

## 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

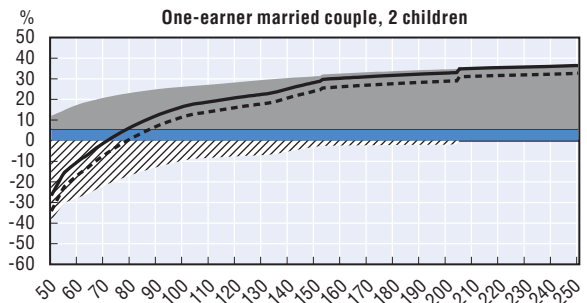
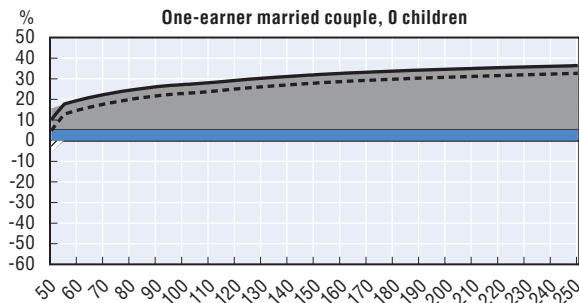
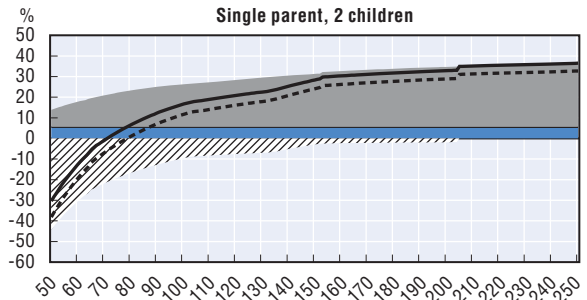
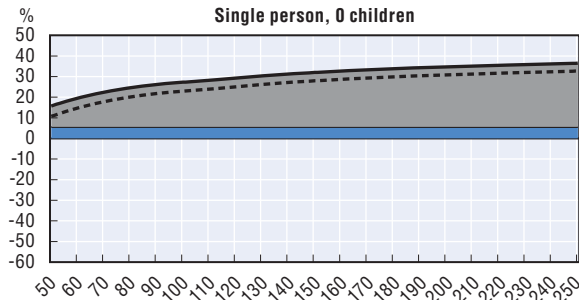
between 142 and 250 per cent of the AW. In Turkey, it is 42.2 per cent on earnings below 106 per cent of the AW and then 47.3 per cent on earnings between 107 and 250 per cent of the AW. In the United Kingdom, it is 40.2 per cent on earnings below 117 per cent of the AW and then 49.0 per cent on earnings 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.

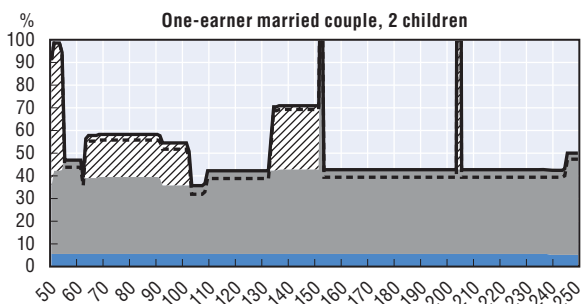
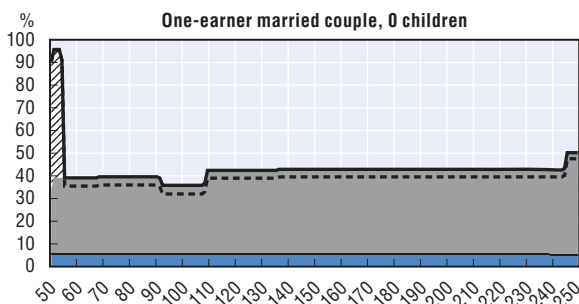
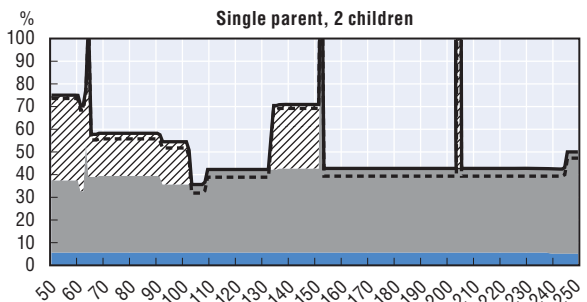
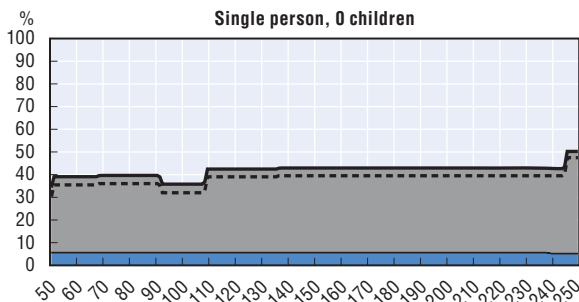
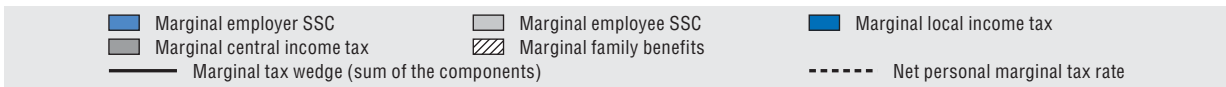
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**Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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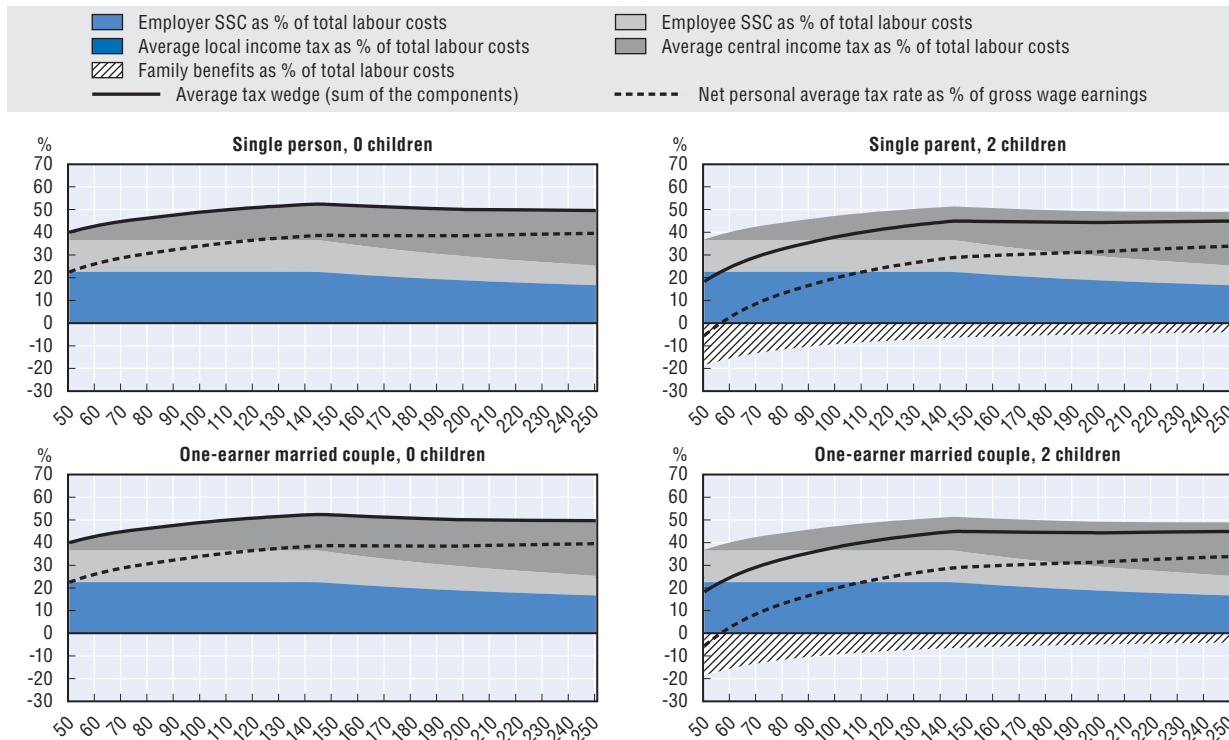
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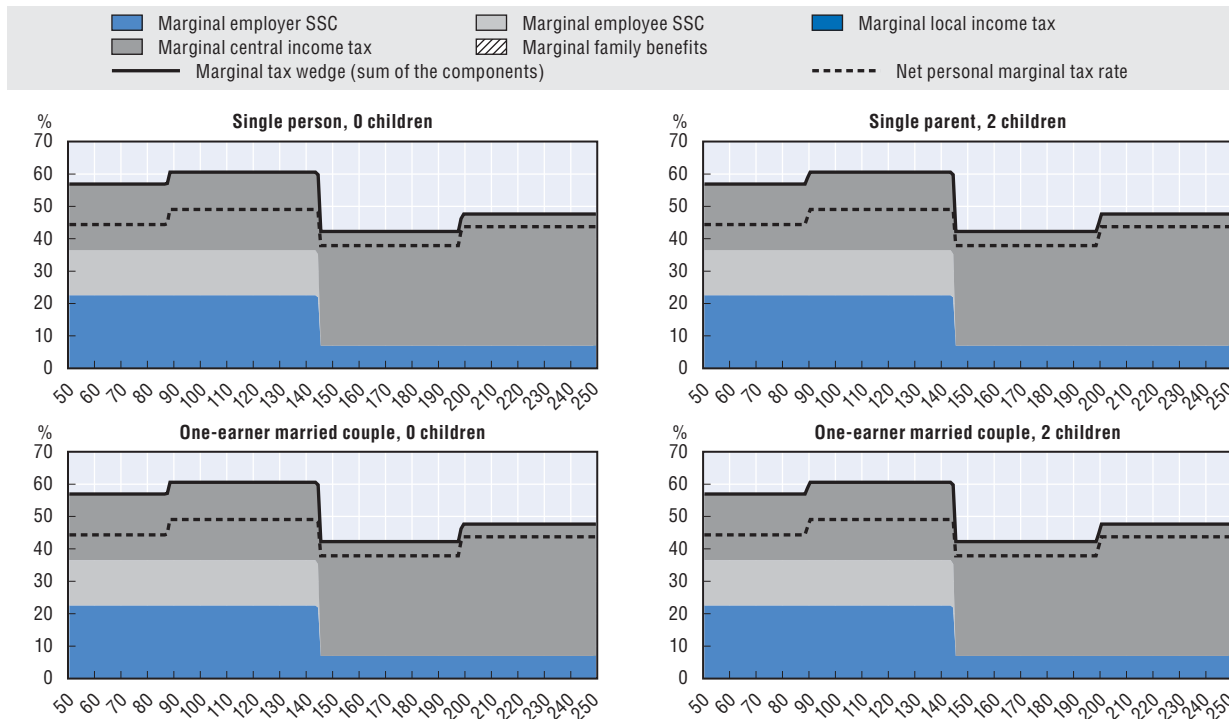
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**Average tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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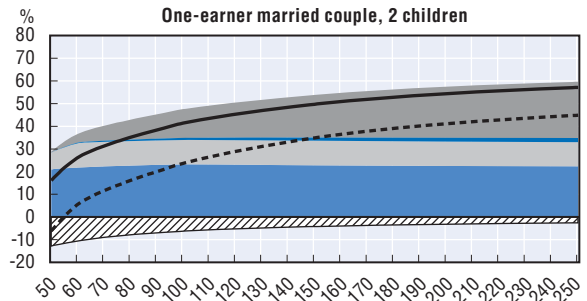
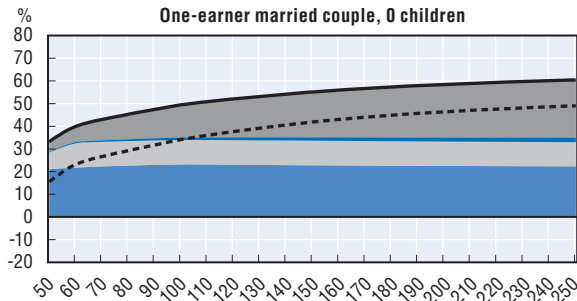
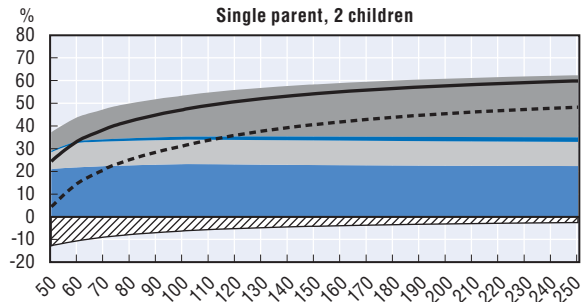
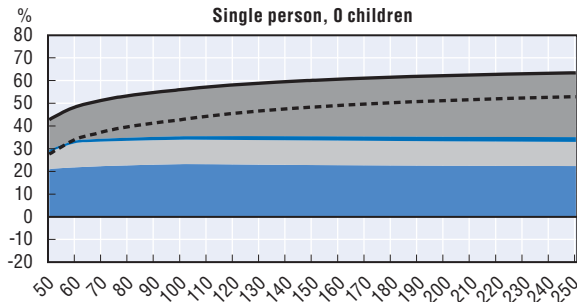
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**




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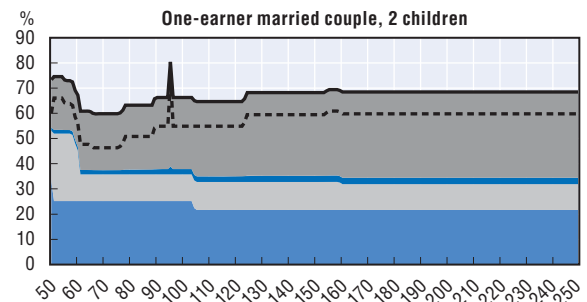
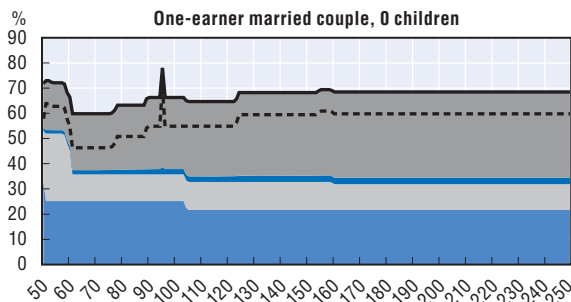
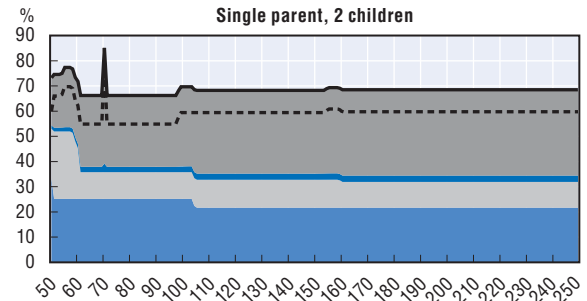
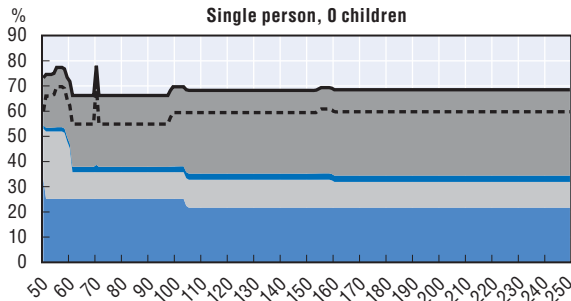
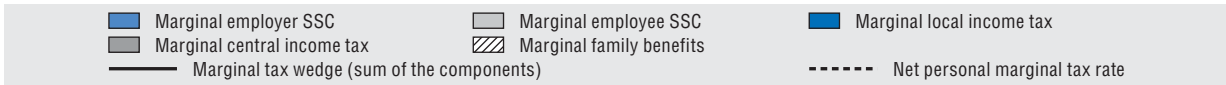
### Belgium, 2012


