4).

Geographical coverage: Whole country.

Type of workers: Wage workers (male and female).

5.2. *Method to calculate wages*

Report on Labour Force Survey at Establishments coveringdata in 2012 by the Ministry of Employment and Labour is used to calculate the annual wages of the AW. The statistics were obtained through a sample survey of 12 000 firms with five or more permanent employees throughout the whole country.

Basic method of calculation used: Average monthly wages multiplied by 12.

5.3. *Employer's reserve for employee's retirement payment*

An employer should pay to a retiree the retirement payment which is not less than 30 days' wage and salary per one year of service (about 8.3 per cent of gross income or more). An employer can contribute to the Retirement Payment Reserve Fund established within the company or Retirement Insurance Fund established outside the company to prepare for the retirement payment. Such contribution is treated as business expense under certain constraints. Because contribution to the Retirement Fund is not compulsory, this survey does not include such contribution except the contribution converted to employer's contribution to the national pension plan (see Section 2.2.1).

2012 parameter values

Average earnings/yr	Ave_earn	38 546 380	Secretariat estimate
Tax allowances	basic_al	1 500 000	
spouse	spouse_al	1 500 000	
dependents including children	dep_al	1 500 000	
extra allowance 1	ext1_all	1 000 000	
extra allowance 2	ext2_all	2 000 000	
additional allowance	add_all	500 000	
additional allowance 2	add2_all	1 000 000	
Main non-standard tax relief	lump_sum	1 000 000	
max number of kids permitted to be under 6	child_und 6 _max	1	
Employment income deduction	empdedsch	0	0.8
		5 000 000	0.5
		15 000 000	0.15
		30 000 000	0.1
		45 000 000	0.05
Tax credit threshold	tax_thresh	500 000	
maximum credit	cred_max	500 000	
tax credit rate 1	cred_rate1	0.55	
tax credit rate 2	cred_rate2	0.3	
Tax schedule	tax_sch	0.06	12 000 000
		0.15	46 000 000
		0.24	88 000 000
		0.35	300 000 000
		0.38	
Local tax rate	local_rate	0.1	
Social security contributions	SSC_pens	0.045	
	SSC_pens_max	2 100 600	
	SSC_sick	0.0308995	
	SSC_sick_max	28 959 011	
	SSC_unemp	0.0055	
Employer contributions	emp_pens	0.045	
	emp_sick	0.0308995	
	emp_unemp	0.008	
	emp_inj	0.0177	

2012 tax equations

The equations for the Korean system are independent between spouses except that the principal earner has tax allowances for the spouse and for any children.

The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables married and children. A reference to a variable with the affix total indicates the sum of the relevant variable values for the principal and spouse. And the affixes princ and spouse indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with spouse values taken as 0.

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
	employment income	emp_al	B	Empincded(earn, empincdedsch)
	basic	bas_al	B	basic_al
	spouse	sp_al	P	Married*spouse_al*(earn_spouse-emp_al_spouse<=spouse_al)
	dependents	dp_al	P	Children*dep_al
	extra and additional allowances	ext_al_princ	P	IF(Children=2,ext1_all,IF(Children>=3,ext1_all+(Children-2)*ext2_all,0)) +(Children>0)*add2_all
	extra and additional allowances	ext_al_spouse	S	(earn_spouse>0)*add_all
	national pension deduction	np_de	B	Min(earn*SSC_pens, SSC_pens_max)
	lump-sum	lump_sum	B	IF(earn*(SSC_sick+SSC_unemp)>lump_sum,earn*(SSC_sick+SSC_unemp),lump_sum)
	Total	tax_al	B	emp_al+bas_al+sp_al+dp_al+ext_al+np_al+lump_sum
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits :	tax_cr	B	IF(CG_tax_excl<=tax_thresh, cred_rate1* CG_tax_excl, MIN((cred_rate1*tax_thresh+ cred_rate2*(CG_tax_excl-tax_thresh)), cred_max))
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	local_rate*CG_tax
9.	Employees' soc security	SSC	B	MIN(earn*(SSC_pens),SSC_pens_max)+MIN(earn*(SSC_sick),SSC_sick_max)+earn*(SSC_unemp)
11.	Cash transfers	cash_trans	J	0
13.	Employer's soc security	SSC_empr	B	MIN(earn*(SSC_pens),SSC_pens_max)+MIN(earn*(emp_sick),SSC_sick_max)+earn*(emp_unemp+emp_inj)

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**		34208	51312	85519	34208
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		3780	5670	9450	3780
	Work-related expenses		936	936	936	936
	Other		0	0	0	0
		Total	5196	7086	10866	5196
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government rounded taxable income (1 - 2 + 3)**		29000	44200	74650	29000
5.	**Central government income tax liability (exclusive of tax credits)**		3010	8279	20629	1221
6.	**Tax credits**					
	Basic credit		300	300	300	300
	Married or head of family					
	Children					
	Other		0	0	0	750
		Total	300	300	300	1050
7.	**Central government income tax finally paid (5-6)**		2710	7979	20329	171
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4183	6313	10572	4183
	Taxable income					
		Total	4183	6313	10572	4183
10.	**Total payments to general government (7 + 8 + 9)**		6893	14291	30901	4355
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	7522
		Total	0	0	0	7522
12.	**Take-home pay (1-10+11)**		27315	37020	54619	37375
13.	**Employer's compulsory social security contributions**		4211	6316	10527	4211
14.	**Average rates**					
	Income tax		7.9%	15.5%	23.8%	0.5%
	Employees' social security contributions		12.2%	12.3%	12.4%	12.2%
	Total payments less cash transfers		20.1%	27.9%	36.1%	-9.3%
	Total tax wedge including employer's social security contributions		28.9%	35.8%	43.1%	2.7%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		36.5%	48.5%	48.5%	37.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		43.5%	54.2%	54.2%	44.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Luxembourg 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	51312	68416	85519	68416
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	5670	7560	9450	7560
	Work-related expenses	936	1872	1872	1872
	Other	0	4500	4500	4500
	Total	7086	14892	16782	14892
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government rounded taxable income (1 - 2 + 3)**	44200	53500	68700	53500
5.	**Central government income tax liability (exclusive of tax credits)**	2866	4873	9174	4873
6.	**Tax credits**				
	Basic credit	300	600	600	600
	Married or head of family				
	Children				
	Other	0	0	0	0
	Total	300	600	600	600
7.	**Central government income tax finally paid (5-6)**	2566	4273	8574	4273
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	6313	8366	10496	8366
	Taxable income				
	Total	6313	8366	10496	8366
10.	**Total payments to general government (7 + 8 + 9)**	8879	12639	19070	12639
11.	**Cash transfers from general government**				
	For head of family				
	For two children	7522	7522	7522	0
	Total	7522	7522	7522	0
12.	**Take-home pay (1-10+11)**	49955	63298	73971	55776
13.	**Employer's compulsory social security contributions**	6316	8422	10527	8422
14.	**Average rates**				
	Income tax	5.0%	6.2%	10.0%	6.2%
	Employees' social security contributions	12.3%	12.2%	12.3%	12.2%
	Total payments less cash transfers	2.6%	7.5%	13.5%	18.5%
	Total tax wedge including employer's social security contributions	13.3%	17.6%	23.0%	27.4%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	29.1%	34.7%	42.1%	34.7%
	Total payments less cash transfers: Spouse	23.7%	34.7%	42.1%	34.7%
	Total tax wedge: Principal earner	36.9%	41.8%	48.4%	41.8%
	Total tax wedge: Spouse	32.1%	41.8%	48.4%	41.8%

The national currency is the euro (EUR). In 2012, EUR 0.78 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 51 312 (Secretariat estimate).

1. Personal income tax system

1.1. Taxes levied by central government

1.1.1. Tax unit

Spouses and partners are taxed jointly on their income. The income of minor children is included in determining the couple's taxable income. However, any earned income that children may derive from work is excluded from joint taxation.

1.1.2. Tax reliefs and tax credits

1.1.2.1. Standard reliefs in the form of deductions from income

- Wage-earners are entitled to a standard minimum deduction of EUR 540 for work-related expenses other than travel, unless their actual deductible expenses are higher. This deduction is doubled for spouses taxed jointly.
- Taxpayers may deduct at least EUR 396 for commuting expenses. This standard deduction increases by EUR 99 for each kilometre beginning with the fourth, up to a limit of EUR 2 970.
- Like other taxpayers, wage-earners having no special expenses (interest charges, insurance premiums or contributions other than for social security) may take a standard deduction of EUR 480 for special expenses. Actual insurance premiums are deductible up to the limit set by law.
- If both spouses have earned income and are taxed jointly, they qualify for an earned income allowance of EUR 4 500.
- Social security contributions: contributions paid to compulsory health insurance and pension schemes are deductible in full.
- Dependency insurance: the dependency contribution is not deductible for income tax purposes.

1.1.2.2. Standard reliefs in the form of tax credits

- Wage-earners and pensioners receive a refundable tax credit of EUR 300 per annum.
- Single-parents receive a refundable tax credit of EUR 750 per annum.

1.1.2.3. Non-standard allowances deductible from taxable income

- Interest charges are deductible insofar as they are not considered operating expenses or acquisition expenses, and provided they are unrelated economically to the exempt income. However, the deduction of interest charges is capped at EUR 672 per year. This ceiling is increased by EUR 672 for the taxpayer's spouse/partner and for each child.

- Taxpayers may deduct premiums paid to insurers licensed in an EU country in respect of life, death, accident, disability, illness or liability insurance, as well as dues paid to recognised mutual assistance companies. However, deductions are subject to the same limits as interest charges.
- Payments to an insurance company or credit institution in respect of an individual retirement scheme are deductible. These payments are capped according to the subscriber's age and must meet certain investment policy constraints. The ceiling varies between EUR 1 500 and EUR 3 200. Each spouse/partner may take out such a contract and qualify for the respective ceilings.
- Contributions to building society savings are deductible up to the limits for interest charges.
- Interest charges in respect of the rental value of owner-occupied housing are deductible only up to an annual ceiling. During the first five years, the ceiling is EUR 1 500; for the following five years it is EUR 1 125; thereafter it is EUR 750. These ceilings are increased by an equal amount for the taxpayer's spouse/partner, and for each qualifying child.
- As from 1 January 2009, the maximal deduction of premium related to the mortgage life insurance on the taxpayer's principal residence is EUR 6 000. This ceiling is increased by an equal amount for the taxpayer's spouse/partner and by 1 200 for each qualifying child. For taxpayers over the age of 30, the allowable deduction of EUR 6 000 is increased by 8% for each year over 30, with a ceiling of 160%.
- Upon request, taxpayers may be granted exemptions for extraordinary expenses that are unavoidable, and that considerably reduce their ability to pay taxes (e.g. uninsured health care costs, support for needy relatives, uninsured funeral costs beyond the taxpayer's means, domestic or childcare expenses, expenses for children outside the taxpayer's household, or expenses for children in a single-parent household).

1.1.3. *Tax schedule reliefs*

Income tax is determined on the basis of the following schedule (amounts in euros):

0% for the portion of income between 11 265
8% for the portion of income between 11 265 and 13 173
10% for the portion of income between 13 173 and 15 081
12% for the portion of income between 15 081 and 16 989
14% for the portion of income between 16 989 and 18 897
16% for the portion of income between 18 897 and 20 805
18% for the portion of income between 20 805 and 22 713
20% for the portion of income between 22 713 and 24 621
22% for the portion of income between 24 621 and 26 529
24% for the portion of income between 26 529 and 28 437
26% for the portion of income between 28 437 and 30 345
28% for the portion of income between 30 345 and 32 253
30% for the portion of income between 32 253 and 34 161
32% for the portion of income between 34 161 and 36 069
34% for the portion of income between 36 069 and 37 977
36% for the portion of income between 37 977 and 39 885
38% for the portion of income between 39 885 and 41 793
39% for the portion of income exceeding 41 793

The income tax liability of *single* taxpayers is determined by applying the above schedule to taxable income.

The income tax liability of *married* taxpayers and partners corresponds to double the amount obtained if the above schedule is applied to half of their income (class 2).

For widow(er)s, taxpayers with a dependent child allowance and persons over 64 years of age (class 1a), tax is calculated as follows: the schedule is applied to adjusted taxable income reduced by half of the difference between that amount and EUR 45 060, with the marginal tax rate capped at 39%.

Income tax as determined by the applicable schedules is subject to a 4% "solidarity" surtax to finance the employment fund. The rate is 6% for the taxable income exceeding EUR 150 000 (tax classes 1 and 1a), respectively EUR 300 000 (tax class 2).

1.1.4. *Income exemptions*

A taxpayer may claim a deduction for a dependent child under 21 years of age who is not part of the household. This deduction is allowed for expenses actually incurred but may not exceed EUR 3 480.

1.2. *Local (municipal) taxes*

No particular income tax is levied by municipalities, which receive a direct share of the income tax revenue collected by the State. This share is equal to 18% of tax revenue.

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

	Employer's share (%)	Employee's share (%)	Ceiling on contributions (in euros)
a) Pension and disability insurance	8	8	108 089.40
b) Health insurance	3.05	3.05	108 089.40
c) Dependency insurance		1.4	Monthly allowance 450.37[1]
d) Health in the workplace	0.11		
e) Accident insurance	1.15		

1. (Monthly allowance: EUR 450.37 = 0.25 * social minimum salary/12). The social minimum salary in 2012 is equal to EUR 21 617.88.

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.

3. Universal cash transfers

3.1. *For married persons*

None.

3.2. *For dependent children*

Every child raised in the Grand Duchy entitles the person on whom the child is dependent to a monthly family allowance. Family allowances are adjusted regularly for the cost of living. For 2012, the amounts are:

Effective date	As of 1 July 2006
1 eligible child	EUR 185.60
2 eligible children	EUR 440.72
3 eligible children	EUR 802.74

Starting with the fourth eligible child, the allowance is raised by EUR 361.82 per child.

The amounts indicated above are increased by EUR 16.17 for children aged 6 to 11 and by EUR 48.52 for those aged 12 years or older.

Additionally, a child bonus amounting to EUR 76.88 per child per month is paid in cash irrespective of the taxable income of the parents as from 1 January 2009. This amount is paid by the National Family Benefits Administration.

4. Main changes since 2008

4.1. Partnerships

The Act of 9 July 2004 introduced the notion of partnerships into tax law. The Act construes the term "partnership" as a relationship between two persons, called "partners", of opposite sex or the same sex, who live together as a couple and declare themselves as such.

As from 1 January 2008, the fiscal treatment of the partnerships is modified. The deduction for extraordinary expenses is replaced by the joint taxation of partners as it already exists for spouses.

4.2. Introduction of tax credits

The following changes were made as of 1 January 2009:

- Four tax allowances have been replaced by refundable tax credits. Instead of reducing their taxable income by EUR 600, wage-earners get a tax credit of EUR 300 per annum. A similar tax credit is allowed for pensioners.
- The tax exemption of EUR 1 920 for single-parent households is replaced by a tax credit of EUR 750 per annum.
- A tax credit of EUR 300 per annum is granted to self-employed persons deriving income from trade or business, income from agriculture and forestry or income from self-employment. This tax credit substitutes the allowance for business income and the agricultural allowance.

5. Memorandum item

5.1. Identification of the average worker

Average gross hourly wages by industry and by gender are determined on the basis of biannual surveys on industry wages and working hours. These surveys cover gross compensation for regular hours (working hours + leave time) plus overtime pay. Hourly wages include bonuses and allowances such as premiums for output, production or productivity. In contrast, non-periodic compensation (bonuses, profit-sharing) that is not paid systematically in each pay period is not included. Nevertheless, in order to allow for comparisons between countries, gross annual pay is adjusted on the basis of average non-periodic compensation as calculated from triennial surveys of labour costs.

Regarding working hours, the time taken into account is the time effectively offered, including regular working hours, overtime, night shifts and work on Sunday.

2012 parameter values

Average earnings/yr	Ave_earn	51 312	Secretariat estimate
Tax allowances: general	gen_dedn	480	
professional expenses	prof_exp	540	
travel expenses	travel_exp	396	
extra if both spouses earning	extra_dedn	4 500	
Low earner allowance	allow_1		
Low earner allowance (couples)	allow_2		
Class 1a limit	cl_1a_lim	45 060	
Tax schedule	tax_sch	0	11 265
		0.08	13 173
		0.1	15 081
		0.12	16 989
		0.14	18 897
		0.16	20 805
		0.18	22 713
		0.2	24 621
		0.22	26 529
		0.24	28 437
		0.26	30 345
		0.28	32 253
		0.3	34 161
		0.32	36 069
		0.34	37 977
		0.36	39 885
		0.38	41 793
		0.39	
Child credit maximum	ch_cred	0	
Social Minimum Salary	min_salary	21 617.88	
Multiplier for unemployment	unemp_rate_1	1.04	
	Unemp_rate_2	1.06	
	Unemp_lim	150 000	
Social security contributions	SSC_rate	0.1105	
	SSC_ceil	108 089.40	
	infirm	0.014	
	infirm_abatement	0.25	
Employer contributions	workhealth	0.0011	
	SSC_empr	0.1105	
	SSC_acc	0.0115	
Child benefit (1 child)	CB_1	185.6	
2 children	CB_2	440.72	
extra age 6-11	CB_ex	16.17	
Child bonus	ch_bonus	922.50	
Worker tax credit	worker_credit	300	
Single parent tax credit	cr_monoparent	750	
Class 1a Discount	discount	0.5	
Maximum Marginal Rate	max_rate	0.39	

2012 tax equations

The equations for the Luxembourg system are on a joint basis except for social security contributions.

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

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
	Basic	basic	J	IF(earn_spouse=0, 1, 2)*gen_dedn
	work-related	work_rel	J	IF(earn_spouse=0, 1, 2)*(prof_exp+travel_exp)
	Other	other_al	J	(earn_spouse>0)*extra_dedn
	Total	tax_al	J	min(basic+work_rel+other_al+SSC_ded_total, earn)
3.	Credits in taxable income	taxbl_cr	J	0
	family quotient	quotient	J	1+Married
4.	CG taxable income unadjusted taxable income	tax_inc	J	earn-tax_al
5.	CG tax before credits	tax_excl	J	((Children=0)*IF(Married=0,Tax(tax_inc, tax_sch), quotient*Tax(tax_inc/quotient, tax_sch)) + (Children>0)*IF(Married=0, Taxclass1a(tax_inc, tax_sch, discount, cl_1a_lim, max_rate), quotient*Tax(tax_inc/quotient, tax_sch)))*IF(tax_inc>unemp_lim*(1+Married,unemp_rate_2,unemp_rate_1)
6.	Tax credits :	worker_cr	J	IF(earn_spouse=0.1,2)*worker_credit
		monoparent_cr	J	cr_monoparent*(AND(Married=0,Children>0))
		tax_cr	J	worker_cr+monoparent_cr
7.	CG tax	CG_tax	J	tax_excl-tax_cr
8.	State and local taxes	local_tax	J	0
9.	Employees' soc security	SSC	B	SSC_rate*MIN(earn, SSC_ceil)+infirm*Positive(earn-infirm_abatement*min_salary)
	deductible portion	SSC_ded	B	SSC_rate*MIN(earn, SSC_ceil)
11.	Cash transfers	cash_trans	J	((Children=1)*(CB_1+CB_ex)+(Children=2)*(CB_2+2*CB_ex))*12+Children*ch_bonus
13.	Employer's soc security	SSC_empr	B	(SSC_empr+workhealth)*MIN(earn, SSC_ceil)+SSC_acc*MIN(earn, SSC_ceil)

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

Mexico

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

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

Mexico 2012

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**	62758	94136	156894	62758
2.	**Standard tax allowances**				
	Basic allowance	2073	2202	2460	2073
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	2073	2202	2460	2073
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	60685	91934	154434	60685
5.	**Central government income tax liability (exclusive of tax credits)**	4072	7633	19678	4072
6.	**Tax credits**				
	Basic credit	3898	0	0	3898
	Married or head of family				
	Children				
	Other	0	0	0	0
	Total	3898	0	0	3898
7.	**Central government income tax finally paid (5-6)**	174	7633	19678	174
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	784	1280	2316	784
	Taxable income				
	Total	784	1280	2316	784
10.	**Total payments to general government (7 + 8 + 9)**	958	8914	21994	958
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)**	61799	85223	134900	61799
13.	**Employers' compulsory social security contributions**	8708	11026	15783	8708
14.	**Average rates**				
	Income tax	0.3%	8.1%	12.5%	0.3%
	Employees' social security contributions	1.3%	1.4%	1.5%	1.3%
	Total payments less cash transfers	1.5%	9.5%	14.0%	1.5%
	Total tax wedge including employer's social security contributions	13.5%	19.0%	21.9%	13.5%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	12.1%	17.6%	22.9%	12.1%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	17.4%	23.4%	28.4%	17.4%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Mexico 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	94136	125515	156894	125515
2.	**Standard tax allowances**				
	Basic allowance	2202	3620	4275	3620
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	2202	3620	4275	3620
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	91934	121895	152619	121895
5.	**Central government income tax liability (exclusive of tax credits)**	7633	9284	11706	9284
6.	**Tax credits**				
	Basic credit	0	4882	3898	4882
	Married or head of family				
	Children				
	Other	0	0	0	0
	Total	0	4882	3898	4882
7.	**Central government income tax finally paid (5-6)**	7633	4402	7807	4402
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1280	1672	2065	1672
	Taxable income				
	Total	1280	1672	2065	1672
10.	**Total payments to general government (7 + 8 + 9)**	8914	6075	9872	6075
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)**	85223	119440	147022	119440
13.	**Employers' compulsory social security contributions**	11026	17700	19734	17700
14.	**Average rates**				
	Income tax	8.1%	3.5%	5.0%	3.5%
	Employees' social security contributions	1.4%	1.3%	1.3%	1.3%
	Total payments less cash transfers	9.5%	4.8%	6.3%	4.8%
	Total tax wedge including employer's social security contributions	19.0%	16.6%	16.8%	16.6%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	17.6%	17.6%	17.6%	17.6%
	Total payments less cash transfers: Spouse	-9.0%	7.4%	12.1%	7.4%
	Total tax wedge: Principal earner	23.4%	23.4%	23.4%	23.4%
	Total tax wedge: Spouse	10.1%	13.0%	17.4%	13.0%

The national currency is the peso (MXN). In 2012, MXN 13.15 is equal to USD 1. In 2012, the estimated earnings of the average worker are MXN 94 136 (Secretariat estimate).

1. Personal income tax

1.1. Central government income tax

1.1.1. Tax unit

Each person is taxed separately.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard tax reliefs

There are two basic allowances, a yearly holiday bonus and an end-of-year bonus.

- *Holiday Bonus:* Mexico's Labour Law stipulates a minimum holiday bonus of 25 per cent of six days of the worker's wage. The maximum exemption according to Tax Law is equivalent to 15 days of the minimum wage (the minimum wage for the whole country).* Given these two restrictions, the allowance is estimated as the minimum established by the Labour Law, up to the amount that is exempt according to Tax Law.
- *End-of-year bonus:* The minimum end-of-year bonus established in the Labour Law is 15 days of the worker's wage. Tax Law exempts end-of-year-bonuses up to 30 days of the minimum wage (the amount for the whole country). The allowance is estimated as the minimum established by the Labour Law, up to the amount that is exempt according to Tax Law.

1.1.2.2. Main non-standard tax reliefs

Deductions:

- Compulsory school transportation costs.
- Medical expenses (doctor and dental fees and hospital expenses): An unlimited deduction is allowed for the taxpayer's medical expenses. For those made by the taxpayer, on behalf of his or her spouse and straight line relatives, the deduction is allowed only if the person, for whom the taxpayer makes the expense, earns less than the minimum annual wage of his geographical area.

* There are three minimum wage rates established in Mexico depending upon geographical location (in Zone A the minimum wage is equal to MXN 62.33 on a daily basis, in Zone B it is MXN 60.57, and in Zone C it is MXN 59.08). For the purposes of this Report, the calculations are either based on the minimum wage that applies within the Federal District of Mexico City (Zone A) or a representative value for the country as a whole (the average minimum wage is equal to MXN 60.50). The latter is used in the evaluation of the holiday bonus and the end-of-year bonus.

- Complementary contributions of certain retirement accounts are considered eligible as long as they do not exceed 10 per cent of taxable income and MXN 110 413 (five annual minimum wages).
- Funeral charges: For the spouse and straight-line relatives up to a minimum annual wage of the taxpayer's geographical area.
- Charitable donations made to institutions such as:
  - Federal, state, and municipal governments.
  - Non-profit organisations involved in the fields of social beneficence, education, culture and research and technology.
- Deposits on special savings accounts, payments of insurance premium of pension plans and for the acquisition of shares of investment societies as long as they do not exceed MXN 152 000.
- Health insurance premiums for individuals, if the beneficiary is the taxpayer, and/or his family.
- Real interest expenditure for the payment of mortgage loans for housing purposes that do not exceed MXN 7 119 226. Real interest expenditure is considered the excess of interest expense over the inflation rate.*
- Deduction of taxpayer's educational expenditures for himself, on behalf of his/her spouse, parents or children, among others, for the following educational levels.

Educational level	Maximum annual deduction (MXN)
Kinder garden	14 200
Primary education	12 900
Secondary education	19 900
Technical profession	17 100
High school	24 500

1.1.2.3. Employment subsidy credit

The employment subsidy credit is assigned through a table and this amount is decreasing in the level of income obtained by each worker. For monthly income higher than MXN 7 382, no employment subsidy credit is given. Employees with an income tax lower than the credit receive in cash the difference along with their salary. The rest of the workers that receive the credit are entitled to a reduction in their tax burden. The employment subsidy credit is paid by the employers who may credit it against their tax liabilities; the credit therefore represents a fiscal cost for the government.

* Since 2010, this exemption is applicable only if in the immediate previous five years the taxpayer has not sold any other house for which he/she obtained this exemption.

1.1.3. Tax schedule and other tables

1.1.3.1. Tax schedule*

Taxable income (MXN)		Fixed quota (MXN)	Tax on the amount in excess of the lower limit (%)[1]
Lower limit	Upper limit		
0	5 952.84	0	1.92
5 952.85	50 524.92	114.24	6.40
50 524.93	88 793.04	2 966.76	10.88
88 793.05	103 218.00	7 130.88	16.00
103 218.01	123 580.20	9 438.60	17.92
123 580.21	249 243.48	13 087.44	21.36
249 243.49	392 841.96	39 929.04	23.52
392 841.97	And over	73 703.40	30.00

1. The increase in the tax rates of the three highest PIT brackets is temporal. From 2010 to 2012 the rate of the highest income bracket will be 30 per cent (as shown in the Table 1.131), in 2013 the highest rate will be 29 per cent and in 2014 it will be 28 per cent. The rates of the sixth and seventh brackets will decrease in the same proportion.

1.1.3.2. Employment subsidy credit table

For taxable income in a certain income range, the employment subsidy credit is given in the third column of the following table:

Lower limit (MXN)	Upper limit (MXN)	Tax credit (MXN)
0.0	21 227.52	4 884.24
21 227.53	31 840.56	4 881.96
31 840.57	41 674.08	4 879.44
41 674.09	42 454.44	4 713.24
42 454.45	53 353.80	4 589.52
53 353.81	56 606.16	4 250.76
56 606.17	64 025.04	3 898.44
64 025.05	74 696.04	3 535.56
74 696.05	85 366.80	3 042.48
85 366.81	88 587.96	2 611.32
88 587.97	And Over	0.00

1.2. State and local income taxes

States do not levy taxes on income.

1.3. Payroll taxes

Mexico does not have a Federal pay-roll tax. However, most States apply a state pay-roll tax with an average rate of 2.08 per cent. These taxes are not considered in this Report since there are a wide range of practices with respect to the definition of the tax base that does not allow obtaining a reliable estimation.

* The income tax schedule and the employment subsidy credit table are updated every time the accumulated inflation reaches 10 per cent.

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

2.1. Employees' contributions

Social security contributions are divided as follows:

For sickness and maternity insurance, 0.625 per cent of the workers monthly wage, plus 0.40 per cent of the amount in excess of three times the minimal legal wage (the amount that applies within the Federal District of Mexico City MWFD). For disability and life insurance, 0.625 per cent of the monthly wage.

In 2012 a ceiling of 25 MWFD applies to the salary that is used to calculate the social security contributions.

2.2. Employers' contributions

- For sickness and maternity 20.40 per cent of the MWFD, plus 1.10 per cent of the amount in excess of three times the MWFD, plus 1.75 of the monthly wage.
- For disability and life insurance, 1.75 per cent of worker's monthly wage.
- For social services and nursery, 1 per cent of worker's monthly wage.
- For insurance for work injuries of employees, 1.98 per cent of worker's monthly wage.*

In 2012 a ceiling of 25 MWDF applies to the salary that is used to calculate the social security contributions.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

None.

4. Main changes in the tax/benefit system since 1995

The Social Security Law enacted in July 1997 changed fundamentally the financing of non-government employees' social security, which shifted from a pay-as-you-go scheme to funded individual accounts. The government does not manage these accounts; new private financial institutions were created specifically for this purpose. However, the contractual obligation is between the workers and the government, not with the private administrator of the fund, because legally they are still considered as contributions to social security, independently of who manages the fund. It should be noted that the federal government also contributes to each pension account, and guarantees a minimum pension to every beneficiary of the social security system, again independently of the administration of the fund.

* The amount of the work injury fee depends on the risk level in which the company is classified. The Mexican Institute of Social Security provided a weighted average rate that considers the economic activities from C to K of the International Standard Classification.

5. Memorandum items

5.1. Method used to identify an average worker and to calculate his gross earnings

The income data refer to average workers. It should be noted that in the sample used for this survey, medium and large size firms are over-represented. In Mexico, there are no state or local government income taxes. Information on non-standard tax reliefs is not available.

Figures for 1999 and subsequent years cannot be compared with preliminary figures from previous editions of this publication for two reasons: first, the wage level of the average worker is now based on observed data instead of being estimated; second, social security contributions taken into account no longer include contributions made by employers and employees to privately managed individual accounts. Contributions no longer included in the calculation of social security contributions are specified in the table below.

5.2. Main employees' and employers' contributions to private pension, health, etc. schemes

	Account	Per cent of workers' monthly wage
Employers' contributions	Retirement	2.00
	Discharge and old age insurance	3.15
	Housing Fund (INFONAVIT)	5.00
Employees' contributions	Discharge and old age insurance	1.125

2012 parameter values

Average earnings/yr	Ave_earn	94 136	Secretariat estimate	
(general min wage per day)	min_wage	60.50		
(general min wage per day for the				
Federal District of Mexico City)	min_wage_FD	62.33		
Income tax	tax_table	0.00	0	0.0192
		5 952.85	114.24	0.0640
		50 524.93	2 966.76	0.1088
		88 793.05	7 130.88	0.1600
		103 218.01	9 438.60	0.1792
		123 580.21	13 087.44	0.2136
		249 243.49	39 929.04	0.2352
		392 841.97	73 703.40	0.3000
Tax credit basic	Basic_crd	0.0	4 884.24	
		21 227.53	4 881.96	
		31 840.57	4 879.44	
		41 674.09	4 713.24	
		42 454.45	4 589.52	
		53 353.81	4 250.76	
		56 606.17	3 898.44	
		64 025.05	3 535.56	
		74 696.05	3 042.48	
		85 366.81	2 611.32	
		88 587.97	0.00	
Employees SSC	SSC_rate	0.0125		
	SSC_rate_sur	0.0040		
Employers SSC	SSC_empr	0.0648		
	SSC_empr_min	0.2040		
	SSC_empr_sur	0.0110		

2012 tax equations

The equations for the Mexican system in 2012 are on an individual basis.

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

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances	tax_al	B	MIN(earn, MIN(earn*(6/365)*0.25, min_wage*15)+ MIN(earn*(15/365), min_wage*30))
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, Tax_sch)
6.	Tax credits	tax_cr	B	VLOOKUP(tax_inc, Basic_crd, 2)
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	MIN(earn*ssc_rate, min_wage_FD*25*365*ssc_rate)+MIN(Positive(earn-(3*365*min_wage_FD))*ssc_rate_sur, min_wage_FD*(25-3)*365*ssc_rate_sur)
11.	Cash transfers	cash_trans	B	0
13.	Employer's soc security	SSC_empr	B	MIN(earn*ssc_empr, min_wage_FD*25*365*ssc_empr)+365*min_wage_FD*ssc_empr_min +MIN(Positive(earn-(3*365*min_wage_FD))*ssc_empr_sur, min_wage_FD*(25-3)*365*ssc_empr_sur)
	Memorandum item: Non-wastable tax credit			
	tax expenditure component	taxexp	B	tax_cr-transfer
	cash transfer component	transfer	B	IF(CG_tax<0, -CG_tax, 0)

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**		30945	46418	77364	30945
2.	**Standard tax allowances:**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other					
		Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**		2135	3177	3555	2135
4.	**Central government taxable income (1 - 2 + 3)**		32204	47928	77670	32204
5.	**Central government income tax liability (exclusive of tax credits)**		1801	7888	22497	1801
6.	**Tax credits :**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	215	213	210	822
7.	**Central government income tax finally paid (5-6)**		1587	7675	22287	979
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)		6602	7151	7192	2824
		Total	6602	7151	7192	2824
10.	**Total payments to general government (7 + 8 + 9)**		8189	14827	29479	3803
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	3075
		Total	0	0	0	3075
12.	**Take-home pay (1-10+11)**		22757	31592	47884	30217
13.	**Employers' compulsory social security contributions**		3101	4998	5684	3101
14.	**Average rates**					
	Income tax		5.1%	16.5%	28.8%	3.2%
	Employees' social security contributions		21.3%	15.4%	9.3%	9.1%
	Total payments less cash transfers		26.5%	31.9%	38.1%	2.4%
	Total tax wedge including employer's social security contributions		33.2%	38.6%	42.3%	11.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		42.6%	44.0%	49.3%	50.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		48.9%	50.1%	49.3%	55.8%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Netherlands 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	46418	61891	77364	61891
2.	**Standard tax allowances:**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	0	0	0	0
	Work-related expenses				
	Other				
	Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**	3177	4270	5312	4270
4.	**Central government taxable income (1 - 2 + 3)**	47928	64407	80132	64407
5.	**Central government income tax liability (exclusive of tax credits)**	7888	8209	9689	8209
6.	**Tax credits :**				
	Basic credit				
	Married or head of family				
	Children				
	Other				
	Total	300	482	552	394
7.	**Central government income tax finally paid (5-6)**	7587	7727	9137	7815
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)	5748	7984	11759	9387
	Total	5748	7984	11759	9387
10.	**Total payments to general government (7 + 8 + 9)**	13336	15712	20896	17202
11.	**Cash transfers from general government**				
	For head of family				
	For two children	1880	1848	1848	0
	Total	1880	1848	1848	0
12.	**Take-home pay (1-10+11)**	34962	48027	58316	44689
13.	**Employers' compulsory social security contributions**	4998	6286	8099	6286
14.	**Average rates**				
	Income tax	16.3%	12.5%	11.8%	12.6%
	Employees' social security contributions	12.4%	12.9%	15.2%	15.2%
	Total payments less cash transfers	24.7%	22.4%	24.6%	27.8%
	Total tax wedge including employer's social security contributions	32.0%	29.6%	31.8%	34.5%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	51.7%	44.0%	44.0%	44.0%
	Total payments less cash transfers: Spouse	15.6%	17.1%	38.6%	21.1%
	Total tax wedge: Principal earner	57.0%	50.1%	50.1%	50.1%
	Total tax wedge: Spouse	22.0%	23.2%	45.3%	26.9%

The national currency is the euro (EUR). In 2012, EUR 0.78 was equal to USD 1. In that year, the average worker earned EUR 46 418 (Secretariat estimate).*

1. Personal income tax system (central government)

1.1. Central government income tax

There are three categories ("boxes") of taxable income:

- Taxable income from work and owner-occupied housing.
- Taxable income from a substantial interest in a limited liability company.
- Taxable income from savings and investments.

This description is limited to the most relevant aspects of taxable income from the first category, "taxable income from work and owner-occupied housing", because of its relevance for the AW.

1.1.1. Tax unit

Husbands and wives are taxed separately on their personal income, which includes income from business, profession and employment, pensions and social security benefits. Certain parts of income may be freely split between husbands and wives, such as the net-income from owner-occupied housing and the income from savings and investments.

1.1.2. Tax allowances

1.1.2.1. Standard allowances

Related to wage earnings:

- Employees' social security contributions (see Section 2.1) are deductible, whereas the health insurance contribution is not deductible and is not a part of the *Taxing Wages* model (for more information, see the Special Feature on "non-tax compulsory payments" in the 2009 edition of the *Taxing Wages* report). The employers' health insurance contribution is subject to tax.

1.1.2.2. Non-standard allowances applicable to AW

Related to wage earnings:

- For distances of more than 10 km between home and work, fixed amounts for travel expenses with public transportation are deductible. The maximum deduction for employees who travel by public transport is EUR 1 951 for distances of more than 80 km. If the travel expenses are reimbursed or the employer provides transport, there is no deduction; the reimbursement is untaxed (also for employees who travel by car) if it is below certain specified amounts;

* 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.

- Employee contributions to private (company provided) pension schemes.

  Related to owner-occupied housing:

- Excess of mortgage interest over net imputed rent.

  Related to personal circumstances:

- Medical expenses and other exceptional expenses:
  - Fiscal deduction of exceptional health expenses will be reduced to the specific costs as a result of the chronic illness. As specific costs are seen diet costs, special medicine described by a doctor and transportation costs. Visual tools and insurance premiums are not seen as specific costs and are therefore no longer deductible.
  - For a single person: The specific expenses in excess of 1.65 per cent of income are deductible if income exceeds EUR 7457 and is below EUR 39 618. If income is lower than or equal to EUR 7 457, the non-deductible limit is EUR 125. For a person with a partner: the joint income is used to determine the non-deductible amounts and the non-deductible limit is EUR 250.
  - If income exceeds EUR 39 618 the specific expenses in excess of 1.65 per cent of EUR 39 618 increased with 5.75 per cent of income above EUR 39 618 are deductible.
- Some educational expenses: In direct connection with vocational education. Expenses above the threshold of EUR 500 are deductible. Expenses above EUR 15 000 are not deductible;
- Donationsto certain institutions (charity) that serve the public good are deductible if in excess of 1 per cent of the income and in excess of EUR 60. No more than 10 per cent of the income may be deducted in this way.

1.1.3. *Tax schedule*

The tax schedule for income from work and owner-occupied housing is as follows:

Taxable income (EUR)	Tax rate (%)	Social securities contributions	
		< 65 years	> 65 years
0-18 945	1.95	31.15	13.25
18 945-33863	10.80	31.15	13.25
33863-56491	42	–	–
56491 and over	52	–	–

The contributions for the general social security schemes are levied on income from work and owner-occupied housing in the first and second income tax bracket. These social security contributions are not deductible for income tax purposes. Individuals of 65 years and older pay 13.25 per cent (for widows and orphans pensions, and exceptional medical expenses); individuals younger than 65 years pay 31.15 per cent (for widows and orphans pensions, exceptional medical expenses, and old age income provision). For further information see Section 2.1.

1.1.4. Tax credits

1.1.4.1. Standard tax credits

The tax credits are deducted partly from the income tax liability and partly from the contributions that are made to the general social security schemes (see Section 1.13). For most families, the share of the credit attributed to tax is related to the ratio of the tax rate to the sum of the tax rate and the social security contributions rate in the *first* bracket of the tax schedule. In 2012, this ratio was 5.9 per cent (= 1.95%/[1.95% + 31.15%]), implying that 5.9 per cent of the (tax) credit is attributed to the personal income tax and the remaining 94.1 per cent to social security contributions. If the individual's total tax credit is higher than the total tax and social security contributions levied on the first tax bracket, the shares of the residual amount of the tax credit that are attributed to the personal income tax and social security contributions are based on the rates of deduction in the second tax bracket in order that the employee can benefit from the full amount of the credit where the level of income allows it. As a result, the ratio of the tax rate to the sum of the tax rate and social security contribution rates is increased to 25.7% for the residual amount in 2012 (i.e. 10.8%/[31.15% + 10.8%]).

For example in 2012, the total tax credit of a single parent with 2 children earning 67% of the average wage amounts to EUR 8 036. The total tax and social security contributions levied on the first tax bracket equals EUR 6 270.79 (= 18 945 * [31.15% + 1.95%]). The residual tax credit equals EUR 1 765.21.

The first tax ratio of 5.9% is applied on EUR 6 270.79 and the second tax ratio of 25.7% is applied on EUR 1 765.21. Then the part of the total tax credit that is attributed to personal income tax is EUR 824. The remaining EUR 7 212 is attributed to the social security contributions.

Division of credits for tax and social security contributions is essential in the OECD publications. In the Netherlands no division is made in the general tax scheme between tax and SSC.

Note that the tax/benefit position tables show the total amount of social security contributions net of the credits that are claimed.

- *General tax credit:* This credit amounts to EUR 2 033; the transfer of the general tax credit of the spouse to the principal will diminish with 6.67 per cent per year in the period 2009-24, such that in 15 year time the general tax credit for a non-working spouse cannot be capitalized against the tax paid by the principal. This reduction of the transfer of the general tax credit started in 2009. In 2024 the general tax credit can only be capitalized against the tax and premiums paid on own earned income. In 2012 a reduction of the general tax credit for non-working spouses born after 31 December 1962 and before 1 January 1972 is introduced. The reduction will be equal to the reduction of non-working spouses born before 1 January 1963 in year 2015. For Household types in de *Taxing Wages* model no difference is made between year of birth before 1963 or after 1963, idem before or after 1972. For that reason the additional reduction of the general tax credit is not added to the *Taxing Wages* model.
- *Work credit:* This credit is the sum of 1.733 per cent of taxable income from work with a maximum of EUR 161 and 12.320 per cent of taxable income from work with a franchise of EUR 9 295. The work credit is income dependent and will be reduced by 1.25 per cent

of taxable income above EUR 45 178; the reduction will be maximised till EUR 78; so the reduction stops at a taxable income of EUR 51 418. The maximum work credit before it is reduced is EUR 1 611; the maximum reduced work credit is EUR 1 533.

- *Combination credit:* The combination credit is abolished in 2009.
- *Income dependant combination credit:* The additional combination credit is replaced with the income dependent combination credit. A taxpayer who is either a single parent or the partner with the lowest income, who has children below the age of 12 and has his/her taxable income from work exceeding EUR 4 814, is entitled to an income dependent combination credit of EUR 1 024 plus an extra combination credit of 4 per cent of taxable income above EUR 4 814. The maximum total combination credit is EUR 2 133.
- *Single parent credit:* A single parent under certain conditions is entitled to the single parent credit of EUR 947.
- *Additional single parent credit:* A single parent who is entitled to the single parent credit receives an additional credit of 4.3 per cent of his or her income from work, with a maximum of EUR 1 319.

The amount of the tax credit is limited to the amount of tax and premiums payable (non-refundable tax credit). If, however, a taxpayer with insufficient income to fully exploit his/her tax credit has a partner with a surplus of tax and premiums payable over his/her own tax credit, the tax credit of the former taxpayer is increased by (at most) the surplus tax and premiums payable by his/her fiscal partner. As a consequence, the tax credit of the former taxpayer will exceed tax and premiums payable, resulting in a payout of the residual tax credit to the taxpayer by the tax authority.

1.2. State and local income taxes

None.

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

2.1. Employees' contributions

Schemes for employees:

- Unemployment: 0 per cent of the gross earnings between EUR 17 229 and EUR 50 064 (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 1 253 a year to a self-chosen private health insurance company. This premium is a non-tax compulsory payment and is not included in the *Taxing Wages* calculations but only in the NTCP calculations. Employees might obtain compensation for this nominal contribution, depending on the household's personal situation and taxable income. This is called the health care benefit. This benefit is included in the NTCP calculations as it compensates for the basic health insurance premium of on average EUR 1 253. Also 7.10 per cent of gross earnings net of employees' pension premiums and unemployment social security contributions is paid for health care until a maximum of net earnings of EUR 5 064. In advance of creating one income base for tax and SSC in 2013 the

maximum income level for the income dependent health contribution is up from EUR 33 427 to EUR 50 064 and premium percentage is down from 7.75% to 7.10%. So taxpayers with an income between EUR 33 427 and EUR 50 064 will pay more tax whereas taxpayers with an income lower than EUR 33 427 and lower percentage of 7.1% will pay less tax in 2012 than in 2011. The income level for health contribution and for premiums as unemployment and invalidity will be the same in 2012. For the last health contribution, an employee receives mandatory compensation of his employer for the same amount. This amount is included in the taxpayer's taxable income. This amount is included in the *Taxing Wages* calculations in order to calculate the taxpayer's personal income tax liabilities. The income dependent health contribution itself, however, is not modelled (either as an employee or employer SSC) in *Taxing Wages*.

- Employees might obtain compensation for the nominal contribution of on average EUR 1 253 for the basic health insurance, depending on the household's personal situation and taxable income. This is called the health care benefit. The care benefit is calculated as follows:

  Single parent households: 1 426 – 2.930 per cent * 20 079 – 5.4535 per cent * (taxable income – 20 079)

  Married couples: Number of adults * 1 426 – 5 530 per cent *20 079 – 5.435 per cent * (taxable income principal and spouse – 20 079).

  This health care benefit is a non-tax compulsory payment and is not included in the *Taxing Wages* calculations but only in the "non-tax compulsory payment" calculations (see *www.oecd.org/ctp/taxingwages* for more details on non-tax compulsory payments as well as the Special Feature in the 2009 edition of the *Taxing Wages* report).
- Old age pension: 17.9 per cent of taxable income in the first and second tax bracket. This scheme does not apply to individuals aged 65 or older;
- Widows and orphans pension: 1.10 per cent of taxable income in the first and second tax bracket.
- Exceptional medical expenses and disability: 12.15 per cent of taxable income in the first and second tax bracket.

2.2. Employers' contributions

Schemes for employees:

- Unemployment: 4.55 per cent of gross earnings between EUR 17 229 and EUR 50 064 for the general unemployment fund and a contribution of 2.77 per cent of gross earnings below EUR 50 064 for the industrial insurance associations redundancy payments fund;
- Invalidity: 5.60 per cent of gross earnings below EUR 50 064.
- For medical care employers contribute 7.10 per cent of gross earnings net of employees' pension premiums and unemployment social security contributions until a maximum of gross earnings of EUR 50 064. The premium itself, however, is not modelled (either as an employee or employer SSC) in *Taxing Wages*. Instead, it is modelled as a NTCP from the employer to a public-managed health insurance fund. The spending of this fund mainly compensates private insurance companies for their (public) obligation to insure individuals with a high health risk.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

Families with children receive a tax free benefit, depending on the number and age of the children. For a family with two children in the age group of 6 to 12 years, the total benefit amounts to EUR 1 848 a year. Indexation of the child benefits was frozen for three years (period 2009-11).

An additional income dependent child benefit was introduced in 2008. As of 2009, this benefit also depends on the number of children per family. A family can only claim the extra child benefit when it has children under the age of 18 years old for whom it also receives the tax free and income independent child benefit. Indexation of the extra child benefit was frozen until 2011 and has still a maximum value of EUR 1 017 per year for families with one child. The child credit increases to EUR 1 478 a year for families with two children. The benefit is reduced at a rate of 7.6 per cent per euro when the family's yearly taxable income exceeds EUR 28 897 and is completely withdrawn for families with two children when the taxable income is at least EUR 48 186.

4. Main changes in the tax/benefit systems since 2000

In 2001, the tax system was changed thoroughly. The tax rates have been lowered; the basic allowance and its supplements have been transformed into tax credits. The deduction for labour costs has also been replaced by a tax credit. Certain other deductions have been reduced or abolished. Extra tax credits for households with children were introduced.

In 2002 and 2003 the tax system was only slightly changed. The additional combination credit was introduced in 2004. The various child credits were integrated and streamlined in 2006.

Public insurance for medical care has been reformed in 2006. A new standard health insurance system was introduced. Until 2005, no public health insurance contributions were levied on income in excess of EUR 33 000. However, taxpayers earning more than EUR 33 000 were obliged to take a private insurance. These private health insurance contributions were not included in the *Taxing Wages* calculations because they were made to a privately-managed fund (and are therefore not taxes). Since 2006, every individual contributes a nominal contribution to a privately-managed fund (on average EUR 1 064, depending on the competition between insurance companies, a year in 2009) and, in addition for employees, a percentage of gross income (6.9 per cent) net of employees' pension premiums and unemployment social security contributions until a maximum of gross income of EUR 32 369 (in 2009). For this last contribution, the employee receives mandatory compensation of his employer for the same amount. The premium itself, however, is not modelled (either as an employee or employer SSC) in *Taxing Wages*. Instead it is modelled as a non-tax compulsory payment from the employer to a public-managed health insurance fund. The spending of this fund mainly compensates private insurance companies for their (public) obligation to insure individuals with a high health risk. Taxpayers might obtain compensation for the nominal contribution to the private insurance company of on average EUR 1 064 in 2009, depending on the households personal situation and taxable income. This is called the health care benefit and is part of the NTCP (see Section 2.1).

In 2007, the tax system has not been changed, except for some parameter updates. In 2008, the child credit has been replaced by an extra child benefit.

In 2009 the general tax credit will be reduced for non-working spouses in order to cut down the capitalization of this tax credit in 2024. A non-working spouse can in 2024 capitalize the general tax credit only against his/her own earned income. In 2009 the employment credit is extended for income exceeding EUR 42 509. This credit will be reduced by maximum EUR 24, whereas the employment credit is increased for lower incomes. The income dependant combination credit is introduced in order to promote the labour participation of single parents or partners of married workers. The income-dependent combination credit has been increased considerably. The extra child benefit depends on the total income of the family and the number of children per family. The income-dependent child benefit is higher when more children under the age of 18 years are member of the family. As from 2009 onwards, employees do not have to pay an unemployment premium mainly to reduce administration costs for employers. Employers pay now both an unemployment premium and a premium for invalidity for their employees (see also par. 2.2).

5. Memorandum items

5.1. Identification of the AW and calculation of the AW's gross earnings

The calculation of the annual gross earnings of an AW is based upon data on gross earnings of full-time workers in industry C-K. These data have been obtained through a yearly sample survey carried out by the Central Bureau of Statistics. Included in the AW annual salary are irregular payments, such as holiday allowances, loyalty payments and bonuses. Payments for working overtime are not included. However, the CBS has stopped carrying out the "employment and wages" survey in July 2006 due to new legislation. On Inquiry at the Central Bureau of Statistics (CBS) the information from the wage declarations by employers, delivered nowadays at the tax department, will be implemented by the CBS for the new survey about employment and wages. These changes produced a delay in delivery of the information on wages and employment for 2006.

As the AW figure for 2005 and 2006 are not available, the 2004 figure was taken and adjusted for the wage increases in 2005, 2006 and 2007 by the OECD Secretariat based on wage increase estimates from the most recent issue of the *OECD Economic Outlook*. On the base of new information on wages per industry sector, the AW is delivered to EUROSTAT in November 2009 by the CBS for years 2006 and 2007. The standard classification NACE Rev. 1 for industrial Sectors C-K is used.

The new classification NACE Revision 2 (Sectors B-N) will be applicable as from 2008 onwards. The estimation of the AW for 2008 according to the new classification is applicable at the beginning of May 2010. The AW for 2009 is available since November 2010. For 2008 the average annual gross earnings (full-time NACE Rev. 2) comes to EUR 43 146, for 2009 EUR 44 412 and EUR 45 215 in 2010.

5.2. Main employers' contributions to private pension, health and related schemes

In addition to the obligatory contributions of employees to private insurance companies, all employers pay contributions to a public-managed health fund. More information is included in the Special Feature where the contributions to the public-managed health funds are also presented.

Employers have to pay at least 70 per cent of the gross wage of their sick employees for two years. Many employers have insured themselves privately for the risks of their employees being sick. This insurance for illness of their employees is not compulsory.

2012 parameter values

Average earnings/yr	Ave_earn	46 418	Secretariat estimate
Social security contributions	SSC_ceil	50 064	
Employees' schemes	Unemp_rate1	0.0	
	Unemp_franchise1	17 229	
Medical care	Med_rate	0.0710	
	Med_limit	999 999	
	Med_ceil	50 064	
	Med_adult	1 253	
	Med_child	0	
	Med_compensation1	0.02930	
	Med_compensation2	0.05435	
	Med_compensation3	0.05530	
	Med_compensation4	0.05435	
	Med_key	20 079	
	Med_aldult for care benefit	1 426	
General schemes	Old_rate	0.179	
	Wid_rate	0.0110	
	Ex_med_rate	0.1215	
	Gen_Schemes_thrsh	33 863	
	Unemp_empr1	0.0455	
	Unemp_empr2	0.0277	
	Unemp_unempr_franchise1	17 229	
	Unemp_unempr_franchise2	0	
	Inv_empr_rate	0.0560	
	Inv_empr_franchise	0	
	Med_empr	0.071	
	Med_franchise	0	
Tax schedule	Tax_sch	0.0195	18 945
	"tax_sch_lowest"	0.1080	33 863
	"tax_thrsh_1"	0.42	56 491
		0.52	
Tax credits	Gen_credit	2 033	
	Red_gen_credit	1 491	
	Emp_credit1	161	
	Emp_credit2	1 450	
	Emp_credit3	1 372	
	Emp_credit1_thr	9 295	
	Emp_credit2_thr	21 065	
	Emp_credit3_thr	45 178	
	Emp_credit4_thr	51 418	
	Comb_credit	Nvt	
	Comb_credit_franchise	4 814	
	add_comb_credit	Nvt	
	Income_dependant_comb_comb_credit1	1 024	
	Income_dependant_comb_credit_max	2 133	
	Income_dependant_comb_par_credit_per	0.04	
	Sing_par_credit	947	
	Ex_sing_par_credit_per	0.043	
	Ex_sing_par_credit_max	1 319	
Family cash transfers	Ch1_trans	924	
	Ch2_trans	1 848	
	Child_ben_1child	1 017	
	Child_ben_2children	1 478	
	Child_ben_redn	0.076	
	Child_ben_ceil	28 897	

2012 tax equations

The equations for the tax system in the Netherlands in 2010 and in 2011/2012 did not change. They are repeated for each individual of a married couple. Tax credits, except a part of the general credit of the spouse, depend also on the tax paid by the principal if the spouse's income is zero or very low, and the cash transfers are calculated only once. The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note on the tax equations. Due to the adjustment of the employment credit in 2009, the function Emp_credit(Value) was altered in 2009; no changes were made in 2010 till 2012. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affix "_spouse" indicates the value for the spouse. No affix is used for the principal values. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings (gross)	gr_earn		
	Earnings (net)	earn	B	gr_earn
2.	Social security contributions	SSC_al	B	SSC_f(earn,Unemp_rate1,SSC_ceil,Unemp_franchise1)
3.	Credits in taxable income	taxbl_cr	B	MIN(earn-SSC_al, Med_ceil)*Med_rate
4.	CG taxable income	tax_inc	B	earn-SSC_al+taxbl_cr
5.	CG tax before credits	CG_tax_excl / tax_liable	B	Tax(tax_inc,Tax_sch)
6.	Tax credits	tax_cr	P	MIN(CG_tax_excl+SSC_taxinc,Gen_credit+Emp_credit(tax_inc) +IF(AND(Children>0,earn>Comb_credit_franchise),IF(Married=0,Comb_credit+add_comb_credit,Comb_credit),0) +IF(AND(Children>0,Married=0), Sing_par_credit+MIN (Ex_sing_par_credit_max,Ex_sing_par_credit_per*tax_inc),0))
		tax_cr_spouse	S	IF(Married>0,MIN(CG_tax_excl_spouse+SSC_taxinc_spouse+ CG_tax_excl+SSC_taxinc-tax_cr,Gen_credit +Emp_credit(tax_inc_spouse)+IF(AND(Children>0,earn_spouse>Comb_credit_franchise),Comb_credit+add_comb_credit,0)),0)
		tax_cr_inc	B	IF(tax_cr>Tax_thrsh_1*SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest),(tax_sch_2/SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_2))* (tax_cr-(SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)*Tax_thrsh_1))+(tax_sch_lowest/SUM(Old_rate+Wid_rate+Ex_med_rate+ tax_sch_lowest))*(Tax_thrsh_1*SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)),tax_sch_lowest/SUM(Old_rate+Wid_rate+Ex_med_rate+ tax_sch_lowest)*tax_cr)
7.	CG tax	CG_tax	B	tax_liable-tax_cr_inc
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security' based on earnings	SSC_earn	P	SSC_f(earn,Unemp_rate1,SSC_ceil,Unemp_franchise1)
		SSC_earn_spouse	S	SSC_f(earn_spouse,Unemp_rate1,SSC_ceil,Unemp_franchise1)
	based on taxable income	SSC_taxinc	B	(Old_rate+Wid_rate+Ex_med_rate)*MINA(tax_inc,Gen_Schemes_thrsh)
	Total employees' soc security	SSC_liable	J	SSC_earn+SSC_taxinc+SSC_earn_spouse+SSC_taxinc_spouse
		tax_cr_SSC	B	IF(tax_cr>Tax_thrsh_1*SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest),((Old_rate+Wid_rate+Ex_med_rate)/SUM(Old_rate+Wid_rate+ Ex_med_rate+tax_sch_2))*(tax_cr-(SUM(Old_rate+Wid_rate+Ex_med_rate+ tax_sch_lowest)*Tax_thrsh_1))+((Old_rate+Wid_rate+Ex_med_rate)/ SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest))*(Tax_thrsh_1*SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)),SUM(Old_rate+Wid_rate+Ex_med_rate)/SUM(Old_rate+Wid_rate+ Ex_med_rate+tax_sch_lowest)*tax_cr)
	Total	SSC	J	SSC_liable-tax_cr_SSC

Line in country table and intermediate steps		Variable name	Range	Equation
10.	Total payments	total_payments	J	CG_tax+local_tax+SSC
11.	Cash transfers	cash_trans	J	IF(Children=1,Ch1_trans,IF(Children=2,Ch2_trans,0))+ (Children>0)*(IF((tax_inc+tax_inc_spouse)<Child_ben_ceil, Child_ben, Positive(Child_ben – Child_ ben_redn*(tax_inc+tax_inc_spouse – Child_ben_ceil))))

13.	Employer's soc security	SSC_empr	B	If Value <= 0 Then
				Emp_credit = 0
				ElseIf Value <= Range("Emp_credit1_thr").Value Then
				Emp_credit = (Value / Range("Emp_credit1_thr").Value) * Range("Emp_credit1").Value
				ElseIf Value <= Range("Emp_credit2_thr").Value Then
				Emp_credit = Range("Emp_credit1").Value + ((Value – Range("Emp_credit1_thr").Value) / (Range("Emp_credit2_thr").Value – Range("Emp_credit1_thr").Value)) * Range("Emp_credit2").Value
				ElseIf Value <= Range("Emp_credit3_thr").Value Then
				Emp_credit = Range("Emp_credit1").Value + Range("Emp_credit2").Value
				ElseIf Value <= Range("Emp_credit4_thr").Value Then
				Emp_credit = Range("Emp_credit1").Value + Range("Emp_credit2").Value – ((Value – Range("Emp_credit3_thr").Value) / (Range("Emp_credit4_thr").Value – Range("Emp_credit3_thr").Value)) * (Range("Emp_credit2").Value – Range("Emp_credit3").Value)
				Else
				Emp_credit = Range("Emp_credit1").Value + Range("Emp_credit3").Value
				End If

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

New Zealand
(2012-13 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 2012

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**	34185	51278	85463	34185
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)**	34185	51278	85463	34185
5.	**Central government income tax liability (exclusive of tax credits)**	5002	8403	19123	5002
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)**	4482	8403	19123	5002
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)**	4482	8403	19123	5002
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	11293
	Total	0	0	0	11293
12.	**Take-home pay (1-10+11)**	29703	42875	66340	40476
13.	**Employer's compulsory social security contributions**	0	0	0	0
14.	**Average rates**				
	Income tax	13.1%	16.4%	22.4%	14.6%
	Employees' social security contributions	0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers	13.1%	16.4%	22.4%	-18.4%
	Total tax wedge including employer's social security contributions	13.1%	16.4%	22.4%	-18.4%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	17.5%	30.0%	33.0%	17.5%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	17.5%	30.0%	33.0%	17.5%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

New Zealand 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	51278	68371	85463	68371
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)**	51278	68371	85463	68371
5.	**Central government income tax liability (exclusive of tax credits)**	8403	10415	13406	10415
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)**	8403	10415	13406	10415
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)**	8403	10415	13406	10415
11.	**Cash transfers from general government**				
	For head of family				
	For two children	8121	4489	856	0
	Total	8121	4489	856	0
12.	**Take-home pay (1-10+11)**	50995	62445	72914	57956
13.	**Employer's compulsory social security contributions**	0	0	0	0
14.	**Average rates**				
	Income tax	16.4%	15.2%	15.7%	15.2%
	Employees' social security contributions	0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers	0.6%	8.7%	14.7%	15.2%
	Total tax wedge including employer's social security contributions	0.6%	8.7%	14.7%	15.2%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	51.3%	51.3%	51.3%	30.0%
	Total payments less cash transfers: Spouse	33.0%	38.8%	38.7%	17.5%
	Total tax wedge: Principal earner	51.3%	51.3%	51.3%	30.0%
	Total tax wedge: Spouse	33.0%	38.8%	38.7%	17.5%

The national currency is the New Zealand dollar (NZD). In 2012, NZD 1.24 was equal to USD 1. In that year the average worker earned NZD 51 278 (country estimate).

1. Personal income tax system

1.1. Central/federal government income taxes

1.1.1. Tax unit

Members of the family are taxed separately.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- The Transitional Tax Allowance is available to persons with income under NZD 9 880. The rebate is NZD 728, reduced by 20 cents on each dollar earned over NZD 6 240. Therefore the rebate is fully abated once income reaches NZD 9 800. This rebate is limited to those in full-time employment or who would have been in full-time employment but for sickness or accident. However, the Transitional Tax Allowance is not available if the taxpayer receives an income tested benefit or if any of the universal cash transfers apply. In addition, the amount of the rebate depends on the proportion of weeks in the year where more than 20 hours have been worked. The Transitional Tax Allowance was repealed on 24 May 2012 but is grandparented for some taxpayers in certain circumstances for the 2012/13 tax year.
- Children: No credit to parents. A child under 15 years of age, or under 18 and attending an educational institution, may claim the child rebate against their own earnings. The rebate is calculated as 13.75 per cent of gross earnings from employment, up to a maximum allowance of NZD 321.75 on NZD 2 340 of income. Investment earnings are excluded from the calculation of this rebate.

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

None.

1.1.3. Schedule

- Rates of income tax for individuals:
  - On so much of the income as does not exceed NZD 14 000: 10.5 per cent.
  - On so much of the income as exceeds NZD 14 000 but does not exceed NZD 48 000: 17.5 per cent.
  - On so much of the income as exceeds NZD 48 000 but does not exceed NZD 70 000: 30 per cent.
  - On so much of the income as exceeds NZD 70 000: 33 per cent.

1.2. State and local income taxes

New Zealand has no state or local income tax.

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

New Zealand has no compulsory social security contributions to schemes operated within the Government sector.

It should be noted that there is an accident compensation scheme administered by the Accident Compensation Corporation for residents and temporary visitors to New Zealand. This scheme is funded in part by premiums paid by employees and employers. For employees, the premium represents 1.7% of their gross earnings. For employers and the self-employed, the premiums are based on a percentage of the total payroll and the applicable rate varies depending upon the associated accident risk (the average rate is 1.47%). This scheme is not considered as a compulsory social security contribution for the purposes of the Report.

3. Universal cash transfers

3.1. Amount for marriage

None.

3.2. Amount for children

The Parental Tax Credit provides NZD 150 per week for the first eight weeks of each child's life. This tax credit abates under the same regime as the Family Tax Credit, although it is unaffected until both the Family Tax Credit and In Work Tax Credit have been abated to zero.

3.3. Family Tax Credit

For an eldest child aged 16-18, the rate of the Family Tax Credit is NZD 5 303 per year, while the rate of NZD 4 822 applies if the eldest child is younger than 16. For subsequent children the rate depends on the age of the child; NZD 4 745 per year for 16-18 year-olds, NZD 3 822 per year for 13-15 year-olds and NZD 3 351 per year for children under 13 years of age. The total credit is abated by 21.25 cents on each dollar earned over NZD 36 350. The abatement is based on the combined income of the parents.

3.4. In Work Tax Credit

The In Work Tax Credit is available to families with dependent children who are not receiving an income-tested benefit, veteran's pension, New Zealand Superannuation or student allowance. The level of assistance it provides is NZD 3 120 per family per year, plus an additional NZD 780 per year for fourth and subsequent children. It is only available to couple families working a total of 30 hours or more per week, or to sole parents working 20 hours or more per week. It is also affected by the abatement regime used with the Family Tax Credit, although it is unaffected until the latter has been abated to zero.

3.5. Minimum Family Tax Credit

The Minimum Family Tax Credit is a scheme that ensures a guaranteed minimum family net income for all full-time earners with dependent children. The guaranteed minimum after-tax income is NZD 22568 per year plus the Family Tax Credit and In Work Tax Credit.

3.6. Independent Earner Tax Credit

The Independent Earner Tax Credit of NZD 520 is available to individuals with annual net income between NZD 24 000 and NZD 48 000 that do not receive other forms of tax credits or benefits. It is abated by 13 cents on each dollar earned over NZD 44 000.

4. Main changes in tax/benefit systems over 2011/12

The rates for the Family Tax Credit and the Minimum Family Tax Credit changed on 1 April 2012.

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.

2012 parameter values

	Ave_earn	51 278	Country estimate
Income tax schedule	Tax_sch	0.105	14 000
		0.175	48 000
		0.3	70 000
		0.33	
Family tax credit	Fam_sup_eld	4 822	
	Fam_sup_oth	3 351	
	Fam_sup_thrsh	36 350	
	Fam_sup_rate	0.2125	
In-work tax credit	In_work_children123	3 120	
	In_work_children4plus	780	
Minimum Family Tax Credit	Min_inc	22 568	
Independent Earner Tax Credit	IETC	520	
	IETC_thrsh1	24 000	
	IETC_thrsh2	44 000	
	IETC_rate	0.13	

2012 tax equations

The equations for the New Zealand system in 2012 are mostly repeated for each individual of a married couple. But the cash transfer is calculated only once. This is shown by the Range indicator in the table below. The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table andintermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances	tax_al	B	0
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	earn
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, Tax_sch)
6.	Tax credits :			
	Guaranteed minimum income	GMI	J	(Children>0)*Min_inc
	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.

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**		340493	510739	851231	340493
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	123500	123500	123500	168850
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable (ordinary) income (1 - 2 + 3)**		216993	387239	727731	171643
5.	**Central government income tax liability (ordinary + personal)**		29836	55112	134219	23601
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)**		29836	55112	134219	23601
8.	**State and local taxes (net of tax credits)**		30921	55182	103702	24459
9.	**Employees' compulsory social security contributions**					
	Gross earnings		26558	39838	66396	26558
	Taxable income					
		Total	26558	39838	66396	26558
10.	**Total payments to general government (7 + 8 + 9)**		87316	150131	304317	74618
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	34920
		Total	0	0	0	34920
12.	**Take-home pay (1-10+11)**		253176	360608	546915	300794
13.	**Employer's compulsory social security contributions**		44605	66907	111511	44605
14.	**Average rates**					
	Income tax		17.8%	21.6%	28.0%	14.1%
	Employees' social security contributions		7.8%	7.8%	7.8%	7.8%
	Total payments less cash transfers		25.6%	29.4%	35.8%	11.7%
	Total tax wedge including employer's social security contributions		34.3%	37.6%	43.2%	21.9%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		35.8%	44.8%	47.8%	35.8%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		43.2%	51.2%	53.8%	43.2%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Norway 2012

The tax/benefit position of married couples

		100-0	100-33	100-67	100-33
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	510739	680985	851231	680985
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	168850	233544	247000	233544
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable (ordinary) income (1 - 2 + 3)**	341889	447441	604231	447441
5.	**Central government income tax liability (ordinary + personal)**	48876	63390	84948	63390
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)**	48876	63390	84948	63390
8.	**State and local taxes (net of tax credits)**	48719	63760	86103	63760
9.	**Employees' compulsory social security contributions**				
	Gross earnings	39838	53117	66396	53117
	Taxable income				
	Total	39838	53117	66396	53117
10.	**Total payments to general government (7 + 8 + 9)**	137433	180267	237447	180267
11.	**Cash transfers from general government**				
	For head of family				
	For two children	23280	23280	23280	0
	Total	23280	23280	23280	0
12.	**Take-home pay (1-10+11)**	396586	523998	637064	500718
13.	**Employer's compulsory social security contributions**	66907	89209	111511	89209
14.	**Average rates**				
	Income tax	19.1%	18.7%	20.1%	18.7%
	Employees' social security contributions	7.8%	7.8%	7.8%	7.8%
	Total payments less cash transfers	22.4%	23.1%	25.2%	26.5%
	Total tax wedge including employer's social security contributions	31.3%	32.0%	33.8%	35.0%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	44.8%	44.8%	44.8%	44.8%
	Total payments less cash transfers: Spouse	25.2%	25.2%	35.8%	25.2%
	Total tax wedge: Principal earner	51.2%	51.2%	51.2%	51.2%
	Total tax wedge: Spouse	33.8%	33.8%	43.2%	33.8%

The national currency is the kroner (NOK). In 2012, NOK 5.8 was equal to USD 1. In that year the average worker earned NOK 510 739 (Secretariat estimate).

1. Personal income tax system

The personal income tax has two tax bases: *personal income* and *ordinary income*. Personal income is defined as income from labour and pensions. Personal income is a gross income base from which no deductions are made. Ordinary income includes all types of taxable income from labour, pensions, business and capital. Certain costs and expenses, including interest paid on debt, are deductible in the computation of ordinary income.

1.1. Central government income tax

1.1.1. Tax unit

The tax unit is in most cases the individual (tax class 1), but joint taxation (tax class 2) is also possible. Single parents are entitled to be taxed under the tax class 2 schedule. Children aged below 17 are generally taxed together with their parents, but they may be taxed individually. All other income earners are taxed on an individual basis (class 1).

1.1.2. Tax allowances applicable to an AW

There are no tax allowances applicable to an AW under the central government income tax (surtax). The tax base is personal income from which no deductions are allowed. As part of the overall tax rate of 28 per cent on ordinary income, 13.75 per cent is considered to be the central government income tax.

1.1.3. Rate schedule (surtax)

Rate (%)	NOK
0	0-490 000
9.0	490 000-796 400
12.0	796 400 and over

1.2. Local government income tax

The overall tax rate on ordinary income is 28 per cent. The local government (municipal and county) income tax is 14.25 per cent points of the overall rate. Tax on ordinary income is levied after taking into account a standard allowance of NOK 45 350 (class 1) and NOK 90 700 (class 2) in 2012. The deductions in the computation of ordinary income are:

1.2.1. Standard reliefs

- Basic allowance: Each individual receives a minimum allowance equal to 38 per cent of personal income, with a minimum of NOK 4 000 and a maximum of NOK 78 150. For wage income each individual can choose a separate allowance of NOK 31 800 instead of the basic allowance. Hence, wage earners would opt to choose this separate allowance as long as it exceeds the basic allowance to which they are entitled.

1.2.2. Non-standard reliefs

The main non-standard allowances deductible from ordinary income are:

- Parent allowance: Documented expenses for child care limited to:
  - maximum NOK 25 000 for one child;
  - plus NOK 15 000 for each subsequent child.

The allowance applies in general to the spouse who has the highest income. Unused parent allowance may be transferred to the other spouse. The allowance is also applicable to single parents.

- Travel expenses related to work exceeding NOK 13 950.
- Labour union fees up to NOK 3 750.
- Donations to voluntary organisations up to NOK 12 000.
- Contributions to individual pension agreement schemes, maximum NOK 15 000.
- Premiums and contributions to occupational pension schemes in the private and public sector, unlimited.
- Unlimited deduction for interest payments.

The main non-standard tax credits are:

- Home savings scheme (BSU): The BSU scheme aims to encourage young people (under 34 years old) to save for a future home purchase. A wastable *tax credit* of 20 per cent of annual savings up to NOK 20 000 in special accounts is granted. Total savings may not exceed NOK 150 000.

2. Social security contributions

2.1. Contributions to the national insurance scheme

2.1.1. Employees' contributions

Employees' contributions to the National Insurance Scheme generally amount to 7.8 per cent of personal wage income. Employees do not make contributions if their wage income is less than NOK 39 600. Once wage income exceeds this floor, an alternative calculation is made where the contributions equal 25 per cent of the wage income in excess of the floor. The actual contributions made would represent the minimum between the alternative calculation and 7.8 per cent of the total wage income.

Contributions from the self-employed are 11.0 per cent of personal income attributable to labour (7.8 per cent for the self-employed in primary industries).

2.1.2. Employers' contributions

Employer's social security contributions are due for all employees in both the private and the public sector. The contribution is geographically differentiated according to the municipality where the work-place is. The standard rates are 14.1, 10.6, 7.9, 6.4, 5.1 or 0 per cent of gross wages. The highest rate applies to central parts of southern Norway. Lower rates may apply under certain circumstances. The weighted average rate is approximately 13.1 per cent.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children (child support)

The following transfers are available:

NOK 11 640 per child aged 0-18 years.

Single parents receive transfers for one more child than their actual number of children. Families living in the northernmost parts of Norway receive extra child support of NOK 3 840 per year for each child aged 18 or younger.

4. Main changes in tax/benefit systems since 2002

- Most important changes in 2012:
  - ❖ The personal allowance for labour income was increased for low income earners (below NOK 217 000) by 2 percentage points from 36 to 38 per cent of their labour income.
  - ❖ For self-employed the wage allowance was abolished to eliminate residual discrimination between sole proprietorships with employees and limited companies.
  - ❖ In the deduction for travel expenses for travels between home and work the deduction rate per kilometre was increased for tax payers travelling between 35 000 km and 50 000 km per year.
  - ❖ The maximum deduction for labour union fees was increased by NOK 90 to NOK 3 750.
- In 2011 changes to the tax system was made to provide better incentives for people to work when drawing a pension. The tax limitation rule for early-retirement and old-age pensioners was replaced by a new tax allowance for pension income. The allowance ensures that people who only receive the minimum pension will continue not to pay income tax. The allowance is scaled down against pension income, so that the marginal tax on earned income is reduced to the same level as for wage earners. The marginal tax on capital for low-income pensioners is also reduced to the same level as for other taxpayers. The new tax allowance is determined regardless of the spouse's income and married early-retirement and old-age pensioners will each have their own allowance. In addition, the pension income social security contribution is increased and the special allowance for age is discontinued.

❖ In 2010 a new formula-based system for determining the tax-assessed value of homes was introduced. The new tax-assessed value will be determined by multiplying the floor space of the dwelling by a square metre price based on the geographical location (neighbourhood, municipality, sparsely populated vs. densely populated area), size, age and type (detached, semi-detached, terraced, flat) of the property. For *primary homes* (owner-occupied), the per square metre rate will be set at 25 per cent of the estimated sale price per square metre, whereas the rate for second homes, i.e. any other dwellings in addition to the primary home that are not defined as business or recreational properties, will be set at 40 per cent of the estimated sale price per square metre. The current "safety valve" system is being continued so that taxpayers can appeal and have the tax-assessed value reduced to 30 per cent of the documented fair market value

(60 per cent for second homes). In addition, the tax-assessed values of recreational properties are increased by 10 per cent.

❖ Most important changes in 2009 were the abolition of the 80-per cent rule, which primarily reduced the wealth tax of the richest. The wealth tax on equities for those who fall within the scope of the 80-per cent rule has been more than doubled since 2005.

- The home savings scheme (BSU) was expanded in 2009 by increasing the annual savings amount to NOK 20 000 and the maximum aggregate savings amount to NOK 150 000.
- The rates of the inheritance tax were reduced and the exempted amount was increased in 2009. The instalment scheme for family businesses was expanded through the abolition of the upper limit, and the payment period was increased from 7 to 12 years.

Other changes in the personal tax base in 2009:

- The fishermen's allowance was increased from NOK 115 000 to NOK 150 000.
- The reindeer husbandry allowance was increased to the same level as the agriculture allowance.
- The allowance for labour union fees was increased by NOK 450 to NOK 3 600.
- The rate of the travel allowance was increased from NOK 1.40 per km to NOK 1.50 per km.
- The tax-free net income thresholds under the tax limitation rule were increased such as to ensure that singles and couples who receive the minimum state pension will still not be paying tax following the favourable social security settlement they benefited from in 2008.
- A tax favoured contributions to individual pension agreement schemes was reintroduced as of 2008.
- From 1 January 2008 the employees' SSC rate for self-employed was increased from 10.7 per cent to 11.0 per cent.
- The upper threshold in the surtax schedule was substantially reduced from 2006 to 2007.
- The surtax rates were reduced in 2005 and 2006, as part of a reform of the dual income tax system. The basic allowance has been substantially increased.
- From 1 January 2006 the supplementary employer's social security contribution at 12.5 per cent for gross wage income that exceeds 16 times "G" (average "G" is estimated to be NOK 74 721 in 2010) was removed.
- From 1 January 2006 the class 2 in the surtax was removed.
- From 1 January 2005 the ceiling in the parent allowance for two and more children was removed, and the maximum allowance was increased with NOK 5 000 for each child after the first. From 2008 the maximum allowance will be increased with NOK 15 000 for each child after the first.
- The additional child support of NOK 7 884 for children aged 1 and 2 years was abolished as of 1 August 2003.
- An allowance of maximum NOK 6 000 for donations to voluntary organisations was introduced as of 1 January 2003. Previously this allowance was coordinated with the allowance for labour union fees (with a combined maximum allowance). The allowance was increased to NOK 12 000 as of 1 January 2005.