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



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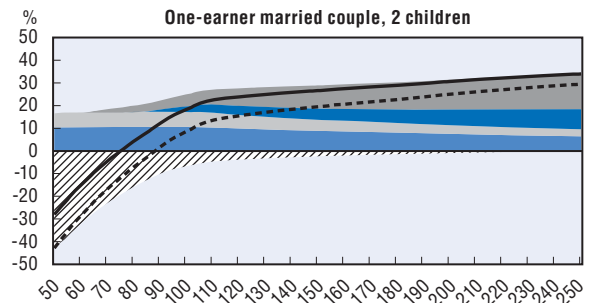
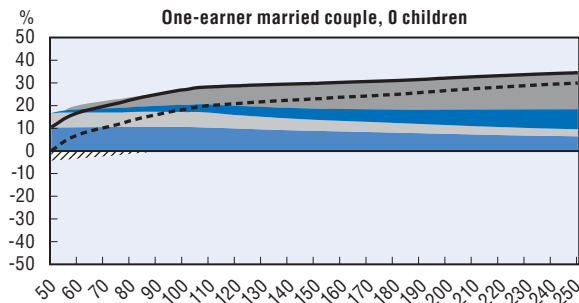
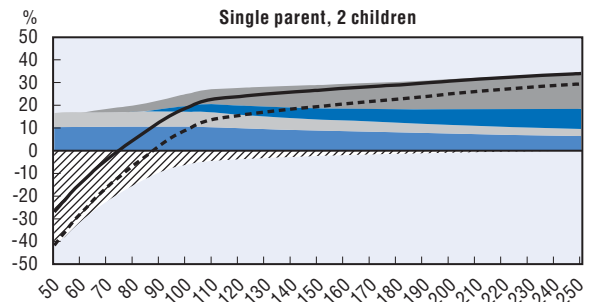
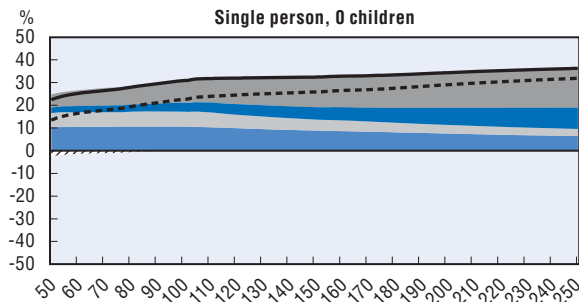
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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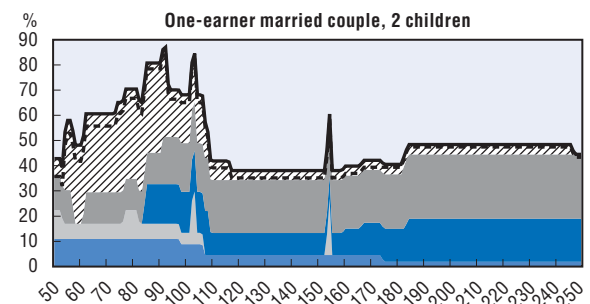
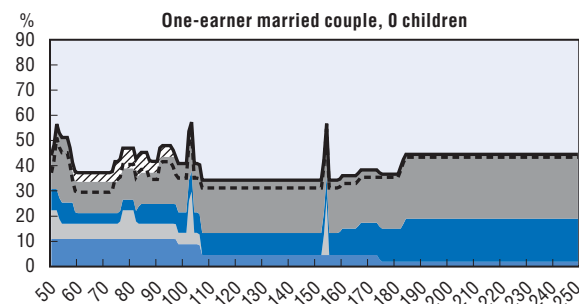
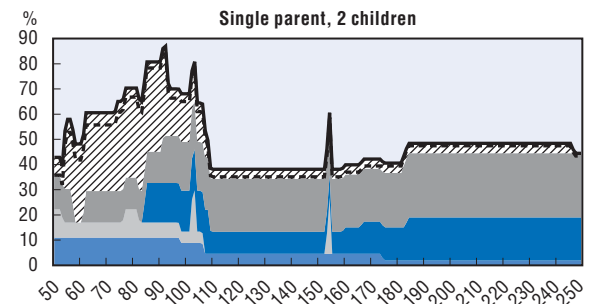
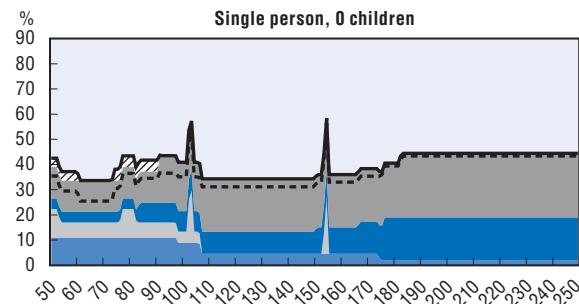
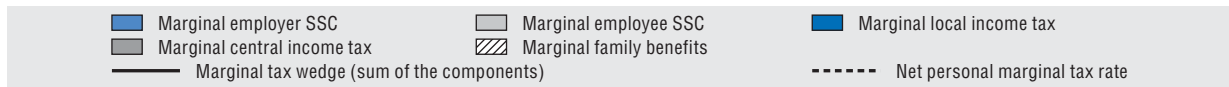
### Canada, 2012

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



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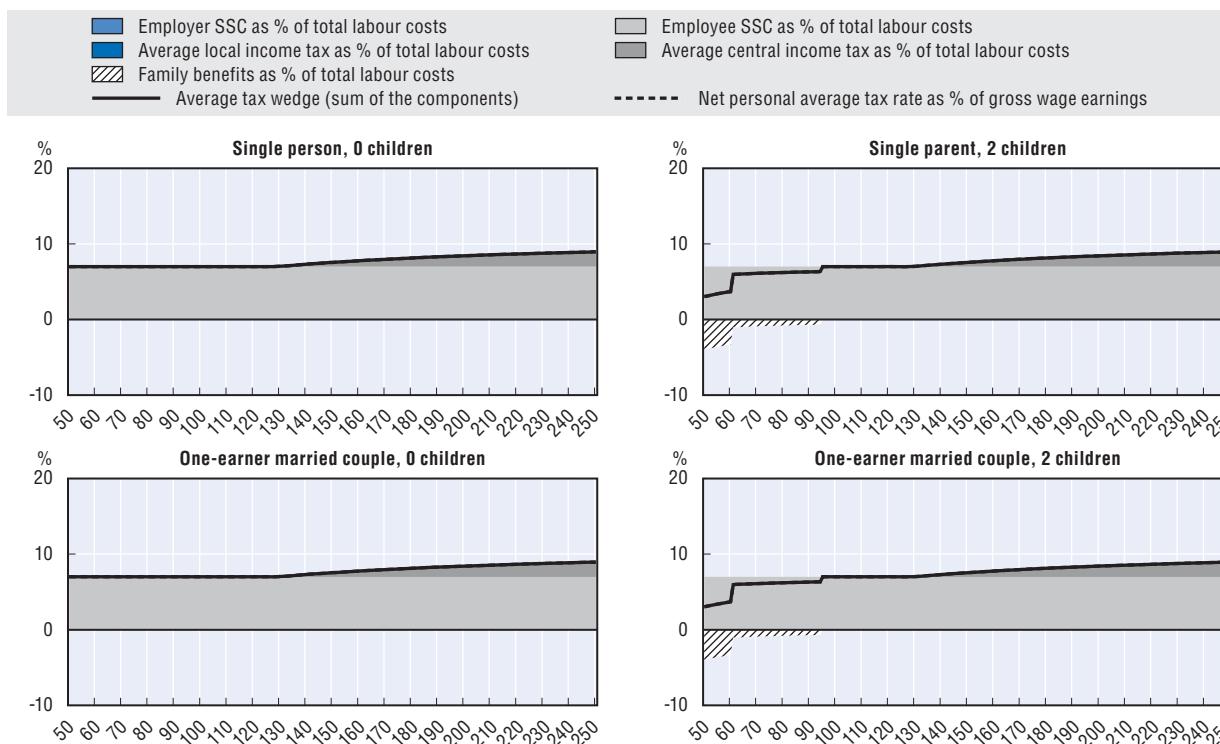
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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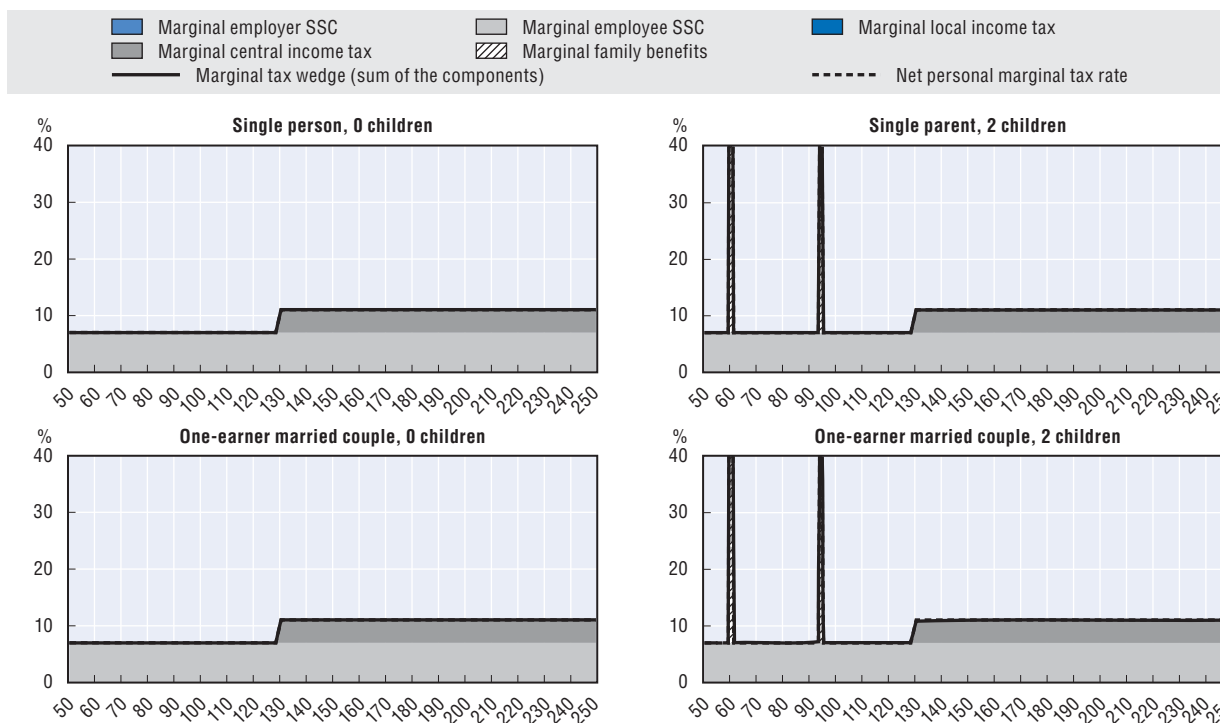
### Chile, 2012

**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**

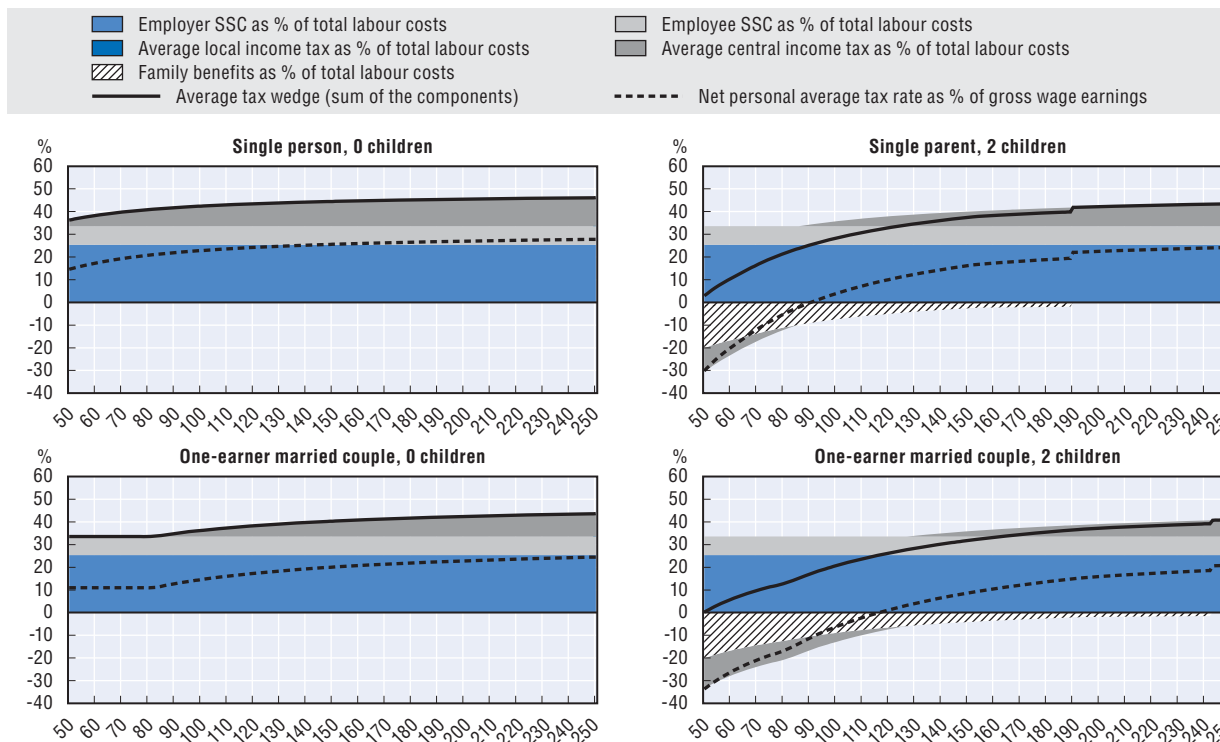


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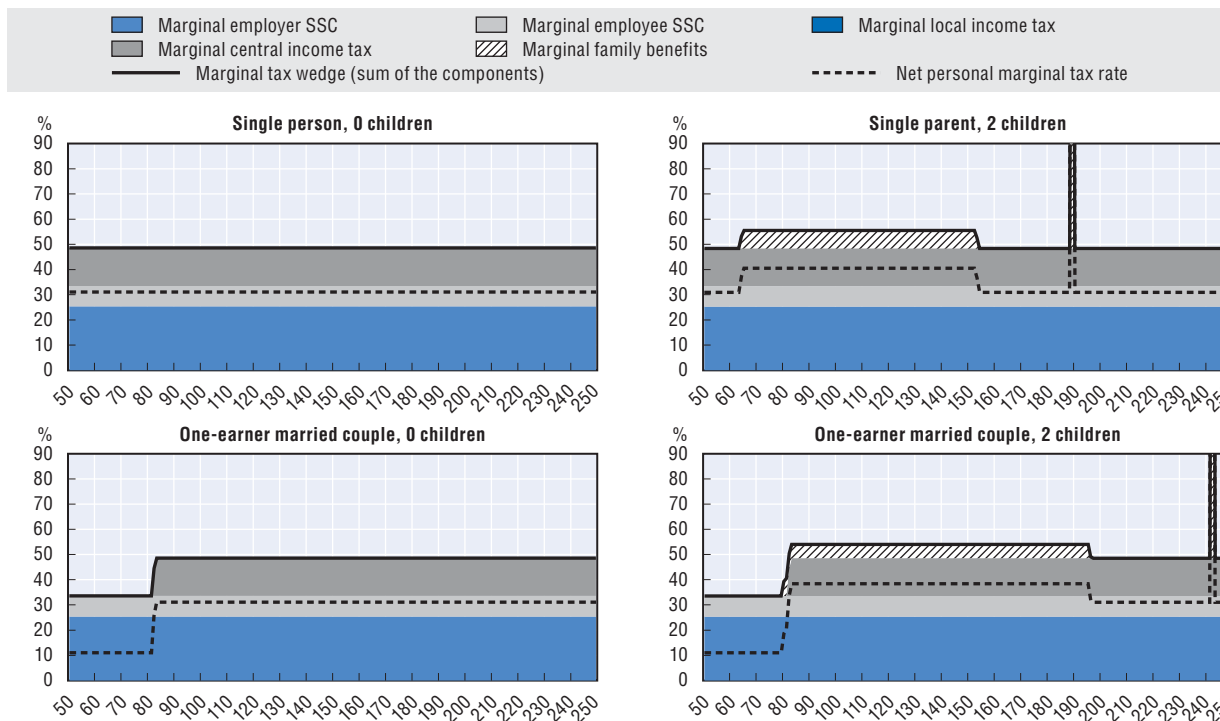
### Czech Republic, 2012