- As of 1 July 2002 the employer's social security contribution rates for employees aged 62 years or older were reduced by 4 percentage points, although not below zero per cent. From 2007 the reduction was abolished.

5. Memorandum items

5.1. *Identification of an AW and calculation of earnings*

- The wage series used refers to full time employees in the B-N industry group (ISIC Rev. 4).
- The calculation of annual wage earnings is as follows:
  - ❖ Weighted average monthly wage plus overtime times 12.

The average monthly wage is agreed payment for a wage earner working a normal agreed working-year. It includes bonus payments and other allowances, but not payments for overtime, sick leave, and an establishment's indirect wage costs. The sum is weighted with the number of persons employed in the different industry groups.

5.2. *Employers' contributions to private health and pension schemes*

No information available.

2012 parameter values

Average earnings/yr	Ave_earn	510 739	Secretariat estimate
Central rate (pers)	Tax1_sch	0	490 000
class 1		0.09	796 400
		0.12	
class 2	Tax2_sch	0	490 000
		0.09	796 400
		0.12	
Central rate (ord)	Cent_rate_ord	0.1375	
Local rate (ord)	Local_rate	0.1425	
Allowances	Class_al_1	45 350	
	Class_al_2	90 700	
Basic relief	Basic_min	4 000	
	Basic_max	78 150	
	Basic_rel_rate	0.38	
	Basic_min_wage	31 800	
Soc security contribs	SSC_rate	0.078	
Employer	SSC_empr	0.131	
Trygd. low.lim	SSC_low_lim	39 600	
pct.rate	SSC_low_rate	0.25	
Ref. Income "G"	SSC_G	81 153	
Child cash transfer	Child_sup	11 640	

2012 tax equations

The equations for the system for Norway in 2012 May be calculated on an individual or joint basis for married couples. Social security contributions are calculated on an individual basis. The calculation for Class 2 is always chosen for single parents and is chosen for married couples whenever this gives a lower value of tax than the corresponding Class 1 calculations. The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	J	IF(class=1, tax1_al_princ+tax1_al_spouse, tax2_al)
	Class 1 tax allowance (ordinary)	tax1_al_princ	P	MIN(MAX(Basic_min_wage, MIN(earn_princ*Basic_rel_rate, Basic_max)) +Class_al_1, earn_princ)
	Class 1 tax allowance (ordinary)	tax1_al_spouse	S	MIN(MAX(Basic_min_wage, MIN(earn_spouse*Basic_rel_rate, Basic_max)) +Class_al_1, earn_spouse)
	Class 2 tax allowance (ordinary)	tax2_al	J	MIN(MAX(Basic_min_wage, MIN(earn_princ*Basic_rel_rate, Basic_max)), earn_princ)+MIN(MAX(Basic_min_wage, MIN(earn_spouse* Basic_rel_rate, Basic_max)), earn_spouse)+Class_al_2
3.	Credits in taxable income	taxbl_cr	J	0
4.	CG taxable income (ordinary)			
	Class 1 taxable income	tax1_inc	B	Positive(earn-tax1_al)
	Class 2 taxable income	tax2_inc	J	Positive(earn_total-tax2_al)
5.	CG tax	CG_tax		IF(class=1, CG1_tax, CG2_tax)
	Class 1 tax (personal+ordinary)	CG1_tax	B	Tax(earn, Tax1_sch)+Cent_rate_ord*tax1_inc
	Class 2 tax (personal+ordinary)	CG2_tax	J	Tax(earn_total, Tax2_sch)+Cent_rate_ord*tax2_inc
6.	Tax credits :	tax_cr	P	0
7.	CG tax	CG_tax	B	CG_tax
8.	State and local taxes	local_tax	J	IF(class=1, local1_tax_total, local2_tax)
	Class 1 local tax	local1_tax	B	(Local_rate*(tax1_inc_princ+tax1_inc_spouse))-tax_cr
	Class 2 local tax	local2_tax	J	(Local_rate*tax2_inc)-tax_cr
	Favourable class	class	J	1+((CG2_tax_excl+local2_tax)<(CG1_tax_excl_total+local1_tax_total))
9.	Employees' soc security	SSC	B	MIN(earn*SSC_rate, Positive(SSC_low_rate*(earn-SSC_low_lim)))
11.	Cash transfers	cash_trans	J	(children>0)*Child_sup
13.	Employer's soc security	SSC_empr	B	earn*SSC_empr

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**		25940	38910	64851	25940
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		2610	3914	6524	2610
	Work-related expenses		1335	1335	1335	1335
	Other					
		Total	3945	5249	7859	3945
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		21049	32241	54625	21049
5.	**Central government income tax liability (exclusive of tax credits)**		3789	5803	9832	3789
6.	**Tax credits**					
	Basic credit		556	556	556	1112
	Married or head of family					
	Children		0	0	0	2224
	Other (health insurance)		1735	2602	4337	1735
		Total	2291	3158	4893	5071
7.	**Central government income tax finally paid (5-6)**		1498	2645	4940	0
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2610	3914	6524	2610
	Taxable income		2015	3022	5036	2015
		Total	4624	6936	11560	4624
10.	**Total payments to general government (7 + 8 + 9)**		6122	9581	16500	4624
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)**		19818	29329	48351	21316
13.	**Employers' compulsory social security contributions**		4353	6529	10882	4353
14.	**Average rates**					
	Income tax		5.8%	6.8%	7.6%	0.0%
	Employees' social security contributions		17.8%	17.8%	17.8%	17.8%
	Total payments less cash transfers		23.6%	24.6%	25.4%	17.8%
	Total tax wedge including employer's social security contributions		34.6%	35.5%	36.2%	29.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		26.7%	26.7%	26.7%	17.8%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		37.2%	37.2%	37.2%	29.6%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Poland 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		38910	51880	64851	51880
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		3914	5219	6524	5219
	Work-related expenses		1335	2670	2670	2670
	Other					
		Total	5249	7889	9194	7889
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		32241	42098	53290	42098
5.	**Central government income tax liability (exclusive of tax credits)**		5803	7578	9592	7578
6.	**Tax credits**					
	Basic credit		1112	1112	1112	1112
	Married or head of family					
	Children		2224	2224	2224	0
	Other (health insurance)		2602	3469	4337	3469
		Total	5938	6806	7673	4582
7.	**Central government income tax finally paid (5-6)**		0	772	1919	2996
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3914	5219	6524	5219
	Taxable income		3022	4029	5036	4029
		Total	6936	9248	11560	9248
10.	**Total payments to general government (7 + 8 + 9)**		6936	10020	13479	12244
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)**		31974	41860	51371	39636
13.	**Employers' compulsory social security contributions**		6529	8705	10882	8705
14.	**Average rates**					
	Income tax		0.0%	1.5%	3.0%	5.8%
	Employees' social security contributions		17.8%	17.8%	17.8%	17.8%
	Total payments less cash transfers		17.8%	19.3%	20.8%	23.6%
	Total tax wedge including employer's social security contributions		29.6%	30.9%	32.2%	34.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		17.8%	26.7%	26.7%	26.7%
	Total payments less cash transfers: Spouse		23.8%	26.7%	26.7%	26.7%
	Total tax wedge: Principal earner		29.6%	37.2%	37.2%	37.2%
	Total tax wedge: Spouse		34.7%	37.2%	37.2%	37.2%

The national currency is the zloty (PLN). In 2012, PLN 3.25 was equal to USD 1. In that year, the average worker earned PLN 38 910 (Secretariat estimate).

1. Personal income tax system

An individual being a tax resident in Poland is liable to tax on the basis of worldwide income, irrespective of the source and origin of that income. (The term "residency" is understood similarly to Article 4 paragraph 2 point a) of the *OECD Model Tax Convention on Income and Capital*.)

1.1. Central government income tax

1.1.1. Tax unit

Individuals are taxed on their own income, but couples married during the whole calendar year* can opt to be taxed on their joint income. In the latter case, the "splitting" system applies: the tax bill for a couple is twice the income tax due on half of joint income, provided the joint income does not include capital income taxed at the flat 19 per cent rate. Single individuals with dependent children are also entitled to use the splitting system (their family quotient is two). For the purpose of this report, it is assumed that married couples are taxed on joint income.

1.1.1.1. Tax base

1.1.1.1.1. Gross employment income

For taxation purposes, taxable gross employment income in Poland includes both cash income and the value of benefits in kind. More specifically, gross employment income includes base salary, overtime payments, bonuses, awards, compensation for unused holidays, and costs that are paid in full or in part by the employer on behalf of the employee.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- Basic relief: A non-refundable tax credit of PLN 556.02 per person.
- Marital status relief: None.
- Relief for children: A tax credit of PLN 1 112.04 available for each child.**
- Relief for health insurance contributions: A tax credit is almost equal to health insurance contribution paid to the National Health Fund. The contribution is 9 per cent of the calculation basis whereas the tax credit is 7.75 per cent of this basis.
- Relief for other social security contributions: An allowance is provided for all social insurance contributions paid by the taxpayer.

* However, a widowed spouse is entitled to apply the join income taxation.

** It concerns a child of 18 years old or younger or a child up to 25 years old provided they are students or a disabled child irrespecitve of their age.

- Relief for selected work-related expenses: Standard deductions depend on the number of workplaces and on whether place of residence and workplace are within the same town/city or not. The annual amounts in PLN (deductible from income) are:

	One workplace	Two/more workplaces
Workplace in the same town/city as place of residence	1 335.00[1]	2 002.05
Workplace in different town/city as place of residence	1 668.72	2 502.56

Note: If the actual commuting expenses exceed standard deduction, relief can be determined by the actual expenses incurred solely on personal season tickets.

1. For the purpose of the calculations in this publication, it is assumed that the worker has the same town/city as place of residence.

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

Allowances:

- Expenses for the purpose of rehabilitation incurred by a taxpayer who is a disabled person, or a taxpayer, who supports the disabled.
- Equivalent of blood donations, donations made for the purposes of public benefit activity and of religious practice – in the amount of donation, no more than 6 per cent of income.
- Donations made for charity church care – in the amount of the donation.
- Expenses incurred for the use of Internet in a taxpayer dwelling place – up to PLN 760.
- Abolished allowance (since 2007 continued on the acquired right basis) for interests payments on mortgage loans raised no later than in 2006 on acquisition of housing property on the primary market – up to the amount of interests related to the part of loan not exceeding PLN 325 990.

Tax credits:

- Donations made to public benefit organizations – up to 1 per cent of due tax.*
- Abolished tax credits (continued on the acquired rights basis), i.e. expenses for saving with the aim of buying a house or flat, the amount of social contributions paid on income of an unemployed person hired by a taxpayer in order to take care of their children and/or house.

1.1.3. Tax schedule

The tax schedule is as follows:

Tax base (in PLN)		Tax amount
Over	Below	
0	85 528	18 % of the tax base, less a basic tax credit of PLN 556.02
85 528		PLN 14 839.02 + 32% of surplus over PLN 85 528

1.2. State and local income tax

There are no regional or local income taxes.

* This relief is distinct from an allowance for donations deducted from income.

1.3. Wealth tax

There is no wealth tax.

2. Social security contributions

2.1. Employees' contributions

Employees pay 13.71 per cent of the gross wage. This contribution includes:

- Pension insurance contribution – 9.76 per cent of the gross wage.
- Disability insurance contribution – 1.5 per cent of the gross wage.
- Sickness/maternity insurance contribution – 2.45 per cent of the gross wage.
- 11.78 per cent of the old age insurance contribution (about 1.15 percentage points*) are transferred by ZUS to a privately-managed fund, which is called an "open pension fund (OPF)" where the savings accumulate at a market conform rate. These pension savings are paid out if the taxpayer dies before reaching the pension age. These pension savings are not included in the *Taxing Wages* calculations as they are "non-tax compulsory payments"; more information can be found in the online *OECD Tax Database* (*www.oecd.org/ctp/taxdatabase*).
- In case of pension and disability insurance, contributions are not paid on the part of the wage that exceeds PLN 105 780.**

2.2. Employers' contributions

In respect of income paid under an employment contract with a Polish entity, employers have an obligation to pay social security contributions equal to 20.43 per cent of gross wage. This value consists of:

- 9.76 percentage points are aimed for pension insurance.
- 6.5 percentage points are aimed for disability insurance.
- 4.17 percentage points are aimed for other insurances i.e. 1.62 percentage points (on average) accident insurance, 2.45 percentage points for Labour Found and 0.1 percentage points for the Guaranteed Employee Benefit Fund.
- 11.78 per cent of the old age insurance contributions (about 1.15 percentage points***) are transferred by ZUS to a privately-managed fund, which is called an "open pension fund (OPF)"; where the savings accumulate at a market conform rate. These pension savings are paid out if the taxpayer dies before reaching the pension age. These pension savings are not included in the *Taxing Wages* calculation as they are "non-tax compulsory payments"; more information can be found in the online *OECD Tax Database* (*www.oecd.org/ctp/taxdatabase*).
- In case of pension and disability insurance, contributions are not paid on the part of the wage that exceeds PLN 105 780.

* From May, 2011 2.3 per cent of gross earnings (which is 11.78 per cent of old age contribution paid both by employee and employer). This percentage will increase in future years.

** The contribution ceiling of pension and disability insurance funds for a given calendar year may not exceed thirty times the amount of the projected average monthly remuneration in the national economy for that year, as set forth in the Budgetary Act.

***See footnote 6.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

Families where the average monthly income per household member for the previous period is no greater than PLN 504 or PLN 583 when there are one or more disabled children in the household) are entitled to family allowances. Families receive PLN 68 monthly for a child no older than 5 years, PLN 91 monthly for a child of 5 up to 18 years old, and PLN 98 monthly for a child of 18 up to 24 years old. The calculations in this Report are based on the assumption that the children are aged between 5 and 18 years.

Single parents are entitled to a supplement of PLN 170 for each child up to a maximum of PLN 340 for all children (and PLN 250 for a disabled child up to a maximum of PLN 500 for all children).

There are several supplements to family allowances:

- for large families – PLN 80 monthly for the 3rd and next children in the family;
- for education of disabled children – PLN 60 monthly for children not older than 5 years and PLN 80 for children older than 5 years.

4. Main changes in tax/benefit systems since 2011

There were no changes in taxation of wages. Tax schedule, work-related expenses, tax allowances, relieves are the same as in previous year.

There were only changes in Social Security Contribution. The disability insurance contribution paid by employers increased by 2 percentage points to 6.5 % of gross wage.

What was changed is the distribution of old age contributions. Up to May 2011 they were divided into two pillars – ZUS (12.22 per cent of gross salary) and OPF (7.3 per cent of gross salary). Since May 2011 the share of contribution transferred to OPF was decreased to 2.3 per cent of gross salary. Remaining 5 per cent will be accumulated on new subaccounts in ZUS. This capital is to be indexed annually by the rate of economic growth (measured in 5 year period) and inflation, not invested at market conform rates as it is in case of OPFs. Capital subscribed in new subaccounts in ZUS is subject to inheritance (just like in OPF). The share of old pension contribution invested in OPFs and accumulated in new subaccounts in ZUS will change over the next years in favour for OPFs.

5. Memorandum items

5.1. Identification of AW and valuation of earnings

The Polish Central Statistical Office calculates average monthly wages and salaries for employees on the basis of reports of enterprises. The figures include overtime and bonus payments and also include information for part-time employees converted to full-time equivalents. Male and female workers are included. The information, which includes estimates for different sectors, is published in the monthly *Statistical Bulletin*.

5.2. Employers' contributions to private pension, health and related schemes

No information provided.

2012 parameter values

Average earnings/yr	Ave_earn	38 910	(Secretariat Estimate)
Work expenses	work_exp	1 335.00	
Income tax schedule	tax_sch	0.18	85 528
		0.32	
Tax credits			
Basic credit	basic_cr	556.02	
Health insurance	health_ins	0.09	
	health_ins_credit	0.0775	
Children	Child_cr	1 112.04	
Social security contributions			
Employers	SSC_empr	0.2043	
old-age pension and disability pension insurance	SSC_old	0.0976	
	SSC_old_ZUS	0.0610976	
	SSC_old_ZUSII	0.02500	
	SSC_old_OPF	0.01150	
	SSC_dis	0.065	
other insurances	SSC_a	0.0417	
Employees	SSC	0.1371	
old-age pension and disability pension insurance	SSC_old_e	0.0976	
	SSC_old_e_ZUS	0.0610976	
	SSC_old_e_ZUSII	0.0250	
	SSC_old_e_OPF	0.0115	
	SSC_dis_e	0.015	
sickness insurance	SSC_s	0.0245	
Contribution ceiling	SSC_c	105 780	
Family benefit	fam_ben	1 092	
single parent additional family benefit	fam_ben_Spsup	170	
single parent additional family benefit ceiling	fam_ben_Spsup_lim	340	
income limit	fam_ben_lim	6 048	
income limit for single parent	fam_ben_lim_sp	6 048	

1. Lump-sum annual work expenses for an employee having one workplace and living in the place (town, city) where the workplace is; employees living outside the city (town) where their workplace is may deduct PLN 1 668.72 annually.

2012 tax equations

The equations for the Polish system are mostly calculated on a family basis.

The standard functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Two additional functions (Tax93 and ftax) have been incorporated to carry out an iterative calculation for central government tax. These allow for the fact that the church tax is calculated as 9 per cent of Central Government tax and is also allowed as a deduction when calculating taxable income. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
	Quotient for tax calculation	quotient	J	1+MAX(Married,(Children>0))
2.	Allowances:	tax_al	J	work_exp+MIN(earn_spouse,work_exp)+SSC+SSC_old_e_OPF*MIN(earn, SSC_c)
3.	Credits in taxable income	taxbl_cr	J	0
4.	CG taxable income	tax_inc	J	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	J	quotient*Tax(tax_inc/quotient,tax_sch)
6.	Tax credits :			
	Basic credit	basic_cr	J	basic_cr*quotient
	Health insurance	health_ins_cr	B	health_ins_credit*(earn-SSC-SSC_old_e_OPF*MIN(earn, SSC_c))
	Child credit	child_cr	J	Child_cr*Children
	Total tax credits	tax_cr	J	basic_cr+health_ins_cr+child_cr
7.	CG tax	CG_tax	J	Positive(CG_tax_excl-tax_cr)
8.	State and local taxes	local_tax	J	0
9.	Employees' soc security	health_ins	B	(earn-(MIN(earn, SSC_c)*(SSC_old_e+SSC_dis_e)+earn*SSC_s))*health_ins
		SSC	B	(SSC_old_e_ZUS+SSC_dis_e)*MIN(earn,SSC_c)+SSC_s*earn
11.	Cash transfers	cash_tran	J	((earn_total/(1+Married+Children))<(Married*fam_ben_lim+(1-Married)*fam_ben_lim_sp))*(Children*fam_ben+(1-Married)*(Children>0)*MIN(fam_ben_Spsup*Children;fam_ben_Spsup_lim))
13.	Employer's soc security	SSC_empr	B	(SSC_old_ZUS+SSC_dis)*MIN(earn,SSC_c)+SSC_a*earn

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	10480	15720	26200	10480
2.	**Standard tax allowances**				
	Basic allowance	4104	4104	4104	4104
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses	0	0	0	0
	Other				
	Total	4104	4104	4104	4104
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	6376	11616	22096	6376
5.	**Central government income tax liability (exclusive of tax credits)**	770	1945	4922	770
6.	**Tax credits**				
	Basic credit	261	261	261	380
	Married or head of family				
	Children	0	0	0	380
	Other				
	Total	261	261	261	760
7.	**Central government income tax finally paid (5-6)**	509	1684	4661	10
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1153	1729	2882	1153
	Taxable income				
	Total	1153	1729	2882	1153
10.	**Total payments to general government (7 + 8 + 9)**	1662	3413	7543	1163
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	841
	Total	0	0	0	841
12.	**Take-home pay (1-10+11)**	8818	12307	18657	10158
13.	**Employer's compulsory social security contributions**	2489	3733	6222	2489
14.	**Average rates**				
	Income tax	4.9%	10.7%	17.8%	0.1%
	Employees' social security contributions	11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers	15.9%	21.7%	28.8%	3.1%
	Total tax wedge including employer's social security contributions	32.0%	36.7%	42.5%	21.7%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	25.0%	35.5%	46.5%	25.0%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	39.4%	47.9%	56.8%	39.4%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Portugal 2012

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
1.	**Gross wage earnings**		15720	20960	26200	20960
2.	**Standard tax allowances**					
	Basic allowance		4104	8208	8208	8208
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses		0	0	0	0
	Other					
		Total	4104	8208	8208	8208
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		11616	12752	17992	12752
5.	**Central government income tax liability (exclusive of tax credits)**		1381	1540	2607	1540
6.	**Tax credits**					
	Basic credit		523	523	523	523
	Married or head of family					
	Children		380	380	380	0
	Other					
		Total	903	903	903	523
7.	**Central government income tax finally paid (5-6)**		479	638	1704	1018
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1729	2306	2882	2306
	Taxable income					
		Total	1729	2306	2882	2306
10.	**Total payments to general government (7 + 8 + 9)**		2208	2943	4586	3323
11.	**Cash transfers from general government**					
	For head of family					
	For two children		701	637	637	0
		Total	701	637	637	0
12.	**Take-home pay (1-10+11)**		14212	18653	22250	17636
13.	**Employer's compulsory social security contributions**		3733	4978	6222	4978
14.	**Average rates**					
	Income tax		3.0%	3.0%	6.5%	4.9%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		9.6%	11.0%	15.1%	15.9%
	Total tax wedge including employer's social security contributions		26.9%	28.1%	31.4%	32.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		25.0%	25.0%	35.5%	25.0%
	Total payments less cash transfers: Spouse		15.2%	25.0%	35.5%	25.0%
	Total tax wedge: Principal earner		39.4%	39.4%	47.9%	39.4%
	Total tax wedge: Spouse		31.5%	39.4%	47.9%	39.4%

The national currency is the euro (EUR). In 2012, EUR 0.78 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 15 720 (Secretariat estimate).

1. Personal income tax system

1.1. Taxes levied by central government

1.1.1. Tax unit

The tax unit is the family. Family income includes the income of any dependent children. Tax is computed on aggregate net income in the various categories of income, i.e. after the deductions specific to each category and standard and non-standard reliefs.

1.1.2. Standard and non-standard reliefs and tax credits

1.1.2.1. Standard reliefs

Standard deduction of 72 per cent of 12 times the Social Benefit Index per taxpayer (the 2010 highest monthly minimum wage until the index reaches this value).* If compulsory contributions to social protection schemes and statutory sub-schemes for health care exceed that limit, the deduction will equal the amount of those contributions.

1.1.2.2. Non-standard reliefs

For income received from 1 January 1999 onwards, the majority of the standard reliefs have been replaced by tax credits (see Section 1.1.4).

Non-standard reliefs still in effect:

- A deduction is provided for the portion of trade union dues not constituting consideration for benefits in the realm of health care, education, assistance for the elderly, housing, insurance or social security, up to 1 per cent of the taxpayer's gross income, increased by 50 per cent. These dues are not taken into account in the calculations underlying this Report.

1.1.3. Social security contributions

Social security contributions are totally deductible if they exceed EUR 4 104.00 per taxpayer, in which case the deduction for the contributions replaces the standard earned income deduction (see Section 1.1.2.1).

1.1.4. Tax credits

Basic credits:

- EUR 261.25 for each unmarried taxpayer or for each spouse;
- EUR 380.00 for a taxpayer in a single-parent family;

* The corresponding amount equals EUR 4 104.00 (72 per cent x 12 × EUR 475.00).

- EUR 190.00 for each dependent child. This tax credit is doubled for dependent children whose age does not exceed 3 years old.
- EUR 261.25 for each ascendant whose income does not exceed the minimum pension benefit. When there is only one ascendant, the tax credit is EUR 403.75.

Other tax credits:

- Non-reimbursed health care costs, not covered by Social Security: 10 per cent of health care costs plus interest on loans contracted to meet them, with a limit of EUR 838.44 (2 times the Social Benefit Index); for households with three or more dependents with health expenses the limit is raised by EUR 125.77 (30% of SBI), per dependent.
- Expenditures for educating the taxpayer or the taxpayer's dependants: 30 per cent of outlays, up to 160 per cent of the social benefits index (EUR 760.00; 160 per cent of 2010 highest minimum wage until this index reaches that value). For households having three or more dependants, the limit is raised by 30 per cent of the social benefits reference value (EUR 142.50; 30 per cent of 2010 highest minimum wage until this index reaches that value) for each dependant, if each of them incurs education costs.
- Costs for sanatoria or retirement homes for taxpayers, their ascendants and collaterals up to the third degree whose income does not exceed the national minimum wage: 25 per cent of expenses up to EUR 403.75.
- Costs for the acquisition, construction or improvement of the taxpayers' primary, permanent residence, or for renting out property for a permanent residence: 15 per cent of interest up to EUR 591.00. Rent paid by a tenant, for his permanent residence under an agreement typified by the law, up to EUR 591.00. This credit is applicable to contracts up to 31.12.2011. These limits are also increased by 50 per cent for taxpayers in the first two tax rate brackets, by 20 per cent for taxpayers in the third tax rate bracket and by 10 per cent for taxpayers in the fourth tax rate bracket. This credit is to be phased out until 2016 (interests) and 2018 (rents).
- Alimony payments compulsory under court order or court-approved agreement, up to a monthly limit of EUR 419.22 (SBI).

Tax credits from tax benefits:

- Individual Retirement Savings Plans (PPRs): 20 per cent of amounts invested, for unmarried taxpayers or for each spouse, up to:
  - ❖ EUR 400 for taxpayers under 35;
  - ❖ EUR 350 for taxpayers over 35 and under 50;
  - ❖ EUR 300 for taxpayers over 50.
- Social Security Individual Accounts: 20 per cent of amounts invested, for unmarried taxpayers or for each spouse, up to a limit of EUR 350.
- Donations granted on the conditions stated in the statutes governing charities (grants to central, regional or local government, special "social solidarity institutions", museums, libraries, schools, institutes, educational or research associations, public administrative bodies, etc.): 25 per cent of donations, limited in certain cases to 15 per cent of the donor's tax liability.

However, the total of tax credits related to health care costs, education and formation, alimony, retirement homes and house expenses cannot exceed the values of the following amounts:

Taxable income (EUR) (R)	Limit
Up to 4 898	Without limit
Over 4 898 up to 7 410	Without limit
Over 7 410 up to 18 375	EUR 1 250
Over 18 375 up to 42 259	EUR 1 200
Over 42 259 up to 61 244	EUR 1 150
Over 61 244 up to 66 045	EUR 1 100
Over 66 045 up to 153 300	EUR 0 (no tax credit)
Over 153 300	EUR 0 (no tax credit)

And the total of tax credits from tax benefits (which include the tax credits related to Individual Retirement Savings Plans, Social Security Individual Accounts and donations) cannot exceed the following amounts:

Taxable income (EUR) (R)	Limit
Up to 4 898	Without limit
Over 4 898 up to 7 410	Without limit
Over 7 410 up to 18 375	EUR 100
Over 18 375 up to 42 259	EUR 80
Over 42 259 up to 61 244	EUR 60
Over 61 244 up to 66 045	EUR 50
Over 66 045 up to 153 300	EUR 50
Over 153 300	EUR 0

1.1.5. *Family status*

To take the taxpayer's family status into account, joint taxation of the family unit was introduced, with the use of an income-splitting system to obtain taxable income.

1.1.5.1. Determination of taxable income

To determine taxable income, to which the rates listed in the tax schedule are applied, income is divided by 2.

1.1.6. *Tax rate schedule (applicable to 2012 income)*

Taxable income (EUR) (R)	Marginal tax rate (%) (T)	Amount to deduct (EUR) (K)
Up to 4 898	11.50	–
Over 4 898 up to 7 410	14.00	122.45
Over 7 410 up to 18 375	24.50	900.50
Over 18 375 up to 42 259	35.50	2 921.75
Over 42 259 up to 61 244	38.00	3 978.23
Over 61 244 up to 66 045	41.50	6 121.77
Over 66 045 up to 153 300	43.50	7 442.66
Over 153 300	46.50	12 041.67

In the case of taxpayers whose income stems primarily from dependent employment (earned income), disposable income after application of the tax rates to taxable income may not be less than 120 per cent of the national minimum wage, (EUR 8 148.00 in 2012), nor may it result in income tax of which the taxable base after application of the conjugal quotient is EUR 1 911 or less.

For residents in the Autonomous Regions of the Azores, reduced tax rates are applicable. Tax calculation formula (I = Income tax due):

- Unmarried taxpayers: I = R × T – K – C

Married taxpayers (with one or two earned incomes/see Section 1.1.5.1):

- I = {[(R : 2) × T – K] × 2 } – C

Where:

R = Taxable income, after deduction of standard and non-standard reliefs (see Sections 1.1.2 and 1.1.5.1).

T = Tax rate corresponding to the taxable income bracket.

K = Amount to be deducted from each bracket.

C = Tax credits (see Section 1.14).

Surtax:

A surtax was introduced by the 2012 State Budget and is *applicable to 2012 and 2013 highest income* bracket. The surtax of 2.5% is applicable to taxable income above EUR 153 300. For couples it's above double the difference between half the taxable income and EUR 153 300 (> 2 * (TI / 2 – EUR 153 300)).

1.1.7. Special family situations

1.1.7.1. Handicapped taxpayer/spouse, with a disability rating of 60 per cent or more:

- A tax credit corresponding to 4 times the 2010 minimum wage (EUR 1 900) is granted for each taxpayer or spouse.

1.1.7.2. Handicapped dependent children, with a disability rating of 60 per cent or more:

- A tax credit corresponding to 1.5 times the social benefits index (EUR 712.50) is granted for each dependent child.

1.1.7.3. Handicapped taxpayer/spouse or dependent children, with a disability rating of 90 per cent or more:

- An additional tax credit corresponding to 4 times the 2010 minimum wage (EUR 1 900) is granted for each taxpayer or spouse or dependent child.

1.1.8. Non-liable income

- Lawfully granted family allowances.
- Living expenses per diem, up to the limits established for national civil servants.
- Meal allowances, up to the amount established for national civil servants, increased by 20 per cent or 60 per cent in the event of a meal allowance in the form of meal vouchers.

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

Rates and ceilings: social security contributions are levied on gross pay and are not subject to any ceiling.

2.1. Employee contributions

As a rule, the rate of employee contributions is 11 per cent of gross pay, with no ceiling.

2.2. Employer contributions

The employer's rate of social security contributions is 23.75 per cent of gross pay, with no ceiling.

2.3. Areas of social protection

- Health (sickness, disability, work accidents, work-related illness).
- Old age, survival.
- Maternity.
- Family (family allowances).
- Unemployment.

3. Universal cash benefits

3.1. Benefits for dependent children

The basic principle is to grant higher monthly social benefits to lower-income households.

There are six different levels of monthly allowances for dependent children, depending on the family's reference income. This reference income is determined by dividing the family's annual gross income, including vacation and Christmas allowances, by the number of dependent children plus one:

- Level 1: Families whose reference income is under 50 per cent of 14 times the reference value (i.e. under EUR 2 934.54).
- Level 2: Families whose reference income is over 50 per cent and under 100 per cent of 14 times the reference value (i.e. over EUR 2 934.54 and under EUR 5 869.08).
- Level 3: Families whose reference income is over 100 per cent and under 150 per cent of 14 times the reference value (i.e. over EUR 5 869.08 and under EUR 8 803.62).
- Level 4: Families whose reference income is over 150 per cent (i.e. over EUR 8 803.62).

Each level is also divided according to the age of the dependent child. Benefits are higher during the first 12 months of a child's life.

Monthly social benefits per child are as follows:

	Child under 12 months	Child over 12 months old	Additional benefit per child over 12 months and under 36 months in a family with 2 children	Additional benefit per child over 12 months and under 36 months in a family with 3 or more children
Level 1	140.76	35.19	35.19	70.38
Level 2	116.74	29.19	29.19	58.38
Level 3	92.29	26.54	26.54	53.08
Level 4	0	0	0	0

Monthly social benefits per child in a single-parent family are increased by 20%.

In September, families with dependent school children aged between 6 and 16 years receiving child benefits in level 1 receive an additional amount equal to the regular monthly benefit.

An amount equal to the cash benefits for dependent children under 12 months is attributed for each unborn child after the first month following that of the 13th week of gestation.

3.2. Benefits for handicapped dependent children

There is also a special family allowance scheme for handicapped children.

The above cash benefits (in Sections 3.1 and 3.2) are not taxable.

4. Main changes in the tax/benefit system since 2006

- The relief for disabled taxpayers was restructured. Former partial exemptions and allowances were replaced by tax credits.
- Tax credits for higher income households were limited or abolished;
- The fiscal autonomy of local authorities (municipalities) increased. They may set the level of their share in the revenue from personal income tax, up to 5 per cent of their resident taxpayers' tax liability. If this rate is set below 5 per cent, the difference will be credited against the taxpayers' tax liability.
- Tax credits for handicapped taxpayers and dependants were increased.
- Social benefits for dependent children were increased for low income families, single-parent families and families with 2 or more children.
- Introduction of social benefits for unborn children.

5. Memorandum items

5.1. Method used to identify and compute gross wages of the average worker

The operative concept of monthly compensation is that of amounts paid to full time staff before deductions for tax and compulsory contributions. It therefore includes wages and basic salaries of staff paid by the hour, by the job, or by tasks; benefits in kind or housing, if they are considered an integral part of compensation; cash subsidies for meals, housing or transport; bonuses for regular night shifts and seniority, as well as incentive pay and rewards for diligence and productivity; family allowances, compensation for overtime and work on holidays. Benefits, subsidies and bonuses are taken into account only if paid regularly at each pay period.

Payments in kind are incorporated into the concept of compensation. The statistics record such advantages in kind at their taxable value.

All managerial and supervisory workers are included in the computations.

Average annual pay is based on the average of monthly earnings for April and October multiplied by an adjustment coefficient representing the share of annual bonuses and allowances (including vacation subsidies and the Christmas allowance), which is provided by the labour cost survey.

The following formula is applied:

- Average annual pay = Average monthly pay adjusted by the coefficient × 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.

2012 parameter values

Average earnings/yr	Ave_earn	15 720	Secretariat estimate	
Tax allowances	perc	1		
	max_al	4 104		
Tax credits				
Married (basic)	married_cred	261.25		
Single (basic)	single_cred	261.25		
Single parent	singlepar_cred	380		
Each child credit	child_cred	190		
Tax schedule	tax_sch	0.1150	4 898	
		0.1400	7 410	
		0.2450	18 375	
		0.3550	42 259	
		0.3800	61 244	
		0.4150	66 045	
		0.4350	153 300	
		0.4650		
	tax_floor	1 911		
Surtax	surtax_rate	0.025		
Social security contributions	SSC_rate	0.11		
ceiling	SSC_empr	0.2375		
Child benefit – Schedule	ch_ben_sch	0	457.47	1st echelon
		2 934.54	350.28	2nd echelon
		5 869.08	318.48	3rd echelon
		8 803.62	0	4th echelon
Extra child benefit for lone parents	ch_ben_lone	0.2		
Minimum Wage	MW	6 790		
Minimum Disposable Income	MinDispY	8 148		

2012 tax equations

The equations for the Portuguese system in 2012 are mostly calculated on a family basis.

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

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
	Divisor for tax calculation	divisor	J	1+Married
2.	Allowances:	tax_al	J	MAX((MIN(perc*earn_princ, max_al)+MIN(perc* earn_spouse, max_al)), SSC_princ+SSC_spouse)
3.	Credits in taxable income	taxbl_cr	J	0
4.	CG taxable income	tax_inc	J	earn-tax_al
5.	CG tax before credits	CG_tax_excl	J	IF(tax_inc/divisor>tax_floor, Tax(tax_inc/divisor, tax_sch)*(1+Married), 0)
6.	Tax credits :		J	
	Basic credit	basic_cr	J	IF(Married, 2*married_cred, IF(children, singlepar_cred, single_cred))
	Child credit	child_cr	J	Children*child_cred
	Total	tax_cr	J	basic_cr+child_cr
	Surtax	surtax	J	IF(Married=0,surtax_rate*Positive(tax-inc – TopIncBracket),surtax_rate*Positive(2*(tax-inc /2 – TopIncBracket)))
7.	CG tax	CG_tax	J	IF(earn-CG-tax-excl> MinDispY,Positive(CG_tax_excl-tax_cr),0)+surtax
8.	State and local taxes	local_tax	J	0
9.	Employees' soc security	SSC	B	earn*SSC_rt
11.	Cash transfers	cash_trans	J	=IF(Married=0, VLOOKUP(earn/(Children+1),ch_ben_sch,2.1)*Children*(1+ch_ben_lone), VLOOKUP(earn/(Children+1),ch_ben_sch,2.1)*Children)
13.	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.

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	6547	9821	16368	6547
2.	**Standard tax allowances**				
	Basic allowance	3645	3645	3645	3645
	Married or head of family	0	0	0	0
	Dependent children	0	0	0	0
	Deduction for social security contributions and income taxes	877	1316	2158	877
	Work-related expenses				
	Other				
	Total	4522	4961	5803	4522
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	2025	4860	10566	2025
5.	**Central government income tax liability (exclusive of tax credits)**	385	923	2007	385
6.	**Tax credits**				
	Basic credit	0	0	0	0
	Married or head of family	0	0	0	0
	Children	0	0	0	498
	Other (ETC)	0	0	0	0
	Total	0	0	0	498
7.	**Central government income tax finally paid (5-6)**	385	923	2007	-114
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	877	1316	2158	877
	Taxable income				
	Total	877	1316	2158	877
10.	**Total payments to general government (7 + 8 + 9)**	1262	2239	4165	764
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	541
	Total	0	0	0	541
12.	**Take-home pay (1-10+11)**	5285	7582	12203	6325
13.	**Employers' compulsory social security contributions**	1825	2737	4520	1825
14.	**Average rates**				
	Income tax	5.9%	9.4%	12.3%	-1.7%
	Employees' social security contributions	13.4%	13.4%	13.2%	13.4%
	Total payments less cash transfers	19.3%	22.8%	25.4%	3.4%
	Total tax wedge including employer's social security contributions	36.9%	39.6%	41.6%	24.5%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	29.9%	29.9%	28.7%	29.9%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	45.1%	45.1%	43.5%	45.1%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Slovak Republic 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	9821	13095	16368	13095
2.	**Standard tax allowances**				
	Basic allowance	3645	6480	7289	6480
	Married or head of family	3645	810	0	810
	Dependent children	0	0	0	0
	Deduction for social security contributions and income taxes	1316	1755	2193	1755
	Work-related expenses				
	Other				
	Total	8606	9044	9483	9044
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	1216	4051	6886	4051
5.	**Central government income tax liability (exclusive of tax credits)**	231	770	1308	770
6.	**Tax credits**				
	Basic credit	0	0	0	0
	Married or head of family	0	0	0	0
	Children	498	498	498	0
	Other (ETC)	0	46	0	46
	Total	498	545	498	46
7.	**Central government income tax finally paid (5-6)**	-268	225	810	723
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1316	1755	2193	1755
	Taxable income				
	Total	1316	1755	2193	1755
10.	**Total payments to general government (7 + 8 + 9)**	1049	1979	3003	2478
11.	**Cash transfers from general government**				
	For head of family				
	For two children	541	541	541	0
	Total	541	541	541	0
12.	**Take-home pay (1-10+11)**	9314	11656	13906	10617
13.	**Employers' compulsory social security contributions**	2737	3650	4562	3650
14.	**Average rates**				
	Income tax	-2.7%	1.7%	4.9%	5.5%
	Employees' social security contributions	13.4%	13.4%	13.4%	13.4%
	Total payments less cash transfers	5.2%	11.0%	15.0%	18.9%
	Total tax wedge including employer's social security contributions	25.8%	30.4%	33.6%	36.6%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	29.9%	29.9%	29.9%	29.9%
	Total payments less cash transfers: Spouse	28.4%	29.9%	29.9%	29.9%
	Total tax wedge: Principal earner	45.1%	45.1%	45.1%	45.1%
	Total tax wedge: Spouse	44.0%	45.1%	45.1%	45.1%

As from 1.1.2009 Slovakia has joined the euro area; the national currency became the euro (EUR). In 2012, EUR 0.78 was equal to USD 1. In that year, the average worker earned EUR 9 821 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income taxes

1.1.1. Tax unit

The tax unit is the individual.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- *Basic relief:* An allowance for all taxpayers is set at 19.2 times the minimum living standard (MLS) for a basic adult as of 1 January 2012 (EUR 3 644.74). In 2012, the basic personal allowance for taxpayers with gross earnings net of employee social security contributions in excess of the threshold of EUR 18 983 per year (18 983 = 100 × MLS, which is approximately equal to an employee's monthly gross wage of EUR 1 816) is gradually withdrawn. If gross earnings net of employee social security contributions exceed EUR 18 983, 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 33 562 per year (employee's monthly gross wage of approximately EUR 3 151.3). The value of the basic tax allowance cannot become negative.

  The degressive tax allowance is taken into account only once a year (when the tax return is filed or when the annual clearing is performed). Monthly tax prepayments during the year are therefore not affected.

- *Marital status relief:* An additional allowance is given to the principal earner in respect of a spouse living in a common household if the spouse earns no more than EUR 3 644.74. As from 1 January 2007 the value of the spouse allowance depends on the gross earnings net of employee social security contributions of both principal and spouse.

  If the principal's gross earnings net of employee social security contributions in 2012 are lower or equal to EUR 32 562 (= 176.8 times MLS) and the spouse's gross earnings net of employee social security contributions are lower than 3 644.74, the spouse allowance is calculated as the difference between 19.2 times MLS and the spouse's gross earnings net of employee social security contributions. If the gross earnings net of employee social security contributions of the spouse exceed 3 644.74, the spouse allowance is 0. If the principal's gross earnings net of employee social security contributions exceed EUR 32 562 (= 176.8 times MLS), the spouse allowance is calculated as 63.4 times MLS minus 0.25 times the principal's gross earnings net of employee social security contributions. This amount is reduced by the spouse's gross earnings net of employee social security contributions. The value of the spouse allowance cannot become negative.

The degressive tax allowance is taken into account only once a year (when the tax return is filed or when the annual clearing is performed). Monthly tax prepayments during the year are therefore not affected.

- *Relief for children:* The prior allowance for children has been replaced by a non-wastable tax credit as from January 2004. As from July 2007, the monthly tax credit is indexed as result of a new indexation rule. The tax credit is automatically indexed by MLS growth and is effective as from the 1 July when also the new amount of MLS comes into force. During the period from 1 January to 30 June 2012 monthly tax credit was EUR 20.51 per child, from 1 July 2012 the amount of tax credit is EUR 21.03 (the annual amount will be EUR 249.24). 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 2012 is set at EUR 327.2 (the total annual earnings must therefore be at least EUR 1 963.2). The credit can be taken only by one partner. It can be taken by one partner for part of the tax period (year) and by the other partner for the rest of the tax period (year); this choice will have to hold for all dependent children. (For the purposes of this Report, it is assumed that the credit is claimed by the principal wage earner.)
- *Relief for social and health security contributions:* Employee's social security contributions (see Section 2.1.) are deductible for income tax purposes.

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

- Supplementary pension insurance, special-purpose savings and life insurances repealed as from January 2011.

1.1.2.3. Non-wastable tax credit: employee tax credit (ETC/ zamestnanecká prémia)

The employee tax credit is effective as from 2009 and is targeted at low-income workers whose wages are subject to the payment of social and health insurance contributions. The amount of tax credit depends upon the employee's earnings and the number of months worked.

In order to receive this tax credit, the employee must fulfil the entitlement criteria which are:

- the employee's earnings over the tax period must be at least 6 times higher than the minimum wage, which for 2012 is set at EUR 327.2 per month;
- the employee must have worked for at least 6 months over the tax period (the conditions of month worked is considered to be fulfilled when only one hour is worked during that month).

The ETC is a non-wastable tax credit as is the child tax credit. The value of the ETC depends on the level of the employee's earnings. If earnings are between at least 6 times of the minimum wage and 12 times of the minimum wage, the credit is calculated as 19 per cent of the difference between the basic allowance (EUR 3 644.74) and the tax base (gross earnings net of employee SSC), evaluated at the level of the minimum wage (EUR 3 400.56). If earnings exceed 12 times the minimum wage, then the ETC is calculated as 19 per cent of the difference of the basic allowance and the tax base (gross earnings net of employee SSC). The tax credit is zero when the tax base (gross earnings net of employee SSC) is equal to or higher than the basic allowance.

The highest value of the employee tax credit amounts to EUR 46.40 per year; this maximum value is received by employees with income between one half of the minimum wage and the full minimum wage, provided that the employee has worked for 12 months. As the employee tax credit is designed to benefit working individuals, its amount is adequately reduced for employees that have worked less months in the calendar year. Due to extensive paperwork it was decided that the tax credit will be paid within the framework of the annual clearing of the tax advances or when a tax return is filed.

1.1.3. *Tax schedule*

From 1 January 2004, the progressive personal income tax rates were abolished and replaced by a flat tax rate of 19 per cent.

1.2. State and local income tax

No separate state and local income tax exist. As from 2012 the share of distribution of PIT revenue has changed. Out of the total revenue from the personal income tax (PIT) collected by the central government, 65.4 per cent of PIT is transferred into the budget of the municipalities and 21.9 per cent of PIT is transferred into the budget of the self-governing regions. The remaining revenue of the state budget is 12.7 per cent of PIT.

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

2.1. Employees' contributions

Compulsory contributions of 13.4 per cent of gross wages and salaries are paid by all employees into government operated schemes. The total is made up as follows:

Health Insurance		4.0 per cent
Social Insurance		9.4 per cent
of which:		
Sickness	1.4 per cent	
Retirement	4.0 per cent	
Disability	3.0 per cent	
Unemployment	1.0 per cent	

There are maximum assessment bases MSSAB (maximum threshold for contributions to apply) that apply to social security contributions. From 2004 these MSSAB are no longer fixed values but depend upon the average wages (AW).

The latest amendment of the Social insurance Law, which is valid from 1 January 2011 adjusted formulae for calculation of MSSAB for retirement, disability and unemployment insurance. Average monthly MSSAB for retirement, disability and unemployment insurance are calculated as: $4 \times AW(t-2)$. Average monthly MSSAB for sickness insurance is calculated as: $1.5 \times AW(t-2)$. Average monthly MSSAB for health insurance is calculated as: $3 \times AW(t-2)$. Where $AW(t-2)$ is the average wage two years ago. The average wage (AW) is determined by the Statistical Office of the Slovak Republic – for 2010 it was EUR 769 per month.

2.2. Employers' contributions

The total contribution for employers is 35.2 per cent of gross wages and salaries. The contribution comprises the health insurance contribution (10 per cent of gross wages and salaries) and the social insurance contribution (25.2 per cent). The social insurance rate reflects contributions to sickness insurance (1.4 per cent), disability insurance (3 per cent), retirement insurance (14 per cent), the Guaranteed Fund (0.25 per cent), accident insurance (0.8 per cent), for unemployment (1 per cent) and to the Reserve Fund (4.75 per cent). All contributions are rounded down on two decimal places.

Since January 2005, Slovakia has introduced the privately managed *fully funded pillar*. This means that a given proportion (9 percentage points) of social contributions paid by the employer for retirement insurance flows directly to the private pension funds and not to the Social insurance agency as in previous years. As from September 2012 pension sharing scheme has been changed. Employer's retirement contribution rate to the fully funded pillar has been reduced from 9 per cent to 4 per cent (for more see pension contribution sharing scheme table below). The effective employer's retirement contribution rate will therefore increase from 5 per cent in 2011 to 6.67 per cent in 2012 and to 10 per cent in 2013. Private pension funds are treated outside of general government; these contributions are therefore not taken into account in the calculations of average and marginal tax rates. For the purposes of this Report, *the total contribution rate for employers in 2012 is then 27.87 per cent and it is expected to increase to 31.2 per cent as from 2013.*

The MSSAB also applies to the employer's SSC. The next table presents the annual values of MSSAB:

	Formula for MSSAB	Value of MSSAB
Health Insurance	3.0 x AW (t-2)	27 684.00
Social Insurance		
of which:		
Sickness	(1.5 x AW (t-2)	13 842.00
Retirement	(4.0 x AW (t-2)	36 912.00
Disability	(4.0 x AW (t-2)	36 912.00
Unemployment	(4.0 x AW (t-2)	36 912.00
Accident		No limit
Guarantee fund	(1.5 x AW (t-2)	13 842.00
Reserve fund	(4.0 x AW (t-2)	36 912.00

SSC: Pension – contribution sharing in case of II. pillar participation

Period	Percentage of gross earnings		
	I Pillar	II Pillar	Total
Previous system (up to September 2012)	9% (5% employer + 4% employee contribution)	9% (employer contribution)	18%
Current system (from September 2012)[1]	14% (10% employer + 4% employee contribution)	4% (employer contribution)	18%

1. As from 2017 contribution rate to the II. pillar will automatically increase by 0.25 p.p. per year (i.e. contribution rate to the I. pillar will decrease in the same volume).

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

The central government pays an allowance in respect of each dependent child in the amount of EUR 22.54 per month in 2012. In January 2008 an extra allowance for dependent children whose parents are not eligible for the non-wastable child tax credit was introduced. The monthly amount of this allowance is EUR 10.57. 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 2012, these amounts are:

	MLS monthly (1.1.2012-30.6.2012)	MLS monthly (1.7.2012-31.12.2012)
First adult	189.83	194.58
Second adult	132.42	135.74
Child	86.65	88.82

A family is entitled to a social allowance if the total combined net monthly income of the family is less than the calculated MLS for this family. The allowance varies with the family type.

The benefits available to a family in material need (valid on the 1 January 2012) are:

- EUR 60.50 per month for an individual.
- EUR 115.10 per month for an individual with between one and four children.
- EUR 105.20 per month for a couple without children.
- EUR 157.60 per month for a couple with between one and four children.
- EUR 168.20 per month for an individual with more than four children.
- EUR 212.30 per month for a couple with more than four children.

If one family member is pregnant, the social benefits described above are increased by EUR 13.50. The entitlement for this additional benefit arises from the 4th month of the pregnancy and lasts until the child's age of 1 year (benefit for children until age of 1 year does not affect the calculations in this Report).

- activation allowance: EUR 63.07 per month – for people who become active either by accepting qualifying employment opportunities or participating in retraining courses;
- housing allowance: EUR 55.80 per month for individual in material need, EUR 89.20 for a household in material need (if household has more than 1 person);
- protection allowance: EUR 63.07 per month for an individual in material need where employment is not possible due to such circumstances as a disability or old age;
- health care allowance: EUR 2.00 per month.

4. Main changes in tax/benefit systems since 2011

The main changes relate to the change in the pension sharing scheme, where the employer's contribution rate to the second pillar has been decreased from 9 to 4 per cent as of

September 2012 and to the change in distribution of PIT revenue between central and local governments.

5. Memorandum items

5.1. Identification of AW and valuation of earnings

The Ministry of Finance of the Slovak Republic estimates the average earnings of the AW based on the data supplied by the Statistical Office of the Slovak Republic, Labour Force Survey data (LFS). Earnings data covering also self-employees are based on average wage definition including industries falling under categories B to N inclusive, with reference to International Standard Industrial Classification of All Economic Activities, Revision 4.

2012 parameter values

Average earnings/yr	Ave_earn	9 821	Secretariat estimate
Minimum living standard (MLS) 2012	basic_adult	189.83	
	basic_adult1	132.42	
	basic_child	86.65	
Basic allowance	basic_al_mult	19.2	
	basic_al	3 644.74	
	basic_al_mult1	100	
	basic_al_mult2	44.2	
	basic_al_redn	0.25	
Spouse allowance	spouse_al_limit	3 644.74	
	spouse_al_mult1	176.8	
	spouse_al_mult2	63.4	
	spouse_al_redn	0.25	
Income tax rate	tax_rate	0.19	
Tax credits – nonwastable	tax_cr	249.24	
	min_wage	327.2	
	minwage_mult	6	
	etc_thresh	3 400.56	
Employee social security contributions	SSC_rate	0.08	
	SSC_sick	0.014	
	SSC_ret	0.04	
	SSC_dis	0.03	
	SSC_unemp	0.01	
	SSC_health	0.04	
	SSC_children	0	
Employer social security contributions	SSC_empr	0.1542	
	SSC_empsick	0.014	
	SSC_empret	0.0667	
	SSC_empdis	0.03	
	SSC_empunemp	0.01	
	SSC_emphealth	0.1	
	SSC_gua	0.0025	
	SSC_acc	0.008	
	SSC_fund	0.0475	
Maximum assessment base	MSSAB	36 912	
	MSSAB_health	27 684	
	MSSAB_sick	13 842	
	MSSAB_gua	13 842	
	MSSAB_fund	36 912	
Cash transfers	transf_1	270.48	
	transf_indiv	726.00	
	transf_indiv_child	1 381.20	
	transf_couple	1 262.40	
	transf_couple_child	1 891.20	
	transf_hous_indiv	669.60	
	transf_hous_couple	1 070.40	
	transf_activ	756.84	
	transf_health	24.00	

2012 tax equations

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
	Basic	basic_allce	B	IF(earn-SSC<=basic_al_mult1*basic_adult, basic_al,MAXA(basic_al_mult2*basic_adult-basic_al_redn*(earn-SSC),0))
	Spouse	spouse_allce	P	Married*Positive(IF(earn_princ-SSC_princ<=spouse_al_mult1*basic_adult, IF(earn_spouse-SSC_spouse<=spouse_al_limit, (basic_al_mult*basic_adult)-(earn_spouse-SSC_spouse),0),spouse_al_mult2*basic_adult-spouse_al_redn*(earn_princ-SSC_princ)-(earn_spouse-SSC_spouse)))
	Social security contributions	SSC_al	B	SSC
	Total	tax_al	B	basic_allce+spouse_allce+SSC_al
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	tax_rate*tax_inc
6.	Tax credits:			
	Employee tax credit	etc_cr	B	IF(earn>=min_wage*minwage_mult, tax_rate*Positive(basic_al-MAX(etc_thresh, earn-SSC)), 0)
	Children	child_cr	P	(earn>=min_wage*minwage_mult)*Children*tax_cr
	Total	tax_cr	B	etc_cr+child_cr
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	MINA(earn,MSSAB)*(SSC_rate)+ MINA(earn,MSSAB_sick)*SSC_sick+ MINA(earn,MSSAB_health)*SSC_health
11.	Cash transfers	cash_trans	J	Children*transf_1+Positive(IF(0.75*((earn-SSC-CG_tax_excl)/12)<(basic_adult+Married*basic_adult1+ Children*basic_child); ((1-Married)* (IF(Children>0;transf_indiv_child;transf_indiv))+ Married*(IF(Children>0;transf_couple_child;transf_couple))+IF((Married+Children)>0;transf_hous_couple;transf_hous_indiv)+((1+Married+Children)*transf_health)+IF(A7>0;transf_activ;0)+IF(B7>0;transf_activ;0)-0.75*(earn-SSC-CG_tax_excl));0))
13.	Employer's soc security	SSC_empr	B	MINA(earn,MSSAB)*SSC_empr+ MINA(earn,MSSAB_sick)*SSC_empsick+ MINA(earn,MSSAB_health)*SSC_emphealth+ earn*SSC_acc+ MINA(earn,MSSAB_gua)*SSC_gua

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	11485	17227	28712	11485
2.	**Standard tax allowances**				
	Basic allowance	4319	3228	3228	4319
	Married or head of family				
	Dependent children				4972
	Deduction for social security contributions and income taxes	2538	3807	6345	2538
	Work-related expenses	0	0	0	0
	Other				
	Total	6857	7036	9574	11829
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	4627	10191	19138	0
5.	**Central government income tax liability (exclusive of tax credits)**	740	1889	4789	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)**	740	1889	4789	0
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	2538	3807	6345	2538
	Taxable income				
	Total	2538	3807	6345	2538
10.	**Total payments to general government (7 + 8 + 9)**	3278	5696	11134	2538
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	2716
	Total	0	0	0	2716
12.	**Take-home pay (1-10+11)**	8206	11531	17578	11663
13.	**Employer's wage dependent contributions and taxes**	1849	2774	4623	1849
	Employer's compulsory social security contributions	1849	2774	4623	1849
	Payroll taxes	0	0	0	0
14.	**Average rates**				
	Income tax	6.4%	11.0%	16.7%	0.0%
	Employees' social security contributions	22.1%	22.1%	22.1%	22.1%
	Total payments less cash transfers	28.5%	33.1%	38.8%	-1.6%
	Total tax wedge including employer's social security contributions	38.5%	42.3%	47.3%	12.5%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	34.6%	43.1%	54.0%	22.1%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	43.6%	51.0%	60.4%	32.9%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Slovenia 2012

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
1.	**Gross wage earnings**		17227	22969	28712	22969
2.	**Standard tax allowances**					
	Basic allowance		3228	7702	7548	7702
	Married or head of family					
	Dependent children		4972	4972	4972	
	Other dependent family member		2382			
	Deduction for social security contributions and income taxes		3807	5076	6345	5076
	Work-related expenses		0	0	0	0
		Total	14390	17750	18865	12778
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		2837	5220	9847	10191
5.	**Central government income tax liability (exclusive of tax credits)**		454	835	1576	1889
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)**		454	835	1576	1889
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3807	5076	6345	5076
	Taxable income					
		Total	3807	5076	6345	5076
10.	**Total payments to general government (7 + 8 + 9)**		4261	5911	7921	6965
11.	**Cash transfers from general government**					
	For head of family					
	For two children		2469	1893	1176	0
		Total	2469	1893	1176	0
12.	**Take-home pay (1-10+11)**		15435	18951	21967	16004
13.	**Employer's wage dependent contributions and taxes**		2774	3698	4623	3698
	Employer's compulsory social security contributions		2774	3698	4623	3698
	Payroll taxes		0	0	0	0
14.	**Average rates**					
	Income tax		2.6%	3.6%	5.5%	8.2%
	Employees' social security contributions		22.1%	22.1%	22.1%	22.1%
	Total payments less cash transfers		10.4%	17.5%	23.5%	30.3%
	Total tax wedge including employer's social security contributions		22.8%	28.9%	34.1%	40.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		34.6%	34.6%	34.6%	43.1%
	Total payments less cash transfers: Spouse		38.8%	22.1%	34.6%	22.1%
	Total tax wedge: Principal earner		43.6%	43.6%	43.6%	51.0%
	Total tax wedge: Spouse		47.3%	32.9%	43.6%	32.9%

The Slovenian currency is the euro (EUR). In 2012, EUR 0.78 was equal to USD 1. In that year, the average worker in Slovenia earned EUR 17 227 (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 3 228.45 EUR is deductible from income in 2012. For lower income groups an additional general allowance of EUR 3 144.79 is deductible when taxable income is lower than EUR 10 622.06 and of EUR 1 090.85 when taxable income is between EUR 10 622.06 and EUR 12 288.26.
- *Family allowances* are also deductible from the tax base in the same way as for the general allowance. The allowances for 2012 are as follows:
  - EUR 2 382.13 for the first dependent child;
  - EUR 2 589.68 for the second child;
  - EUR 4 319.20 for the third child;
  - EUR 6 048.73 for the fourth child;
  - EUR 7 778.24 for the fifth child;
  - EUR 1 729.52 for the sixth and all additional maintained children relative to the level of relief for the preceding maintained child;
  - EUR 8 631.48 for a dependent child who requires special care;
  - EUR 2 382.13 for any other dependent family member.
- *Relief for social security contributions:* Employee'scompulsory 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 2012 such deductions are subject to an annual limit of EUR 2 755.71 or a sum equal to 24% of the employee's contribution for compulsory pension and disability insurance if that is a lower figure.
- *Reimbursement of expenses associated with work*, such as in-work meals, transport to and from work, in-the-field supplements (per diem when an employee works outside his or

her working place) and compensation for being away from home, are exempt subject to statutory conditions and upper limits.

- *Reimbursement of expenses associated with business travel* such as: Per diem allowances, transport costs (including the use of the employee's private vehicle for work purposes), and the costs of overnight accommodation, are exempt subject to statutory conditions and upper limits.
- The cost of purchasing and maintaining uniforms and personal protection work equipment defined in special regulations is exempt from income tax.
- *Compensation for the use of an employee's own tools* and other equipment (except private vehicles) necessary for the performance of work at the work place, is exempt up to a level of 2% of the monthly wage or salary of the employee, subject to an upper limit of 2% of the average gross monthly wage (AGMW).
- Long service bonuses, severance pay upon retirement and payments related to accidents, long term sickness and other unexpected events are exempt subject to statutory conditions and upper limits.
- *Severance pay* on redundancy is exempt subject to an upper limit of ten times the AGMW.
- *Compensation for the use of an employee's own possessions and property when working at home* in accordance with statutory regulations is exempt up to a level of 5% of the monthly wage or salary of the employee, subject to an upper limit of 5% of the AGMW.

1.1.3. *Tax schedule*

The tax schedule for 2012 is as follows:

Taxable income (EUR)	Tax rate (%)
Up to 7 840.53	16
7 840.53-15 681.03	27
Above 15 681.03	41

1.2. *Regional and local income tax*

There are no regional or local income taxes.

2. Compulsory social security insurance system

The compulsory social security insurance system consists of four schemes as follows:

- pension and disability insurance;
- health insurance;
- unemployment insurance;
- parental leave insurance.

2.1. *Employees' contributions*

The taxable base for social security insurance contributions paid by employees is the total amount of the gross wage or salary including vacation payments, fringe benefits and remuneration of expenses related to work above a certain threshold. The assessment period is the calendar month. Employees contribute an amount as a percentage of their remuneration as follows:

Scheme name	Rate of contribution (%)
Pension insurance	15.50
Health insurance	6.36
Unemployment insurance	0.14
Parental leave insurance	0.10
Total	22.10

2.2. Employers' contributions

Social security insurance contributions are also paid by employers on behalf of their employees. The taxable base and the assessment period are the same as for employees' contributions. The employers' contribution rates are as follows:

Scheme name	Rate of contribution (%)
Pension insurance	8.85
Health insurance	7.09
Unemployment insurance	0.06
Parental leave insurance	0.10
Total	16.10

The only change to these rates since 1996 has been the 0.2 per cent increase in the employers' contribution rates for health insurance in 2002.

3. Payroll tax

None.

4. Universal cash transfers

4.1. Transfers related to marital status

None.

4.2. Transfers for dependent children

On 1.1.2012 the Exercise of Rights to Public Funds Act (*ZUPJS-A*) entered into force. Regarding to a new act child allowance is a supplementary benefit for maintenance, care and education of children when the family income per family member does not exceed statutorily defined per cent of the average net wage in the previous year.

The new legislation changes family income which is the basis for the income classes from gross family income to net family income. Income includes taxable income and non taxable income defined by the Personal Income Tax Act as for instance social benefits. Income is defined as gross income plus social benefits received but excluding the normalized cost and actual cost recognized under the law governing income tax, taxes and mandatory social security contributions levied on such income.

The new legislation also reduces the age of a child's entitlement. The right to a child benefit is held only until the child reaches 18 years. Besides, the child benefit is higher for eligible students included in higher secondary education (aged less than 18 years and with an income per family member below the average net wage).

Applications for the allowance are made on an annual basis and the payments are not taxable.

- The amount of the allowance is calculated for each child separately according to the level of net family income per family member as a percentage of the average net wage and the ranking of the child in the family. Each family is assigned to one of 8 income classes on this basis.
- The relevant income is the average monthly income per family member in the calendar year prior to the claim (or one year previous if the claim is made in the month of January, February or March).
- Each child is allocated in one of 3 ranking levels (the level of payments increases with the ranking level – the lowest for the first child, higher for the second child and the highest for the third and any subsequent child). When a child lives in a one-parent family, the amount of the allowance is increased by 10%. When a pre-school child does not attend kindergarten, the amount of the allowance is increased by 20%.
- The amounts of transfers for dependent children are defined by Exercise of Rights to Public Funds Act. The details for the calculation of the **net family income per family member** shall be prescribed by the Minister.
- 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 were the following:

Net family income per family member as a percentage of the average net wage	1st child	2nd child	3rd child
	Monthly (EUR)	Monthly (EUR)	Monthly (EUR)
0.00	114.31	125.73	137.18
2 132.76	97.73	108.04	118.28
3 554.60	74.48	83.25	91.98
4 265.52	58.75	67.03	75.47
4 976.45	48.04	56.06	64.03
6 279.80	30.44	38.10	45.71
7 583.16	22.83	30.44	38.10
9 715.92	19.88	27.50	35.11
11 730.20	0.00	0.00	0.00

- On 1.6.2012 the Public Finance Balance Act entered into force. Regarding to the Act the amounts of transfers for a children in fifth and sixth income classes are reduced for 10%. Moreover, transfers for children in the seventh and eighth income classes are abolished. This is a temporary measure, which applies up to the year following the year in which economic growth exceeds 2.5 per cent of gross domestic product
- The weighted average of the two sets of amounts for 2012 is as follows. These amounts are used in the modelling.

In 2012, the maximum annual benefit levels for children in a two-parent family were the following:

- EUR 1 371.72 for the first child;
- EUR 1 508.76 for the second child;
- EUR 1 646.16 for the third or subsequent child.

Net family income per family member as a percentage of the average net wage	1st child	2nd child	3rd child
	Monthly (EUR)	Monthly (EUR)	Monthly (EUR)
0.00	114.31	125.73	137.18
2 132.76	97.73	108.04	118.28
3 554.60	74.48	83.25	91.98
4 265.52	58.75	67.03	75.47
4 976.45	43.24	50.45	57.63
6 279.80	27.40	34.29	41.14
7 583.16	0.00	0.00	0.00

Net family income per family member as a percentage of the average net wage	1st child	2nd child	3rd child
	Monthly (EUR)	Monthly (EUR)	Monthly (EUR)
0.00	114.31	125.73	137.18
2 132.76	97.73	108.04	118.28
3 554.60	74.48	83.25	91.98
4 265.52	58.75	67.03	75.47
4 976.45	45.24	52.79	60.30
6 279.80	28.67	35.88	43.04
7 583.16	9.51	12.68	15.88
9 715.92	8.28	11.46	14.63
11 730.20	0.00	0.00	0.00

The amounts decline as the level of income per family member increases. The benefit ceases to be available for families where the average income per member is higher than 99% of the average net wage.

5. Main changes in tax/benefit system since 2005

- In 2006 the taxation of income of individuals changed from global tax to a kind of a dual income tax system. Active income (from employment, business, basic agriculture and forestry, rents, royalties and other income) is taxed aggregated at progressive rates and taking into account the allowances and deductions; capital income (interest, dividends and capital gains) is taxed at proportionate rates on a scheduler basis.
- In 2007 the number of income tax brackets was reduced from five to three. At the same time, some non-standard tax reliefs for certain expenses and for interest paid on loans for housing were abolished.
- In 2008 additional general allowances were introduced for people on low incomes.
- The payroll tax was phased out at the start of 2009.
- The Exercise of Rights to Public Funds Act entered into force on 1.1.2012. Act 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.

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.

2012 parameter values

Average earnings/yr	Ave_earn	17 227	Secretariat estimate					
Average earnings/yr-1	Ave_earn_1	17 372.64						
Average net earnings	Ave_net_earnfam	11 848.68						
Family allowances								
Allowances	Basic_al	0	6 373.24					
		10 622.06	4 319.30					
		12 288.26	3 228.45					
	Child_al1	2 382.13						
	Child_al2	4 971.81						
	Child_al3	9 291.01						
	Child_al4	15 339.74						
	Child_al5	23 117.98						
	Depend_al	2 382.13						
Income tax	Tax_sch	0.16	7 840.53					
		0.27	15 681.03					
		0.41						
Employees SSC	SSC_rate1	0.221						
Employers SSC	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
Family allowances	Fam_allow_mc	0	114.31	125.73	137.18	1 371.72	2 880.48	4 526.64
Married couples		2 132.7624	97.73	108.04	118.28	1 172.76	2 469.24	3 888.60
		3 554.604	74.48	83.25	91.98	893.76	1 892.76	2 996.52
		4 265.5248	58.75	67.03	75.47	705.00	1 509.36	2 415.00
		4 976.4456	45.24	52.79	60.30	542.88	1 176.36	1 899.96
		6 279.8004	28.67	35.88	43.04	344.04	774.60	1 291.08
		7 583.1552	9.51	12.68	15.88	114.12	266.28	456.84
		9 715.9176	8.28	11.46	14.63	99.36	236.88	412.44
		11 730.2	0.00	0.00	0.00	0.00	0.00	0.00
Family allowances								
Single parent uplift	Fam_allow_spup	0.1						
			Ist child	2nd child	3rd child	1 child-total	2 children-total	3 children-total
			monthly	monthly	monthly	annual	annual	annual
Family allowances	Fam_allow_sp	0	125.74	138.30	150.90	1 508.89	3 168.53	4 979.30
Single parents		2 132.7624	107.50	118.84	130.11	1 290.04	2 716.16	4 277.46
		3 554.604	81.93	91.58	101.18	983.14	2 082.04	3 296.17
		4 265.5248	64.63	73.73	83.02	775.50	1 660.30	2 656.50
		4 976.4456	49.76	58.07	66.33	597.17	1 294.00	2 089.96
		6 279.8004	31.54	39.47	47.34	378.44	852.06	1 420.19
		7 583.1552	10.46	13.95	17.47	125.53	292.91	502.52
		9 715.9176	9.11	12.61	16.09	109.30	260.57	453.68
		11 730.2	0.00	0.00	0.00	0.00	0.00	0.00
	numdays	366						

2012 tax equations

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings			
	Current year	earn		
	Year-1	earn_1		
2.	Allowances:			
	Principal	tax_al_princ	P	VLOOKUP(earn;Basic_al;2)+SSC+IF(children=0.0,IF(children=1,child_al1,IF(children=2,child_al2,child_al3)+IF(Married=0.0,IF(S_earn=0,Depend_al,0))
	Spouse	Tax_al_ spouse	S	MINA(VLOOKUP(earn;Basic_al;2), earn)+SSC
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits (nonwastable)	Tax_cr	B	0
7.	CG tax	CG_tax	B	CG_tax_excl
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	earn* SSC_rate1
11.	Cash transfers	cash_trans	J	IF(Children=0.0;VLOOKUP((earn_1)/(1+married+children),IF(Married=0;Fam_allow_sp,Fam_allow_mc),IF(Children=1.5,IF(Children=2.6,7))))
13.	Employer's wage dependent contributions and taxes			
	Employer's soc security	SSC_empr	B	earn*SSC_rate2

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

The tax/benefit position of a single persons

		67	100	167	67
	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	17039	25558	42597	17039
2.	**Standard tax allowances:**				
	Basic allowance				
	Married or head of family	0	0	0	2150
	Dependent children				
	Deduction for social security contributions and income taxes	1082	1623	2486	1082
	Work-related expenses	2652	2652	2652	2652
	Other				
	Total	3734	4275	5138	5884
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central and state government taxable income (1 - 2 + 3)**	13305	21283	37459	11155
5.	**Central and state government income tax liability (exclusive of tax credits)**	3293	5755	10753	2761
6.	**Central and state government tax credits**				
	Basic credit	1275	1275	1275	2319
	Married or head of family				
	Children				
	Other				
	Total	1275	1275	1275	2319
7.	**Central government income tax finally paid**	1040	2473	5006	187
8.	**State income tax finally paid**	978	2007	4472	255
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1082	1623	2486	1082
	Taxable income				
	Total	1082	1623	2486	1082
10.	**Total payments to general government (7 + 8 + 9)**	3100	6103	11964	1524
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)**	13939	19455	30633	15515
13.	**Employer's compulsory social security contributions**	5095	7642	11706	5095
14.	**Average rates**				
	Income tax	11.8%	17.5%	22.3%	2.6%
	Employees' social security contributions	6.35%	6.35%	5.84%	6.35%
	Total payments less cash transfers	18.2%	23.9%	28.1%	8.9%
	Total tax wedge including employer's social security contributions	37.0%	41.4%	43.6%	29.9%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	29.5%	34.4%	40.0%	38.9%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	45.7%	49.5%	40.0%	53.0%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Spain 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	25558	34078	42597	34078
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family	3400	0	0	0
	Dependent children				
	Deduction for social security contributions and income taxes	1623	2164	2705	2164
	Work-related expenses	2652	6732	5304	6732
	Other				
	Total	7675	8896	8009	8896
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central and state government taxable income (1 - 2 + 3)**	17883	25182	34588	25182
5.	**Central and state government income tax liability (exclusive of tax credits)**	4735	6720	9048	6720
6.	**Central and state government tax credits**				
	Basic credit	2234	2719	3509	2240
	Married or head of family				
	Children				
	Other				
	Total	2234	2719	3509	2240
7.	**Central government income tax finally paid**	1435	2226	3019	2473
8.	**State income tax finally paid**	1066	1775	2521	2007
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1623	2164	2705	2164
	Taxable income				
	Total	1623	2164	2705	2164
10.	**Total payments to general government (7 + 8 + 9)**	4124	6165	8244	6644
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)**	21434	27913	34353	27433
13.	**Employer's compulsory social security contributions**	7642	10189	12737	10189
14.	**Average rates**				
	Income tax	9.8%	11.7%	13.0%	13.1%
	Employees' social security contributions	6.35%	6.35%	6.35%	6.35%
	Total payments less cash transfers	16.1%	18.1%	19.4%	19.5%
	Total tax wedge including employer's social security contributions	35.4%	36.9%	37.9%	38.0%
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%	6.4%	29.5%	6.3%
	Total tax wedge: Principal earner	49.5%	49.5%	49.5%	49.5%
	Total tax wedge: Spouse	41.5%	27.9%	45.7%	27.9%

The national currency is the euro (EUR). In 2012, EUR 0.78 was equal to USD 1. In that year the average worker earned EUR 25 558 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income tax

1.1.1. Tax unit

As a general rule, the tax unit is the individual. Nevertheless, families have the options of being taxed:

- As married couples filing jointly on the combined income of both spouses and dependents.
- As heads of households (only unmarried or separated individuals with dependents).

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- *Basic reliefs:* Married couples filing jointly may claim an allowance of EUR 3 400. This figure amounts to EUR 2 150 for heads of households.
- *Maternity tax credit:* A non-wastable tax credit addressed to working females with children under 3 years of age up to EUR 1 200.
- *Relief forsocial security contributions:* All social security payments are fully deductible.
- *Work related expenses:* Net work income (gross income less employee social security contributions) may be reduced according to the following rules:
  - ❖ Taxpayers with net employment income equal or less than EUR 9 180: EUR 4 080.
  - ❖ Taxpayers with a net employment income between EUR 9 180.01 and EUR 13 260: EUR 4 080 less the result of multiplying by 0.35 the difference between net income and EUR 9 180.
  - ❖ Taxpayers with net income over EUR 13 260 or non-employment income over EUR 6 500: EUR 2 652.
- *Extending labour market participation allowance:* Taxpayers extending their labour market participation beyond the retirement age (65 years) may increase the work-related expense allowance by 100 per cent.
- *Geographic mobility allowance:* Unemployed taxpayers accepting a job in a different location may also increase the work related allowance by 100 per cent.
- *Disabled workers allowance:* An allowance of EUR 3 264 for disabled salary earners. Those with reduced mobility may claim an augmented allowance of EUR 7 242.

  As a result of the application of the above rules, net income cannot become negative.
- *Work related tax deduction:* Working taxpayers with a tax base under EUR 8 000 may deduct EUR 400. The amount is phased-out as taxpayer's tax base increases according to

the following formula: EUR 400 – 0.1 * (tax base – EUR 8 000.01), reaching a zero value when taxpayer's tax base reaches EUR 12 000. Prior amount will not exceed the result of applying the average tax rate to net work income less work related expenses allowance.

1.1.2.2. Main non-standard reliefs applicable to an AW

- *Contributions to approved Mutual, Superannuation Funds and Mutual Insured Plans.* Contributions made by each member of the household may reduce taxable income up to a maximum of the following amounts:
  - 30 per cent of net income; 50 per cent of net income for taxpayers aged over 50 years;
  - EUR 10 000; EUR 12 500 for taxpayers aged over 50 years.

Moreover, those households whose second earner has net labour income below EUR 8 000 may reduce taxable income up to a maximum of EUR 2 000 on a yearly basis if the principal earner contributes to a Pension Fund for the spouse.

- *Relief for subscriptions paid in respect of membership* of a trade union and business or professional associations (last item is limited to mandatory membership) up to EUR 500.
- *Relief for expenses made for the legal defence* of the taxpayer for labour-related conflicts up to a maximum limit of EUR 300.

Other non-standard reliefs provided as deductions are:

- *Investment in the acquisition and rehabilitation of own-housing:* As a general rule, taxpayers are allowed to deduct from their tax liability 15 per cent of the investment made during the year, up to a maximum of EUR 9 040.
- Furthermore, disabled taxpayers are allowed to deduct from their tax liability 20% of the investment expenses incurred in the repairs carried out for housing adaptation to the handicapped personal needs according up to a maximum of EUR 12 080.
- Said that, taxpayers also may claim a *temporary tax credit* (2010-12) addressed to specific restoration works carried out in taxpayer's housing such as:
  - Improvement of energy efficiency and environmental protection.
  - Improvement of telecommunication infrastructure.

  Taxpayers may claim a 20% tax credit on the incurred investment expenses (up to EUR 6 750 per year, not exceeding EUR 20 000 per dwelling, throughout the whole period and not in cash) according to the following rules:
  - Taxpayers with a tax base up to EUR 53 007.20: EUR 6 750.
  - Taxpayers with a tax base between EUR 53 007.20 and 71 007.20: EUR 6 750 – 0.375 * (tax base – EUR 53 007.20).

  Unused payments may be carried forward up to four years within the same above limits.
- *Renting out property for own-housing:* Taxpayers with a tax base below EUR 24 107.20 may deduct a 10.05 per cent of the payments made by renting out property to be used as a permanent residence, on a yearly basis. The maximum amount to be deducted is:
  - EUR 9 040 where taxpayer's the tax base is equal or below EUR 17 707.20;
  - EUR 9 040 less the result of multiplying by 1.4125 the difference between taxpayer's tax base and EUR 17 707.20.
- *Gifts:* 10 per cent of the amounts donated to foundations and associations declared of public benefit. 25 per cent if these amounts are donated to some special legally approved foundations and associations and other private and public institutions.