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



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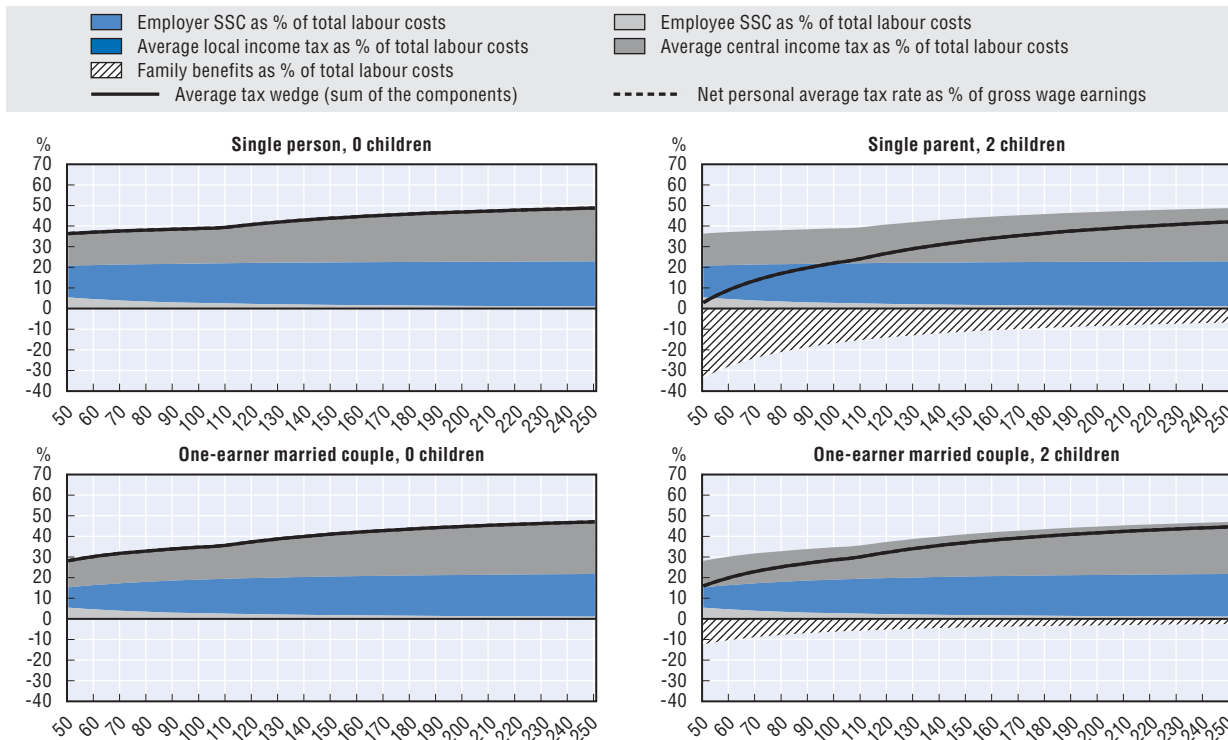
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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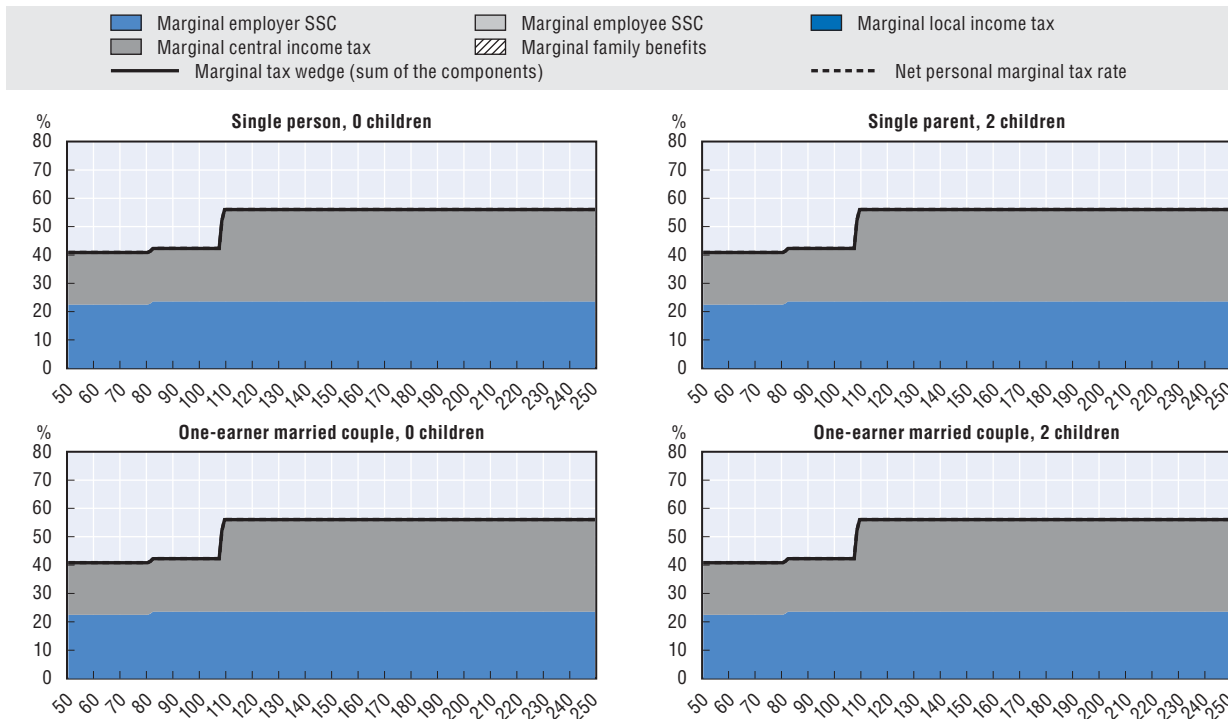
### Denmark, 2012

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



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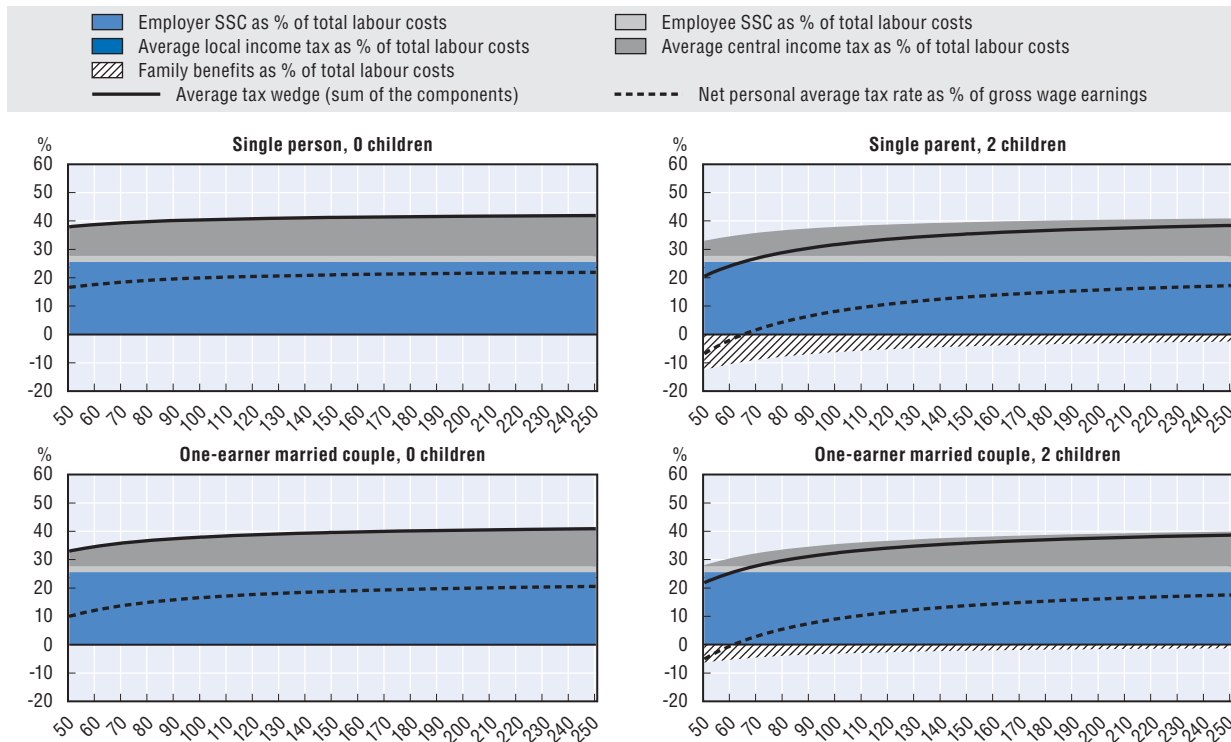
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



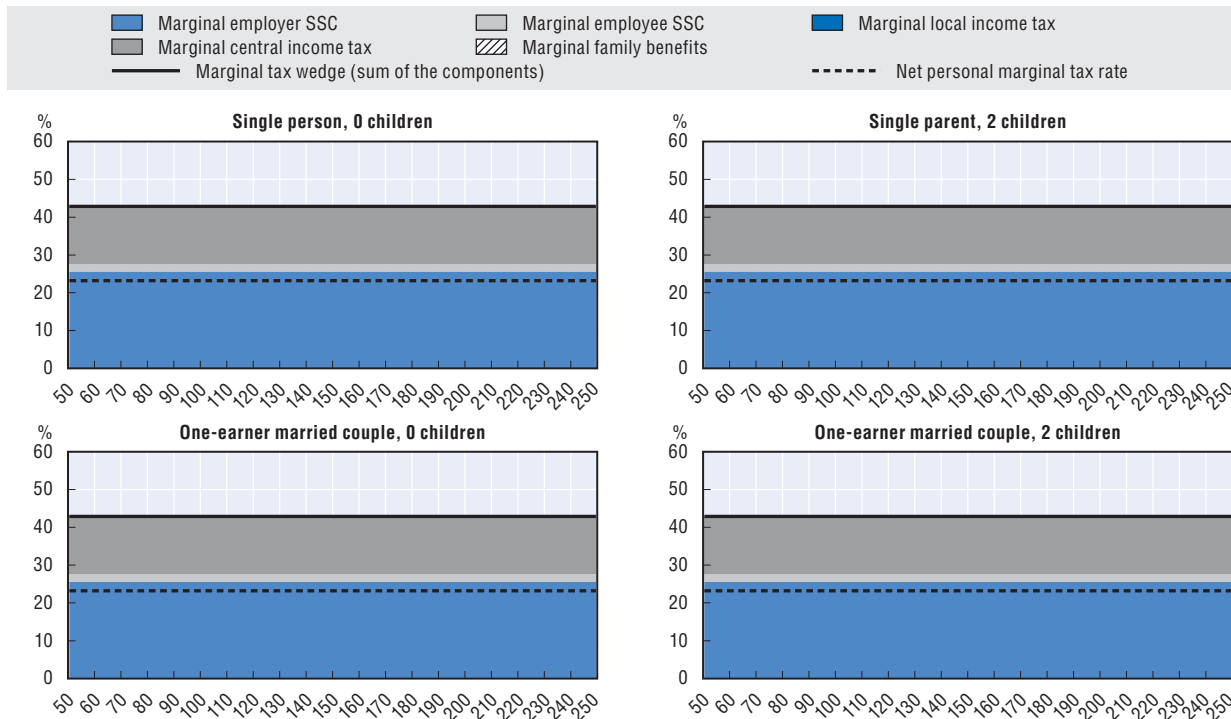
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### Estonia, 2012

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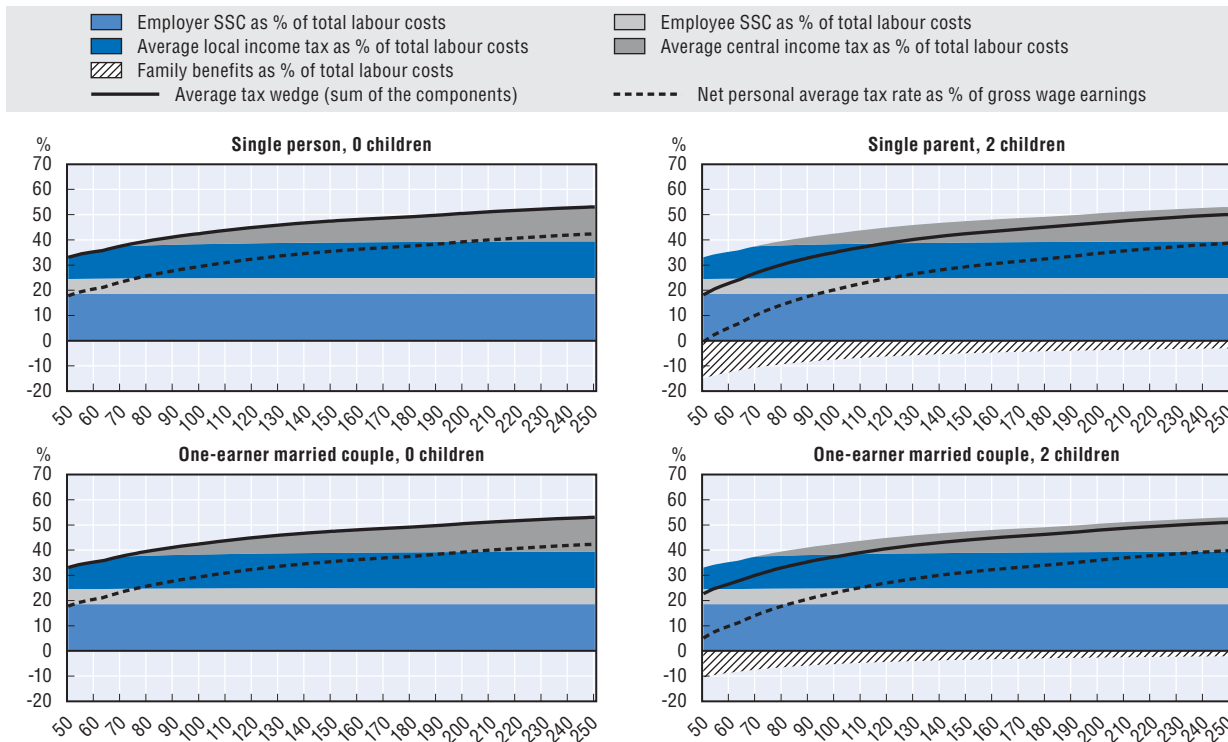


**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



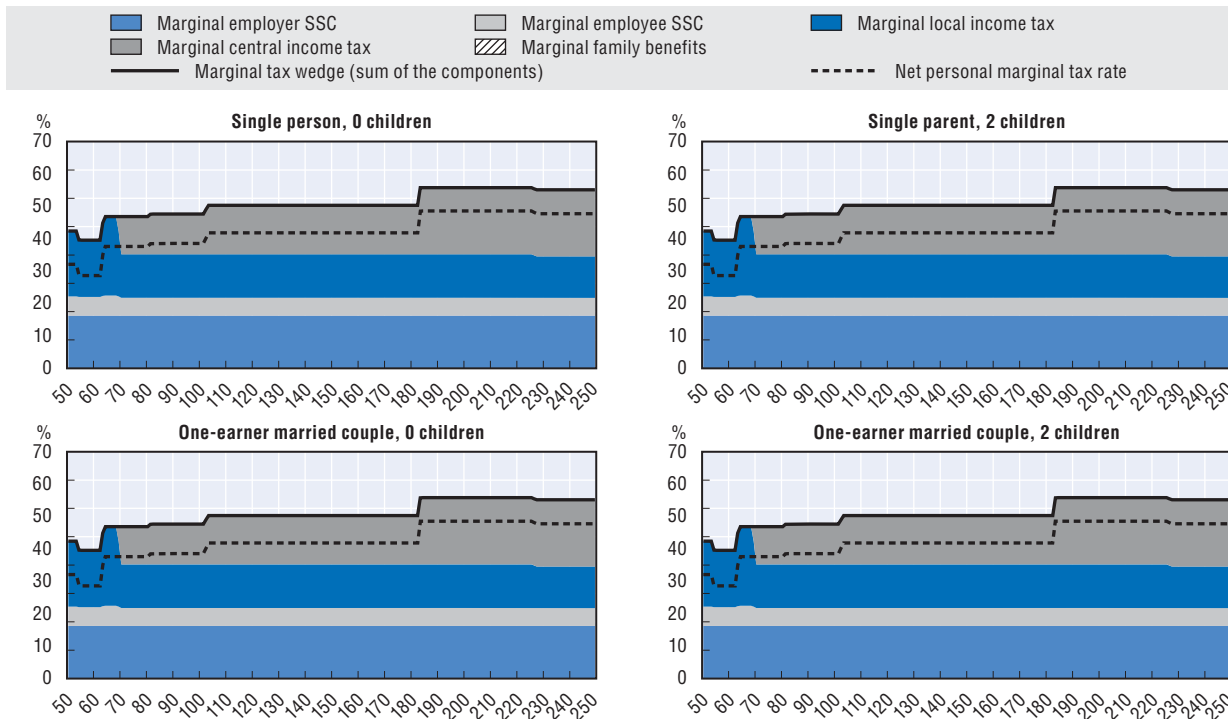
### Finland, 2012

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



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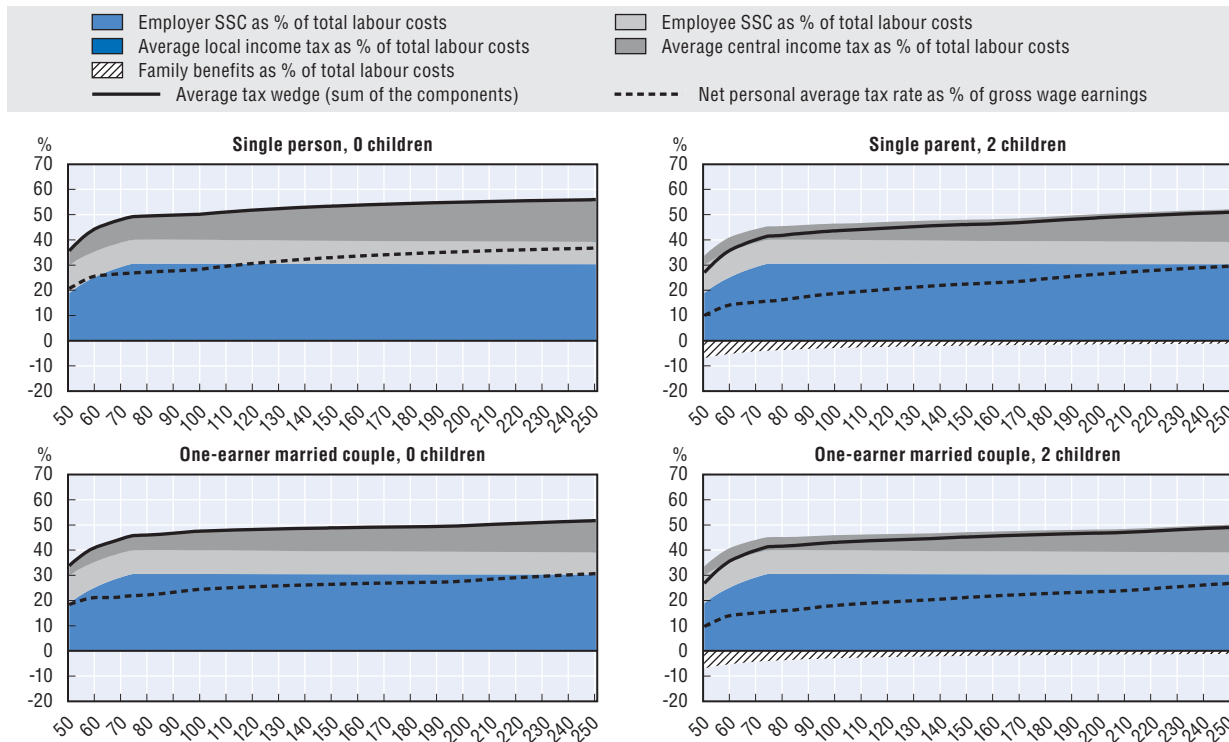
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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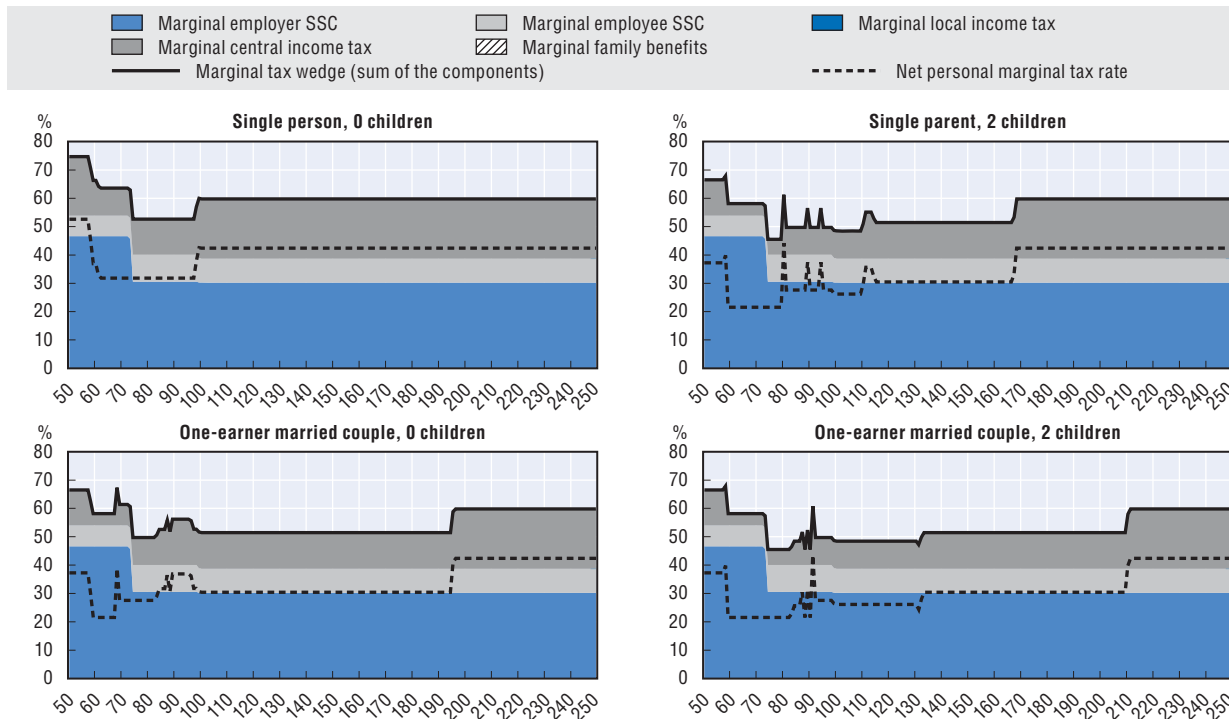
### France, 2012

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



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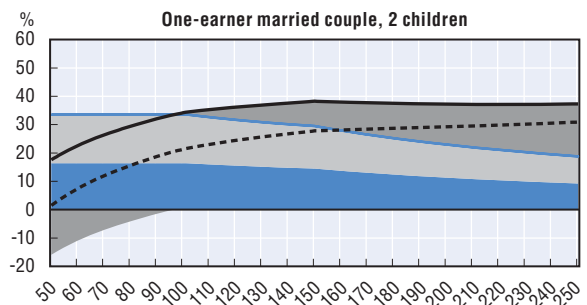
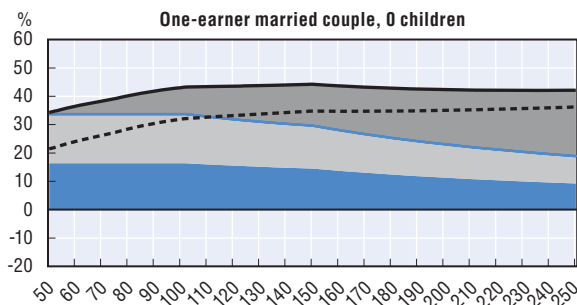
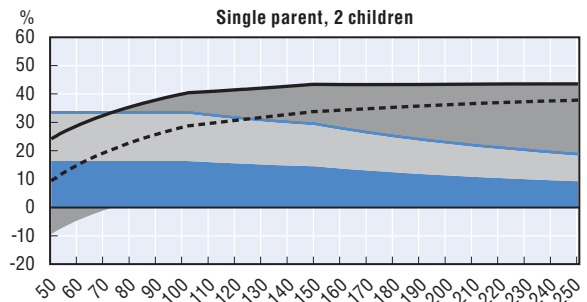
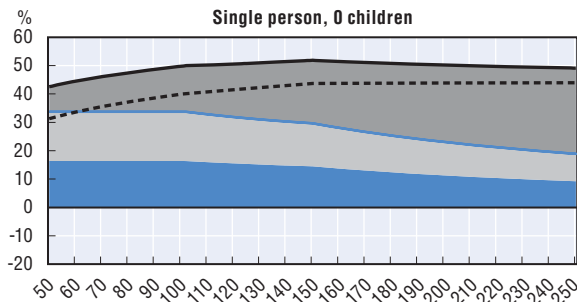
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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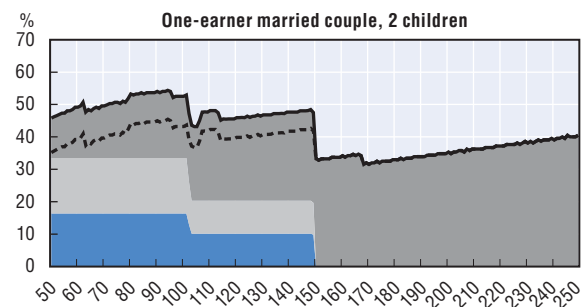
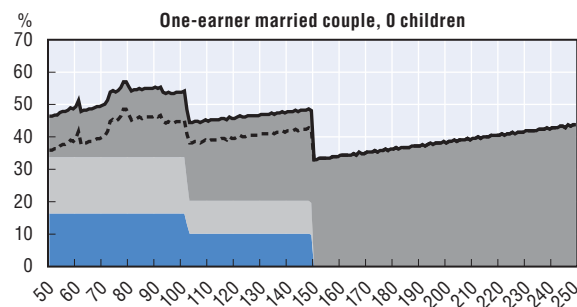
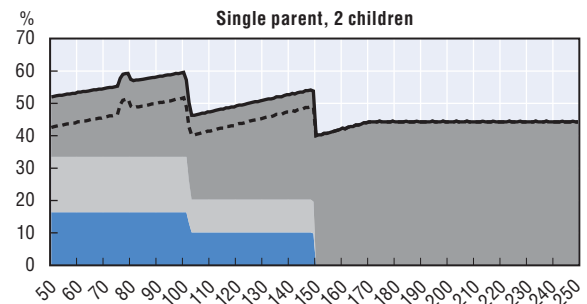
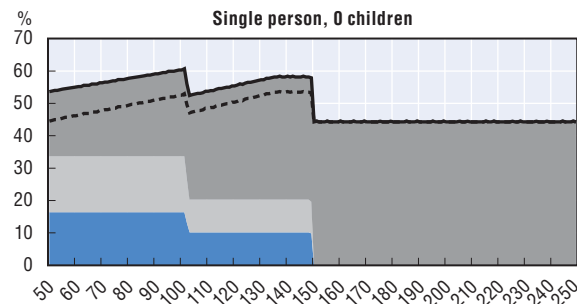
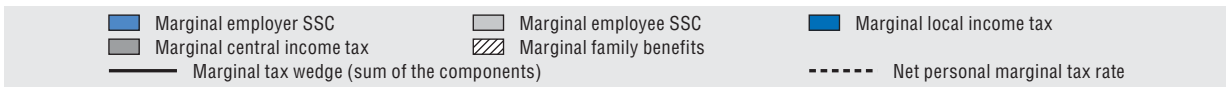
### Germany, 2012

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



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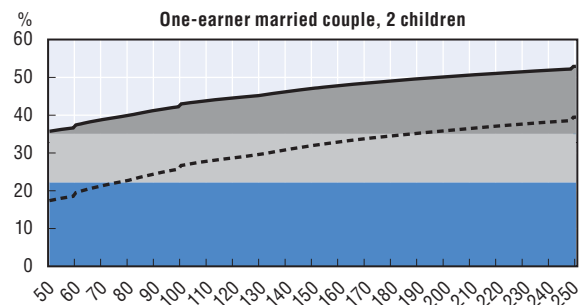
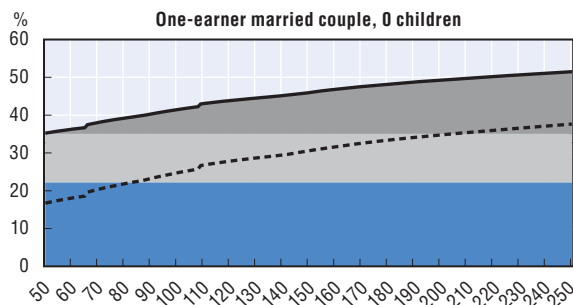
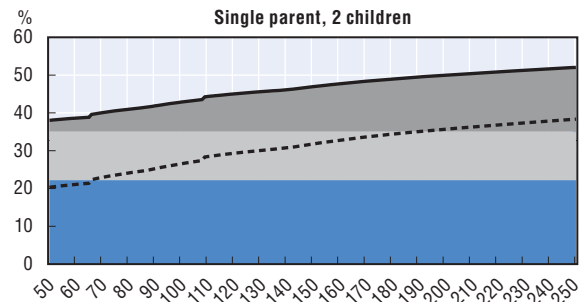
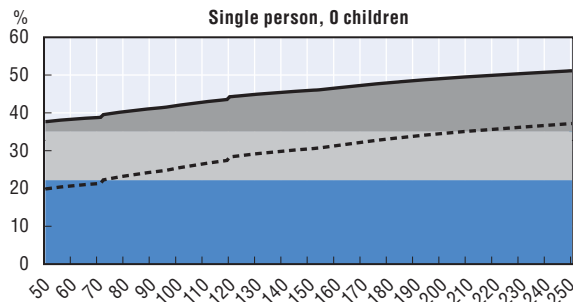
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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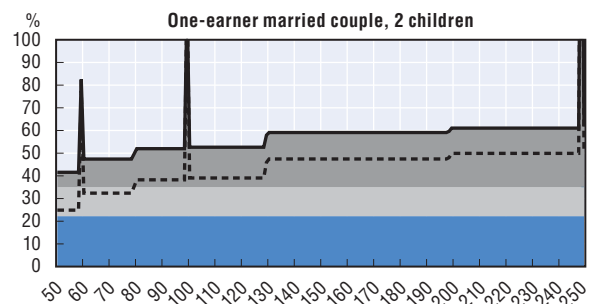
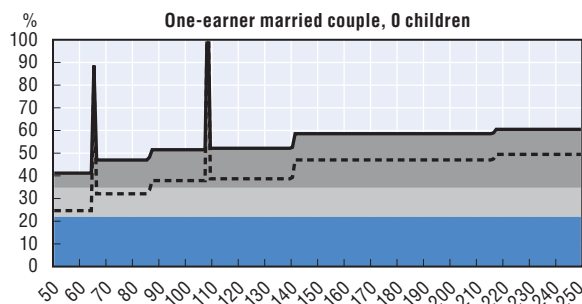
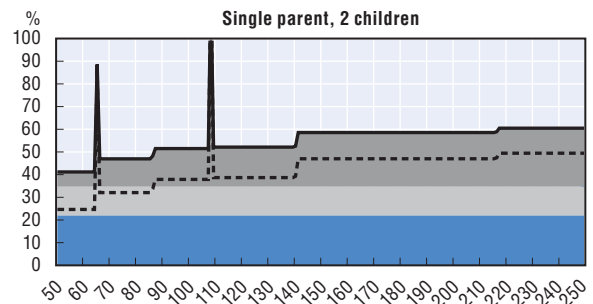
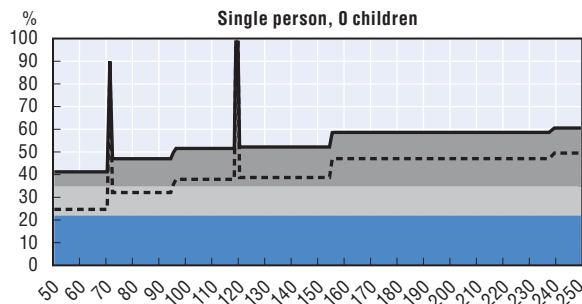
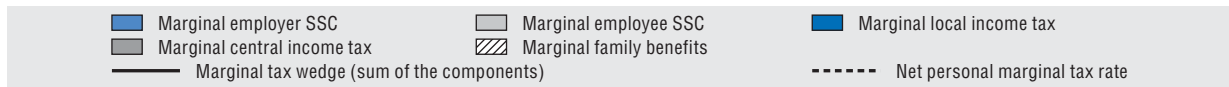
### Greece, 2012