- *Investments and expenses in goods of cultural interest:* 15 per cent of the amounts granted to the importation, restoration, exhibition, etc. of certain goods listed in the General Register of Goods of Cultural Interest.

Each of these last two amounts cannot exceed 10 per cent of taxable income.

1.1.2.3. Exempt income

- The base amount is EUR 5 151 per taxpayer. The same amount is granted for family units filing jointly. Taxpayers aged over 65 years may add EUR 918 to the former amount. Those aged over 75 years may claim additionally EUR 1 122.
- Dependent children (under 25 years): EUR 1 836 for the first dependent child; EUR 2 040 for the second one; EUR 3 672 for the third, and EUR 4 182 for the fourth child.
- Child care allowance: An additional allowance of EUR 2 244 for each of the above dependent children under 3 years of age.
- In case of disabled workers and additional amount of EUR 2 316 also applies. In case of great disability prior amount reaches EUR 7 038.

Child allowances have to be shared equally between spouses when they file separately.

1.1.3. *Tax schedule*

General rates of tax – resident individuals:

Taxable income (EUR)	Tax at the lower limit (EUR)	Tax rate on taxable income in excess of the lower limit (%)
0-17 707.20	0	12.75
17 707.20-33 007.20	2 557.67	16.00
33 007.20-53 407.20	4 705.67	21.50
53 407.20-120 000.20	9 091.67	25.50
120 000.20-175 000.20	26 072.88	27.50
175 000.20-300 000.20	41 197.88	29.50
Over 300 000.20	78 072.88	30.50

1.2. State and local income taxes

Regional rates of tax – resident individuals: (in case that Regional Governments do not exercise its rights to set their own tax rates.

Taxable income (EUR)	Tax at the lower limit (EUR)	Tax rate on taxable income in excess of the lower limit (%)
0-17 707.20	0	12.00
17 707.20-33 007.20	2 124.86	14.00
33 007.20-53 407.20	4 266.86	18.50
Over 53 407.20	8 040.86	21.50

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

Social Security contributions are assessed on the basis of employees' gross earnings taking into account certain ceilings of gross employment income. In 2012, these ceilings are:

- Lower ceiling: EUR 8 978.4.
- Upper Ceiling: EUR 39 150.

These ceilings are based on a full-time job. For part-time workers, ceilings are proportional to the real hours worked (the tax equations used for this Report do not take into account the lower ceiling).

2.1. Employees' contributions

- Old age pension/sickness and disability 4.7 per cent
- Unemployment 1.55 per cent
- Professional training 0.1 per cent

2.2. Employers' contributions

- Old age pension/sickness and disability 23.6 per cent
- Unemployment/Work injuries 5.50 per cent
- Wages fund 0.2 per cent
- Professional Training 0.6 per cent

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

EUR 291 for 1-child families with annual gross earnings below EUR 11 264.01; the child transfer decreases with income between EUR 11 264.01 and EUR 11 530.76; the value is 0 for gross earnings exceeding EUR 11 530.76. EUR 582 for families with 2 children with annual gross earnings below EUR 12 953.61; the child transfer decreases with income between EUR 12 953.61 and EUR 13 487.11; the value is 0 for gross earnings exceeding EUR 13 487.11.

4. Main changes in tax/benefit systems in 2012

In 2012 the following changes apply:

- Spain has implemented temporary and supplementary increases (for 2012 and 2013) in the Central Government tax rates. The new rates that apply to personal income are as follows: up to EUR 17 707.20: 12.00% + 0.75% = 12.75%; up to EUR 33 007.20: 14.00% + 2.00% = 16.00%; up to EUR 53 407.20: 18.50% + 3.00% = 21.00%; up to EUR 120 000: 21.50% + 4% = 25.50%; up to EUR 175 000.20: 22.50% + 5.00% = 27.50%; and two new tax brackets; up to EUR 300 000.20: 23.50% + 6.00% = 29.50%, and over EUR 300 000.20: 23.50% + 7.00% = 30.50%.

- Since January 2010 the Work related tax credit is entirely granted for working taxpayers under EUR 8 000, and then it is phased-out up to a working taxpayer's taxable base of EUR 12 000.
- A new temporary tax credit (2010-12) for refurbishing works in taxpayer's own dwelling entered into force in 14 April 2010, subsequently amended in 6 May 2011, covering now all taxpayer's dwellings.
- 15% tax credit for acquisition/restoration of taxpayers's own dwelling extended to all taxpayers, regardless of their annual tax base.

5. Memorandum items

5.1. Identification of an AW and calculation of earnings

Refer to the information provided in Annex A and Annex B of this Report.

2012 parameter values

Average earnings/yr	Ave_earn	25 558	Secretariat estimate	
Work related allowance	wr_rate	0.35		
	wr_lim_max	13 260		
	wr_lim_min	9 180		
	wr_lim_min_1	9 180.01		
	wr_allow_max	4 080		
	wr_allow_min	2 652		
Personal & family exempt income	Per_fam_exempt_inc	5 151		
Joint taxation allowance	Joint_tax_allow_fam1	3 400		
	Joint_tax_allow_fam2	2 150		
Dependent children	dep_child	1 836		
	dep_child2	2 040		
	dep_child3	3 672		
	dep_child4	4 182		
Tax Rebate (new)	TC_NUEVO	400		
	tc_rate	0.1		
	Tc_lim_max	12 000		
	Tc_lim_min	8 000		
Tax Schedule	tax_sch_sg	0	0	12.75%
		17 707.2	2 557.67	16.%
		33 007.2	4 705.67	21.50%
		53 407.2	9 091.67	25.50%
		120 000.2	26 072.88	27.50%
		175 000.2	411 997.88	29.50%
		300 000.2	78 072.88	30.50%
	tax_sch_sa	0	0	12.00%
		17 707.2	2 124.86	14.00%
		33 007.2	4 266.86	18.50%
		53 407.2	8 040.86	21.50%
Social security contributions				
Employee:				
Pension	pension_rate	0.047		
Unemployment	unemp_rate	0.0155		
Other	oth_rate	0.001		
Employer				
Pension	pension_empr	0.236		
Unemployment	unemp_empr	0.055		
Other	oth_empr	0.008		
Ceiling and Floor	min_lim	0	8 978.4	
	top_lim	39 150		
Child benefit	SS_child_benefit	291		
	SS_child_table	1	11 264.01	11 530.76
		2	12 953.61	13 487.11
		3	16 953.05	17 753.30
		4	19 698.98	20 765.98
		5	22 444.91	23 778.66

2012 tax equations

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

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn	B	for individual taxation: earn=earn_princ, or earn=earn_sp for joint (family) taxation: earn=earn_princ+earn_sp
2.	Allowances:			
	Work related, individual	work_ind	B	IF(earn-SSC<=wr_lim_min, wr_allow_max, IF(earn-SSC<=wr_lim_max, wr_allow_max-wr_rate*((earn-SSC)-(wr_lim_min_1)), wr_allow_min))
	Work related, family	work_fam	J	IF(AND(earn_sp=0, Married=0, Children=0), 0, IF(earn_total-SSC_fam<=wr_lim_min, wr_allow_max, IF(earn_total-SSC_fam<=wr_lim_max, wr_allow_max-wr_rate*((earn_total-SSC_fam)-(wr_lim_min_1)), wr_allow_min)))
	Joint taxation allowance	joint_allow_fam	J	IF(AND(Married=0,Children=0),0,IF(AND(Married=0,Children>0),joint_tax_allow_fam2,joint_tax_allow_fam1))
	Personal and family exempt income, individual	ex_inc_ind	B	per_fam_exempt_inc
	Personal and family exempt income, family	ex_inc_fam	J	IF(AND(Married=0,Children=0),0,per_fam_exempt_inc)
	Children exempt income, individual	child_ex_inc_ind	P	IF(earn_sp=0, (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4), (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4)/2)
			S	IF(earn_sp=0, 0, (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4)/2)
	Children exempt income, family	child_ex_inc_fam	J	(children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4)
3.	Credits in taxable income	taxbl_cr	B, J	0
4.	CG taxable income	tax_inc	B, J	IF(AND(Married=0, Children=0), tax_inc_princ, MINA(tax_inc_princ+tax_inc_sp, tax_inc_fam))
		tax_inc_ind	B	Positive(earn-(work_ind+SSC))
		tax_inc_fam	J	IF(AND(Married=0, Children), 0, Positive(earn-(work_fam+joint_allow_fam+SSC_princ+SSC_sp)))
5.	CG tax before credits	CG_tax_ind_excl	B	MAXA(0, VLOOKUP(tax_inc_ind, tax_sch_sg, 2)+(tax_inc_ind-VLOOKUP(tax_inc_ind, tax_sch_sg, 1))*VLOOKUP(tax_inc_ind, tax_sch_sg, 3))
		CG_tax_fam_excl	J	MAXA(0, VLOOKUP(tax_inc_fam, tax_sch_sg, 2)+(tax_inc_fam-VLOOKUP(tax_inc_fam, tax_sch_sg, 1))*VLOOKUP(tax_inc_fam, tax_sch_sg, 3))
6.	CG tax credits :	CG_tax_cr_ind	B	MAXA(0,VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sg,2)+((ex_inc_ind+child_ex_inc_ind)-VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sg,1))* VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sg,3)+IF(earn>0,MINA(taper(TC_NUEVO,tax_inc_ind, tc_lim_min, tc_rate),CG_tax_ind_excl),0))

Line in country table and intermediate steps		Variable name	Range	Equation
		CG_tax_cr_fam	J	MAXA(0,VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sg,2)+((ex_inc_fam+child_ex_inc_fam)-VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sg,1))* VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sg,3)+IF(AND(married=1,earn_sp>0),(MINA(taper(TC_NUEVO,tax_inc_fam, tc_lim_min, tc_rate),CG_tax_fam_excl))
7.	CG tax	CG_tax_ind	B	Positive(CG_tax_ind_excl-CG_tax_cr_ind)
		CG_tax_fam	J	Positive(CG_tax_fam_excl-CG_tax_cr_fam)
8.	State and local tax before credits	local_tax_ind_excl	B	MAXA(0, VLOOKUP(tax_inc_ind, tax_sch_sa, 2)+(tax_inc_ind-VLOOKUP(tax_inc_ind, tax_sch_sa, 1))*VLOOKUP(tax_inc_ind, tax_sch_sa, 3))
		local_tax_fam_excl	J	MAXA(0, VLOOKUP(tax_inc_fam, tax_sch_sa, 2)+(tax_inc_fam-VLOOKUP(tax_inc_fam, tax_sch_sa, 1))*VLOOKUP(tax_inc_fam, tax_sch_sa, 3))
	local tax credits	local_tax_cr_ind	B	MAXA(0,VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sa,2)+((ex_inc_ind+child_ex_inc_ind)-VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sa,1))* VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sa,3))
		local_tax_cr_fam	J	MAXA(0,VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sa,2)+((ex_inc_fam+child_ex_inc_fam)-VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sa,1))* VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sa,3))
	State and local tax	local_tax_ind	B	Positive(local_tax_ind_excl-local_tax_cr_ind)
		local_tax_fam	J	Positive(local_tax_fam_excl-local_tax_cr_fam)
9.	Employees' soc security	SSC	B	IF(AND(earn>0, earn<=min_lim), min_lim*(pension_rate+unemp_rate+oth_rate), IF(earn>=top_lim, top_lim*(pension_rate+unemp_rate+oth_rate), earn*(pension_rate+unemp_rate+oth_rate)))
		SSC_fam	J	SSC_princ+SSC_sp
11.	Cash transfers	Child_transf		IF(Children=0.0,IF(earn<=VLOOKUP(Children, SS_child_table,2),SS_child_benefit*Children, IF(earn<=VLOOKUP(Children, SS_child_table, 3), VLOOKUP(Children, SS_child_table, 3)-earn, 0)))
13.	Employer's SSC	SSC_empr		IF(AND(earn>0, earn<=min_lim), min_lim*(pension_empr+unemp_empr+ oth_umpr), IF(earn>=top_lim, top_lim*(pension_empr+unemp_empr+oth_empr), earn*(pension_empr+unemp_empr+oth_empr)))

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only S calculated for spouse only J calculated once only on a joint basis.

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**		258196	387294	645491	258196
2.	**Standard tax allowances**					
	Basic allowance		21800	12900	12900	21800
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other					
		Total	21800	12900	12900	21800
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		236300	374300	632500	236300
5.	**Central government income tax liability (exclusive of tax credits)**		0	0	49190	0
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		35680	48996	52696	35680
		Total	35680	48996	52696	35680
7.	**Central government income tax finally paid (5-6)**		-35680	-48996	-3506	-35680
8.	**State and local taxes**		74670	118278	199870	74670
9.	**Employees' compulsory social security contributions**					
	Gross earnings		18100	27100	30800	18100
	Taxable income					
		Total	18100	27100	30800	18100
10.	**Total payments to general government (7 + 8 + 9)**		57090	96382	227164	57090
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	27000
		Total	0	0	0	27000
12.	**Take-home pay (1-10+11)**		201106	290912	418327	228106
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		57346	86018	143364	57346
	payroll taxes		23779	35669	59449	23779
		Total	81125	121687	202813	81125
14.	**Average rates**					
	Income tax		15.1%	17.9%	30.4%	15.1%
	Employees' social security contributions		7.0%	7.0%	4.8%	7.0%
	Total payments less cash transfers		22.1%	24.9%	35.2%	11.7%
	Total tax wedge including employer's social security contributions		40.7%	42.8%	50.7%	32.8%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		28.6%	31.6%	56.6%	28.6%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		45.7%	48.0%	67.0%	45.7%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Sweden 2012

The tax/benefit position of married couples

			Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
			Number of children	2	2	2	none
1.	**Gross wage earnings**			387294	516393	645491	516393
2.	**Standard tax allowances:**						
		Basic allowance		12900	46800	34700	46800
		Married or head of family					
		Dependent children					
		Deduction for social security contributions and income taxes		0	0	0	0
		Work-related expenses					
		Other					
			Total	12900	46800	34700	46800
3.	**Tax credits or cash transfers included in taxable income**			0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**			374300	469400	610600	469400
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		48996	67877	84676	67877
			Total	48996	67877	84676	67877
7.	**Central government income tax finally paid (5-6)**			-48996	-67877	-84676	-67877
8.	**State and local taxes**			118278	148329	192948	148329
9.	**Employees' compulsory social security contributions**						
		Gross earnings		27100	36100	45200	36100
		Taxable income					
			Total	27100	36100	45200	36100
10.	**Total payments to general government (7 + 8 + 9)**			96382	116552	153472	116552
11.	**Cash transfers from general government**						
		For head of family					
		For two children		27000	27000	27000	0
			Total	27000	27000	27000	0
12.	**Take-home pay (1-10+11)**			317912	426841	519019	399841
13.	**Employer's wage dependent contributions and taxes**						
	Employer's compulsory social security contributions			86018	114691	143364	114691
	payroll taxes			35669	47558	59448	47558
			Total	121687	162249	202812	162249
14.	**Average rates**						
	Income tax			17.9%	15.6%	16.8%	15.6%
	Employees' social security contributions			7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers			17.9%	17.3%	19.6%	22.6%
	Total tax wedge including employer's social security contributions			37.5%	37.1%	38.8%	41.1%
15.	**Marginal rates**						
	Total payments less cash transfers: Principal earner			31.6%	31.6%	31.6%	31.6%
	Total payments less cash transfers: Spouse			15.6%	28.6%	28.6%	28.6%
	Total tax wedge: Principal earner			48.0%	48.0%	48.0%	48.0%
	Total tax wedge: Spouse			35.8%	45.7%	45.7%	45.7%

The national currency is the Swedish kroner (SEK). In 2012, SEK 6.77 was equal to USD 1. In that year, the average worker earned SEK 387 294 (Secretariat estimate).

1. Personal income tax systems

1.1. Central government income taxes

1.1.1. Tax unit

Spouses are taxed separately.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- *Basic reliefs:* A basic allowance is given for assessed earned income and varies between SEK 12 900 and SEK 33 900, depending on income. When individuals pay central government income tax, the basic allowance is at its lowest level, which equals SEK 12 900. The basic allowance depends on the assessed earned income and the basic amount, which equals SEK 44 000.

Assessed-Earned-Income (SEK) Relative to Basic Amount (BA)	Share of BA at lower bracket	For exceeding income
0-0.99	0.423	
0.99-2.72	0.423	+0.2
2.72-3.11	0.77	
3.11-7.88	1.081	-0.1
7.88-	0.293	

- *Standard marital status reliefs:* None.
- *Relief(s) for children:* None.
- *Work-related expenses:* None.
- *Other:* None.

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

- Interest on qualifying loans: Interest payments are offset against capital income. The resulting net capital income is the tax base. A tax credit is given in the case of negative capital income.
- Contributions to pensions, life insurance, superannuation schemes: A deduction of maximum SEK 12 000 can be claimed for premiums paid to private pension arrangements. Medical expenses: None.
- Other allowances are given for:
  - the amount of commuting expenses exceeding SEK 9 000;

- other types of work-related expenses exceeding SEK 5 000; examples are the costs of tools, work-related phone calls using the taxpayer's private telephone;
- increased living expenses while on business trips, e.g. such as the use of a private car if these costs are not reimbursed by the employer;
- double housing expenses due to *temporary* work at other geographical locations (too far from home for commuting), or if the family for some reason can't move, even if the job is of a *permanent* nature;
- travelling expenses for travelling home if the taxpayer works in another place than his/her place of residence.

1.1.3. Tax schedule

Taxable income (SEK)	Tax (SEK) at lower bracket	For exceeding income, %
0-401 100	0	0
401 100-574 300	0	20
Over 574 300	34 640	25

1.1.4. Tax credits

A tax credit equal to 100 per cent of the compulsory social security contributions paid by the employee is granted.

For a person aged under 65, an annual Earned Income Tax Credit (EITC) worth up to SEK 21 249 at the average local tax rate is granted on labour income. For those aged 65 or more, a higher credit worth up to SEK 30 000 is granted. For a person aged under 65 the EITC is calculated as follows: EITC = (Special Amount – Basic Allowance) * local tax rate. For those older than 65 a simplified EITC was introduced in 2009 so that it is no longer connected to the local tax rate, the basic allowance or the basic amount. The Basic Allowance is determined in Section 1.121; the local tax rate is discussed in Section 1.2. The Basic Amount (BA) in 2012 is SEK 44 000. The Special Amount is based on the taxpayer's (gross) earned income.

For taxpayers younger than 65, the Special Amount is calculated as follows:

Earned income (EI)	Special amount
-0.91 BA	EI
0.91 BA-2.72 BA	0.91 BA + 0.304 * (EI – 0.91 BA)
2.72 BA-7.00 BA	1.461 BA + 0.095 * (EI – 2.72 BA)
7.00 BA-	1.868 BA

BA = SEK 44 000.

For taxpayers older than 65, the EITC is calculated differently:

Earned income (EI)	EITC
-SEK 100 000	0.2 * EI
SEK 100 000-SEK 300 000	15 000 SEK + 0.05 * EI
SEK 300 000-	SEK 30 000

1.2. Local government income taxes

1.2.1. General description of the systems

Sweden has both a central government and a local government personal income tax. They are completely coordinated in the assessment process and refer to the same period, i.e. the income year coincides with the calendar year.

1.2.2. Tax base

The tax base is the same as for the central government income tax. The basic allowance for individuals paying local government tax varies between SEK 12 900 and SEK 33 900; it depends on the taxpayer's income. For a taxpayer earning the AW, this basic allowance amounts to SEK 12 900 (based on an AW equal to SEK 389 753 – subject to revision with the AW).

1.2.3. Tax rates

The local government personal income tax is proportional and differs between municipalities. The average rate amounts to 31.60 per cent in 2012, with the maximum and minimum rates being 34.32 per cent and 28.89 per cent, respectively.

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

2.1. Employees' contributions

A general pension contribution of 7 per cent of personal income is paid by employees and the self-employed when income is equal to or greater than 42.3 per cent of the basic amount underlying the basic allowance (see Section 1.1.2.1). The contribution cannot exceed SEK 30 800 since the general pension contributions are not paid for income over SEK 430 600 (= 8.07 * 54 600). 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 2012 are listed below.

Program	Employer (%)	Self-employed (%)
Retirement pension	10.21	10.21
Survivor's pension	1.17	1.17
Parental insurance	2.60	2.60
Health insurance	5.02	5.11
Labour market	2.91	0.37
Occupational health	0.30	0.30
General wage tax	9.21	9.21
Total	31.42	28.97

In certain regions, a reduction of 10 per cent of the base, maximum SEK 7 100 per month, is granted (SEK 18 000 per year for self-employed) (it is not included in the calculations underlying this Report). For employees aged under 26 a reduced SSC rate of 15.49 per cent is applied (14.88 per cent for self-employed). For employees who are over

65 years old and born after 1937 only the retirement pension contribution (10.21 per cent) is applicable. For persons born in 1937 or earlier no employers' social security contributions are applied. On premiums for occupational pensions paid by the employer a reduced SSC rate (24.26 per cent) is applied.

For self-employed a general reduction of 5 per cent on the SSC is applicable if the income exceeds SEK 40 000 per year. The maximal reduction is SEK 10 000 per year.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

The transfers are tax exempt and independent of the parents' income. The transfers for each child are as follows:

First child	12 600
Second child	14 400
Third child	18 048
Fourth child	24 720
Fifth and subsequent child	27 600

4. Main changes in tax/benefit systems since 1998

A tax credit of SEK 1 320 was introduced for low- and average income earners in 1999. The credit is reduced by 1.2 per cent of taxable income above SEK 135 000. This reduction was abolished in 2003 and was replaced by an increase in the basic allowance.

A tax credit of 25 per cent of the social security contribution paid by employees and the self-employed was introduced in 2000. The tax credit has been gradually increased to 100 per cent in 2006.

In 2004, a special tax credit equal to SEK 200 was provided for the statutory minimum local income tax. The special tax credit was abolished in 2005 as was the statutory minimum state income tax (a lump sum tax) of SEK 200. The central government income tax bracket is indexed with the consumer price index plus 2 per cent. In order to reduce the number of people paying the central income tax, there have been additional increases of the tax bracket in 2009. However, in 2004, 2005 and 2006 the central government income tax bracket was restricted to be indexed with the consumer price index plus 1 per cent.

The child allowance was raised by SEK 1 200 per year in 2000, 2001 and 2006.

Maximum fee for childcare was introduced in 2002.

The basic allowance has been increased in 2001, 2002, 2003, 2005 and 2006.

The maximum number of days with unemployment benefit was increased from 564 to 580 days in 1998. The maximum number of days with unemployment benefit was set to 300 days (450 days for persons with children under the age of 18) in 2007. The unemployment benefit was raised in 2001 by SEK 100 to SEK 680 per day. The compensation in the sick leave was raised from 75 to 80 per cent in 1998. In 2003 the compensation was lowered to 77.6 per cent and, at the same time, the number of days for which the employer is responsible was increased from 14 to 21 days. In 2005 the compensation in the sick leave and the number of days for which the employer is responsible were set to their before-2003 level.

The lowest level compensation in the parental leave was raised on 1 July 2006 from SEK 60 to SEK 180 per day.

An earned income tax credit was introduced in 2007 with the purpose of making work economically more rewarding relative to unemployment or inactivity. The earned income tax credit was increased in 2008, 2009 and 2010.

In 2007, the social security contributions for 18-24-year-old employees and self-employed were reduced. In 2009 the reduction were increased and expanded to include all aged under 26. A special wage tax for persons older than 65 was abolished in 2007 for persons born after 1937 and in 2008 for persons born in 1937 or earlier.

An increased basic allowance for persons older than 65 was introduced in 2009 and extended in 2010 and 2011.

5. Memorandum items

5.1. Identification of an AW and calculation of earnings

Basic data for gross earnings are taken from the series *Official Statistics of Sweden*, published by Statistics Sweden. The calculation is based upon total average monthly or hourly earnings, primarily in September of the calendar year. To arrive at the annual earnings, data have been multiplied by the normal amount of hours worked during the year or the stipulated monthly salary has been multiplied by a factor of 12.2. The figures are representative for the country as a whole. The branch classification is NACE Rev. 2 B-N according to the OECD recommendation.

5.2. Employer contributions to private health, pension, etc. schemes

There are a handful of widespread private social security schemes. The employers' contributions to these systems for the blue-collar workers in the private sector equalled to 6.3 per cent of wage earnings in 2007. For white-collar workers in the private sector the employers' contributions to private social security schemes was 14 per cent in 2007. These figures are based on the statistics of labour costs in the private sector, published by Statistics Sweden.

2012 parameter values

Average earnings/yr	Ave_earn	387 294	Secretariat estimate
Central income tax			
	tax_rate	0.2	
	tax_rate2	0.05	
	tax_thrsh	401 100	
	tax_thrsh2	574 300	
Basic Allowance			
	gr1	0.99	
	gr2	2.72	
	gr3	3.11	
	gr4	7.88	
	gp1	0.423	
	gp2	0.2	
	gp3	0.1	
	gp4	0.293	
	gp5	0.77	
Local income tax			
	local_rate	0.3160	
	min_taxl	0	
Soc. security amount			
	basic_amt	44 000	
	basic_ant	54 600	
Soc. security contributions			
employee	SSC_rate	0.07	
employer	SSC_empr	0.3142	
ceiling	SSCC	8.07	
Child benefit			
	Child 1	12 600	
	Child 2	14 400	
	CB	13 500	
Tax credits			
	TC1	0	
	TC1gr1	0	
	TC1gp1	0	
	TC2gp1	1	
EITC	er_1	0.91	
	er_2	2.72	
	er_3	7.00	
	ep_1	1.461	
	ep_2	0.304	
	ep_3	0.095	
	ep_4	1.868	
Employer payroll tax	PRT	0.0921	

2012 tax equations

The equations for the Swedish system are mostly repeated for each individual of a married couple. But the cash transfer is calculated only once. This is shown by the Range indicator in the table below.

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

1.	Earnings	earn		
		truncearn	B	TRUNC(earn, -2)
2.	Allowances:	basic_al	B	IF(truncearn<=gr_2*basic_amt, MINA(ROUNDUP(MAXA(gp_1*basic_amt, (gp_1+gp_2*(gr_2-gr_1))*basic_amt-gp_2*MAXA(gr_2*basic_amt-truncearn, 0)), -2), truncearn), MINA(ROUNDUP(MAXA(gp_4*basic_amt, gp_5*basic_amt-gp_2*MAXA(gr_2*basic_amt-truncearn, 0)-gp_3*MAXA(truncearn-gr_3*basic_amt, 0)), -2), truncearn))
		ssc_al	B	0
	Total	tax_al	B	basic_al+ssc_credit
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-basic_al-ssc_credit)
5.	CG tax before credits	CG_tax_excl	B	tax_rate*Positive(tax_inc-tax_thrsh)+ tax_rate2* Positive(tax_inc-tax_thrsh2)
6.	Tax credits :	ssc_credit	B	Trunc(SSC, -2)
		localtax_credit	B	0
		eitc	B	=TRUNC(MAX((((TRUNC(IF(earned_income>er_2*basic_amt; IF(earned_income>er_3*basic_amt;ep_4*basic_amt;ep_1*basic_amt+ep_3*(earned_income-er_2*basic_amt));MIN(earned_income;er_1*basic_amt+ep_2*(earned_income-er_1*basic_amt)));0))-basic_allowance)*local_rate);0);0)
		tax_cr	B	ssc_credit+localtax_credit+eitc
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	IF(tax_inc>0, TRUNC(local_rate*tax_inc, 0)+min_taxl, 0)
9.	Employees' soc security	SSC	B	(truncearn>=gp_1*basic_amt)*MINA(ROUNDSSC(truncearn*SSC_rate), ROUNDSSC(SSCC*basic_ant*SSC_rate))
11.	Cash transfers	cash_trans	J	Children*CB
13.	Employer's contributions		B	
	Employer's SSC	SSC_empr	B	TRUNC(earn*SSC_empr)-Payroll_empr
	Employer's payroll tax	Payroll_empr	B	TRUNC(earn*PRT)
	Total	Cont_empr	B	SSC_empr+Payroll_empr

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	57946	86920	144866	57946
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family	0	0	0	0
	Dependent children	0	0	0	13000
	Deduction for social security contributions and income taxes	8055	12082	20023	8055
	Work-related expenses	2000	2445	4000	2000
	Other	1700	1700	1700	3100
	Total	11755	16226	25723	26155
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	6000
4.	**Central government taxable income (1 - 2 + 3)**	46100	70600	119100	37700
5.	**Central government income tax liability (exclusive of tax credits)**	342	1040	4476	94
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)**	342	1040	4476	0
8.	**State and local taxes**	3859	7912	17678	1366
9.	**Employees' compulsory social security contributions**				
	Gross earnings	3622	5432	8941	3622
	Taxable income				
	Total	3622	5432	8941	3622
10.	**Total payments to general government (7 + 8 + 9)**	7822	14384	31094	4988
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	6000
	Total	0	0	0	6000
12.	**Take-home pay (1-10+11)**	50124	72535	113772	58958
13.	**Employer's compulsory social security contributions**	3622	5432	8941	3622
14.	**Average rates**				
	Income tax	7.2%	10.3%	15.3%	2.4%
	Employees' social security contributions	6.3%	6.3%	6.2%	6.3%
	Total payments less cash transfers	13.5%	16.5%	21.5%	-1.7%
	Total tax wedge including employer's social security contributions	18.6%	21.5%	26.0%	4.2%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	21.7%	23.3%	32.3%	13.8%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	26.3%	27.8%	35.9%	18.9%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Switzerland 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
	Number of children		2	2	2	none
1.	**Gross wage earnings**		86920	115893	144866	115893
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family		2600	16000	16000	16000
	Dependent children		13000	13000	13000	0
	Deduction for social security contributions and income taxes		12082	16109	20136	16109
	Work-related expenses		2445	4445	4445	4445
	Other		4900	4900	4900	3500
		Total	35026	54454	58481	40054
3.	**Tax credits or cash transfers included in taxable income**		6000	6000	6000	0
4.	**Central government taxable income (1 - 2 + 3)**		57800	67400	92300	75800
5.	**Central government income tax liability (exclusive of tax credits)**		364	646	1583	903
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	144	1081	903
8.	**State and local taxes**		3907	6406	10345	8153
9.	**Employees' compulsory social security contributions**					
	Gross earnings		5432	7243	9054	7243
	Taxable income					
		Total	5432	7243	9054	7243
10.	**Total payments to general government (7 + 8 + 9)**		9339	13793	20481	16299
11.	**Cash transfers from general government**					
	For head of family					
	For two children		6000	6000	6000	0
		Total	6000	6000	6000	0
12.	**Take-home pay (1-10+11)**		83580	108100	130385	99593
13.	**Employer's compulsory social security contributions**		5432	7243	9054	7243
14.	**Average rates**					
	Income tax		4.5%	5.7%	7.9%	7.8%
	Employees' social security contributions		6.3%	6.3%	6.3%	6.3%
	Total payments less cash transfers		3.8%	6.7%	10.0%	14.1%
	Total tax wedge including employer's social security contributions		9.5%	12.2%	15.3%	19.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		17.2%	21.5%	25.0%	22.3%
	Total payments less cash transfers: Spouse		15.4%	22.0%	25.6%	22.9%
	Total tax wedge: Principal earner		22.1%	26.1%	29.4%	26.9%
	Total tax wedge: Spouse		20.3%	26.6%	30.0%	27.4%

The national currency is the Swiss franc (CHF). In 2012, CHF 0.94 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned CHF 86 920 (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 (5.05% of gross earned income) and for unemployment insurance (1.1% for income up to CHF 126 000, 1% for income between CHF 126 000 and CHF 315 000) are deductible in full. Compulsory contributions of approximately 7.65% to private pension funds are also fully deductible. Health and life insurance premiums are deductible from federal income tax up to CHF 3 500 for married persons and CHF 1 700 for taxpayers who are widow(er)s, divorced or single (such premiums are not considered social contributions). These amounts are increased by CHF 700 for each dependent child.

- Work-related expenses

  Taxpayers are allowed a deduction corresponding to 3% of net income (i.e. gross income less contributions for old age and disability insurance, unemployment insurance and work-related provident funds). This deduction may be no less than CHF 2 000 and no more than CHF 4 000.

- Deduction for two-income couples

  50% of the smaller income can be deducted, but no less than CHF 8 100 and no more than CHF 13 400.

1.1.2.2. Main non-standard reliefs available to the average worker

- Interest payments on qualifying loans

  This is the main non-standard relief available to the average worker. It is allowed for all sorts of loans.

- Medical expenses

  Expenses incurred as a result of illness, accidents or disability of the taxpayer or one of its dependants are deductible if the taxpayer bears the expenses personally and they exceed 5% of his or her net income.

1.1.3. *Tax base*

Allowable deductions from gross income	Single taxpayer (CHF)	Married taxpayer, 2 children (CHF)
Work-related expenses[1]	2 000-4 000	2 000-4 000
Personal deduction	–	2 600
Deduction for 2 dependent children	–	13 000 (6 500 * 2)
Social contributions		
Old age insurance	5.05%	5.05%
Unemployment insurance	1.1%[2]	1.1%[2]
Pension fund	7.65%	7.65%
Maximum deductions for health insurance premiums and loan interest[3]	1 700 plus 700 per child	3 500 plus 700 per child
Deduction for two-income couples[4]		8 100-13 400

1. 3% of net income, minimum CHF 2 000, maximum CHF 4 000.
2. 1.1% of income up to CHF 126 000; 1% of income between CHF 126 000 and CHF 315 000.
3. For the purposes of this publication, taxpayers are assumed to always receive the relevant maximum deduction.
4. 50% of smaller income, minimum CHF 8 100, maximum CHF 13 400.

In addition, for the married taxpayer with 2 children, there is a tax credit for 2 dependent children amounting to CHF 502, thus reducing the tax liability by CHF 502.

1.1.4. Tax schedules

1.1.4.1. Rates for persons living alone

Taxable income (CHF)[1]	Base amount (CHF)	Plus % of excess (CHF)	
Up to 14 500	–	–	–
14 500 to 31 600		0.77	14 500
31 600 to 41 400	131.65	0.88	31 600
41 400 to 55 200	217.90	2.64	41 400
55 200 to 72 500	582.20	2.97	55 200
72 500 to 78 100	1 096.00	5.94	72 500
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[2]	–	11.5 of total income	

1. Fractions of less than CHF 100 are disregarded.
2. The calculation model disregards this part of the schedule.

1.1.4.2. 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	223	2	50 900
58 400 to 75 300	373	3	58 400
75 300 to 90 300	877	4	75 300
90 300 to 103 400	1 477	5	90 300
103 400 to 114 700	2 127	6	103 400
114 700 to 124 200	2 799	7	114 700
124 200 to 131 700	3 457	8	124 200
131 700 to 137 300	4 057	9	131 700
137 300 to 141 200	4 552	10	137 300
141 200 to 143 100	4 942	11	141 200
143 100 to 145 000	5 151	12	143 100
145 000 to 895 800	5 379	13	145 000
For 895 900	103 028.50		
Over 895 900[2]	–	11.5 of total income	

1. Fractions of less than CHF 100 are disregarded.
2. The calculation model disregards this part of the schedule.

1.2. Taxes levied by decentralised authorities (Canton and commune of Zurich)

1.2.1. General description of the system

The system of cantonal and communal taxation has the same features as that of direct federal tax.

The tax base is comprised of income from all sources.

Once the basic amount of tax is set, cantons, communes and churches levy their taxes by applying a multiple, which may change from year to year. In 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	–	14 800 (7 400 * 2)
Social contributions		
Old age insurance	5.05%	5.05%
Unemployment insurance	1.1%[2]	1.1%[2]
Pension fund	7.65%	7.65%
Maximum deductions for health insurance premiums and loan interest[3]	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 126 000; 1% of income between CHF 126 000 and CHF 315 000.
3. For the purposes of this publication, taxpayers are assumed to always receive the relevant maximum deduction.

1.2.3. 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)[1]	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	11 (for info.)
Reformed Church tax	10 (for info.)

A personal tax of CHF 24 is added.

1.2.4. Tax rates used for this study

This study uses the rates of tax levied by the federal, cantonal and communal tax authorities.

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

2.1. Employee contributions

2.1.1. Retirement pensions

5.15% of gross income for old age insurance.

2.1.2. Health insurance

–

2.1.3. Unemployment

1.1% on the portion of income up to CHF 126 000; 0.5% for income between CHF 126 000 and CHF 315 000.

2.1.4. Work-related accidents

–

2.1.5. Family allowances

–

2.1.6. Other

–

2.2. Employer contributions

2.2.1. Retirement pensions

5.15% of gross income for old age insurance.

2.2.2. Health insurance

–

2.2.3. Unemployment

1.1% on the portion of income up to CHF 126 000; 0.5% for income between CHF 126 000 and CHF 315 000.

2.2.4. Work-related accidents

–

2.2.5. Family allowances

The employer pays a benefit for dependent children of an employee. The effective benefits paid depend on the Canton of residence and the respective employer. As of 1 January 2009, a new Swiss-wide minimum amount of CHF 2 400 (for children up to 16 years of age and CHF 3 000 for children in education between 16 and 25 years of age) has been established. In most cases, the benefit paid exceeds this minimum. The average family benefit is estimated to amount to CHF 3 000 per child per year.

This benefit is taxable along with other components of income.

The family allowance contributions are not included in the *Taxing Wages* results either as they are paid to a privately-managed fund. These contributions therefore qualify as non-tax compulsory payments (see also Section 5.3).

2.2.6. Other

–

3. Universal cash benefits

3.1. Benefits linked to marital status

No such benefits are paid.

3.2. Benefits for dependent children

The employer pays a benefit of, on average, approximately CHF 3 000 per year for each dependent child of an employee. This benefit is taxable along with other components of income. See Section 2.2.5.

4. Main changes in the tax/benefit system since 1998

On 1 January 1999, the canton of Zurich switched from biennial praenumerando taxation to annual postnumerando taxation on individual income. As a result, the direct federal tax is based on annual postnumerando taxation as well.

As of 1 January 2008, the basic deduction for married couples and the deduction for two-income couples were introduced. These measures are intended to minimise the marriage penalty and to reduce the high taxation of secondary earners, thereby increasing labour force participation of skilled secondary earners.

As of 1 January 2012, the tax credit for children reduces the tax liability by CHF 251 per child.

5. Memorandum item

5.1. *Identification of the average worker*

The population includes men and women working in industry, arts and crafts. The stated income is for the average of workers in the same sector. The geographical scope is the entire country, whereas the amount of tax is computed in respect of the canton and commune of Zurich.

5.2. *Method of calculation used*

- Unemployment benefits: Not included.
- Sick leave payments: Not included.
- Paid leave allowances: Included.
- Overtime: Included.
- Periodic cash bonuses: Included.
- Fringe benefits: Not included.
- Basic method used for calculation: Monthly wages are multiplied by 12.
- Close of the income tax year: 31 December.
- Reference period for computing wages: From 1 January to 31 December of the year in question.

5.3. *Calculation of non-tax compulsory payments*

Switzerland imposes some important non-tax compulsory payments (NTCPs). These NTPCs are not included in the *Taxing Wages* models except when they qualify as standard personal income tax reliefs. Compulsory payments indicators, which combine the effect of taxes and NTCPs, are calculated by the OECD Secretariat and presented in the *OECD Tax Database* (see: *www.oecd.org/ctp/taxdatabase*). Switzerland levies the following employee and/or employer NTCPs:

- Contributions to the second pillar of the pension system (occupational pension funds): Occupational pension funds are mandatory for salaried persons earning at least CHF 20 880 annually. Old age insurance is based on individual savings. The savings assets accumulated by the insured person on his individual savings account over the years serve to finance the old age pension. The constituted capital is converted into an annual old age pension on the basis of a conversion factor. Contribution rates depend on the occupation and the pension fund. An estimated representative rate amounts to 7.65% for employees and 9.75% for employers in 2012.

- 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 2012 amount to CHF 4 584 for adults and CHF 1 087 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 2012 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.

2012 parameter values

Average earnings/yr	Ave_earn	86 920	Secretariat estimate
Tax allowances	Child_al	6 500	
Tax credit	Child_cred	251	
Partner Allowance	partner_rate	0.5	
	partner_min	8 100	
	partner_max	13 400	
Basic deduction for married couples	Married_ded	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	7 400	
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
		0.132	
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
		0.13	
Cantonal tax	Zurich_min	24	
Single	Zurich_sch_s	0	6 700
		0.02	11 400
		0.03	16 100
		0.04	23 700
		0.05	33 000
		0.06	43 700
		0.07	56 100
		0.08	73 000
		0.09	105 500
		0.1	13 770
		0.11	188 700
		0.12	254 900
		0.13	

2012 parameter values *(cont.)*

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	0.0515	
Pension	pension_rate	0	
Unemployment	unemp_rate	0.011	
	unemp_rate2	0.005	
Income ceiling	unemp_ciel	126 000	
	unemp_ciel2	315 000	
Cantonal deductible limit	local_dedn	2 600	
deductible extra for child	local_dedn_c	1 300	
Max other insurance deduction			
single	max_dedn_s	1 700	
married couples	max_dedn_m	3 500	
child	max_dedn_c	700	
Child cash transfer	child_ben	3 000	

2012 tax equations

The equations for the Swiss system in 2012 are mostly calculated on a family basis.

Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	partner_al	J	IF(earn_spouse>0,(Married*MAX(partner_min,MIN(partner_max,partner_rate*MIN(earn_princ,earn_spouse)))),0)+Married*Married_ded
	Children	children_al	J	Children*Child_al+ (Children>0)*(Married=0)*sing_par_al
	Soc sec contributions	SSC_al	B	SSC + NTCP_pension_ee*earn
	Work related	work_al	B	MAX(work_exp_min, MIN(work_exp_max, work_exp*(earn-SSC_al)))
	Other	oth_al	J	IF(Married,IF(Children>0,max_dedn_m+Children*fed_dedn_c,max_dedn_m),IF(Children>0,max_dedn_s+Children*fed_dedn_c,max_dedn_s))
	Total	tax_al	J	partner_al+children_al+SSC_al+work_al+oth_al
3.	Credits in taxable income	taxbl_cr	J	Cash_tran
4.	CG taxable income	tax_inc	J	positive(earn_total-tax_al+taxbl_cr)
5.	CG tax before credits	CG_tax_excl	J	IF(Married+Children=0, Tax(tax_inc, IFD_sch_s)+IFD_min_s*(Tax(tax_inc, IFD_sch_s)>0), Tax(tax_inc, IFD_sch_m)+IFD_min_m*(Tax(tax_inc, IFD_sch_m)>0))
6.	Tax credits :	Children_cred	J	Child_cred*Children
7.	CG tax	CG_tax	J	Positive(CG_tax_excl- Children_cred)
8.	State and local taxes	local_tax_inc	J	MAX(earn_total+taxbl_cr-local_basic*(1+Married)-Children*local_child-work_al-SSC-(local_dedn*(1+Married)+Children*local_dedn_c)-(earn_spouse>0)*partner_local,0)
		local_tax		IF((Married+Children)>0, Tax(local_tax_inc, Zurich_sch_m)*statetax_mult+(1+Married)*Zurich_min*(Tax(local_tax_inc, Zurich_sch_m)>0), Tax(local_tax_inc, Zurich_sch_s)*statetax_mult+(Tax(local_tax_inc, Zurich_sch_s)>0)*Zurich_min)
9.	Employees' soc security	SSC	B	(old_age)*earn+IF(earn<=unemp_ciel, earn*unemp_rate, IF(earn<=unemp_ciel2, unemp_ciel*unemp_rate+(earn-unemp_ciel)*unemp_rate2, unemp_ciel*unemp_rate+unemp_ciel2*unemp_rate2))
11.	Cash transfers	Cash_tran	J	Children*child_ben
13.	Employer's soc security	SSC_empr	B	SSC

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	18365	27547	45912	18365
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	2755	4132	6887	2755
	Work-related expenses				
	Other				
	Total	2755	4132	6887	2755
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	15610	23415	39025	15610
5.	**Central government income tax liability (exclusive of tax credits)**	2622	4183	8287	2622
	Stamp tax	121	182	303	121
	Total	2743	4365	8590	2743
6.	**Tax credits**				
	Basic credit	798	798	798	1037
	Married or head of family				
	Children				
	Other				
	Total	798	798	798	1037
7.	**Central government income tax finally paid (5-6)**	1945	3567	7792	1706
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	2755	4132	6887	2755
	Taxable income				
	Total	2755	4132	6887	2755
10.	**Total payments to general government (7 + 8 + 9)**	4700	7699	14679	4461
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)**	13665	19848	31233	13904
13.	**Employer's compulsory social security contributions**	3030	4545	7575	3030
14.	**Average rates**				
	Income tax	10.6%	12.9%	17.0%	9.3%
	Employees' social security contributions	15.0%	15.0%	15.0%	15.0%
	Total payments less cash transfers	25.6%	27.9%	32.0%	24.3%
	Total tax wedge including employer's social security contributions	36.1%	38.2%	41.6%	35.0%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	32.7%	32.7%	38.6%	32.7%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	42.2%	42.2%	47.3%	42.2%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Turkey 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	27547	36729	45912	36729
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	4132	5509	6887	5509
	Work-related expenses				
	Other				
	Total	4132	5509	6887	5509
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	23415	31220	39025	31220
5.	**Central government income tax liability (exclusive of tax credits)**	4183	5354	6805	5354
	Stamp tax	182	182	182	182
	Total	4365	5536	6987	5536
6.	**Tax credits**				
	Basic credit	1197	1037	1037	798
	Married or head of family				
	Children				
	Other				
	Total	1197	1037	1037	798
7.	**Central government income tax finally paid (5-6)**	3168	4559	6071	4798
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	4132	5509	6887	5509
	Taxable income				
	Total	4132	5509	6887	5509
10.	**Total payments to general government (7 + 8 + 9)**	7300	10068	12958	10308
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)**	20247	26661	32954	26422
13.	**Employer's compulsory social security contributions**	4545	6060	7575	6060
14.	**Average rates**				
	Income tax	11.5%	12.4%	13.2%	13.1%
	Employees' social security contributions	15.0%	15.0%	15.0%	15.0%
	Total payments less cash transfers	26.5%	27.4%	28.2%	28.1%
	Total tax wedge including employer's social security contributions	36.9%	37.7%	38.4%	38.3%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	32.7%	32.7%	32.7%	32.7%
	Total payments less cash transfers: Spouse	28.4%	28.4%	32.7%	28.4%
	Total tax wedge: Principal earner	42.2%	42.2%	42.2%	42.2%
	Total tax wedge: Spouse	38.5%	38.5%	42.2%	38.5%

The national currency is the Türk Lirasi (TL). Turkey has changed its national currency unit in 2005 (after 1 January 2005, YTL 1 = TRL 1 million , after 1 January 2009, TL 1 = YTL 1). In 2012, TL 1.79 was equal to USD 1. For 2012, the average production worker earned TL 27 547 (country estimate).

1. Personal income tax systems

1.1. Central government income tax

1.1.1. Tax unit

Spouses are taxed separately on earned income. This rule has applied since 1 January 1999.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs:

- *Reliefs for social security contributions:* Employee's social security contributions are deductible from gross earnings. These contributions are 15 per cent of gross income as stated by the Social Insurance Act. The contribution to the unemployment fund is included in this amount and equals 1 per cent of gross income.
- Contributions to public pension funds established by law are deductible.
- *Work-related expenses:* None.
- *Minimum Living Relief:* The calculation of the minimum living allowance is based on the annual gross amount of the minimum wage for employees older than 16 at the beginning of the calendar year in which the income is obtained multiplied by the following rates:
  - 50 per cent for the taxpayer him or herself;
  - 10 per cent for the spouse who neither works nor has an income;
  - 7.5 per cent for each of the first two children;
  - 5 per cent for each additional child.

  This total amount is then multiplied by the rate (15 per cent) which is applied to the first income bracket of PIT Schedule stated in Article 103 of PIT Law, and then minimum living relief is calculated by offsetting 1/12 of the allowance amount against monthly calculated tax due on employment income. Any excess is non-refundable.
- *Reliefs for disabled:* Law 4842 regulates tax relief for disabled persons. The employee who lost his/her working capacity with at least 80 per cent is considered to be disabled in the 1st degree; employees are disabled in the 2nd respectively 3rd degree if they lost their working capacity with at least 60 respectively 40 per cent. In these cases, the following amounts are deductible from monthly wages:
  - Disabled in the 1st degree: TL 770.
  - Disabled in the 2nd degree: TL 380.

❖ Disabled in the 3rd degree: TL 180.

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

- Legal deductions for public institutions such as OYAK (Social Aid Institution for Military Officers).
- Contributions to private pension funds and premiums paid by the wage-earner for himself (or herself), the spouse and dependent children to personal insurance schemes covering death, illness, accident, disablement, maternity, birth and education, provided that the insurance is contracted with a company established in or with a main office in Turkey. The total amount of deductible contributions to the private pension funds cannot exceed 10 per cent (5 per cent with respect to premiums that are paid to personal insurance schemes) of the wage that is earned in the month when the premiums or contributions are actually paid. The annual amount cannot exceed the annual minimum wage either.
- Membership payments made to labour unions.

1.1.3. *Tax schedule*

The tax schedule in 2012 is as follows:

Taxable income (TL)	Tax on lower threshold (TL)	Tax on excess amount above lower threshold (%)
Up to 10 000		15
10 000 up to 25 000	1 500	20
25 000 up to 88 000	4 500	27
88 000 and over	21 150	35

1.2. State and local income taxes

Income tax is levied only by the central government.

1.3. Stamp tax

The stamp tax base is gross earnings. The tax rate is 0.66 per cent in 2012.

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

2.1. Employees' contributions

2.1.1. Pensions (disability, old age and death insurance): 9 per cent

2.1.2. Sickness: 5 per cent

2.1.3. Unemployment: 1 per cent

2.2. Employers' contributions

2.2.1. Pensions (disability, old age and death insurance): 11 per cent

2.2.2. Sickness: 7.5 per cent

2.2.3. Unemployment: 2 per cent

2.2.4. Work injury: The industry-dependent rate varies between 1 per cent and 6.5 per cent. The rate includes occupational disease insurance. In this Report, the lowest rate is used (1 per cent).

If disability, old age and death insurance premiums paid regularly by employers as stated law 5510 article of 81 (Social Security and General Health Insurance Law) 5 per cent of total 11 per cent premiums are paid by state on behalf of employers. (5 per cent discount applied in employers share)

There is no distinction by marital status or sex and the contributions apply to gross earnings. Compulsory social security contributions of employees and their employers are calculated according to the schemes presented above.

For employees whose gross earnings are below the base or above ceiling earnings, which are determined at least twice a year, these contribution rates are applied to the base or ceiling amounts respectively. In 2012, the ceiling amount is TL 71.255 and the base amount is TL 10 962. Under the Law No. 5510 (Social Security and General Health Insurance Law), the base wage for social security contributions is equal to the minimum wage. Because employees cannot earn less than the minimum wage, the base wage is not considered in this publication. However, the ceiling earnings are considered for the purposes of this Report.

3. Universal cash transfers

Employees obtain universal cash transfers according to the collective labour agreements that are signed between their employer and the labour union(s). These agreements vary with the bargaining power of the different parties in the different sectors in the economy. This explains why there is no standard amount reflecting these general transfers.

4. Main changes in tax/benefit system since 2004

Changes were made under Laws 4967, 4842, 5510 and 5615: see Section 1.1.2. By the Law No 5763 as of 1 October 2008, employers' social security contributions have been reduced: see Section 2.2.

5. Memorandum items

5.1. Identification of an APW

The earnings figure refers to all production workers in the manufacturing sector. The APW figure has been calculated using monthly data and it refers to the calendar year.

5.2. Contribution to private pension and health schemes

Business enterprises (employers) are permitted to make additional contributions for pension savings of their employees, but only in addition to the obligatory contributions to the national retirement schemes. Such additional pension arrangements, which are optional, are not widely used.

2012 parameter values

Average earnings/yr	Ave_earn	27 547	Country estimate
Income tax	Tax_sch	0.15	10 000
		0.20	25 000
		0.27	88 000
		0.35	
Stamp tax	Stamp_rate	0.0066	
Employees SSC	SSC_rate	0.15	
	SSC_ceil	71 255	
Employers SSC	SSC_empr	0.165	
Minimum living relief	credit_rate	0.15	
	basic_allow	0.5	
	spouse_allow	0.1	
	child_allow	0.075	
	add_child_allow	0.05	
	min_wage	10638	

2012 tax equations

The equations for the Turkish system are on an individual basis.

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

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	B	SSC
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
	Stamp tax	stamp_tax	B	earn*stamp_rate
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc,tax_sch)
6.	Tax credits :	tax_cr	B	credit_rate*min_wage*(basic_allow+spouse_allow*(IF(Wife=0,Married,0))+IF(OR(Children=1,Children=2),Children*child_allow,0)+IF(Children>2.2*child_allow+(Children-2)*add_child_allow,0))
7.	CG tax	CG_tax	B	positive(CG_tax_excl-tax_cr)+stamp_tax
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	Min(earn,SSC_ceil)*SSC_rate
11.	Cash transfers	cash_trans	B	0
13.	Employer's soc security	SSC_empr	B	Min(earn,SSC_ceil)*SSC_empr

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

United Kingdom (2012-13 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 2012

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**	23922	35883	59805	23922
2.	**Standard tax allowances**				
	Basic allowance	8105	8105	8105	8105
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	8105	8105	8105	8105
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	15817	27778	51700	15817
5.	**Central government income tax liability (exclusive of tax credits)**	3163	5556	13806	3163
6.	**Tax credits**				
	Basic credit				
	Married or head of family				
	Children	0	0	0	3420
	Other				
	Total	0	0	0	3420
7.	**Central government income tax finally paid (5-6)**	3163	5556	13806	-257
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1958	3393	4531	1958
	Taxable income				
	Total	1958	3393	4531	1958
10.	**Total payments to general government (7 + 8 + 9)**	5121	8949	18337	1701
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	1757
	Total	0	0	0	1757
12.	**Take-home pay (1-10+11)**	18801	26934	41468	23978
13.	**Employer's compulsory social security contributions**	2268	3919	7220	2268
14.	**Average rates**				
	Income tax	13.2%	15.5%	23.1%	-1.1%
	Employees' social security contributions	8.2%	9.5%	7.6%	8.2%
	Total payments less cash transfers	21.4%	24.9%	30.7%	-0.2%
	Total tax wedge including employer's social security contributions	28.2%	32.3%	38.1%	8.4%
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 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	35883	47844	59805	47844
2.	**Standard tax allowances**				
	Basic allowance	8105	16210	16210	16210
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	8105	16210	16210	16210
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	27778	31634	43595	31634
5.	**Central government income tax liability (exclusive of tax credits)**	5556	6327	8719	6327
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)**	5556	6327	8719	6327
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	3393	3916	5351	3916
	Taxable income				
	Total	3393	3916	5351	3916
10.	**Total payments to general government (7 + 8 + 9)**	8949	10243	14070	10243
11.	**Cash transfers from general government**				
	For head of family				
	For two children	1757	1757	1757	0
	Total	1757	1757	1757	0
12.	**Take-home pay (1-10+11)**	28691	39358	47492	37601
13.	**Employer's compulsory social security contributions**	3919	4536	6186	4536
14.	**Average rates**				
	Income tax	15.5%	13.2%	14.6%	13.2%
	Employees' social security contributions	9.5%	8.2%	8.9%	8.2%
	Total payments less cash transfers	20.0%	17.7%	20.6%	21.4%
	Total tax wedge including employer's social security contributions	27.9%	24.9%	28.0%	28.2%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	32.0%	32.0%	32.0%	32.0%
	Total payments less cash transfers: Spouse	10.8%	32.0%	32.0%	32.0%
	Total tax wedge: Principal earner	40.2%	40.2%	40.2%	40.2%
	Total tax wedge: Spouse	15.2%	40.2%	40.2%	40.2%

The national currency is the pound sterling (GBP). In May 2012, GBP 0.63 was equal to USD 1. In 2012-13, the Average Worker is estimated to earn GBP 35 883 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income taxes

1.1.1. Tax unit

The tax unit is the individual, but certain reliefs depend on family circumstances (see Section 1.1.2.1).

1.1.2. Tax allowances and tax credits

All figures shown are those applying at the start of the tax year in April.

1.1.2.1. Standard reliefs

- Basic reliefs: A personal allowance of GBP 8 105 is granted to each individual with income below GBP 100 000. The personal allowance is then tapered away by GBP 1 for every GBP 2 of income above GBP 100 000.
- Standard marital status reliefs: None.
- Working Tax Credit (WTC): A non-wastable tax credit available to low income families with or without children. It is available for families with children where one person works at least 16 hours a week. It is also available for people with a disability who work at least 16 hours a week and for families without children where one person works at least 30 hours a week. The amount depends upon the hours worked, the ages of children, eligible childcare costs, and gross income. A family with a child 16 or under where the claimant (or, where applicable, their partner, or both claimants jointly) works at least 30 hours a week, would get a maximum credit of GBP 4 660 per year before taking into account eligible childcare costs.* This credit is reduced by 41 pence for each GBP 1 of net income above a threshold of GBP 6 420 per year. Extra amounts are available where one or, where applicable, both claimants are disabled. WTC was introduced on 6th April 2003.
- Relief for social security contributions and other taxes: None.
- Child Tax Credit (CTC): A non-wastable tax credit available to low and middle income families with children. It provides support for children until 1st September following their 16th birthday, and beyond that date to the age of 19 for those who continue in full-time non-advanced education. The amount depends on gross income and the number and age of the children. A family with two children would get a maximum credit

* The amount of credit received is calculated by dividing separately each element of the credit by the number of days in the tax year and rounding up to the nearest penny to give a daily rate. These daily rates are then multiplied by the number of days in the relevant period (for the purposes of this Report, the tax year) and added together.

GBP 5 920 per year, which is reduced by 41 pence for each GBP 1 of gross income above a threshold of GBP 15 860 if the family is not working. A higher threshold applies if the family is working; their CTC is reduced at the same rate once their WTC has been tapered to zero. CTC was introduced on 6th April 2003.

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

- Work-related expenses: Flat rate expenses for tools and special clothing are allowed to certain occupational categories. Since this provision is not applicable to all manufacturing occupations, and hence average workers, and because the rates vary slightly across categories, this relief is considered here as non-standard;
- Contributions to approved superannuation schemes or personal pension schemes are deducted when calculating taxable income. Premiums on approved life assurance policies payable to life assurance companies attract 12.5 per cent tax relief for policies entered into force before 13 March 1984.

1.1.3. Tax schedule

In 2012-13 all taxpayers are liable on taxable income other than savings and dividend income at the basic rate of 20 per cent on the first GBP 34 370, 40 per cent over the basic rate limit of GBP 34 370 and 50 per cent over the higher rate limit of GBP 150 000. (Taxable Income is defined as gross income for income tax purposes less allowances and reliefs available at the marginal rate.) Dividend income is charged at 10 per cent up to the basic rate limit of GBP 34 370, 32.5 per cent above GBP 34 370 and 42.5 per cent above GBP 150 000. Savings income is charged at 10 per cent up to the starting rate limit on the first GBP 2 560, at 20 per cent up to GBP 34 370, 40 per cent above GBP 34 370 and 50 per cent above GBP 150 000.

Taxable income (GBP)	Rate %
0-34 370	20
34 370-150 000	40
Over 150 000	50

1.2. State and local income tax

There are no regional or local income taxes.

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

2.1. Employees' contributions

National Insurance contributions are payable by employees earning more than GBP 146 in any week. These are 12 per cent of earnings between GBP 146 and GBP 817 and 2 per cent of earnings above GBP 817 for employees not contracted out of the state second pension scheme (additional state pension which supplements the basic retirement pension). For employees who are contracted out, there is a rebate of 1.4 per cent on earnings between GBP 107 and GBP 770. Depending on eligibility, members of the National Insurance scheme qualify for pensions, sickness, industrial injury, unemployment benefits, etc. All employees earning under GBP 146 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 107 and GBP 146 to protect benefit entitlement.

2.2. Employers' contributions

Employer's contributions are not payable for employees earning less than GBP 144 per week. The rate of employers' contributions for employees not contracted out of the additional (earnings related) scheme is 13.8 per cent of earnings above GBP 144 per week. For employees who are contracted out, there is a rebate of 3.4 per cent on earnings between GBP 107 and GBP 770 per week.

3. Universal cash transfers

3.1. Transfers related to marital status

None (widows' benefit is covered by the government pensions scheme noted above).

3.2. Transfers for dependent children

A child benefit of GBP 20.30 per week is paid in respect of the first child in the family up to the age of 19 (if the child aged 16-19 is in education or training) with GBP 13.40 per week paid for each subsequent child.

From January 2013, a new tax charge will be introduced for a taxpayer who has income over GBP 50 000 and either they or their partner are in receipt of Child Benefit. For those with income between GBP 50 000 and GBP 60 000, the amount of the charge will be 1% of the Child Benefit for every GBP 100 of income over GBP 50 000. For those with income over GBP 60 000, the amount of the charge will equal the amount of Child Benefit.

4. Memorandum items

4.1. Identification of AW and valuation of earnings

A new Annual Survey of Hours and Earnings (ASHE) has been developed to replace the New Earnings Survey (NES) (results of which are published in *Labour Market Trends*) and shows the average weekly earnings of full-time employees in April each year. It covers men and women at adult rates in the United Kingdom (excluding Northern Ireland). The annual figure used for the gross earnings of the AW in the United Kingdom is the annual equivalent of the arithmetic average of the weekly earnings figures for April at the beginning and end of the fiscal year, as published in *Labour Market Trends*.

The earnings figures exclude the earnings of those whose pay was affected by absence (due to sickness etc.). They include overtime, payment by results and shift payments. But they do not include benefits in kind (which could in some circumstances be included in the employee's taxable income in the United Kingdom).

4.2. Employers' contributions to private pension, health, etc., schemes

In 2008, there were 9.0 million active members of occupational pension schemes with two or more members in the UK, of whom 3.6 million were in the private sector and 5.4 million in the public sector.

2012 parameter values

Average earnings/yr	Ave_earn	35 883	Secretariat Estimate	
Allowances	Basic_al	8 105		
	PA taper start	100 000		
	Married_al	0		
	Married_rate	0		
Income tax	Tax_sch	0.2	34 370	
		0.4	150 000	
		0.5		
Employees SSC				
Primary threshold	SSC_sch	0	7 605	PT
Upper earnings limit		0.12	42 475	UEL
		0.02		
Employers SSC	SSC_rate2	0.138		
	ST	7 488		
Child benefit (first)	CB_first	20.30		
Child benefit (others)	CB_others	13.40		
	CB_1st_thres	50 000.00		
	CB_2nd_thres	60 000.00		
	CB_taper1	0.01		
	CB_taper2	100.00		
NEW TAX CREDITS				
WTC				
Basic element	WTC_Basic	1 920		
Couple/Lone parent	WTC_couple_or_lone	1 950		
30 Hour element	WTC_30hr	790		
CTC				
Family element	CTC_family	545		
Child element	CTC_child	2 690		
Baby element	CTC_baby			
Threshold	NTC_1st_thres	6 420		
	NTC_1st_taper	0.41		
Days in tax year	Numdays	365		

2012 tax equations

The equations for the UK system are mostly on an individual basis. But Child and Working tax credits are calculated on a family basis and child benefit is calculated only once. This is shown by the Range indicator in the table below.

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

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	Earn		
2.	Allowances:	tax_al	B	Tax_al =IF(earn<PA_taper,Basic_al,IF(earn>(PA_taper+(Basic_al*2)),0,MAX(0,(Basic_al-((earn-PA_taper)/2)))))
2.	PA Start	PA_taper	B	IF(earn<PA_taper,Basic_al,IF(AA7>(PA_taper+(Basic_al*2)),0,MAX(0,(B asic_al-((AA7-PA_taper)/2)))))
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits (nonwastable)	tax_cr	J	IF(Children>0, MAX(Taper(ROUNDUP(CTC_family/numdays, 2)*numdays+Children*ROUNDUP(CTC_child/numdays, 2)*numdays+ROUNDUP(WTC_Basic/numdays, 2)*numdays+ROUNDUP(WTC_30hr/numdays, 2)*numdays+ROUNDUP(WTC_couple_or_lone/numdays, 2)*numdays, earn_total, NTC_1st_thres, NTC_1st_taper), Taper(ROUNDUP(WTC_Basic/numdays, 2)*numdays+ROUNDUP(WTC_30hr/numdays, 2)*numdays+IF(Married=1, ROUNDUP(WTC_couple_or_lone/numdays, 2)*numdays, 0), earn_total, NTC_1st_thres, NTC_1st_taper))
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	Tax(earn, SSC_sch)
11.	Cash transfers	cash_trans	J	=((numdays/ 7*((Children>0)*CB_first+CB_others*Positive(Children-1)))*(3/ 4))+((IF(princ_earn>CB_1st_thres,IF(princ_earn>CB_2nd_thres,0,((1-(A A7-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)))))*(1/4))
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.

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

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 2012

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**	31766	47650	79416	31766
2.	**Standard tax allowances**				
	Basic allowance	9750	9750	9750	12500
	Married or head of family				
	Dependent children	0	0	0	7600
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	9750	9750	9750	20100
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	22016	37900	69666	11666
5.	**Central government income tax liability (exclusive of tax credits)**	2867	5505	13447	1167
6.	**Tax credits**				
	Basic credit	0	0	0	2145
	Married or head of family				
	Children	0	0	0	2000
	Other	378	378	378	378
	Total	378	378	378	4523
7.	**Central government income tax finally paid (5-6)**	2489	5127	13069	-3356
8.	**State and local taxes**	1944	3012	5148	1412
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1795	2692	4487	1795
	Taxable income				
	Total	1795	2692	4487	1795
10.	**Total payments to general government (7 + 8 + 9)**	6228	10831	22704	-149
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)**	25539	36819	56713	31916
13.	**Employer's compulsory social security contributions**	3421	4636	7066	3421
14.	**Average rates**				
	Income tax	14.0%	17.1%	22.9%	-6.1%
	Employees' social security contributions	5.7%	5.7%	5.7%	5.7%
	Total payments less cash transfers	19.6%	22.7%	28.6%	-0.5%
	Total tax wedge including employer's social security contributions	27.4%	29.6%	34.4%	9.3%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	27.4%	37.4%	37.4%	44.7%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	32.5%	41.8%	41.8%	48.6%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

United States 2012

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	47650	63533	79416	63533
2.	**Standard tax allowances**				
	Basic allowance	19500	19500	19500	19500
	Married or head of family				
	Dependent children	7600	7600	7600	0
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	27100	27100	27100	19500
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	20550	36433	52316	44033
5.	**Central government income tax liability (exclusive of tax credits)**	2212	4595	6977	5735
6.	**Tax credits**				
	Basic credit	0	0	0	0
	Married or head of family				
	Children	2000	2000	2000	0
	Other	378	378	378	378
	Total	2378	2378	2378	378
7.	**Central government income tax finally paid (5-6)**	-166	2217	4599	5357
8.	**State and local taxes**	2434	3502	4570	3905
9.	**Employees' compulsory social security contributions**				
	Gross earnings	2692	3590	4487	3590
	Taxable income				
	Total	2692	3590	4487	3590
10.	**Total payments to general government (7 + 8 + 9)**	4961	9309	13657	12851
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)**	42689	54224	65759	50682
13.	**Employer's compulsory social security contributions**	4636	6842	8057	6842
14.	**Average rates**				
	Income tax	4.8%	9.0%	11.5%	14.6%
	Employees' social security contributions	5.7%	5.7%	5.7%	5.7%
	Total payments less cash transfers	10.4%	14.7%	17.2%	20.2%
	Total tax wedge including employer's social security contributions	18.4%	22.9%	24.8%	28.0%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	27.4%	27.4%	27.4%	27.4%
	Total payments less cash transfers: Spouse	27.4%	27.4%	27.4%	27.4%
	Total tax wedge: Principal earner	32.5%	32.5%	32.5%	32.5%
	Total tax wedge: Spouse	36.2%	32.5%	32.5%	32.5%

The national currency is the dollar (USD). In 2012, the average worker earned USD 47 650 (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 2012 a married couple filing a joint tax return is entitled to a standard deduction of USD 11 900. The standard deduction is USD 8 700 for heads of households and USD 5 950 for single individuals. This relief is indexed for inflation. More liberal standard deductions are available for taxpayers who are age 65 or older and taxpayers who are blind. Special rules apply to children who have sufficient income to pay tax and are also claimed as dependents by their parents.

  In addition to the standard deduction, in 2012 a USD 3 800 *personal exemption* is given to every taxpayer (including both husband and wife filing a joint return). The personal exemption is indexed annually for inflation. In 2012, there is no phase out for personal exemptions.
- *Standard marital status reliefs:* Married couples generally benefit from a more favourable schedule of tax rates for joint returns of spouses (see Section 1.1.3). There are no other general tax reliefs for marriage.
- *Relief for children:* For each child and other person claimed as a dependent on a taxpayer's return, the taxpayer is entitled to a dependency exemption of USD 3 800 in 2012. Low income workers with dependents are allowed a refundable (non-wastable) earned income credit. For taxpayers with one child, the credit is 34 per cent of up to USD 9 320 of earned income in 2012. The credit phases down when income exceeds USD 17 090 (22 300 for married taxpayers) and phases out when it reaches USD 36920 (42 130 for married taxpayers). The earned income threshold and the phase-out threshold are indexed for inflation. For taxpayers with two children, the credit is 40 per cent of up to USD 13 090 of earned income in 2012. The credit phases down when income exceeds USD 17 090 (22 300 for married taxpayers) and phases out when it reaches USD 41 952 (47 162 for married taxpayers). For taxpayers with three or more children the credit is

45 per cent of up to USD 13 090 of earned income. The credit phases down when income exceeds USD 17 090 (22 300 for married taxpayers) and phases out when it reaches USD 45 060 (50 270 for married taxpayers).

Since 1998, taxpayers are permitted a tax credit for each qualifying child under the age of 17. In 2012 the maximum credit is USD 1 000. The maximum credit is reduced for taxpayers with income in excess of certain thresholds. The credit is reduced by USD 50 for each USD 1 000 of income in excess of USD 110 000 for married taxpayers (USD 75 000 for single and head of household taxpayers). These threshold amounts are not indexed for inflation. The child credit is refundable (non-wasteable) to the extent of 15 per cent of earned income in excess of USD 3 000. A taxpayer with three or more qualifying children may be allowed a supplemental refundable (non-wasteable) child credit, subject to certain restrictions. The refundable credit is the excess of the taxpayer's share of social security (including Medicare) taxes over his earned income tax credit for the year not used to offset income tax liability.

- *Relief for low income workers without children:* In 1994 and thereafter, low income workers without children are eligible for the earned income credit. In 2012 low income workers without children are permitted a non-wastable earned income credit of 7.65 per cent of up to USD 6 210 of earned income. The credit phases down when income exceeds USD 7 770 (12 980 for married taxpayers) and phases out when income reaches USD 13 980 (19 190 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 2012, the withholding rate for Social Security taxes for employees is reduced from 6.2 per cent to 4.2 per cent. The earned income credits described above are sometimes considered an offset to social security contributions made by eligible employees. Furthermore, only a portion of social security benefits are subject to tax.

1.1.2.2. Main non-standard reliefs applicable to an AW

The basic non-standard relief is the deduction of certain expenses to the extent that, when itemised, they exceed in aggregate the standard deduction. For the purposes of this Report, it is assumed that workers claim the standard deduction. The principal itemised deductions claimed by individuals where the standard deduction is not being claimed are:

- *medical and dental expenses that exceed* 7.5 per cent of income;
- state and local income taxes, real property taxes, and personal property taxes; Home mortgage interest;
- investment interest expenseup to investment income with an indefinite carry forward of disallowed investment interest expense;
- contributions to qualified charitable organisations (including religious and educational institutions);
- *casualty and theft losses* to the extent that each loss exceeds USD 100 and that all such losses combined exceed 10 per cent of income; and
- miscellaneous expensessuch as non-reimbursed employee business expenses (union dues, work shoes, etc.), investment expenses, tax return preparation fees and educational expenses required by employment, to the extent that, in aggregate; they exceed 2 per cent of income.

In 2009, the most recent year for which such statistics are available, the 36 per cent of taxpayers with income between USD 40 000 and USD 50 000 (the AW range) who itemised their deductions claimed average deductions as follows: medical expenses, USD 2 112; taxes paid, USD 1 816; charitable contributions, USD 1 827; interest expense, USD 7 145.

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 8 700	0 to 17 400	0 to 12 400	10
8 700 to 35 350	17 400 to 70 700	12 400 to 47 350	15
35 350 to 85 650	70 700 to 142 700	47 350 to 122 300	25
85 650 to 178 650	142 700 to 217 450	122 300 to 198 050	28
178 650 to 388 350	217 450 to 388 350	198 050 to 388 350	33
388 350 and over	388 350 and over	388 350 and over	35

1. The taxable income brackets are indexed for inflation.

1.2. *State and local income taxes*

1.2.1. *General description of the system*

The District of Columbia and 43 of the 50 States impose some form of individual income tax. In addition, some local governments (cities and counties) impose an individual income tax, although this is not generally the case. State individual income tax structures are usually related to the federal tax structure by the use of similar definitions of taxable income, with some appropriate adjustments. This linkage is not a legal requirement but a practical convention that functions for the convenience of the taxpayer who must fill out both federal and State income tax returns.

The AW calculations assume that the average worker lives in Detroit, Michigan. The state of Michigan permits a personal exemption of USD 3 700 for the taxpayer, the taxpayer's spouse and each child, an additional USD 600 exemption for each child 18 years old and younger, and taxes income at the rate of 4.35 per cent. Michigan allows taxpayers who are eligible to claim the federal earned income tax credit to claim a Michigan earned income tax credit. The Michigan earned income tax credit is a refundable (non-wasteable) credit equal to 6 per cent of the federal earned income tax credit.

The city of Detroit permits a personal exemption of USD 600 and taxes income at the rate of 2.5 per cent. Michigan provides a credit for city taxes paid. If the city income tax paid is USD 100 or less, the credit is 20 per cent of the city income tax paid. If the city income tax paid is over USD 100 but not over USD 150, the credit is 10 per cent of the excess of the city income tax paid over USD 100 plus USD 20. If the city income tax paid is over USD 150, the credit is 5 per cent of the excess of the city income tax paid over USD 150 plus USD 25.

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

2.1. Employees' contributions

2.1.1. Pensions

In 2012, the rate for employee contributions is 5.65 per cent (4.2 per cent for old age, survivors, and disability insurance, and 1.45 per cent for old age hospital insurance). The 4.2 per cent rate applies to earnings up to USD 106 800. Beginning in 1994, there is no limit on the amount of earnings subject to the 1.45 per cent rate.

There is no distinction by marital status or sex.

2.1.2. Other

No compulsory employee contributions exist.

2.2. Employers' contributions

2.2.1. Pensions

The rate for employers' contributions is 6.2 per cent on earnings up to USD 110 100 and 1.45 per cent of all earnings (without limit).

2.2.2. Unemployment

Employers are required by the federal government to pay unemployment tax of 6 per cent on earnings up to USD 7 000. Taxes are also paid to various state-sponsored unemployment plans which may generally be credited against the required federal percentage. In 2011 the average unemployment insurance tax rate in Michigan was 6.01 per cent of the first USD 9 000 (USD 9 500 in 2012) of wages. The model considers that the Federal government allows employers to take a credit for state unemployment taxes of up to 5.4 per cent, resulting in a net Federal tax of 0.6 per cent on earnings up to USD 7 000.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

No general cash transfers exist, although low-income mothers qualifying for categorical welfare grants may receive cash transfers.

4. Principal changes since 2011

None.

5. Memorandum items

5.1. Identification of an AW at the wage calculation

- The AW is identified from monthly data compiled from establishment questionnaires covering more than 40 million non-agricultural full- and part-time workers. Beginning in March 2006, data on average weekly hours and average hourly earnings cover all employees rather than solely production or non-supervisory workers. To obtain average annual wages, the product of average weekly hours (including overtime) and average hourly earnings (including overtime) is multiplied by 52 and is adjusted to reflect a full-time equivalent worker. The AW wage is estimated to be USD 46 671 for 2011.

5.2. Employer contributions to private social security arrangements

Employers commonly contribute to private pension plans, health insurance and life insurance. Data for these contributions are available only on a total workforce basis. It is not possible to state with accuracy the levels applicable to the AW. The following are estimates for 2010 for employees in private industry:

	Pension	Health	Life
Per cent of workers covered	49	51	56
USD per covered employee	n.a.	10 026 (family) 4 162 (single)	n.a.