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



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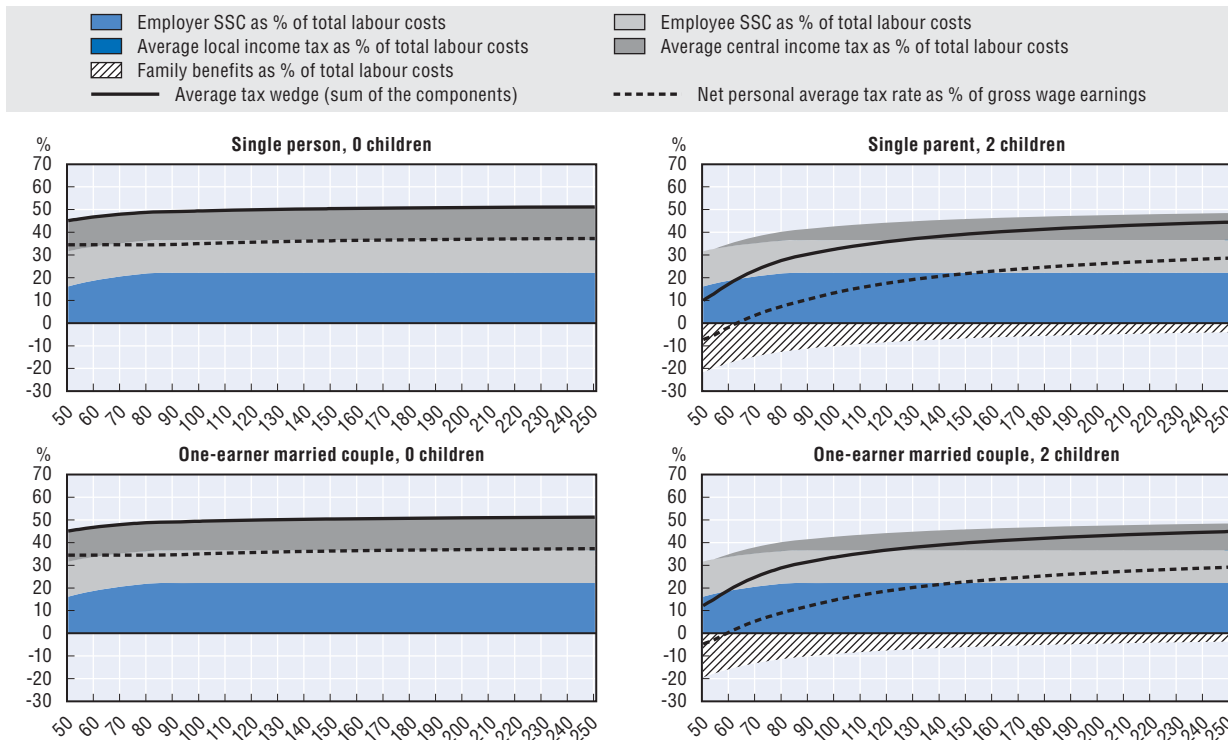
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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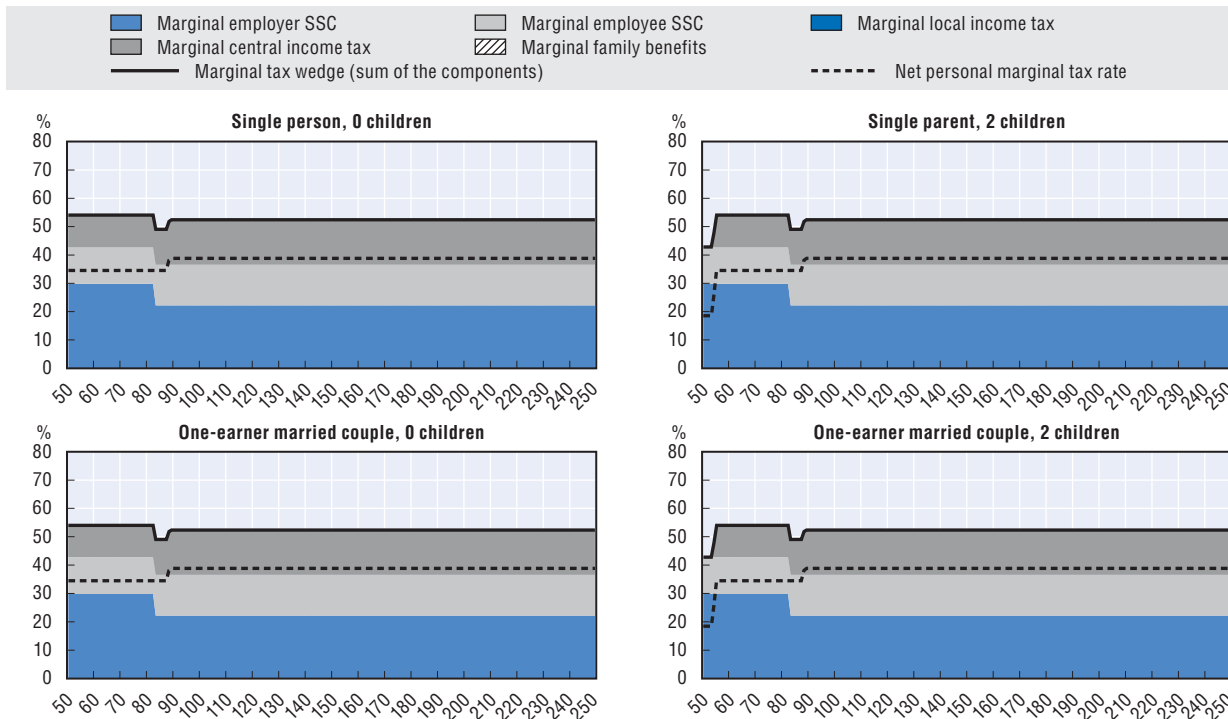
### Hungary, 2012

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



StatLink <http://dx.doi.org/10.1787/888932784693>

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

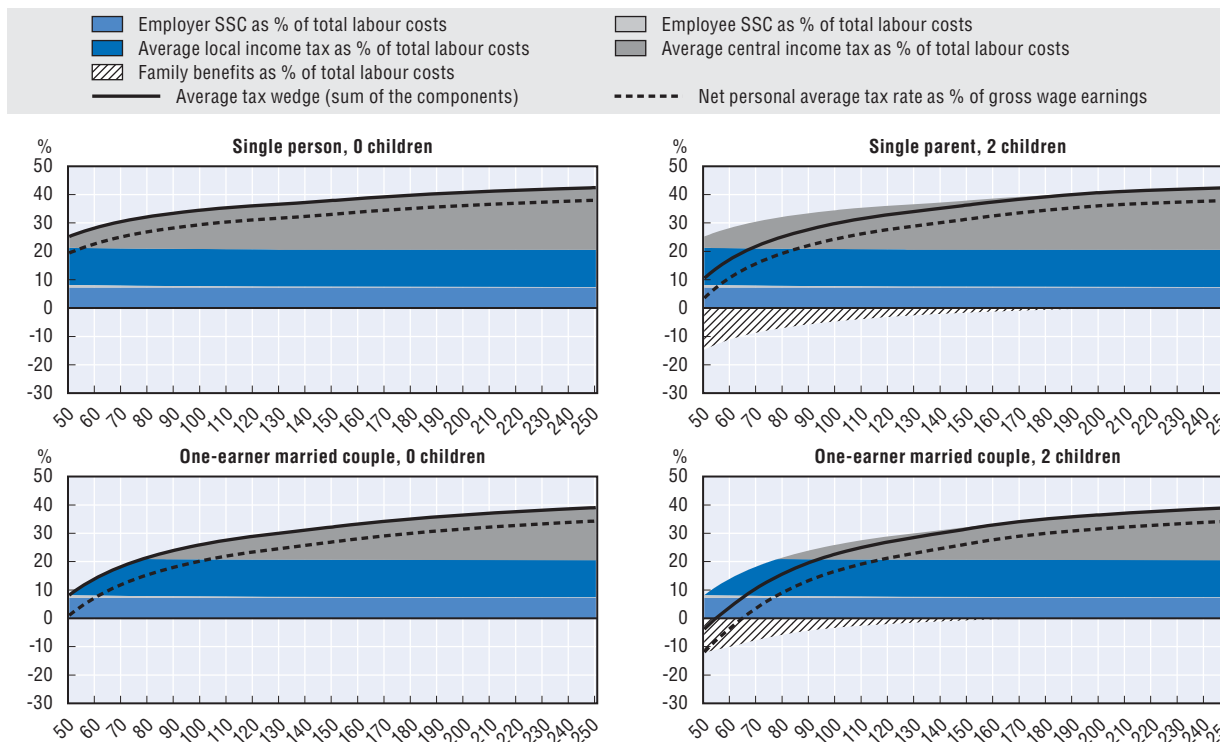


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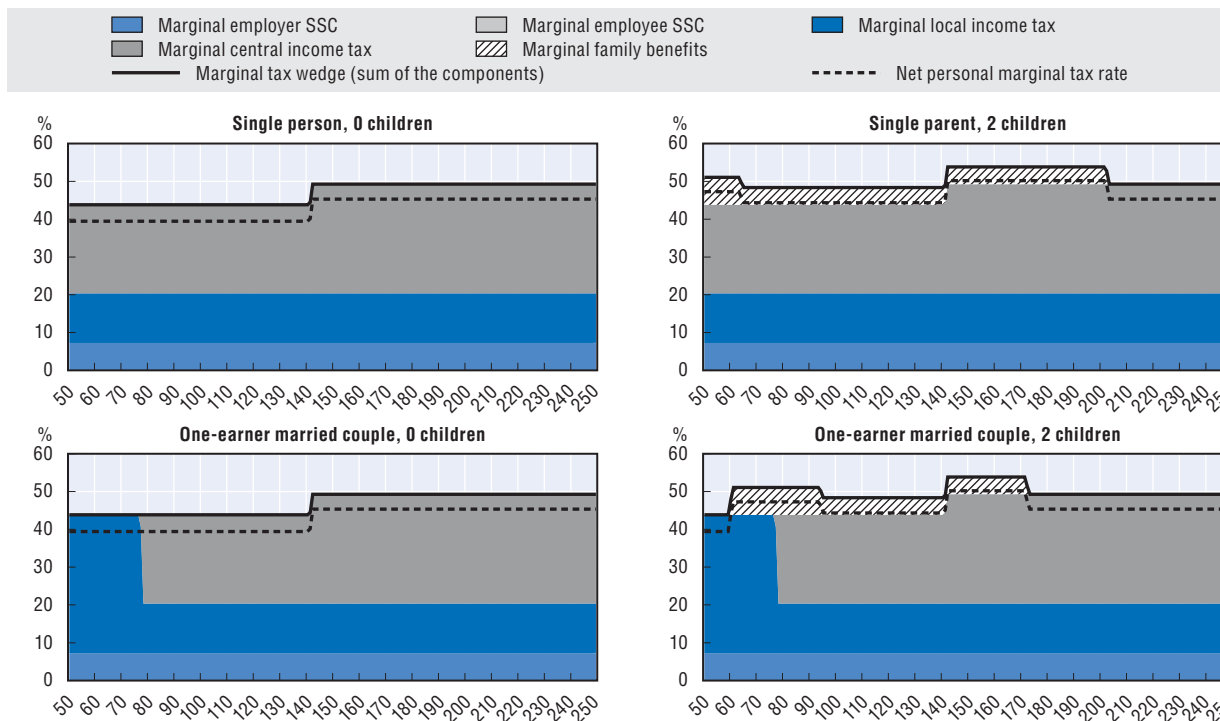
### Iceland, 2012

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



StatLink <http://dx.doi.org/10.1787/888932784769>

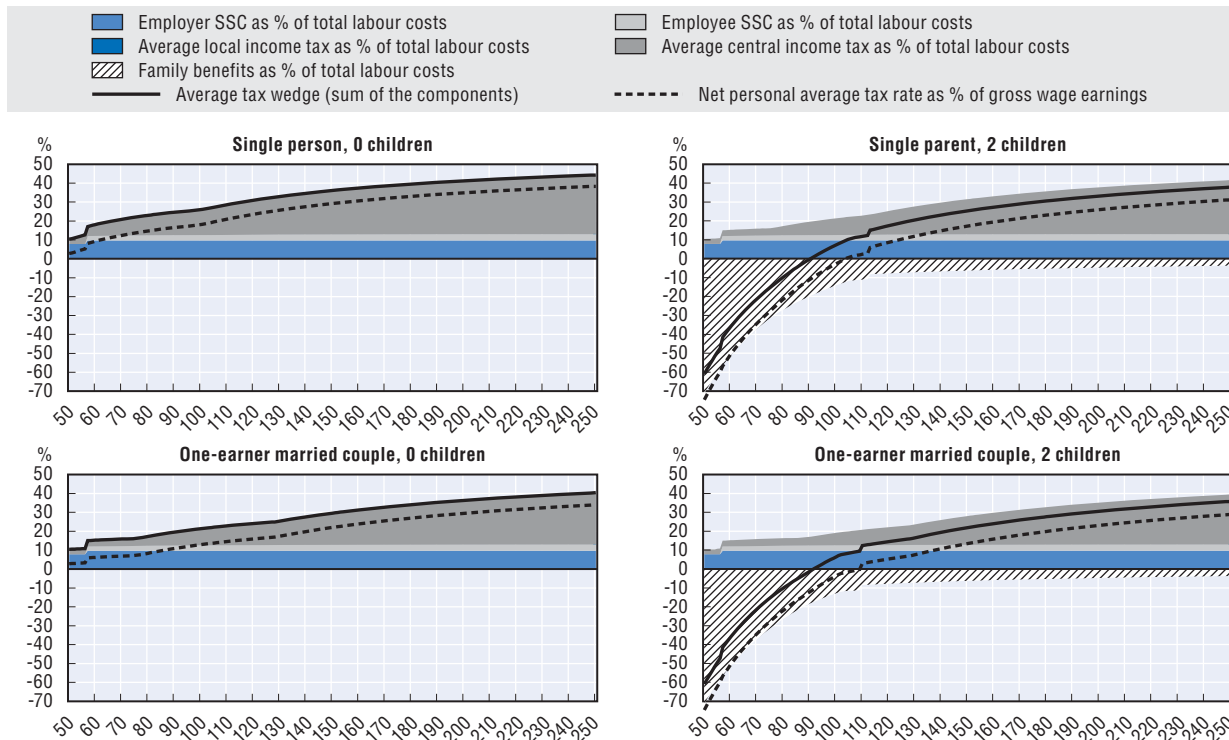
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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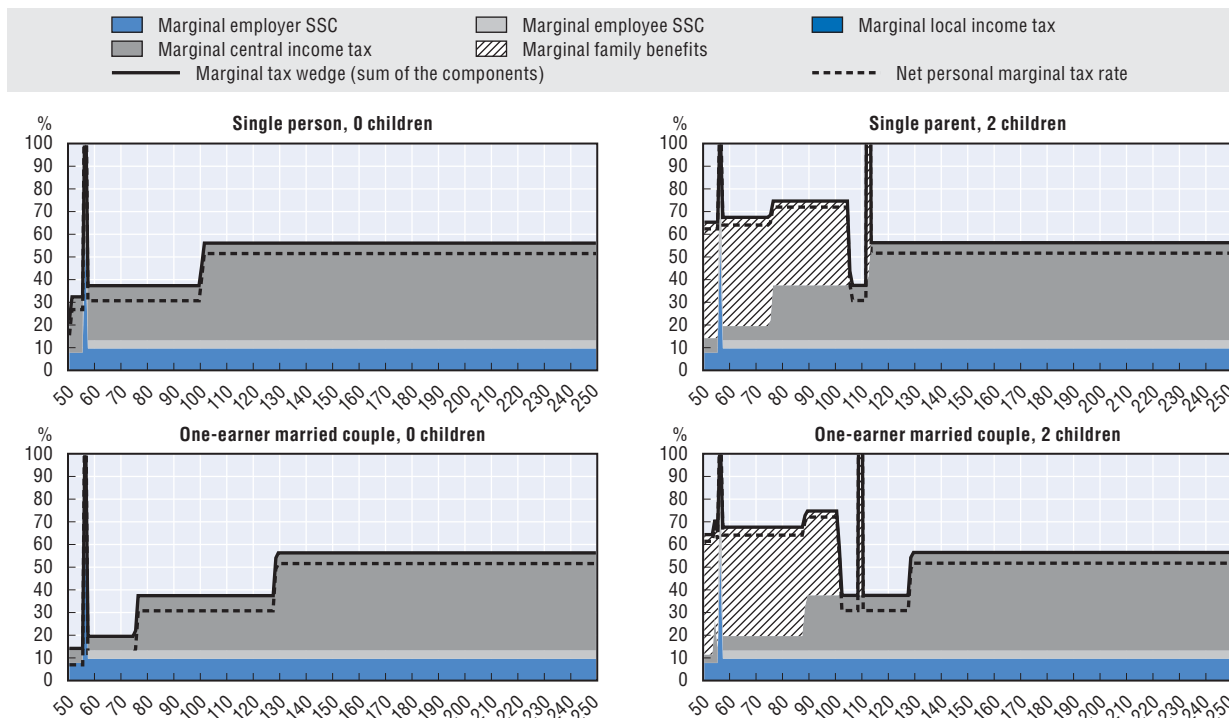
### Ireland, 2012