2012 parameter values

APW earnings	Ave_earn	47 650	Secretariat estimate			
Standard deductions	Married_al	11 900				
	hh_al	8 700				
	single_al	5 950				
Personal exemption	pers_ex	3 800				
Dependency exemption	dep_ex	3 800				
Federal tax schedules	Fed_sch_s	0.1	8 700			
		0.15	35 350			
Single individuals		0.25	85 650			
		0.28	178 650			
		0.33	388 350			
		0.35				
Married filing jointly	Fed_sch_m	0.1	17 400			
		0.15	70 700			
		0.25	142 700			
		0.28	217 450			
		0.33	388 350			
		0.35				
Head of household	Fed_sch_h	0.1	12 400			
		0.15	47 350			
		0.25	122 300			
		0.28	198 050			
		0.33	388 350			
		0.35				
Earned income credit	EIC_sch	rate	income limit	threshold	thresh-married	phase-out
	no children	0.0765	6 210	7 770	12 980	0.0765
	1 child	0.34	9 320	17 090	22 300	0.1598
	2 children	0.4	13 090	17 090	22 300	0.2106
	3 or more children	0.45	13 090	17 090	22 300	0.2106
Child credit	chcrd_max	1 000				
	chcrd_rdn	50				
	chcrd_thrsh_m	110 000				
	chcrd_thrsh_oth	75 000				
	chcrd_ref_perct	0.15				
	chcrd_ref_thresh	3 000				
Detroit	Detroit_ex	600				
	Detroit_rate	0.025				
Michigan	Mich_ex	3 700				
	Mich_ex_child	600				
	Mich_rate	0.0435				
Michigan's earned income tax credit	Mich_EIC_rate	0.06				
credit schedule on city tax	Mich_cr_sch	0.2	100			
		0.1	150			
		0.05				
maximum	Mich_cr_max	10 000				
Pension contributions	pens_rate_er	0.062				
	pens_rate_ee	0.042				
	hosp_rate	0.0145				
Ceiling for employers	pens_ceil	110 100				
Unemployment insurance tax	Unemp_rate	0.06				
	Unemp_dedn_rate	0.054				
	Unemp_max	7 000				
Michigan unemploy insur	Mich_unemp_rate	0.0601				
	Mich_unemp_max	9 500				

2012 tax equations

The equations for the US system in 2012 are mostly calculated on a family basis. There is a special function EIC which is used to calculate the earned income credit. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

Line in country table and intermediate steps		Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	J	IF(Married, Married_al, IF(Children=0, single_al, hh_al))+ (1+Married)*pers_ex+ Children*dep_ex
3.	Credits in taxable income	taxbl_cr	J	0
4.	CG taxable income	tax_inc	J	positive(earn-tax_al+taxbl_cr)
5.	CG tax before credits	CG_tax_excl	J	Tax(tax_inc, IF(Married, Fed_sch_m, IF(Children, Fed_sch_h, Fed_sch_s)))
6.	Tax credits :	EIC	J	EIC(Children, earn_total, EIC_sch)
		Unemp	J	Unemp_dedn_rate*(MIN(earn,Unemp_max))
		ch_crd_max	J	Children*Positive((chcrd_max-chcrd_rdn*Positive(TRUNC(earn, -3)-IF(Married>0, chcrd_thrsh_m, chcrd_thrsh_oth))/1000))
		ch_crd_tax	J	IF(ch_crd_tax>0, MIN(ch_crd_max, CG_tax_excl), 0)
		ch_crd_ref		IF(ch_crd_tax<ch_crd_max, MIN(ch_crd_max-ch_crd_tax, MAX(chcrd_ref_perct*(earn-chcrd_ref_thresh), 0)), 0)
		tax_cr	J	EIC+Unemp+ch_crd_tax+ch_crd_ref
7.	CG tax	CG_tax	J	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	J	Detroit_rate* Positive(earn_total-Detroit_ex*(1+Married+Children))+ Mich_rate*Positive(earn_total – Mich_ex*(1+Married+Children) – Mich_ex_child*Children) -MIN(Mich_cr_max, Tax(AJ7, Mich_cr_sch)) -Mich_EIC_rate*EIC
9.	Employees' soc security	SSC	B	pens_rate_ee*MIN(earn, pens_ceil)+hosp_rate*earn
11.	Cash transfers	Cash_tran	J	
13.	Employer's soc security	SSC_empr	B	pens_rate_er*MIN(earn, pens_ceil) +hosp_rate*earn+MIN(earn,Unemp_max)*Unemp_rate +MIN(earn,Mich_unemp_max)*Mich_unemp_rate
Memorandum item: non-wastable tax credits				
	tax expenditure component	taxexp		(rate_rd_crd+EIC)-transfer
	cash transfer component	transfer		IF(CG_tax<0, -CG_tax, 0)

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

Taxing Wages 2013
Average personal income tax rate
and tax wedge progression in OECD countries

ANNEX A

Methodology and limitations

1. Methodology

1. Introduction

The personal circumstances of taxpayers vary greatly. This Report therefore adopts a specific methodology to produce comparative statistics covering taxes, benefits and labour costs across OECD member countries. The framework of the methodology is as follows:

- The Report focuses on eight different family types which vary by household composition and level of earnings.
- Each household contains a full-time adult employee working in one of a broad range of industry sectors of each OECD economy. Some of the households also have a spouse working less than full-time.
- The annual income from employment is assumed to be equal to a given fraction of the average gross wage earnings of these workers.
- Additional assumptions are also made regarding other relevant personal circumstances of these wage earners in order to calculate their tax/benefit position.

The guidelines described in the following paragraphs form the basis for the calculations shown in Parts 0, I, II and III. Table A.1 sets out the terminology that is used. Where a country has had to depart from the guidelines, this is noted in the text and/or in the country chapters contained in Part III of the Report. The number of taxpayers with the defined characteristics and the wage level of the average workers differ between OECD economies.

2. Taxpayer characteristics

The eight household types identified in the Report are set out in Table A.2. Any children in the household are assumed to be aged between six and eleven inclusive.

The family is assumed to have no income source other than employment and cash benefits.

3. The range of industries covered

The standard assumption for calculating average wage earnings is based on Sectors B-N of the *International Standard Industrial Classification of All Economic Activities* (ISIC Revision 4, United Nations)[1] (see Table A.3). Many countries (for more detailed country information, see Table 0.6) have now adopted this approach.

Table A.1. **Terminology**

General terms	
Average worker (AW)	An adult full-time worker in the industry sectors covered whose wage earnings represent the average for workers.
Single persons	Unmarried men and women.
Couple with two children	Married couple with two dependent children between six to eleven years of age inclusive.
Labour costs	The sum of Gross wage earnings,employers' social security contributions and payroll taxes
Net take-home pay	Gross wage earnings less the sum of personal income tax and employee social security contributions, plus cash transfers received from general government.
Personal average tax rate (tax burden)	The sum of Personal income tax and employee social security contributions expressed as a percentage of gross wage earnings.
Tax wedge	The sum of personal income tax,employee and employer social security contributions plus any payroll tax less cash transfers, expressed as a percentage of labour costs.
Elasticity of income after tax	Percentage change in "after-tax" income following an increase in one currency unit of income before tax (defined more precisely as one minus a marginal tax rate divided by one minus a corresponding average tax rate).
Terms used under the income tax	
Tax reliefs	A generic term to cover all the means of giving favourable income tax treatment to potential taxpayers.
Tax allowances	Amounts deducted from gross earnings to arrive at taxable income.
Tax credits	Amounts which a taxpayer may subtract from his tax liability. They are described as payable if they can exceed tax liability (sometimes the terms "refundable" and "non-wastable" are used).
Standard tax reliefs	Reliefs unrelated to the actual expenses incurred by taxpayers and automatically available to all taxpayers who satisfy the eligibility rules specified in the legislation are counted as standard reliefs. These also include deductions for compulsory social security contributions.
Basic relief	Any standard tax relief available irrespective of marital or family status.
Marriage allowance	Additional tax relief given to married couples (In some countries, this is not distinguished from the basic relief which may be doubled on marriage).
Non-standard tax reliefs	Reliefs wholly determined by reference to actual expenses incurred.
Average rate of income tax	Amount of income tax payable after accounting for any reliefs calculated on the basis of the tax provisions covered in this Report, divided by gross wage earnings.
Schedule rate	The rate which appears in the schedule of the income tax and in the schedule of social security contributions.
Terms used under cash transfers	
Cash transfers	Cash payments made by general government (agencies) paid to families usually in respect of dependent children.

Table A.2. **Characteristics of taxpayers**[1]

Marital status	Children	Principal earner	Secondary earner
Single individual	No children	67% of average earnings	
Single individual	No children	100% of average earnings	
Single individual	No children	167% of average earnings	
Single individual	2 children	67% of average earnings	
Married couple	2 children	100% of average earnings	
Married couple	2 children	100% of average earnings	33% of average earnings
Married couple	2 children	100% of average earnings	67% of average earnings
Married couple	No children	100% of average earnings	33% of average earnings

1. The *Taxing Wages* models use 1/3 average earnings rather than 33% of them, 2/3 of average earnings rather than 67% and 5/3 of average earnings rather than 167%.

This approach broadly corresponds to the previous calculation based on sectors C-K incl. defined in the *International Standard Industrial Classification of All Economic Activities* (ISIC Revision 3.1, United Nations) which was adopted in the 2005 edition of *Taxing Wages*. The reasons for moving to a broadened average wage definition were set out in the Special Feature of *Taxing Wages* 2003-04.

As stated in Part I, Section 1 of this Report, only Turkey has not yet moved to this broadened industry definition. The average wage figures reported for Turkey therefore still refer to the approach used prior to the 2005 edition – manual workers in manufacturing (industry sector D). These differences may affect the comparability of the data.

Table A.3. **International Standard Industrial Classification of All Economic Activities**

	Revision 3.1 (ISIC Rev. 3.1)
A	Agriculture, hunting and forestry
B	Fishing
C	Mining and quarrying
D	Manufacturing
E	Electricity, gas and water supply
F	Construction
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods
H	Hotels and restaurants
I	Transport, storage and communications
J	Financial intermediation
K	Real estate, renting and business activities
L	Public administration and defence; compulsory social security
M	Education
N	Health and social work
O	Other community, social and personal service activities
P	Activities of private households as employers and undifferentiated production activities of private households
Q	Extraterritorial organisations and bodies
	Revision 4 (ISIC Rev. 4)
A	Agriculture, forestry and fishing
B	Mining and quarrying
C	Manufacturing
D	Electricity, gas, steam and air conditioning supply
E	Water supply; sewerage, waste management and remediation activities
F	Construction
G	Wholesale and retail trade; repair of motor vehicles and motorcycles
H	Transportation and storage
I	Accommodation and food service activities
J	Information and communication
K	Financial and insurance activities
L	Real estate activities
M	Professional, scientific and technical activities
N	Administrative and support service activities
O	Public administration and defence; compulsory social security
P	Education
Q	Human health and social work activities
R	Arts, entertainment and recreation
S	Other service activities
T	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
U	Activities of extraterritorial organizations and bodies

4. Defining gross wage earnings

This section sets out the assumptions underlying the calculation of the average earnings figures for "the average worker". The gross wage earnings data have been established using statistical data and the methodologies for calculating the earnings data in each country are set out in Table A.4. Further information on the calculation of the earnings figure is provided in the country chapters in Part III. The sources of the statistical data for each country are set out in Annex B, Section 2.

The main assumptions are as follows:

- The data relate to the average earnings in the 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.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 instance, Secretariat analysis of available Eurostat earnings data for selected European countries has shown that including part-time workers reduces average earnings by around 10%). Also, in most of the OECD countries where sickness payments are made by the employer, either on behalf of the government or on behalf of private sickness schemes, these amounts are included in the wage calculations. It is unlikely that this has a marked impact on the results since employers usually make these payments during a short period and the amounts usually correspond very closely to normal hourly wages.
- Two of the household types include a second earner at 33 per cent of average earnings. Such individuals are more likely to be working part-time rather than full-time (as shown in the Special Feature of the 2005 edition). However, it is also shown that the assumption that all employees are working full-time does not significantly affect the tax rates calculated in *Taxing Wages*, except in the case of Belgium for married couples where the spouse is earning 33 per cent of the average wage level. This is because any special provisions made for part-time workers tend to be either of minor importance or not applicable for the household types currently presented in *Taxing Wages*.
- 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 instance, OECD Secretariat analysis of available Eurostat earnings data for selected European countries has shown that excluding this type of workers

Table A.4. **Method used to calculate average earnings**

	Items included and exluded from the earnings base					Types of worker included and excluded in the average wage measure			Basic method of calculation used	Income tax year ends	Period to which the earnings calculation refers
	Sickness[1]	Vacations	Overtime	Recurring cash payments	Fringe benefits	Supervisory workers	Managerial workers	Part-time workers			
Australia	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average weekly earnings x 52	30 June	Fiscal year
Austria	Exc	Inc	Inc	Inc	Taxable value Inc	Inc	Inc	Exc	Average annual earnings	31 December	Calendar year
Belgium	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Monthly earnings in October x 12 (plus recurring bonuses)	31 December	Calendar year
Canada	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Inc[6]	Average weekly hours x average hourly earnings x 52	31 December	Calendar year
Chile	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Inc	Hourly earnings x hours worked	31 December	Calendar year
Czech Republic	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Inc[6]	Average monthly earnings x 12	31 December	Calendar year
Denmark	Exc	Inc	Exc	Inc	Exc	Inc	Inc	Inc[6]	Hourly earnings x hours worked	31 December	Calendar year
Estonia	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Inc	Average earnings	31 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	31 December	Calendar year
France	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Annual earnings	31 December	Calendar year
Germany	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Annual earnings	31 December	Calendar year
Greece	Exc	Inc	Inc	Inc[2]	Inc	Inc	Inc	Exc	Hourly earnings x hours worked	31 December	Calendar year
Hungary	Exc	Inc	Inc	Inc	Exc	Inc	Inc[5]	Exc	Average monthly earnings x 12	31 December	Calendar year
Iceland	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Hourly earnings x hours worked x 12	31 December	Calendar year
Ireland	Exc	Inc	Inc	Inc	Exc	Exc	Exc	Inc	Average weekly earnings in each quarter for four quarters/4*52	31 December	Calendar year
Israel	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average earnings	31 December	Calendar year
Italy	Exc[3]	Inc	Inc	Inc	Exc[4]	Inc	Inc	Inc[6]	Average monthly earnings x 12	31 December	Calendar year
Japan	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Monthly earnings in June x 12	31 December	Calendar year
Korea	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average monthly earnings x 12	31 December	Calendar year
Luxembourg	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Aggregate annual earnings divided by annual average number of full-time employees. Any parts of earnings that exceed the upper social contribution limit (7 times the minimum wage) are not recorded.	31 December	Calendar year
Mexico	Exc	Inc	Exc	Inc	Exc	Inc	Inc	Exc	Average monthly earnings x 12	31 December	Calendar year
Netherlands	Exc	Inc	Exc	Inc	Exc	Inc	Inc	Exc	Annual gross earnings	31 December	Calendar year
New Zealand	Exc	Inc	Inc	Inc	Exc	Inc	Inc[5]	Inc[6]	Average weekly earnings in each quarter x 13	31 March	Tax year
Norway	Exc	Exc	Inc	Inc	Exc	Inc	Inc	Inc[6]	Annual wages + estimated overtime	31 December	Calendar year
Poland	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Inc[6]	Average monthly earnings x 12	31 December	Calendar year
Portugal	Exc	Inc	Inc	Inc	Inc	Inc	Inc	Exc	Weighted monthly average x 12	31 December	Calendar year
Slovak Republic	Exc	Inc	Inc	Inc	Inc	Inc	Inc	Inc	Average monthly earnings x 12	31 December	Calendar year
Slovenia	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Inc	Average monthly earnings * 12	31 December	Calendar year
Spain	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Weighted monthly average x 12	31 December	Calendar year

Table A.4. **Method used to calculate average earnings** *(cont.)*

	Items included and exluded from the earnings base					Types of worker included and excluded in the average wage measure			Basic method of calculation used	Income tax year ends	Period to which the earnings calculation refers
	Sickness[1]	Vacations	Overtime	Recurring cash payments	Fringe benefits	Supervisory workers	Managerial workers	Part-time workers			
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	31 December	Calendar year
Switzerland	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Inc [6]	Monthly earnings x 12	31 December	Calendar year
Turkey	Exc	Inc	Inc	Inc	Actual value inc	Exc	Exc	Inc	Average annual earnings	31 December	Calendar year
United Kingdom	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average gross annual earnings	5 April	Fiscal year
United States	Exc	Inc	Inc	Inc [2]	Exc	Inc	Inc	Inc [6]	Average weekly earnings x 52	31 December	Calendar year

Note: Exc = Excluded Inc = Included "-" = information not available.

1. Usually includes compensation paid by employer whether paid on behalf of the government or as part of a private sickness scheme.
2. Excludes profit sharing bonuses in Greece and the United States plus end of year bonuses in the United States.
3. Sickness payments are only included to the extent that they are paid by the employer. For manual workers, this is only the case during the first three days of sick leave, while payments for the fourth day onwards are made by INPS.
4. Partly: the (small) taxable part of fringe benefits is included.
5. Except for top management (Finland); except if income from profits exceeds 50% of total income (Hungary); except for proprietors (New Zealand).
6. Part-time wages are converted to full-time equivalents before calculating the average wage measure.

can reduce average earnings by 10% to 18%). In the case of Turkey that has not yet been able to move to the broadened industry definition, the definition includes only manual workers and minor shop-floor supervisory workers in the manufacturing industry.

- 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 probably limited as fringe benefits rarely account for more than 1-2 per cent of labour costs and are normally more common among high-income employees than in the income ranges covered by *Taxing Wages* (33 to 167 per cent of average earnings). Table A.4 shows that some member countries are not able to exclude fringe benefits from the earnings figures reported and used in *Taxing Wages*. The decision to exclude has been taken because:
  - these types of benefits are difficult to evaluate in a consistent way (they may be valued at the actual cost to the employer, their value to the employee or their fair market value);
  - in most countries, 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 per cent of the earnings of employees. The country chapters in Part III indicate of the existence of schemes which may be relevant for an average worker.

5. *Calculating average gross wage earnings*

Table A.4 indicates the basic calculation method used in each country while more details are, where relevant, provided in the country chapters in Part III. In principle, countries are recommended to calculate annual earnings by referring to the average of hourly earnings in each week, month or quarter, weighted by the hours worked during each period, and multiplied by the average number of hours worked during the year, assuming that the worker is neither unemployed nor sick and including periods of paid vacation. A similar procedure was recommended to calculate overtime earnings. For countries unable to separate out part-time employees from the data, it is recommended that earnings of part-time employees should if possible be converted into their full-time equivalents.

Statistical data on average gross wage earnings in 2012 are generally not available at present. Estimates of gross wage earnings of average workers in 2012 were therefore derived by the Secretariat on the basis of a uniform approach: all year 2011 earnings levels (or the earnings level in the most recent year for which final average wage earnings country information is available) are multiplied by the country-specific annual percentage change of wages for the whole economy reported in the most recently published edition of the OECD *Economic Outlook*.[2] This transparent procedure is intended to avoid any bias in the results. In some countries, there were varying different approaches;

- The final 2012 average gross wage earnings was used for Australia.
- National estimates were used for the Chile, New Zealand and Turkey as *OECD Economic Outlook* does not provide percentages changes in wages for those countries.

- Average wage earnings were also estimated for prior years for France (2010, 2011), Germany (2011), the Netherlands (2011), Poland (2011), Switzerland (2007, 2009, 2010) and the United Kingdom (2011) as no country information on average wage earnings levels was available for these years in these countries.

Fifteen of the OECD member countries have opted to provide national estimates of the level of gross wage earnings of average workers in 2012. These estimates were not used (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.5 to enable comparisons to be made between the estimates obtained by applying the Secretariat formula and those from national sources. In all cases, the two categories are fairly close.

Table A.5. **Estimated gross wage earnings, 2011-12 (in national currency)**

	Average wage 2011	Average wage 2012 (Secret. estimates)	Average wage 2012 (Country estimates)	EO92 forecasted Rates for 2012[1]
Australia[2]	69 903	73 745	73 494	5.5
Austria	39 693	40 855		2.9
Belgium	44 636	46 065		3.2
Canada	45 816	46 857	47 099	2.3
Chile[2]	5 804 093		6 218 640	
Czech Republic	294 987	300 421	302 764	1.8
Denmark	386 457	392 456	389 935	1.6
Estonia[2]	10 368		10 950	
Finland	39 936	41 478		3.9
France	35 928	36 673		2.1
Germany	43 681	44 811		2.6
Greece	21 449	20 086	19 369	-6.4
Hungary	2 645 040	2 749 566		4.0
Iceland	5 628 000	6 079 006		8.0
Ireland	32 264	32 626		1.1
Israel	116 484	119 880	119 496	2.9
Italy	28 820	28 908		0.3
Japan	4 821 385	4 788 323		-0.7
Korea	36 816 740	38 546 380	38 025 250	4.7
Luxembourg	50 549	51 312		1.5
Mexico	91 014	94 136	93 745	3.4
Netherlands	45 898	46 418		1.1
New Zealand[2]	49 395		51 278	
Norway	492 015	510 739		3.8
Poland	37 537	38 910		3.7
Portugal	16 208	15 720		-3.0
Slovak Republic	9 592	9 821	9 817	2.4
Slovenia	17 373	17 227	17 372	-0.8
Spain	25 515	25 558		0.2
Sweden	376 309	387 294	388 351	2.9
Switzerland	85 984	86 920		1.1
Turkey[2, 3]	25 633		27 547	
United Kingdom	34 968	35 883		2.6
United States	46 671	47 650		2.1

1. Increase of compensation per employee in the total economy (*OECD Economic Outlook* No. 92).
2. The country AW estimate is used instead of the OECD Secretariat's AW estimate in the *Taxing Wages* calculations.
3. Turkey wage figures under the old definition of average worker (ISIC D, Rev. 3)

StatLink http://dx.doi.org/10.1787/888932785985

6. 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 10) and in one case church tax (see Section 11) are included in the calculation of the total wedge between labour costs to the employer and the corresponding net take-home pay of the employee.

The calculation of the after-tax income includes family benefits paid by general government as cash transfers (see Section 12). Income tax due on capital income and non-wage labour income, several direct taxes (net wealth tax, corporate income tax) and all indirect taxes are not considered in this Report. However, all central, state and local government income taxes are included in the data.[3]

In this study, compulsory social security contributions paid to general government are treated as tax revenues. Being compulsory payments to general government they clearly resemble taxes. They may, however, differ from taxes in that the receipt of social security benefits depends upon appropriate contributions having been made, although the size of the benefits is not necessarily related to the amount of the contributions. Countries finance compulsory public social security programmes to a varying degree from general tax and non-tax revenue and earmarked contributions, respectively. Better comparability between countries is obtained by treating social security contributions as taxes, but they are listed under a separate heading so that their amounts can be identified in any analysis.

7. Calculation of personal income taxes

The method by which income tax payments are calculated is described in the country tables in Part III. First, the tax allowances applicable to a taxpayer with the characteristics and income level related to gross annual wage earnings of an average worker are determined. Next, the schedule of tax rates is applied and the resulting tax liability is reduced by any relevant tax credits. An important issue arising in the calculation of the personal income tax liability involves determining which tax reliefs should be taken into account. Two broad categories of reliefs may be distinguished:

- *Standard tax reliefs:* Reliefs which are unrelated to actual expenditures incurred by the taxpayer and are automatically available to all taxpayers who satisfy the eligibility rules specified in the legislation. Standard tax reliefs are usually fixed amounts or fixed percentages of income and are typically the most important set of reliefs in the determination of the income tax paid by workers. These reliefs are taken into account in the calculations – they include:
  - the *basic relief* which is fixed and is available to all taxpayers or all wage earners, irrespective of their marital or family status;
  - the *standard relief* which is available to taxpayers depending on their *marital status*;
  - the *standard child relief* granted to a family with two children between the ages of six to eleven inclusive;
  - the *standard relief* in respect of *work expenses*, which is usually a fixed amount or fixed percentage of (gross) wage earnings; and,
  - tax reliefs allowed for *social security contributions* and other (sub-central government) *income taxes* are also considered as standard reliefs since they apply to all wage earners and relate to compulsory payments to general government.[4]

- *Non-standard tax reliefs*: These are reliefs which are wholly determined by reference to actual expenses incurred. They are therefore neither fixed amounts nor fixed percentages of income. Examples of non-standard tax reliefs include reliefs for interest on qualifying loans (e.g. for the purchase of a house), private insurance premiums, contributions to private pension schemes, and charitable donations. These are not taken into account in calculating the tax position of employees.

Standard reliefs are separately identified and their impact on average tax rates is calculated in the results tables shown in the Country chapters. The latter include a brief description of the main non-standard reliefs in most cases.

8. State and local income taxes

Personal income taxes levied by sub-central levels of government – state, provincial, cantonal or local – are included in the scope of this study. State income taxes exist in Canada, Switzerland and the United States. Since 1997, Spain has an income tax for the Autonomous Regions. Local income taxes are imposed in Belgium, Denmark, Finland, Iceland, Italy, Japan, Korea, Norway, Sweden, Switzerland and the United States. In Belgium, Canada (other than Quebec), Denmark, Iceland, Italy, Korea, Norway and Spain they are calculated as a percentage of taxable income or of the tax paid to central government. In Finland, Japan, Sweden and Switzerland, local government provides different tax reliefs from central government. In the United States, the sub-central levels of government operate a separate system of income taxation under which they have discretion over both the tax base and tax rates. Except for Canada, Spain and Switzerland, the rate schedule of these sub-central taxes consists of a single rate.

When tax rates and/or the tax base of sub-central government income taxes vary within a country, it is sometimes assumed that the average worker lives in a typical area and the income taxes (and benefits) applicable in this area are presented. This is the procedure followed in Canada, Italy, Switzerland and the United States where the tax base and tax rates vary very widely throughout the country. Belgium, Denmark, Finland, Iceland and Sweden have preferred to select the average rate of sub-central government income taxes for the country as a whole. No problem arises in Norway and Korea where the local rates do not vary in practice. Japan and Spain have used the widely prevalent standard schedule.

9. Social security contributions

Compulsory social security contributions paid by employees and employers to general government or to social security funds under the effective control of government are included in the coverage of this Report. In most countries, contributions are levied on gross earnings and earmarked to provide social security benefits. In Finland, Iceland and the Netherlands, some contributions are levied as a function of taxable income (i.e. gross wage earnings after most/all tax reliefs). Australia and New Zealand do not levy social security contributions.

Contributions to social security schemes outside the general government sector are not included in the calculations. However, information on "non-tax compulsory payments" as well as "compulsory payment indicators" is included in the *OECD Tax Database*, which is accessible at *www.oecd.org/ctp/taxdatabase*.

10. Payroll taxes

The tax base of payroll taxes is either a proportion of the payroll or a fixed amount per employee. In the OECD *Revenue Statistics* payroll taxes are reported under heading 3000. Fifteen OECD countries report revenue from payroll taxes: Australia, Austria, Canada, Denmark, France, Hungary, Iceland, Ireland, Israel, Korea, Mexico, New Zealand, Poland, Slovenia and Sweden.

Payroll taxes are included in total tax wedges reported in this publication, given that they increase the gap between gross labour costs and net take-home pay in the same way as income tax and social security contributions do. The main difference with the latter is that the payment of payroll taxes does not confer an entitlement to social security benefits. Also, the tax base of payroll taxes may differ from the tax base of employer social security contributions. For example, certain fringe benefits may only be liable to payroll tax. Because this Report presents the standard case, the payroll tax base is – depending on the relevant legislation – gross wage (excluding fringe benefits and other items of compensation that vary per employee), gross wage plus employer social security contributions, or a fixed amount per employee.

Four of the OECD member countries include payroll taxes in the *Taxing Wages* calculations: Australia, Austria, Hungary and Sweden. 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.

11. Church tax

Some OECD member countries impose a levy known as “church tax”, but only Demark reports such revenues in the OECD *Revenue Statistics*. This is because Denmark does report revenues from its Church tax since the Danish State Church is classified as a part of general government. Denmark argues that this inclusion of the church in general government is appropriate because of the high degree of control that the government exercises over the church. Since the Working Party on Tax Policy Analysis and Tax Statistics has agreed that church taxes should be treated consistently in its two main statistical publications, only the Danish church tax is included in the calculations for *Taxing Wages*.

12. Family cash benefits from general government

Tax reliefs and family cash transfers universally paid in respect of dependent children between the ages of six to eleven inclusive who are attending school are included in the scope of the study. If tax reliefs or cash transfers vary within this age range, the most generous provisions are adopted, except that the case of twins is explicitly disregarded. Suppose the child benefit programme of a country is structured as follows:

Age group	Benefits per child
Children 6-8	100 units
Children 9-10	120 units
Children 11-14	150 units

The most favourable outcome arises in the case of 11-year old twins: 300 units. However, as the case of twins is excluded, the best outcome now becomes 270 units (one child 11 years old, one child 9 or 10 years old). This amount would be included in the country table. Often, the amount in benefits is raised as children grow older. The calculations assume that the children have been born on 1 January so the annual amount received in child benefits may be calculated from the benefit schedule that is in place at the start of the year with any revisions to these amounts during the year being taken into account.

Relevant cash payments are those received from general government. In some cases, the cash benefits include amounts that are paid without consideration to the number of children.

13. Payable tax credits

Payable (non-wastable) tax credits are tax credits that can exceed tax liability, where the excess, if any, can be paid as a cash transfer to the taxpayer. In principle, these credits can be treated in different ways according to whether they are regarded as tax provisions or cash transfers or a combination of these. A Special Feature in the 2001 edition of *Revenue Statistics* discusses these alternative treatments and the conceptual and practical difficulties that arise in deciding which is the most appropriate approach for the purpose of reporting internationally comparable tax revenue figures.[5]

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)[6] should be deducted in the reporting of tax revenues;
- the part of the tax credit that exceeds a taxpayer's tax liability and is paid to him (the "cash transfer" component) should be treated as an expenditure item and not deducted in the reporting of tax revenues.

However, additional information is provided in *Revenue Statistics* on aggregate tax expenditure components and aggregate transfer components of payable tax credits to show the effect of alternative treatments.[7]

The situation is different in *Taxing Wages* where the full amount of the payable tax credit is taken into account in the income tax calculation.

Strict consistency with the *Revenue Statistics* would require that only the tax expenditure component be offset against derived income tax, with the excess (if any) treated as a cash transfer. However, this approach would diminish rather than strengthen the informational content of the derived results in *Taxing Wages*. In particular, limiting tax credit claims to tax expenditure amounts would yield a zero income tax liability and zero average income tax rate where cash refunds are provided. Where tax credits claims are not constrained in this way, negative income tax liabilities and negative average income tax rates would result where cash transfers are provided. Arguably, these negative amounts more clearly convey the taxpayer's position (which is improved relative to the no-tax situation). Also, not including the cash transfer portion of payable tax credits in the "cash transfers from general government" item of the country tables permits greater transparency of the latter which focuses on "pure" cash transfers only.

However, in order to improve the informational content of country tables as regards payable tax credits, the memorandum item reporting at the bottom of the relevant country tables shows tax expenditure amounts on one line, with a second line showing cash transfer amounts. Where more than one payable tax credit program applies, the figures represent aggregates covering all the programs. Total program costs in each of the household cases considered can be derived by adding the tax expenditure and cash transfer amounts.

14. The calculation of marginal tax rates

In most cases, the marginal tax rates are calculated by considering the impact of a small increase in gross earnings on personal income tax, social security contributions and cash benefits. However, in the case of a non-working spouse, the move from a zero to a small positive income is unrepresentative of income changes and therefore of little interest. So, for this case, the marginal rates for the spouse are calculated by considering the impact of an income increase from zero to 33 per cent of the average wage.

2. Limitations

1. General limitations

The simple approach of comparing the tax/benefit position of example families avoids many of the conceptual and definitional problems involved in more complex international comparisons of tax burdens and transfer programmes. However, a drawback of this methodology is that the earnings of an average worker will usually occupy a different position in the overall income distribution in different economies, although the earnings relate to workers in similar jobs in various OECD member countries.

Because of the limitations on the taxes and benefits covered in the Report, the data cannot be taken as an indication of the overall impact of the government sector on the welfare of taxpayers and their families. Complete coverage would require studies of the impact of indirect taxes, the treatment of non-wage labour income and other income components under personal income taxes and the effect of other tax allowances and cash benefits. Complete coverage would also require that consideration be given to the effect on welfare of services provided by the state, either free or below cost, and the incidence of corporate and other direct taxes on earnings and prices. Such a broad coverage is not possible in an international comparison of all OECD countries. The differences between the results shown here and those of a full study of the overall impact on employees of government interventions in the economy would vary from one country to another. They would depend on the relative shares of different kinds of taxes in government revenues and on the scope and nature of government social expenditures.

The Report shows only the formal incidence of taxes on employees and employers. The final, economic incidence of taxes may be quite different, because the tax burden may be shifted from employers onto employees and *vice versa* by market adjustments to gross wages.

The income left at the disposal of a taxpayer may represent different standards of living in various countries because the range of goods and services on which the income is spent and their relative prices differ as between countries. In those countries where the general government sector provides a wide range of goods and services (generous basic old age pension, free health services, public housing, university education, etc.), the taxpayer may be left with less cash income but may enjoy the same living standards as a taxpayer receiving a higher cash income but living in a country where there are fewer publicly provided goods and services.

As mentioned in Part 0 and detailed in the Special Feature of the 2005 edition of *Taxing Wages*, second earners who are earning 33 per cent of the average wage are very likely to be working part-time, although the *Taxing Wages* methodology generally assumes that they are working full-time. However, this only affects the accuracy of the results in *Taxing Wages* for one family type in Belgium (married couple where a second earner is earning 33 per cent of average wages). Therefore, one should be cautious when interpreting the results for this family type for Belgium. In addition, for all countries with hour-based rules, (see the 2005 Special Feature), caution should be used in applying the results in this Report to other household types.

2. Some specific limitations on the income tax calculation

The exclusion of non-wage income and the limited number of tax reliefs covered imply that the average rates of income tax in the tables in this publication will not necessarily reflect the actual rates confronting taxpayers at these levels of earnings. Actual rates may be lower than the calculated rates because the latter do not take into account non-standard expense-related reliefs. On the other hand, actual rates may be higher than calculated rates because the latter do not take into account tax on non-wage income received by employees.

The decision not to calculate separately average rates of income tax taking into account the effect of non-standard tax reliefs was taken because:

- in many cases, expense-related reliefs are substitutes for direct cash subsidies. To take into account these reliefs while ignoring any corresponding direct subsidies would distort comparisons of take-home pay plus cash transfers;
- the special tax treatment of certain expenses may be linked to special treatment of any income associated with these expenses (e.g. the tax treatment of social security contributions and pension income) which is beyond the scope of this study;
- a few countries were unable to estimate the value of these reliefs and even those countries which could do so could not limit their estimates to taxpayers with the characteristics assumed in the above part on methodology; and,
- not all countries could calculate separately the reliefs available to different family-types. Where a split is provided between single individuals and families with children, there are large differences in the value of the reliefs typically received by these two categories of households.

3. Limitations to time-series comparisons

The Calculations of the tax burden on labour income in OECD countries reported in previous editions of *Taxing Wages*, including the 2004 edition, are based on an average earnings measure calculated for manual full-time workers in the manufacturing sector (the "average production worker"). From 1996 onwards there are time-series results covering all 8 family types, whereas there are results from 1979 onwards for two of these family-types: single individuals without children and married one-earner couples with two children with earnings equal to those of an average production worker.

Any analysis of the results has to take into account the fact that the earnings data do not necessarily relate to the same taxpayer throughout the period. The average earnings are calculated for each year. As such, the results do not reflect the changing earnings and tax position of particular individuals over time but rather to the position of workers earning a wage equal to average earnings in the covered industry sectors in each particular year. This, in turn, may mean that the earnings levels referred to may be at different points in the income distribution over the period covered and changes in tax rates may be influenced by these trends.

From the 2005 edition, *Taxing Wages* has reported tax calculations under a broadened average worker definition that includes all full-time employees covering industry sectors C-K (reference to ISIC Rev. 3.1). The implications of adopting this new definition for time-series comparisons are discussed in the 2005 edition of *Taxing Wages*. As of the 2010 edition of the *Taxing Wages* report, many countries have started reporting average wage earnings for full-time employees covering industry sectors B-N of the ISIC Rev. 4 industry classification (which broadly corresponds to sectors C-K in ISIC Rev. 3.1).

Despite the focus on the years since 2000 in the main body of the Report, Annex B Section 3 also reports figures since 1979 for single individuals without children and married one-earner couples with two children with earnings equal to those of an average production worker under the old definition of average worker.

It should, however, be noted that there are a number of additional limitations which apply to the interpretation of the results for the period from 1979-2004 (Annex B, Section 3).

- For technical reasons, the procedures countries follow to determine the benchmark earnings level of the national average production worker may change over time. For instance, in the time-series from 1979 onwards on needs to be aware of the fact that the average worker wage level in France as of 1997 is based on improved statistical data, which lead to a one-off additional increase in the average worker's wage level of 5 to 7 per cent in that year. In the same vein, starting with the 1999 edition, the Netherlands assumes that the wage for manual workers in industry is on average equal to 90 per cent of the wage for all industrial workers, including white collar workers and supervisors.
- In certain cases, the taxes covered for a given country may differ over the years. For example, in the time-series from 1979 onwards on needs to be aware of the fact that Korea extended the coverage of its social security contributions as of 1997. This extended coverage largely explains why the wedge between labour costs and net take-home pay of a single average production worker in the case of Korea doubles from 6.3 per cent (1996) to 12.4 per cent (1997). Another example is the reporting of payroll taxes. In Australia, the payroll taxes are only included in the calculations from 2003; and in Austria from 1998.
- In some of the countries with state and/or local income taxes, the rates of tax applied to an average worker refer to a typical region. Consequently, if movements in tax rates in this region are unrepresentative of changes in income taxes elsewhere in the country, they will provide a poor indication of how country-wide average rates of taxes are evolving.

Particular care is required in interpreting the results where many of the limitations set out above apply to one particular country since, while taken individually, each limitation may not significantly distort the results, but cumulatively the impact may be important.

To conclude, the data are comparable for the specific situations referred to and the results show the proportion of gross wage earnings retained. This net cash income (including universal cash benefits) is the amount over which the household is able to exercise a free choice in the allocation of its expenditure.

3. A note on the tax equations

Each country chapter contains a section describing in a standard format the equations under-pinning the calculations required to derive the amounts of income tax, social security contributions and cash transfers. These algorithms represent in algebraic form the legal provisions described in the chapter and are consistent with the figures shown in the country and comparative tables. This section describes the conventions used in the definition of the equations and how they could be used by those wishing to implement the equations for their own research.

The earlier sections of the country chapters describe how the tax and other systems work and present the values of the parameters of those systems such as the levels of allowances and credits, and the schedule of tax rates.

In the first part of the equations section is a table showing a brief description of each parameter (such as "Basic tax credit"), the name of the parameter as used in the algebraic equation ("Basic_cred") and the actual value for the relevant year (such as "1098"). Where there is a table of values – for example a schedule of tax rates and the associated thresholds of taxable income – a name is given to the entire table (for example "tax_sch"). These variable names are those used in the equations.

After the table of parameters is the table of equations. The four columns contain information as follows:

- The first two columns give a description and a variable name for the result of the equation on that row of the table. These always include the thirteen main financial value entries in the country tables. Additional rows define any intermediate values which are calculated either to show the detail included in the tables (such as the subdivision of total tax allowances into the different categories) or values which make the calculation clearer.
- The third column shows the range of the calculation in that row. This is necessary to allow for the different way that tax may be calculated for married couples. The options are:
  - B The calculation is carried out separately for both the principal earner and the spouse using their individual levels of earnings. This applies in the case of independent income tax and usually also in respect of social security contributions.
  - P The calculation applies for the principal earner only. An example is where the principal earner can use any of the basic tax allowance of the spouse which cannot be set against the income of the spouse.
  - S The calculation applies for the lower earning spouse only.
  - J The calculation is carried out only once on the basis of joint income. This applies to systems of joint or family taxation and is also usual for the calculation of cash transfers in respect of children.
- The final column contains the equation itself. The equation may refer to the variables in the parameters table and to variables which result from one of the rows of the equations table itself. Use is also made of the two standard variables "Married", which have the value 1 if the family consists of a married couple and 0 in the case of a single individual, and "Children" which denotes the number of children. Sometimes there is a reference to a variable with the affix "_total" which indicates the sum of the relevant variable values

for the principal earner and the spouse. Similarly, the affixes "_princ" and "_spouse" indicate the value for the principal earner and spouse, respectively.

In the equations a number of functions are used. Some of these are used in the same way as in a number of widely available "spreadsheet" computer packages. For example, MAX(X,Y) and MIN(X,Y) find the maximum and minimum of the two values, respectively. IF(condition X,Y) chooses the expression X if the condition is true and the expression Y if it is false. Boolean expressions are also used and are taken to have the value 1 if true and 0 if false. As an example (Children=2*CB_2 is equivalent to IF(Children=2, CB_2.0).

There are also three special functions commonly used which denote calculations often required in tax and social security systems. These are:

- Tax (taxinc, tax_sch): This calculates the result of applying the schedule of tax rates and thresholds in "tax_sch" to the value of taxable income represented by "taxinc". This function may be used in any part of the equations, not just in the income tax calculation. For some countries it is used for social security contributions or even for allowance levels which may be income dependent.
- Positive (X): This gives the result X when this value is positive and zero otherwise. It is therefore equivalent to MAX(0,X).
- Taper (value, income, threshold, rate): This gives the amount represented by "value" if "income" is less than "threshold". Otherwise, it gives "value" reduced by "rate" multiplied by (income- threshold), unless this produces a negative result in which case zero is returned. This provides the calculation which is sometimes required when a tax credit, for example, is available in full provided that total income is below a threshold but is then withdrawn at a given rate for each currency unit in excess of the threshold until it is withdrawn completely.

In some circumstances, there are country specific special functions. These functions involve programming that is designed to simplify the tax calculations. The programming underlying these functions is based on the description of the particular measure given in the relevant country chapter found in Part III. For example, the Earned Income Credit in the United States is calculated using the function called EIC.

Anyone wishing to make their own implementation of the equations will have to write functions corresponding to these special functions or make appropriate modifications to any equations that use them.

Notes

1. Not all national statistical agencies use ISIC Rev. 3.1 or ISIC Rev. 4 to classify industries. However, the Statistical Classification of Economic Activities in the European Community (NACE), the North American Industry Classification System (NAICS) and the Australian and New Zealand Standard Industrial Classification (ANZSIC) include a classification which is broadly in accordance with industries C-K in ISIC Rev. 3.1 or industries B-N in ISIC Rev. 4.
2. Wage estimates reported in the *OECD Economic Outlook* are consistent with information in the Analytical Data Base (ADB) of the Economics Department (ECO) of the OECD. These estimates are prepared by the ECO country desks. Data in the ADB/EO92 are consistent with the December 2012 issue of the *Economic Outlook*.
3. Information on the fiscal powers of sub-central governments may be found in the publication *Taxing powers of state and local government*, *OECD Tax Policy Studies* No. 1 (Paris, 1999).

4. In this case, the amount of tax relief is related to actual social security contributions paid by the employee or withheld from his wage – thus in this respect this item deviates from the general definition of standard tax relief under which relief is unrelated to actual expenses incurred.
5. OECD, *Revenue Statistics 1965-2000*, p. 28-31.
6. 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.
7. See Table D in the latest edition of OECD, *Revenue Statistics*.

ANNEX B

Reference information

1. Source of earnings data

Table B.1. **Source of earnings data, 2012**

	Type of sample	Source
Australia	Quarterly survey of firms resulting in a representative sample of wage and salary earners in each industry.	Australian Bureau of Statistics “Average Weekly Earnings, Australia” and “Labour Force, Australia”
Austria	Annual Wage Tax Statistics	“Lohnsteuerstatistik”
Belgium	Data collected or estimated on the basis of an annual establishment survey and social insurance registers of employees	Statistics Division of the Ministry of Economy (Federal Public Service, Economy, SMEs, Self-employed and Energy). Same source as for Eurostat “Annual gross earnings” data.
Canada	Monthly survey of all firms	Statistics Canada, “Survey of Employment Payrolls and Hours”
Chile	Monthly sample of businesse with 10+ employees	National Statistics Institute of Chile (INE)
Czech Republic	Employer survey data	National Statistical Office
Denmark	Danish Employers Confederation survey of earnings	Annual Report Danish Employers Confederation (Dansk Arbejds Giverforening)
Estonia	–	Statistics Estonia/Ministry of Finance
Finland	(1) Finnish Employers Federation survey of hourly and monthly earnings; (2) Survey for unorganized employers “Structure of Earnings Statistics” published by the Central Statistical Office	“Wages Statistics” published by the Central Statistical Office
France	Social insurance registers covering all employers.	INSEE, “Déclarations Annuelles des Données Sociales” (DADS)
Germany	Survey carried out by the Federal Statistical Office	National Statistical Office
Greece	Survey carried out by National Statistics Service and Social Security Institutions	National Statistical Service Labour Statistics. Same source as for Eurostat “Annual gross earnings” data.
Hungary	Monthly surveys among enterprises with at least five employees.	Central Statistical Office
Iceland	Monthly survey of earnings in the private sector market	Statistics Iceland
Ireland	Quarterly surveys of industrial employment, earnings and hours worked	Central Statistics Office
Israel	–	Central Bureau of Statistics
Italy	Quarterly indicators of wages in industry and services (OROS)	National Institute of Statistics
Japan	Basic survey on wage structure of all establishments with more than 10 employees	Ministry of Health, Labour and Welfare, Annual Report
Korea	Labour Force Survey at Establishments	Ministry of Employment and Labour
Luxembourg	Monthly aggregated files of Social security services.	National Statistical Office and Social Security Services.
Mexico	Administrative data from the Mexican Social Security Institute (Instituto Mexicano del Seguro Social (IMSS))	The National Minimum Wage Commission (Comisión Nacional de Salarios Mínimos (CONASAMI))
Netherlands	Survey “Employment and Wages”	Central Bureau of Statistics, Statline
New Zealand	The quarterly employment survey is a sample survey of significant business with an employment count of 1 or more	Statistics New Zealand INFOS
Norway	Sample of enterprises based on published sector statistics for 3rd quarter – except agriculture, forestry and fishing and private households	Statistics Norway Wage
Portugal	April and October survey of earnings carried out by the Ministry of Labour	Ministry of Labour
Poland	Estimates for different sectors	Monthly Statistical Bulletin
Slovak Republic	Quarterly and annual statistical data	Slovak Statistical Office
Slovenia	Monthly survey of employees	Statistical Office of the Republic of Slovenia
Spain	Quarterly survey of firms	Instituto Nacional de Estadistica “Encuesta Trimestral de Coste Laboral” (Labour Cost Survey)

Table B.1. **Source of earnings data, 2012** *(cont.)*

	Type of sample	Source
Sweden	September survey of Swedish employers	Statistics Sweden
Switzerland	Swiss Statistics Office. Personnes actives occupées selon la branche économique	La vie économique, SECO (Secrétariat d'État à l'Économie) Table B.8.1, *www.bfs.admin.ch/bfs/portal/fr/index/themen/03/04.html*
Turkey	Annual Manufacturing Industry Survey	Turkish Statistical Institute
United Kingdom	1% sample of PAYE earnings	Office for National Statistics, Annual Survey of Hours and Earnings (ASHE)
United States	Monthly surveys by Department of Labour on the basis of a questionnaire covering more than 40 million non-agricultural wage and salary-workers	Employment, Hours, and Earnings from the Current Employment Statistics Survey

2. Exchange rates and purchasing power parities of national currencies, 2012

Table B.2. **Exchange rates**

	Monetary unit	Exchange rates[1]	Purchasing power parities
Australia	AUD	0.97	1.52
Austria	EUR	0.78	0.85
Belgium	EUR	0.78	0.87
Canada	CAD	1.00	1.22
Chile	CLP	485.99	396.96
Czech Republic	CZK	19.54	13.79
Denmark	DKK	5.79	7.87
Estonia	EUR	0.78	0.55
Finland	EUR	0.78	0.94
France	EUR	0.78	0.86
Germany	EUR	0.78	0.80
Greece	EUR	0.78	0.70
Hungary	HUF	224.82	131.72
Iceland	ISK	125.12	142.16
Ireland	EUR	0.78	0.84
Israel	ILS	3.85	4.06
Italy	EUR	0.78	0.79
Japan	JPY	79.81	103.90
Korea	KRW	1 125.94	815.93
Luxembourg	EUR	0.78	0.95
Mexico	MXN	13.15	8.36
Netherlands	EUR	0.78	0.83
New Zealand	NZD	1.24	1.53
Norway	NOK	5.82	9.23
Poland	PLN	3.25	1.89
Portugal	EUR	0.78	0.62
Slovak Republic	EUR	0.78	0.53
Slovenia	EUR	0.78	0.64
Spain	EUR	0.78	0.71
Sweden	SEK	6.77	8.87
Switzerland	CHF	0.94	1.42
Turkey	TRL	1.79	1.08
United Kingdom	GBP	0.63	0.68
United States	USD	1.00	1.00

1. Average of 12 months daily rates.

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3. Historical series under the old definition of average worker, 1979-2004

Warning

The tables contained in this annex reproduce data published in *Taxing Wages* 2003-04, for the convenience of the reader as the main body of this Report only presents data for 2000-12. However, any user of the data should be aware of its limitations. First, it is based on the previous definition of the wage – the average production worker (APW) wage. Second, there were changes in the reporting practices of some countries over the period 1979-2004 and so the times series cannot be regarded as completely consistent. The most important breaks in the series for recent years are the following:

- Australia: From 2002 payroll taxes included in calculations. They are excluded in earlier years.
- Austria: From 1998 payroll taxes included in calculations. They are excluded in earlier years.
- France: From 1997 earning figure based on improved statistical data.
- Japan: From 2002 improvements were made in the reporting of social security contributions.
- Korea: From 1997 the coverage of social security contributions is extended.
- The Netherlands: From 1999 average wage level for manual workers assumed to be equal to 90% of the wage for all industrial workers, including white collar workers and supervisors.

Table B.3. **Income tax plus employee and employer contributions (as % of labour costs), 1979-2004 single persons without children**

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	29.6	30.4	27.4	27.8	28.3	28.3	28.6
Austria	36.5	38.6	38.1	40.3	39.6	38.1	39.1	40.0	41.2	45.6	45.9	44.9	44.5	44.7	45.0	44.9
Belgium	47.4	49.8	49.2	51.0	53.5	53.2	53.7	54.6	56.3	56.6	56.9	56.2	55.6	55.1	54.6	54.2
Canada	23.2	24.7	25.6	26.9	29.0	27.2	29.0	30.8	31.5	32.3	31.1	31.8	30.4	32.2	32.4	32.3
Czech Republic	-	-	-	-	-	-	-	42.6	43.2	42.9	42.7	42.7	42.6	42.9	43.2	43.6
Denmark	40.6	42.7	46.5	47.8	47.6	46.6	46.7	47.0	45.2	45.1	44.5	44.4	43.6	42.7	42.7	41.5
Finland	41.6	42.4	43.2	45.2	45.5	46.2	44.5	49.3	51.2	48.9	47.4	47.3	45.9	45.2	44.4	43.8
France[1]	-	-	-	-	-	-	-	-	49.1	48.7	48.1	48.2	48.3	48.2	48.3	47.4
Germany	40.8	41.9	43.4	44.5	45.1	45.5	46.4	46.4	50.2	52.3	51.9	51.8	50.8	51.1	51.9	50.7
Greece	25.6	25.5	31.2	31.4	31.6	33.8	33.0	35.3	35.6	35.8	35.7	36.0	35.7	34.6	34.4	34.9
Hungary	-	-	-	-	-	-	-	-	51.4	52.0	50.7	49.6	49.0	49.0	45.6	45.8
Iceland	-	18.4	18.8	16.5	13.9	19.5	20.1	22.0	23.1	24.4	26.0	26.7	27.5	28.8	29.4	29.7
Ireland	33.9	34.7	40.1	42.4	42.8	40.6	39.8	40.0	36.9	33.9	32.4	28.9	25.8	24.5	24.2	23.8
Italy[2]	45.3	47.3	50.5	50.0	49.4	51.2	48.8	49.2	50.3	51.5	47.2	46.7	46.1	46.1	45.4	45.7
Japan	16.7	17.3	17.7	21.6	21.4	20.4	21.5	21.2	19.5	20.7	24.0	24.1	24.2	29.8	26.7	26.6
Korea	-	-	-	-	-	-	-	-	6.9	12.4	16.1	16.5	16.6	16.1	16.3	16.6
Luxembourg	38.5	38.2	38.6	38.4	35.7	35.5	33.9	34.9	34.3	35.2	34.6	35.5	33.9	31.3	31.5	31.9
Mexico	-	-	-	-	-	23.5	24.4	26.6	27.2	20.8	14.1	15.4	14.4	16.1	17.2	15.4
Netherlands	48.0	48.3	52.0	49.9	49.5	47.0	46.5	45.7	44.8	43.6	44.3	45.1	42.3	35.5	35.2	43.6
New Zealand	26.0	26.8	26.6	27.9	26.1	23.4	23.8	24.0	24.5	21.6	19.4	19.5	19.5	20.1	20.3	20.7
Norway	43.5	43.1	42.3	41.8	42.6	42.7	41.2	36.8	37.5	37.4	37.3	37.2	36.9	36.9	36.8	36.9
Poland[3]	-	-	-	-	-	-	-	44.1	44.7	43.9	43.0	43.0	42.7	42.8	42.9	43.1
Portugal	28.1	29.9	32.3	34.9	34.5	33.9	33.2	33.3	33.7	33.9	33.4	33.5	32.5	32.6	32.6	32.6
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	41.2	41.7	41.1	41.4	42.0
Spain	36.4	37.4	38.0	36.6	37.9	35.9	36.5	38.0	38.5	39.0	37.5	37.6	37.9	38.2	37.7	38.0
Sweden	50.7	50.8	50.6	50.9	51.7	52.7	46.0	45.6	49.3	50.7	50.5	49.5	48.5	47.6	47.9	48.0
Switzerland	28.2	29.1	28.8	28.8	28.5	28.6	27.3	28.7	30.6	30.0	29.8	29.5	29.5	29.6	29.0	28.8
Turkey	53.9	47.7	44.8	37.0	40.2	40.1	41.2	40.0	35.3	40.7	30.3	40.4	43.6	42.5	42.2	42.7
United Kingdom	36.1	37.6	38.2	37.8	36.0	34.2	33.2	32.6	33.4	32.0	30.8	30.1	29.5	29.5	31.0	31.2
United States	31.9	35.3	34.9	33.6	30.6	31.1	31.3	31.2	31.0	31.1	31.1	30.8	29.8	29.7	29.5	29.6

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. Employers' social security contributions not reported by France for period 1979 to 1993.
2. As from 1990 on, data on wages have been revised to include only production workers.
3. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

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Table B.4. Income tax (in % of gross wage), 1979-2004, single persons without children

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	24.8	25.9	22.8	23.3	24.0	24.0	24.3
Austria	9.3	10.2	9.4	10.2	9.5	7.0	7.5	8.6	8.9	10.2	10.8	9.8	10.2	10.5	10.8	10.8
Belgium	15.2	18.7	25.5	26.4	25.9	25.3	25.9	26.1	27.2	27.6	27.9	27.9	27.8	27.2	26.7	26.6
Canada	18.3	19.0	18.8	19.4	21.4	20.0	20.4	21.1	21.7	22.1	20.8	21.1	19.3	17.9	18.0	17.8
Czech Republic	-	-	-	-	-	-	-	8.5	10.0	10.4	10.2	10.1	10.0	10.4	10.8	11.4
Denmark	35.7	37.8	39.4	40.0	44.0	44.0	44.2	44.4	37.4	35.1	33.0	32.4	32.6	31.7	31.7	30.6
Finland	26.7	27.3	29.5	30.5	30.8	30.8	28.3	28.6	29.3	28.0	26.3	26.6	25.9	25.4	24.9	24.2
France	8.5	8.6	8.4	7.4	6.8	6.7	8.1	8.5	8.8	10.5	14.3	13.4	13.5	13.6	13.2	13.1
Germany	16.0	16.4	17.1	18.1	18.6	18.6	18.4	18.3	20.8	21.2	21.2	21.5	20.1	20.4	20.8	19.6
Greece	1.4	1.3	3.0	3.2	3.5	5.8	3.6	1.7	1.7	2.0	1.9	2.2	1.8	0.4	0.0	0.6
Hungary	-	-	-	-	-	-	-	-	16.4	17.8	17.6	18.9	19.2	16.9	12.9	12.4
Iceland	-	16.8	16.9	14.5	12.0	17.5	17.9	19.7	20.4	21.2	22.3	23.1	23.5	24.8	25.2	25.5
Ireland	23.7	23.4	24.6	26.8	27.9	25.5	24.7	23.9	22.4	20.5	19.3	15.2	12.0	11.4	11.1	10.6
Italy[1]	11.6	14.1	16.3	18.4	18.4	18.1	16.3	15.8	17.5	18.8	20.0	19.3	18.6	19.1	18.2	18.6
Japan	7.6	8.5	9.0	8.8	8.5	7.9	8.5	8.4	6.4	8.0	6.1	6.2	6.2	5.6	5.9	5.9
Korea	-	-	-	-	-	-	-	-	2.5	1.7	2.1	2.5	2.5	2.2	2.3	2.2
Luxembourg	17.4	16.8	17.4	16.7	14.0	13.5	11.8	12.7	13.1	13.8	12.1	12.6	10.8	8.3	8.5	8.9
Mexico	-	-	-	-	-	6.6	6.1	6.5	2.5	-1.2	0.0	1.3	1.9	2.1	2.8	3.0
Netherlands	14.8	13.5	12.0	11.3	11.9	12.1	11.5	12.2	6.7	6.5	6.3	7.6	8.8	7.0	6.0	8.5
New Zealand	26.0	26.8	26.6	27.9	26.1	23.4	23.8	24.0	24.5	21.6	19.4	19.5	19.5	20.1	20.3	20.7
Norway	25.7	24.7	23.3	22.7	22.7	25.9	24.4	20.9	21.8	21.7	21.6	21.4	21.0	21.0	20.9	20.9
Polamd[2]	-	-	-	-	-	-	-	17.2	18.1	16.9	6.6	6.6	6.0	6.1	6.0	6.1
Portugal	4.4	4.9	7.1	6.9	7.5	6.5	5.9	6.8	7.0	7.2	6.6	6.7	5.4	5.5	5.6	5.6
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	6.0	6.8	5.9	6.3	7.9
Spain	10.1	11.3	12.2	10.6	12.7	10.4	11.3	12.3	13.2	13.8	11.8	12.1	12.6	13.0	12.3	12.7
Sweden	36.5	36.1	35.5	35.6	36.6	37.0	28.0	28.5	28.7	28.5	27.2	25.8	24.6	23.4	23.8	24.0
Switzerland	10.6	11.6	11.4	11.2	10.8	10.8	9.6	11.1	11.0	10.3	10.2	9.8	9.9	9.9	9.7	9.8
Turkey	42.0	35.2	30.2	22.9	22.4	23.5	27.1	27.4	25.2	23.9	15.2	14.7	14.9	15.1	14.8	15.4
United Kingdom	23.2	23.4	22.7	22.3	20.3	19.0	18.7	18.0	18.2	16.7	16.3	15.8	15.5	15.6	15.7	15.9
United States	20.6	23.5	23.0	21.8	18.4	18.4	18.4	18.3	18.1	18.2	18.2	17.9	16.8	16.6	16.4	16.5

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. As from 1990 on, data on wages have been revised to include only production workers.
2. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

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Table B.5. **Income tax plus employee contributions (in % of gross wage), 1979-2004, single persons without children**

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	24.8	25.9	22.8	23.3	24.0	24.0	24.3
Austria	23.5	25.1	24.5	26.6	25.9	23.8	24.7	25.9	27.0	28.3	28.8	27.9	28.3	28.6	28.9	28.8
Belgium	25.3	28.8	37.0	38.5	38.0	37.4	37.9	39.2	41.1	41.5	41.9	41.9	41.7	41.2	40.7	40.5
Canada	20.8	22.0	22.3	23.3	25.4	23.8	25.0	26.3	27.1	27.7	26.5	27.1	25.5	24.4	24.6	24.7
Czech Republic	-	-	-	-	-	-	-	22.0	23.2	22.9	22.7	22.6	22.5	22.9	23.3	23.9
Denmark	40.1	42.2	44.8	46.3	46.0	46.6	46.7	47.0	45.2	44.9	44.2	44.1	43.3	42.3	42.3	41.2
Finland	29.4	30.0	32.2	34.2	34.2	34.0	31.7	35.7	38.0	35.8	33.7	33.6	32.4	31.5	31.0	30.3
France	20.3	20.5	22.6	22.6	23.5	25.0	25.2	26.9	27.4	28.1	27.7	26.8	27.0	26.8	26.8	26.7
Germany	31.6	32.6	33.9	35.0	35.7	36.0	36.6	36.6	40.5	42.3	41.9	42.0	40.7	41.0	41.8	40.5
Greece	11.6	11.5	16.2	16.4	16.8	19.1	17.4	17.5	17.6	17.9	17.8	18.1	17.7	16.3	16.0	16.6
Hungary	-	-	-	-	-	-	-	-	27.9	29.3	30.1	31.4	31.7	29.4	25.4	25.9
Iceland	-	17.0	17.2	14.7	12.2	17.5	18.1	20.0	20.6	21.5	22.5	23.2	23.7	25.1	25.4	25.7
Ireland	28.1	28.1	33.1	35.3	35.7	33.3	32.4	32.7	29.2	26.0	24.3	20.3	16.9	16.4	16.0	15.7
Italy[1]	20.0	22.6	25.8	27.0	27.3	26.7	25.3	25.8	27.5	29.0	29.1	28.5	27.8	28.3	27.4	27.8
Japan	12.5	13.2	13.1	15.8	15.5	14.9	15.5	15.4	13.4	15.0	16.1	16.2	16.2	19.3	17.5	17.4
Korea	-	-	-	-	-	-	-	-	4.8	5.6	8.8	9.2	9.2	8.9	9.2	9.3
Luxembourg	29.3	28.8	29.5	28.9	26.2	25.9	24.1	25.2	25.6	26.4	25.8	26.6	24.8	22.1	22.3	22.7
Mexico	-	-	-	-	-	11.1	10.9	11.3	7.7	1.4	1.6	2.9	3.4	3.7	4.4	4.5
Netherlands	35.5	35.8	40.4	38.0	37.4	35.6	40.4	41.8	40.5	39.3	35.4	36.2	32.9	28.6	29.0	34.4
New Zealand	26.0	26.8	26.6	27.9	26.1	23.4	23.8	24.0	24.5	21.6	19.4	19.5	19.5	20.1	20.3	20.7
Norway	34.4	33.8	33.0	32.7	33.6	33.8	32.2	28.7	29.6	29.5	29.4	29.2	28.8	28.8	28.7	28.7
Poland[2]	-	-	-	-	-	-	-	17.2	18.1	16.9	31.4	31.4	31.0	31.1	31.2	31.5
Portugal	14.4	15.4	18.1	18.4	18.5	17.4	17.6	16.9	18.0	18.2	17.6	17.7	16.4	16.5	16.6	16.6
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	18.8	19.6	18.7	19.1	21.3
Spain	15.7	16.9	18.1	16.9	18.7	16.4	17.3	18.4	19.6	20.2	18.2	18.5	18.9	19.3	18.6	19.0
Sweden	36.5	36.1	35.5	35.6	36.6	37.0	28.0	29.5	32.6	34.5	34.1	32.8	31.7	30.4	30.7	31.0
Switzerland	20.9	21.9	21.5	21.5	21.1	21.2	19.9	21.4	22.5	21.9	21.7	21.3	21.4	21.4	21.0	20.9
Turkey	49.0	42.2	38.2	31.3	31.8	32.6	34.8	34.3	30.5	33.1	22.9	28.7	30.9	30.1	29.8	30.4
United Kingdom	29.7	31.2	31.7	31.3	29.3	27.3	26.2	25.6	26.7	25.2	24.4	23.6	23.1	23.2	24.2	24.4
United States	26.8	30.2	29.7	28.9	25.6	26.0	26.0	26.0	25.8	25.8	25.8	25.5	24.4	24.3	24.1	24.2

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. As from 1990 on, data on wages have been revised to include only production workers.
2. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

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Table B.6. **Income tax plus employee and employer contributions less cash benefits (as % of labour costs), 1979-2004, one-earner family with two children**

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	21.2	22.4	18.6	19.2	20.4	16.1	17.2
Austria	20.5	23.9	24.3	25.6	24.4	23.3	24.7	24.3	27.2	32.2	31.6	29.5	29.0	29.5	29.5	28.8
Belgium	33.1	36.0	35.3	38.4	41.6	36.1	37.3	38.6	40.3	40.8	41.2	40.5	40.3	39.7	39.1	35.6
Canada	11.7	13.5	13.3	15.2	17.4	15.7	18.5	20.6	21.7	23.4	21.2	22.2	20.4	23.1	23.1	23.0
Czech Republic	-	-	-	-	-	-	-	23.1	28.5	31.2	24.4	22.7	24.5	24.5	27.1	29.5
Denmark	30.9	33.6	37.5	37.7	35.5	32.4	32.5	32.5	30.9	31.3	31.1	31.0	30.7	30.1	30.1	29.8
Finland	32.4	33.2	32.7	35.6	35.8	34.8	32.5	38.1	42.1	40.8	39.6	39.9	38.8	38.3	37.6	36.8
France[1]	-	-	-	-	-	-	-	-	39.5	39.5	38.9	39.8	39.4	39.5	39.9	39.0
Germany	30.7	30.9	33.3	34.2	32.7	34.0	34.3	33.6	37.3	35.6	34.4	33.3	32.7	32.2	33.4	32.2
Greece	9.3	9.3	14.5	22.9	30.3	32.0	30.5	34.3	34.9	36.2	35.8	36.1	35.9	35.0	34.4	34.9
Hungary	-	-	-	-	-	-	-	-	37.4	40.8	35.9	35.0	32.8	33.9	30.3	31.3
Iceland	-	6.2	4.6	-3.0	-4.8	-11.4	-14.0	-11.2	-10.9	-2.8	5.8	7.6	7.8	9.5	10.4	11.7
Ireland	20.4	22.7	27.4	30.0	30.6	30.0	29.4	29.9	26.8	23.8	20.1	15.5	12.8	9.1	6.4	5.9
Italy[2]	40.9	41.1	42.3	43.9	44.6	43.9	40.7	42.4	44.9	43.3	37.0	36.5	35.4	36.0	35.7	36.2
Japan	11.2	11.9	12.3	16.0	15.9	14.8	15.3	16.0	15.1	15.6	19.8	20.2	20.4	26.2	22.9	23.8
Korea	-	-	-	-	-	-	-	-	6.0	11.6	15.4	15.8	15.9	15.5	15.8	15.8
Luxembourg	20.1	19.5	18.1	18.1	15.3	14.0	14.3	12.5	12.7	13.0	10.7	11.4	11.5	9.2	9.2	9.3
Mexico	-	-	-	-	-	23.5	24.4	26.6	27.2	20.8	14.1	15.4	14.4	16.1	17.2	15.4
Netherlands	39.4	39.7	43.6	41.2	41.1	38.7	40.1	35.7	34.9	33.0	34.1	35.5	33.0	25.1	24.5	34.3
New Zealand	10.4	16.8	17.5	15.5	24.3	18.0	20.8	22.2	22.4	16.2	14.1	15.5	16.7	18.8	19.4	20.7
Norway	32.6	30.1	28.5	28.0	28.4	28.0	26.4	23.0	24.4	24.9	26.2	26.9	26.9	27.3	27.5	27.8
Poland[3]	-	-	-	-	-	-	-	36.8	39.3	38.9	38.1	38.2	37.8	41.2	37.9	41.5
Portugal	24.3	25.8	27.5	31.4	29.7	26.5	25.4	25.3	26.6	26.8	26.0	26.2	24.1	23.6	23.7	22.5
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	25.2	28.5	28.2	32.3	27.2
Spain	31.9	32.7	33.4	32.4	34.1	31.6	32.6	32.9	33.3	33.7	30.4	30.6	31.1	31.5	30.9	31.6
Sweden	42.5	42.9	43.2	42.5	43.0	45.5	37.7	37.7	42.2	45.2	44.4	42.6	41.1	40.3	40.8	41.2
Switzerland	19.2	20.6	19.9	19.0	18.3	18.6	18.0	17.3	18.9	17.7	17.8	17.7	17.9	18.1	17.5	17.2
Turkey	53.9	47.7	44.8	37.0	40.2	40.1	41.2	40.0	35.3	40.7	30.3	40.4	43.6	42.5	42.2	42.7
United Kingdom	25.2	26.8	26.6	26.2	25.6	25.1	24.3	23.8	26.1	24.8	23.3	21.4	18.1	17.3	17.4	18.0
United States	23.5	26.8	27.7	26.7	25.5	24.7	24.8	24.7	24.4	24.1	21.1	21.3	18.3	17.8	15.6	16.4

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. Employers' social security contributions not reported by France for period 1979 to 1993.
2. As from 1990 on, data on wages have been revised to include only production workers.
3. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

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Table B.7. **Income tax (as % of gross wage), 1979-2004, one-earner family with two children**

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	23.7	24.9	22.8	23.3	24.0	24.0	24.3
Austria	6.5	7.6	6.6	7.6	6.4	3.1	3.8	2.8	3.5	5.0	9.2	8.2	8.7	9.0	9.3	8.1
Belgium	8.0	11.6	18.4	19.3	19.1	14.2	15.0	15.5	16.1	16.5	17.0	17.1	17.1	16.7	15.9	15.2
Canada	9.7	10.6	9.0	10.3	12.3	10.9	12.1	10.3	11.2	12.6	10.2	16.9	15.3	14.1	14.2	13.9
Czech Republic	-	-	-	-	-	-	-	2.5	4.5	5.2	4.3	4.2	4.0	4.5	4.9	5.3
Denmark	30.3	32.6	33.8	34.3	35.7	35.6	36.0	36.2	29.4	27.8	26.2	25.7	26.2	25.7	25.7	25.4
Finland	20.9	21.9	23.8	25.3	25.2	23.7	21.8	23.3	29.3	28.0	26.3	26.6	25.9	25.4	24.9	24.2
France	0.4	0.5	0.4	0.0	0.0	0.0	1.0	1.7	1.9	3.7	7.6	7.6	7.0	7.1	7.1	7.1
Germany	9.9	9.7	10.5	10.9	8.6	9.2	8.7	7.9	9.6	1.0	0.0	-0.9	-1.7	-2.4	-1.6	-2.8
Greece	0.0	0.0	0.0	0.0	1.8	3.7	0.5	0.5	0.8	2.5	1.9	2.3	2.0	0.9	0.0	0.6
Hungary	-	-	-	-	-	-	-	-	16.4	17.8	12.0	12.6	9.2	8.0	4.6	4.7
Iceland	-	10.2	9.4	6.4	4.8	1.3	0.3	2.5	3.6	6.8	11.3	12.0	12.6	13.3	13.3	14.0
Ireland	11.5	13.0	14.0	16.2	17.9	17.0	16.2	15.9	15.4	14.1	10.1	5.0	2.9	2.5	2.2	2.2
Italy[1]	9.4	10.8	12.5	16.2	15.2	14.8	12.7	11.9	14.0	15.3	15.8	14.9	13.4	11.9	11.3	11.9
Japan	1.8	2.8	3.3	2.8	2.7	1.9	2.4	2.8	1.6	2.6	1.5	2.0	2.0	1.4	1.6	2.7
Korea	-	-	-	-	-	-	-	-	1.5	0.9	1.3	1.7	1.8	1.6	1.7	1.4
Luxembourg	3.4	3.1	2.7	2.2	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mexico	-	-	-	-	-	6.6	6.1	6.5	2.5	-1.2	0.0	1.3	1.9	2.1	2.8	3.0
Netherlands	12.5	11.2	9.6	8.4	8.9	9.2	10.1	9.5	4.4	3.5	4.8	4.9	8.3	6.4	5.7	8.3
New Zealand	17.0	21.5	21.7	24.8	24.3	20.3	20.8	22.2	22.4	16.2	14.1	19.5	19.5	20.1	20.3	20.7
Norway	17.5	17.0	15.6	15.0	15.2	18.6	17.8	15.9	17.0	17.1	17.4	17.1	18.1	18.2	18.0	18.0
Poland[2]	-	-	-	-	-	-	-	15.3	16.1	14.7	4.6	4.7	4.0	4.2	4.0	4.1
Portugal	4.0	4.0	6.0	6.0	6.0	2.1	1.2	1.1	3.3	3.1	2.4	2.7	0.1	0.3	0.3	0.4
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	2.0	3.5	2.6	3.1	-5.3
Spain	6.1	6.7	7.5	5.9	8.3	5.3	6.4	5.6	6.4	6.8	2.5	3.0	3.6	4.2	3.5	4.3
Sweden	33.7	33.7	33.3	33.9	35.0	35.7	28.0	28.5	28.7	28.5	27.2	25.8	24.6	23.4	23.8	24.0
Switzerland	6.3	7.2	6.1	6.4	6.0	5.8	5.4	5.7	5.7	5.1	5.0	4.9	5.0	5.1	5.0	5.1
Turkey	42.0	35.2	30.2	22.9	22.4	23.5	27.1	27.4	25.2	23.9	15.2	14.7	14.9	15.1	14.8	15.4
United Kingdom	19.3	19.8	18.6	17.9	16.5	15.5	15.4	15.0	16.6	15.1	15.2	13.3	10.2	9.3	7.9	8.1
United States	11.6	14.4	15.2	14.5	13.0	11.5	11.3	11.3	11.0	10.7	7.4	7.6	4.3	3.9	1.5	2.4

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. As from 1990 on, data on wages have been revised to include only production workers.
2. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

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Table B.8. **Income tax plus employee contributions less cash benefits (as % of gross wage), 1979-2004, one-earner family with two children**

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	15.8	17.5	13.5	14.2	15.6	11.1	12.2
Austria	4.2	7.1	7.8	8.6	7.3	5.6	6.9	6.5	9.5	10.7	10.0	7.6	8.2	8.9	8.9	8.0
Belgium	5.0	9.1	19.8	22.6	22.1	14.5	16.0	17.8	19.5	20.2	20.7	21.1	21.6	21.0	20.4	16.4
Canada	9.0	10.4	9.4	11.0	13.1	11.8	14.0	15.5	16.6	18.2	15.9	16.9	14.8	14.3	14.2	14.4
Czech Republic	-	-	-	-	-	-	-	-4.5	3.3	7.1	-2.1	-4.3	-2.0	-1.9	1.5	4.9
Denmark	30.3	33.1	35.5	35.9	33.5	32.4	32.5	32.5	30.9	31.1	30.7	30.7	30.2	29.7	29.7	29.4
Finland	18.2	18.9	19.7	22.6	22.5	20.0	17.0	21.5	26.3	25.7	23.9	24.3	23.5	22.8	22.6	21.7
France	6.8	6.6	6.4	7.7	9.3	10.9	11.2	13.1	13.8	15.3	15.0	15.0	14.4	14.6	15.0	15.1
Germany	19.9	19.8	22.2	23.1	21.2	22.5	22.4	21.5	25.0	22.1	20.7	19.6	18.9	18.3	19.4	18.1
Greece	-7.7	-7.7	-4.1	-4.1	15.1	16.9	14.2	16.3	16.7	18.4	17.8	18.2	17.9	16.8	16.0	16.6
Hungary	-	-	-	-	-	-	-	-	7.3	12.9	9.1	11.6	9.9	8.5	4.4	6.1
Iceland	-	4.5	2.7	-5.2	-6.8	-14.2	-16.9	-14.0	-14.5	-6.8	1.3	3.2	3.0	4.7	5.3	6.6
Ireland	13.4	14.9	19.0	21.5	22.1	21.5	20.8	21.3	17.9	14.6	10.5	5.4	2.3	-0.7	-3.7	-4.2
Italy[1]	12.1	11.5	13.6	18.1	20.3	15.8	15.5	15.9	19.6	17.0	15.5	14.8	13.5	14.9	14.4	15.2
Japan	6.7	7.6	8.0	9.8	9.7	8.9	9.4	9.8	8.6	9.6	11.5	12.0	12.0	15.1	13.2	14.3
Korea	-	-	-	-	-	-	-	-	3.8	4.7	8.0	8.4	8.5	8.3	8.7	8.4
Luxembourg	8.1	7.3	5.9	5.5	2.8	1.2	1.6	-0.6	1.2	1.3	-1.3	-0.8	-0.7	-3.0	-3.0	-2.9
Mexico	-	-	-	-	-	11.1	10.9	11.3	7.7	1.4	1.6	2.9	3.4	3.7	4.4	4.5
Netherlands	24.8	25.1	29.9	27.2	27.0	25.5	33.2	31.1	29.8	27.9	23.6	25.0	22.1	17.1	17.3	23.6
New Zealand	10.4	16.8	17.5	15.5	24.3	18.0	20.8	22.2	22.4	16.2	14.1	15.5	16.7	18.8	19.4	20.7
Norway	21.8	18.8	17.0	16.7	17.1	16.8	15.2	13.1	14.9	15.4	16.8	17.6	17.5	18.0	18.2	18.4
Poland[2]	-	-	-	-	-	-	-	6.4	10.1	9.5	25.4	25.6	25.0	29.2	25.3	29.5
Portugal	9.9	10.5	12.3	13.9	12.5	8.6	7.1	7.0	9.2	9.4	8.4	8.7	6.1	5.4	5.6	4.1
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	-3.2	1.4	0.9	6.6	1.2
Spain	9.8	10.6	12.0	11.3	13.8	10.8	12.2	11.7	12.8	13.2	8.9	9.3	10.0	10.5	9.8	10.6
Sweden	25.9	25.9	25.9	24.6	25.2	27.5	17.0	19.1	23.1	27.2	26.0	23.7	21.8	20.8	21.4	21.9
Switzerland	11.0	12.5	11.7	10.6	9.9	10.1	9.6	8.8	9.5	8.2	8.4	8.2	8.4	8.6	8.1	8.0
Turkey	49.0	41.4	38.2	31.3	31.8	32.6	34.8	34.3	30.5	33.1	22.9	28.7	30.9	30.1	29.8	30.4
United Kingdom	17.7	19.4	19.0	18.5	17.8	17.3	16.5	15.9	18.6	17.3	16.2	14.1	10.7	9.9	9.3	9.8
United States	17.7	21.0	21.9	21.6	20.2	19.0	19.0	18.9	18.6	18.3	15.0	15.3	12.0	11.5	9.2	10.0

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. As from 1990 on, data on wages have been revised to include only production workers.
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