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



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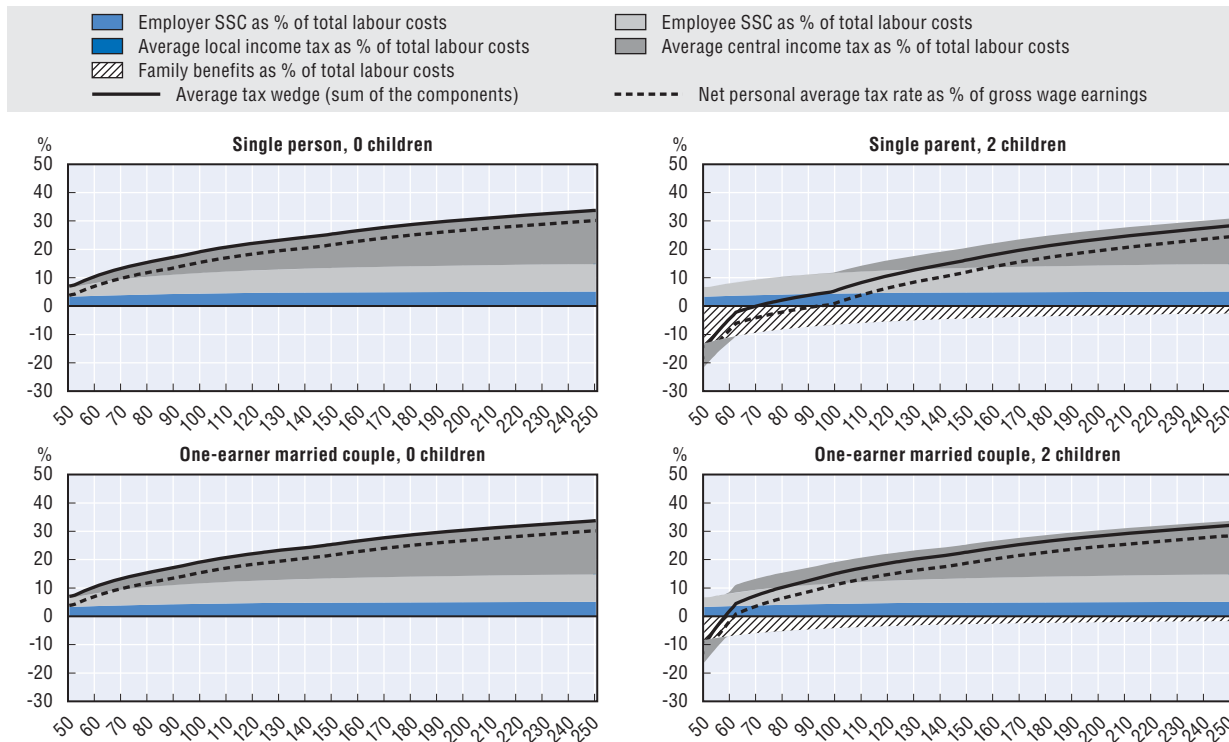
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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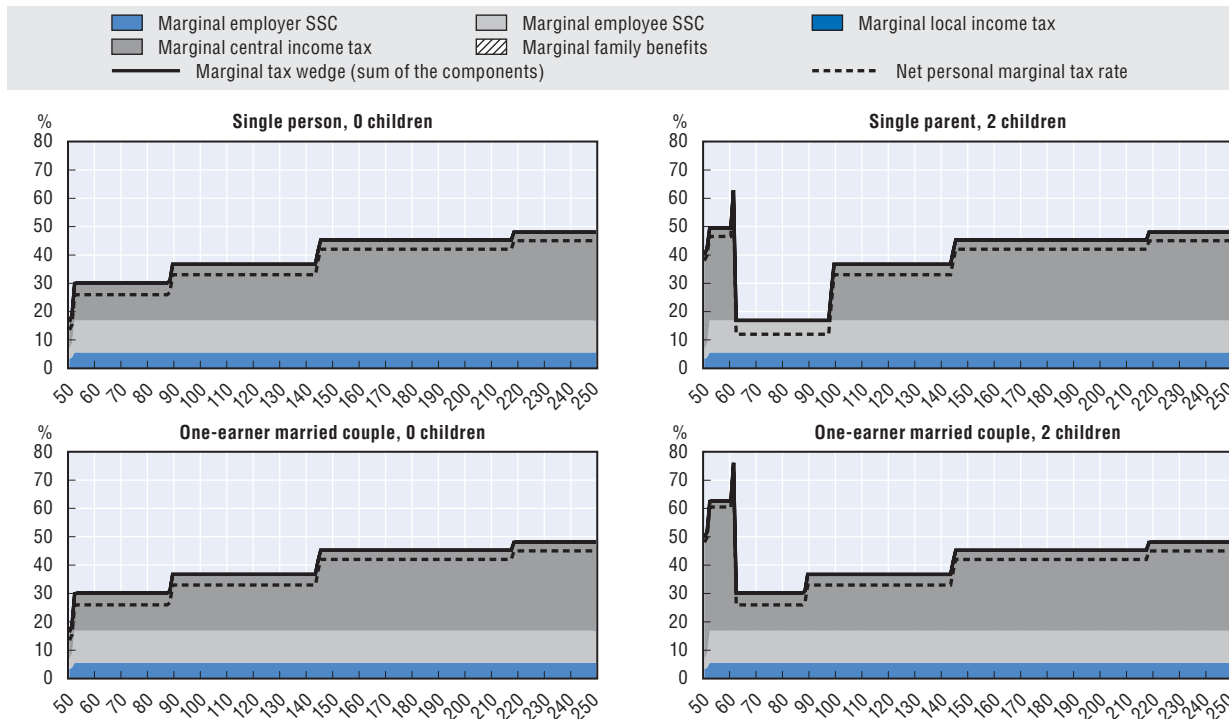
### Israel, 2012

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



StatLink <http://dx.doi.org/10.1787/888932784807>

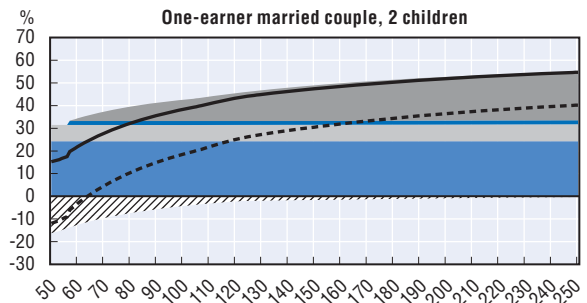
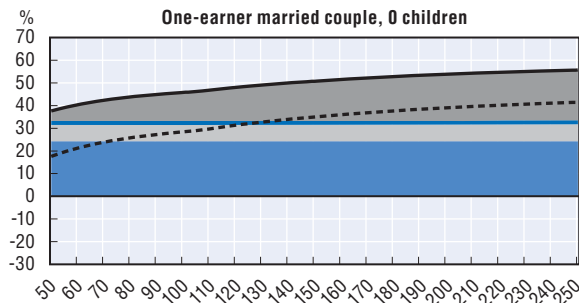
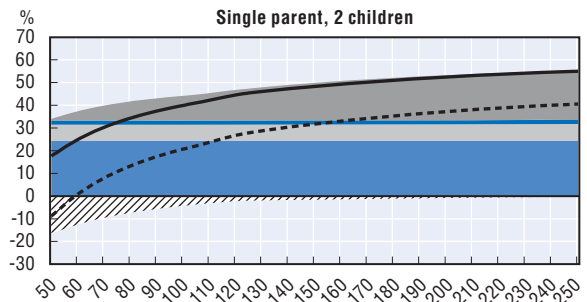
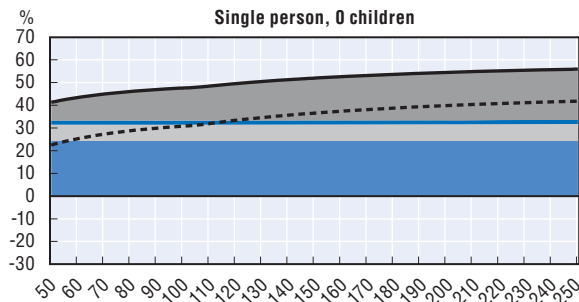
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**




StatLink <http://dx.doi.org/10.1787/888932784826>

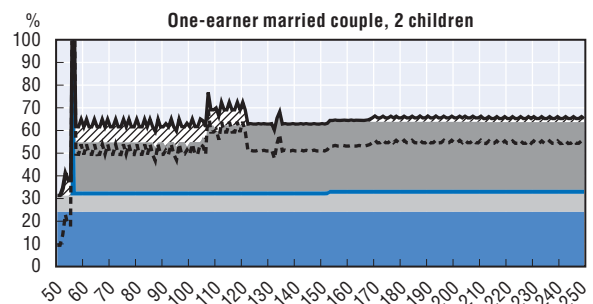
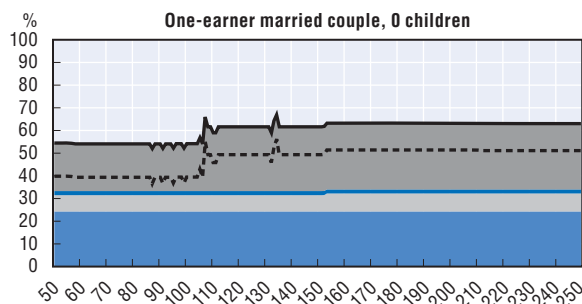
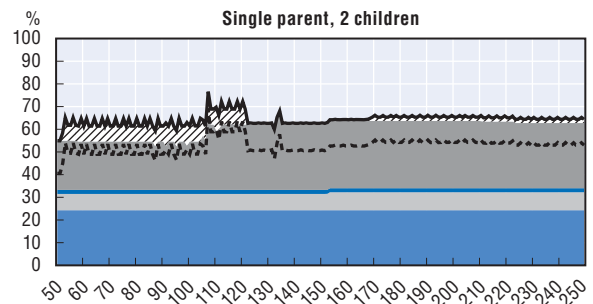
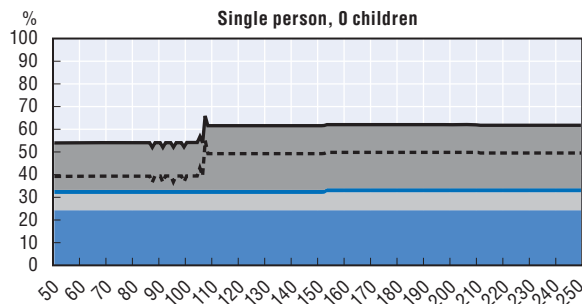
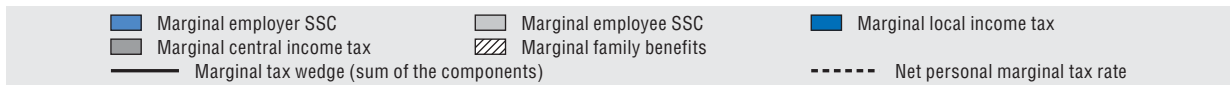
### Italy, 2012


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



StatLink  <http://dx.doi.org/10.1787/888932784845>

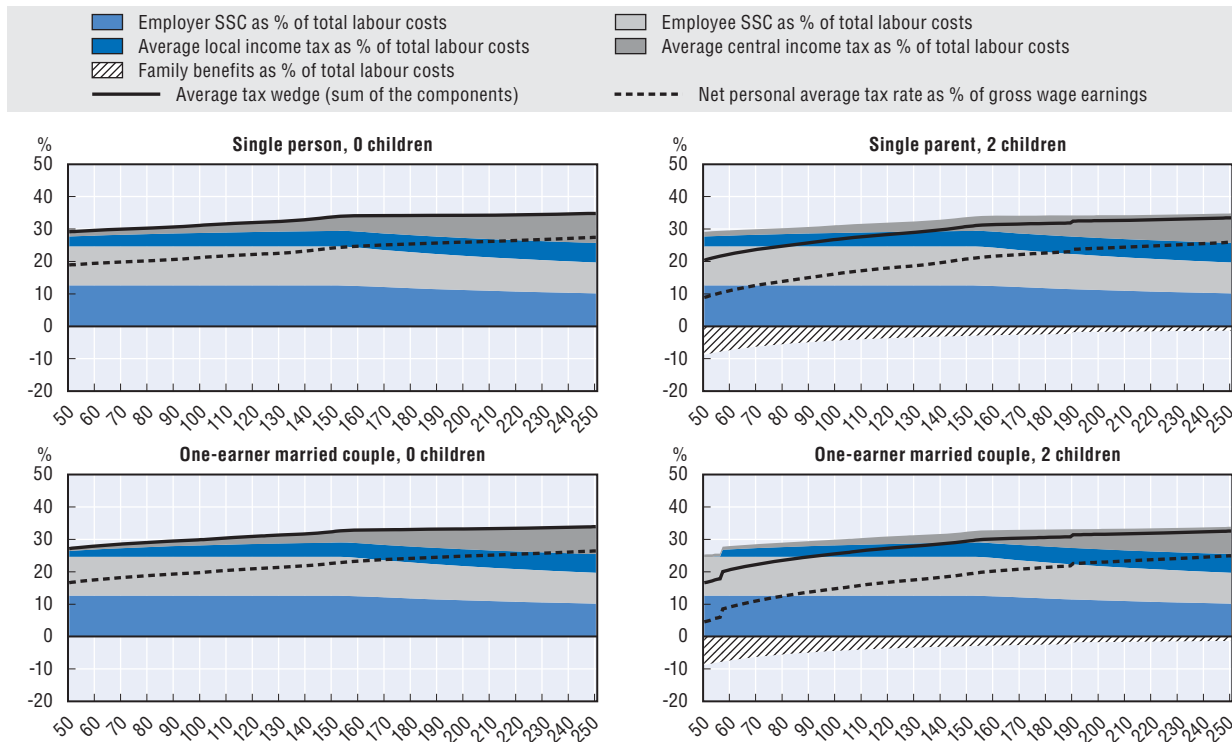
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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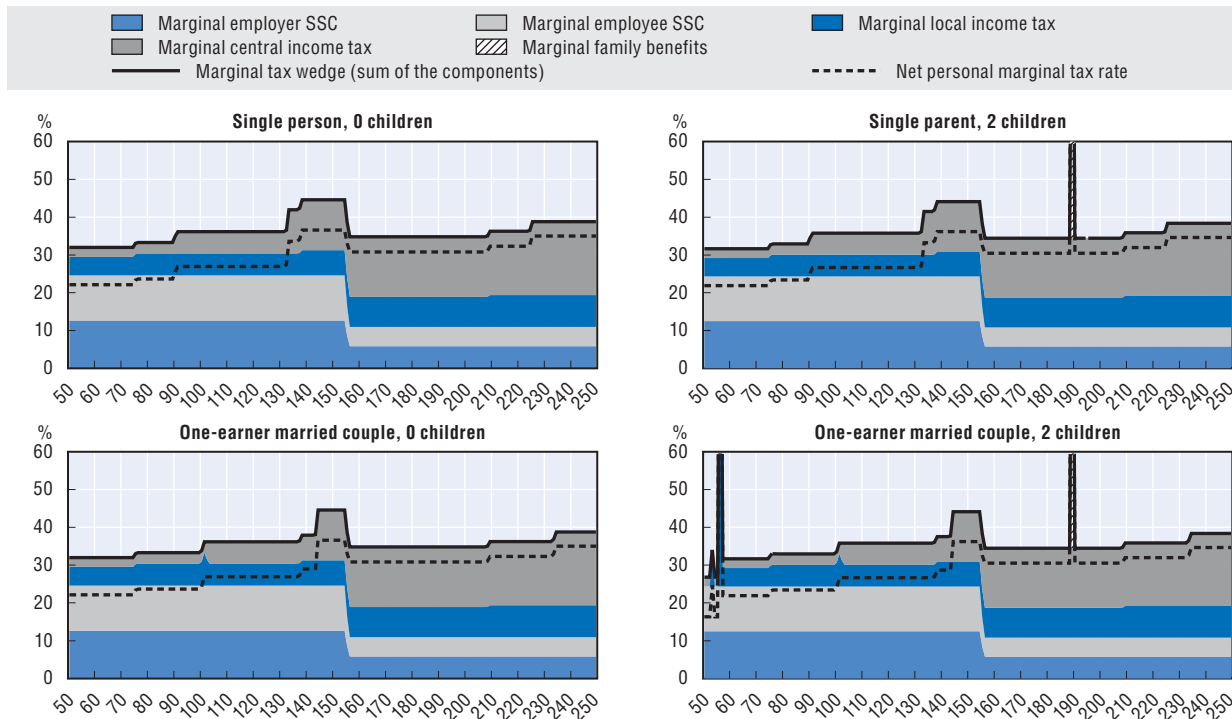
### Japan, 2012

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



StatLink <http://dx.doi.org/10.1787/888932784883>

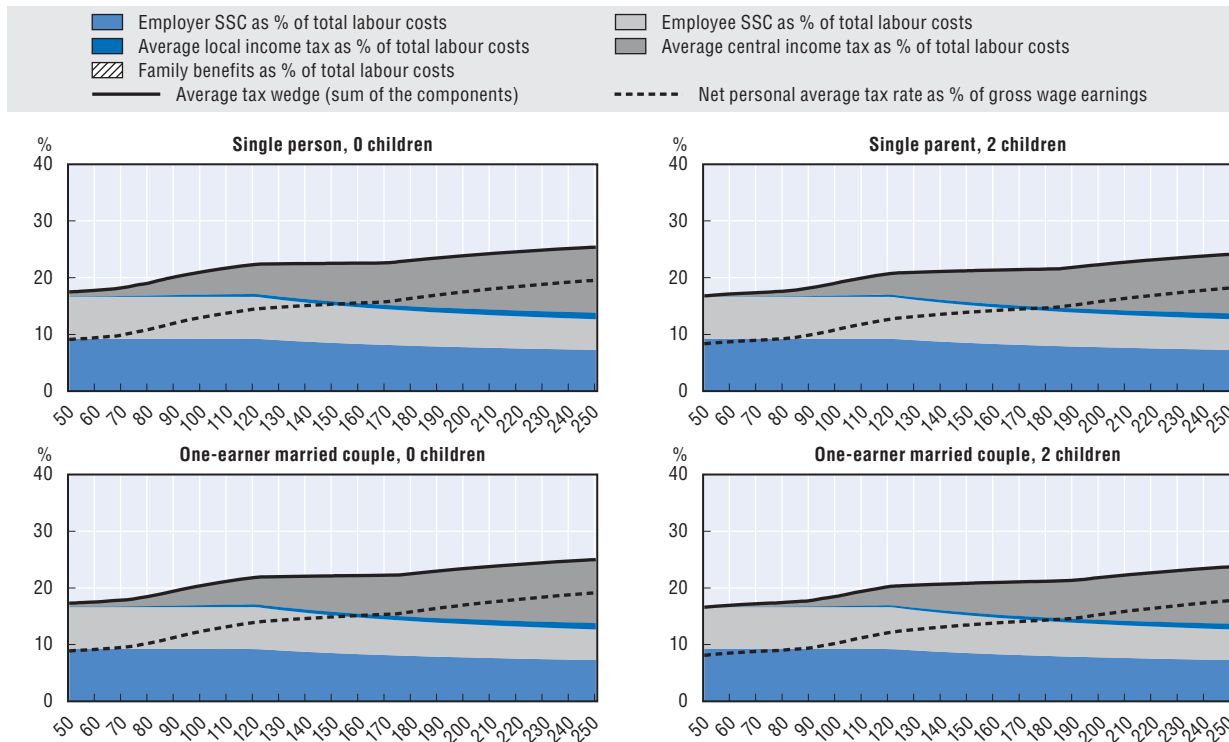
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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

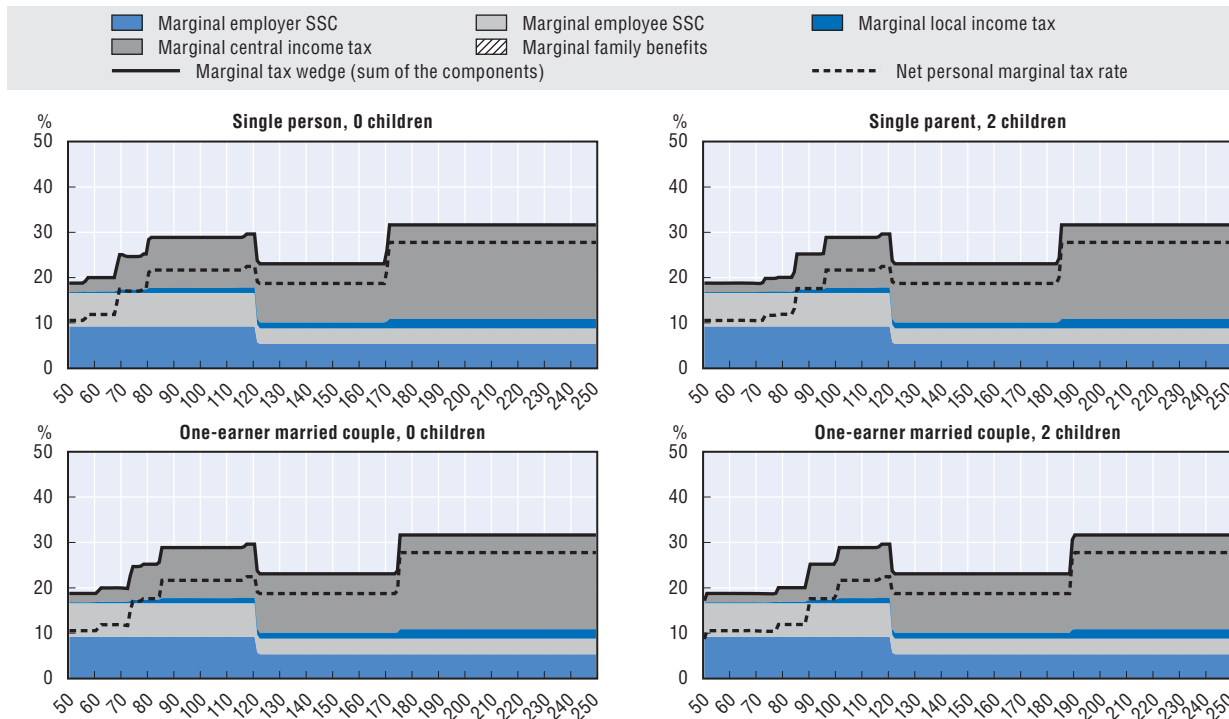
### Korea, 2012

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



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

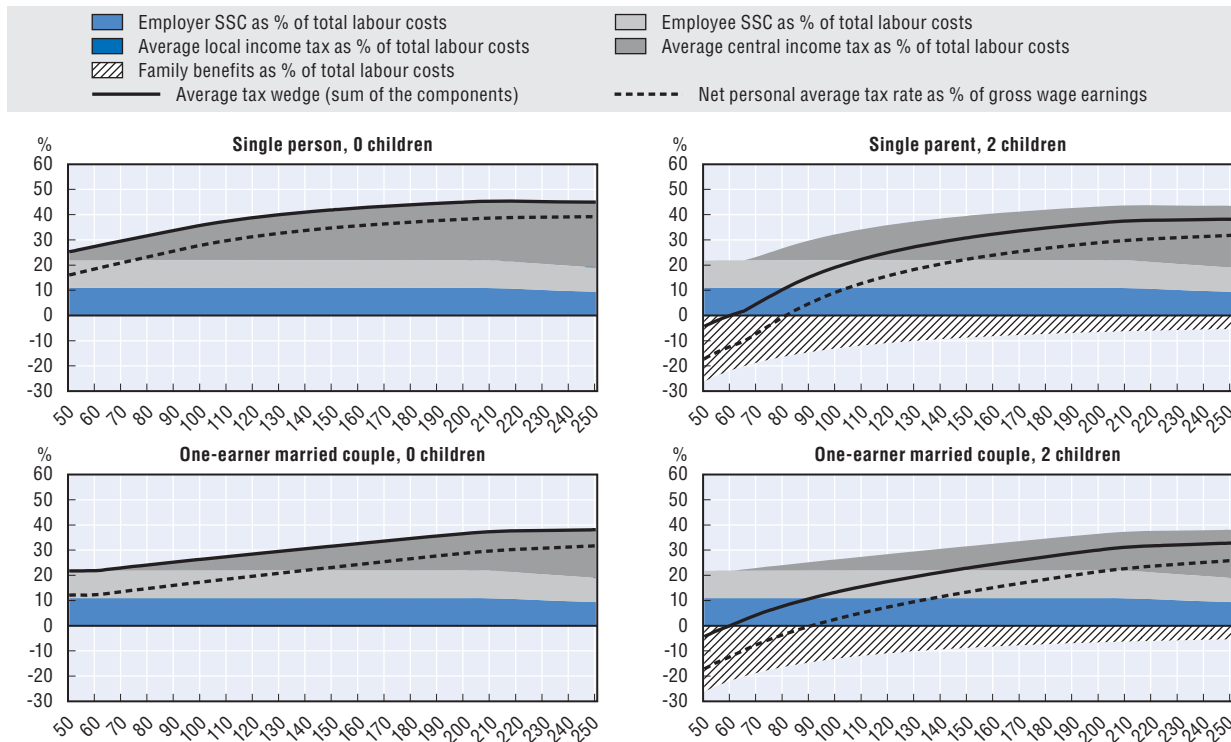
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



StatLink <http://dx.doi.org/10.1787/888932784940>

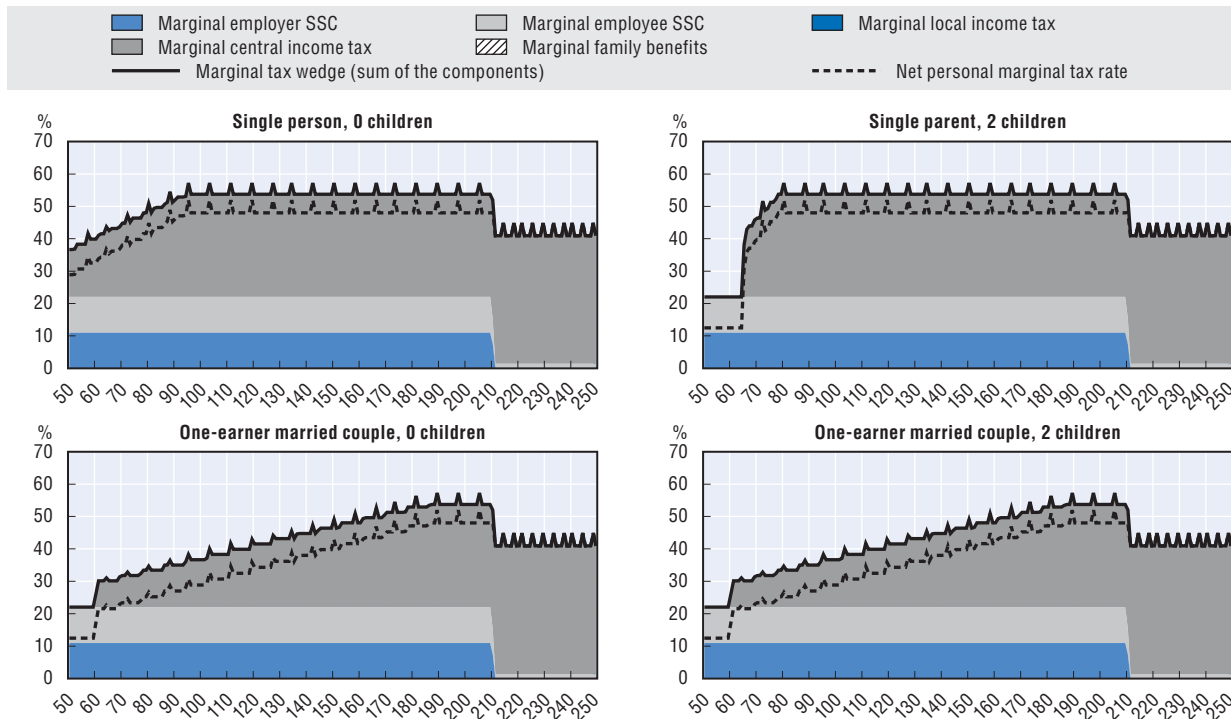
### Luxembourg, 2012

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



StatLink <http://dx.doi.org/10.1787/888932784959>

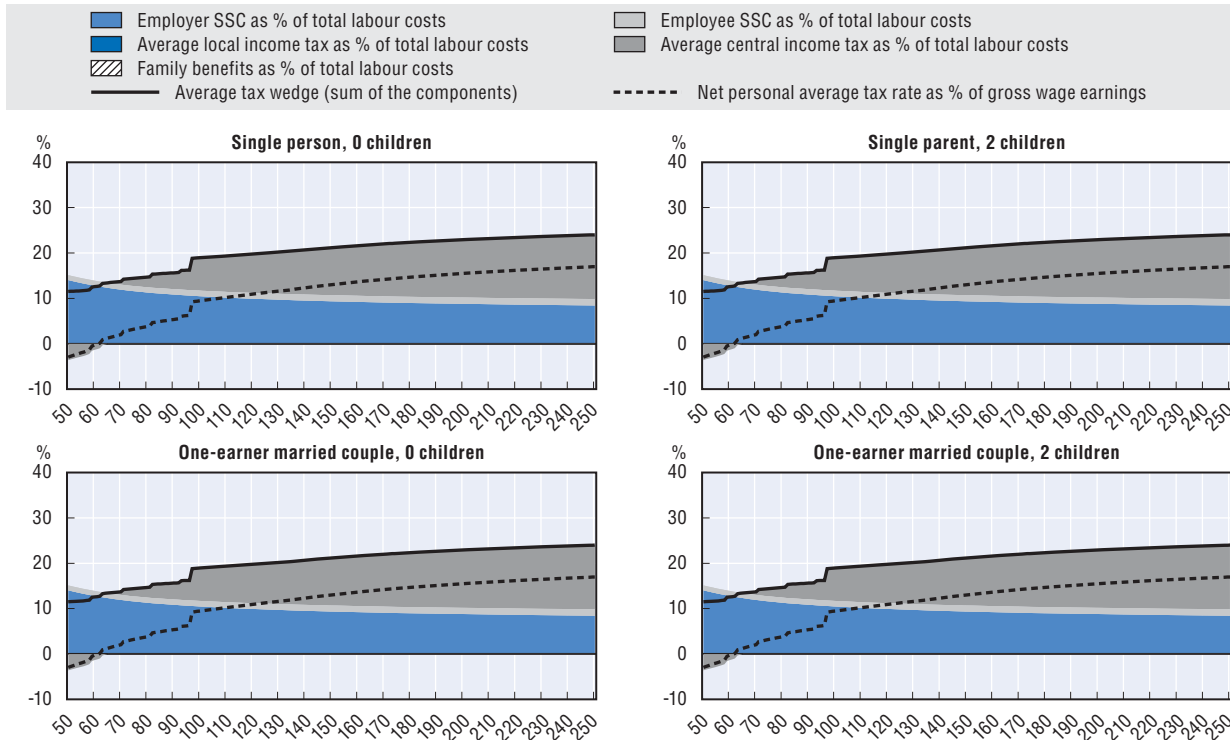
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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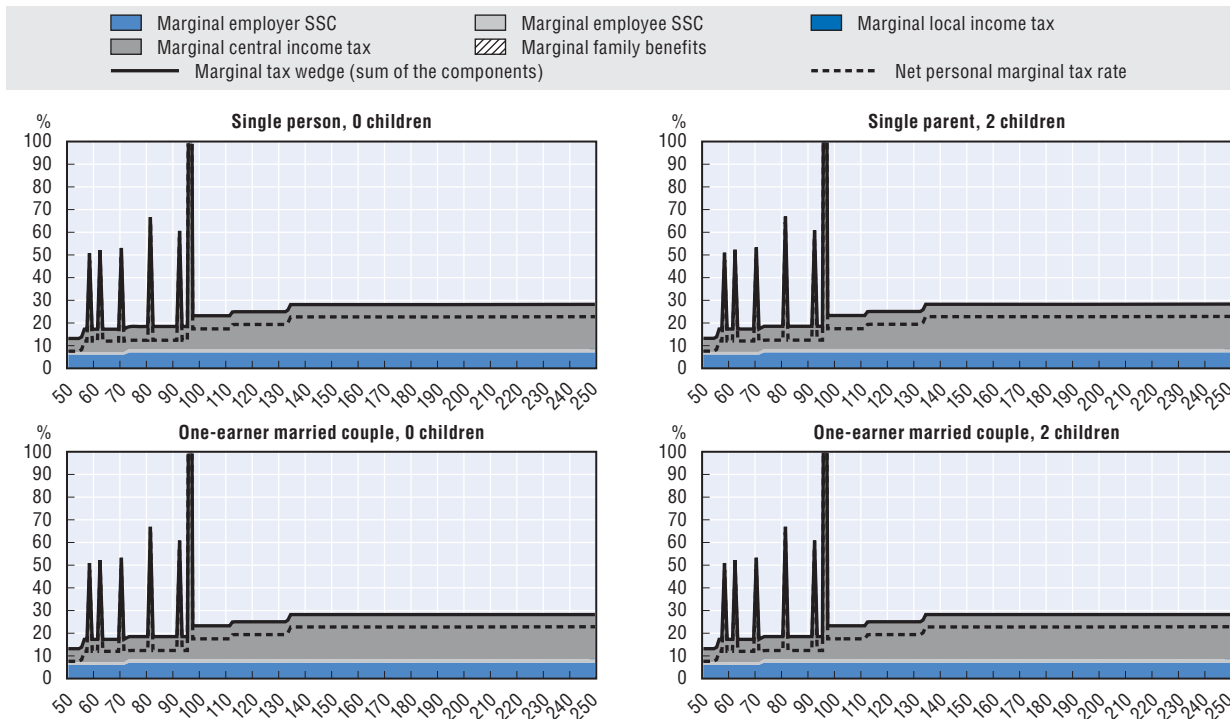
### Mexico, 2012

**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**

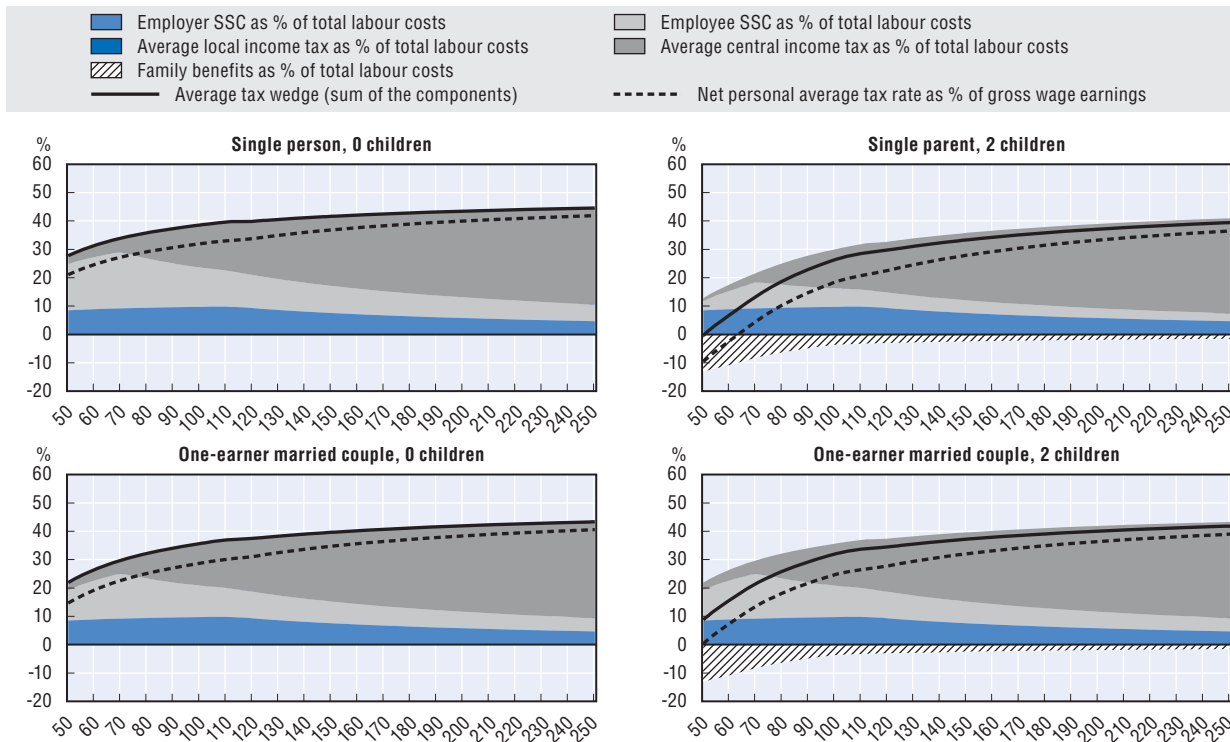


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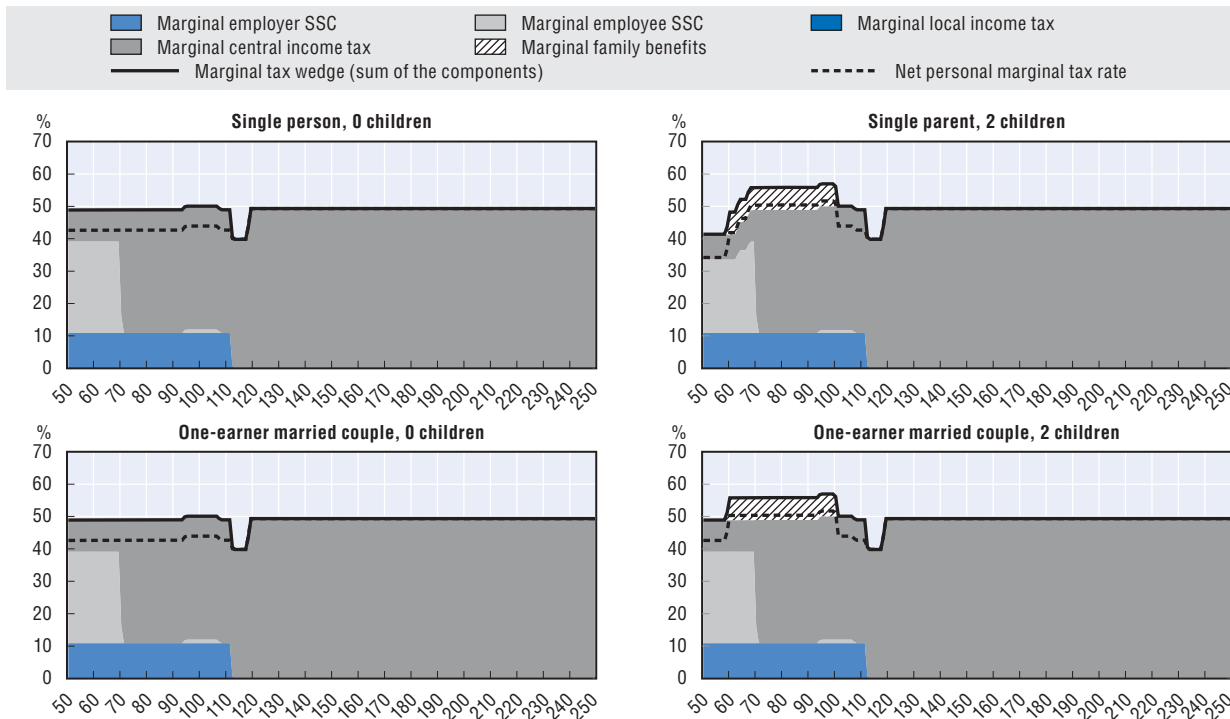
### Netherlands, 2012

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



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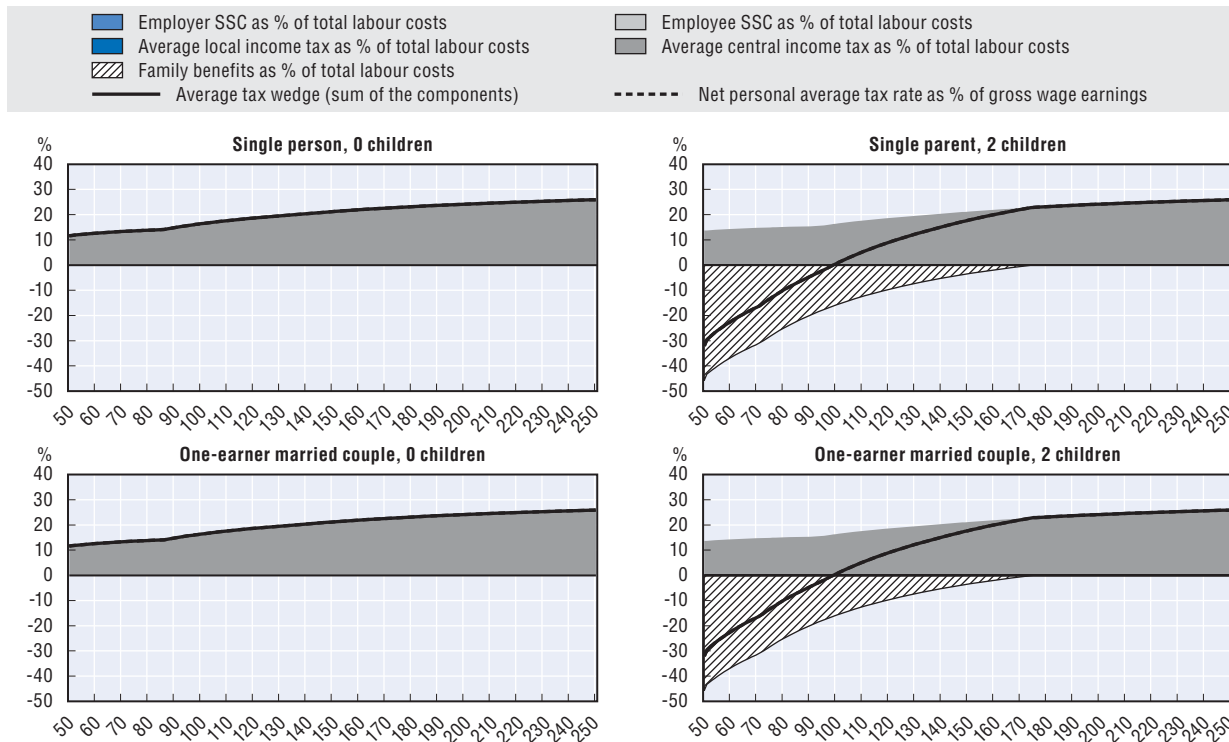
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



StatLink <http://dx.doi.org/10.1787/888932785054>

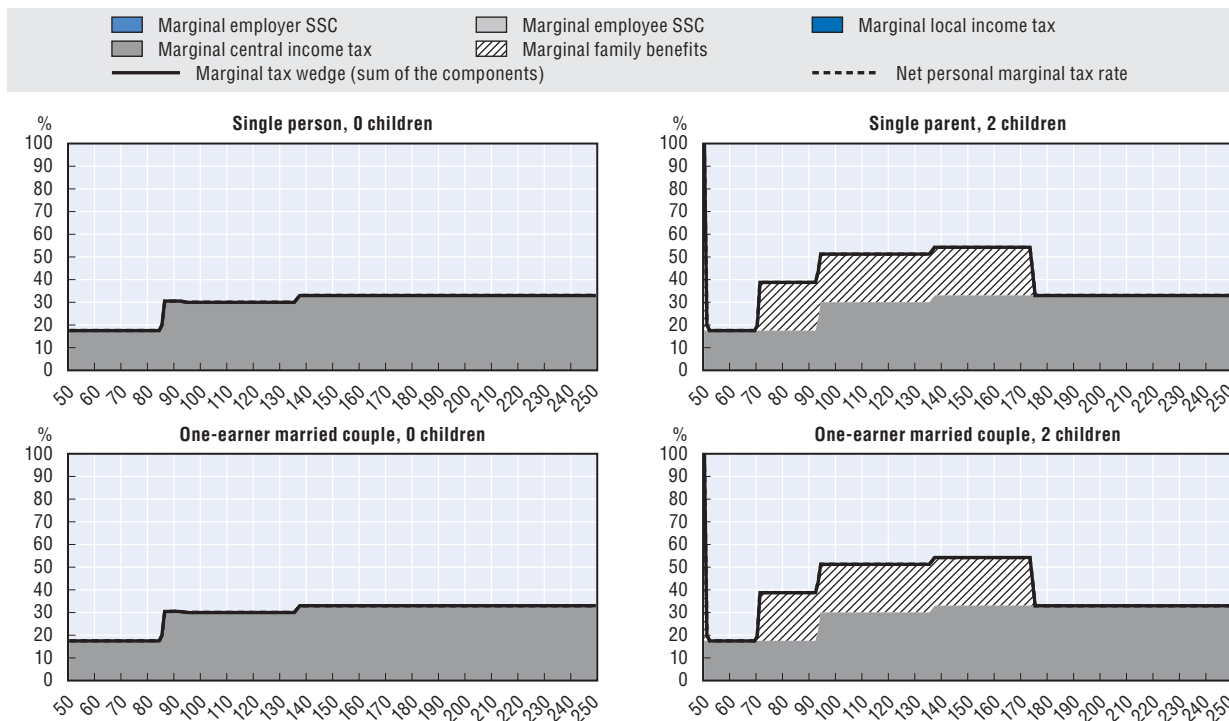
### New Zealand, 2012

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



StatLink <http://dx.doi.org/10.1787/888932785111>

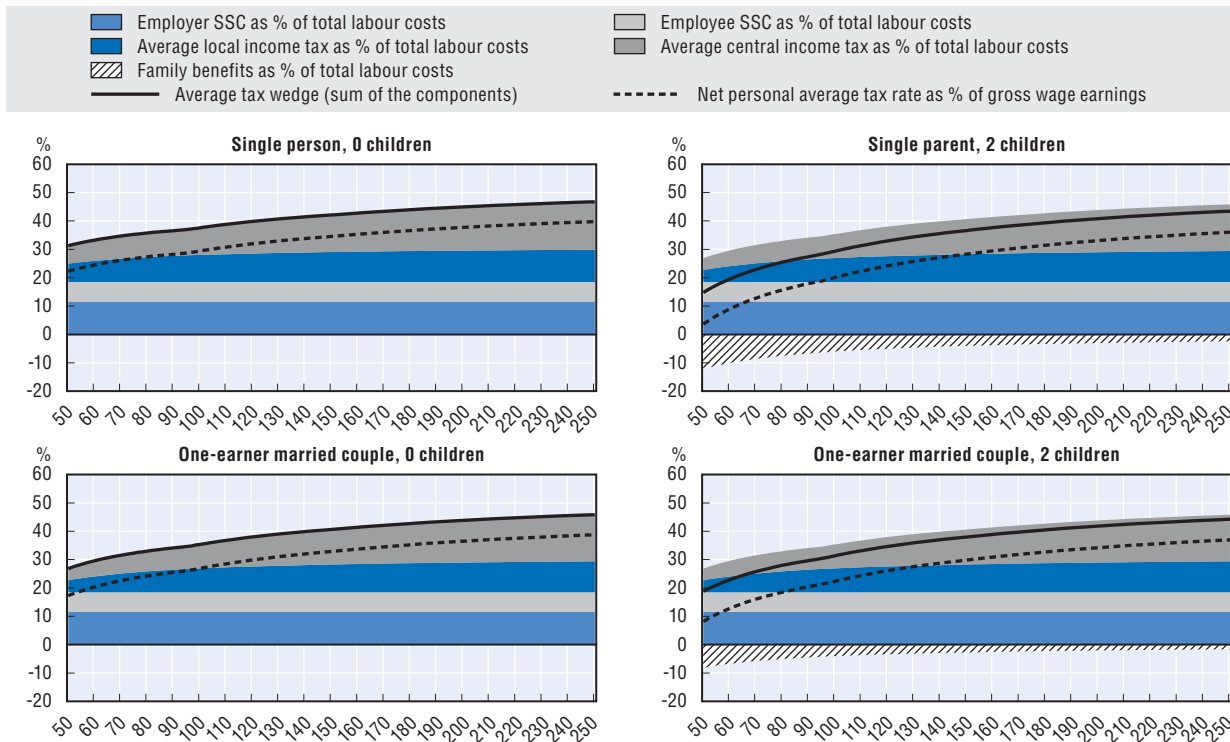
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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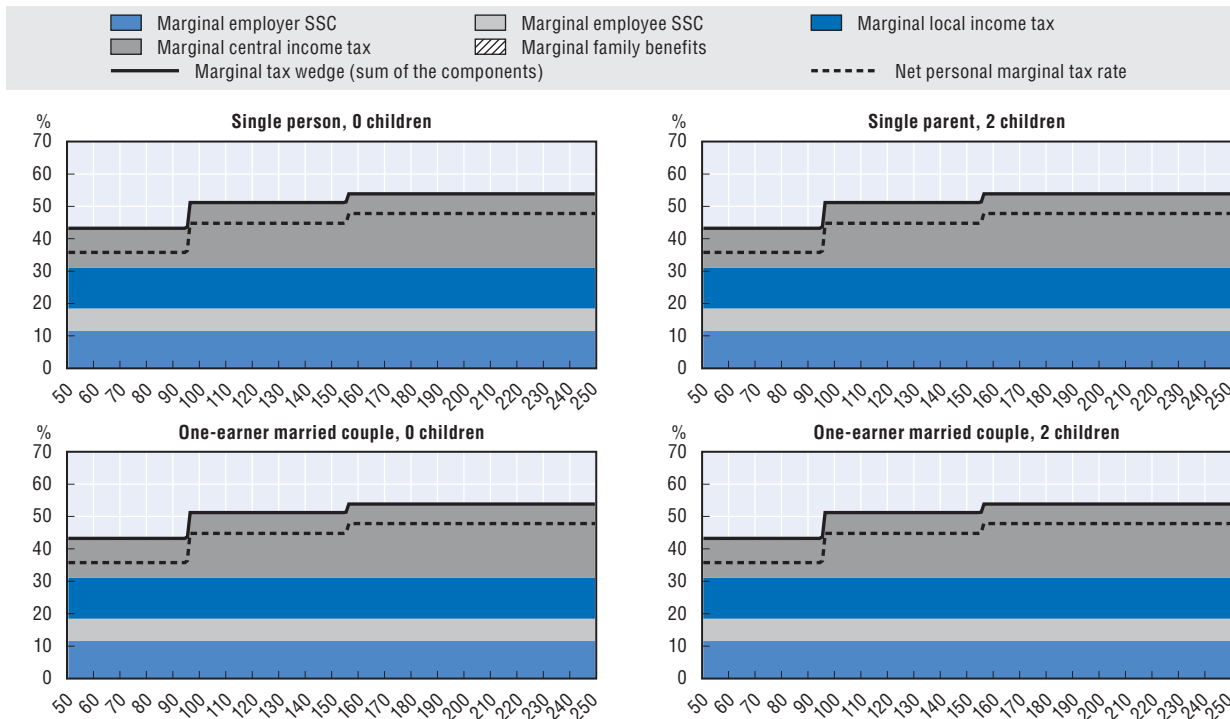
### Norway, 2012

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



StatLink <http://dx.doi.org/10.1787/888932785073>

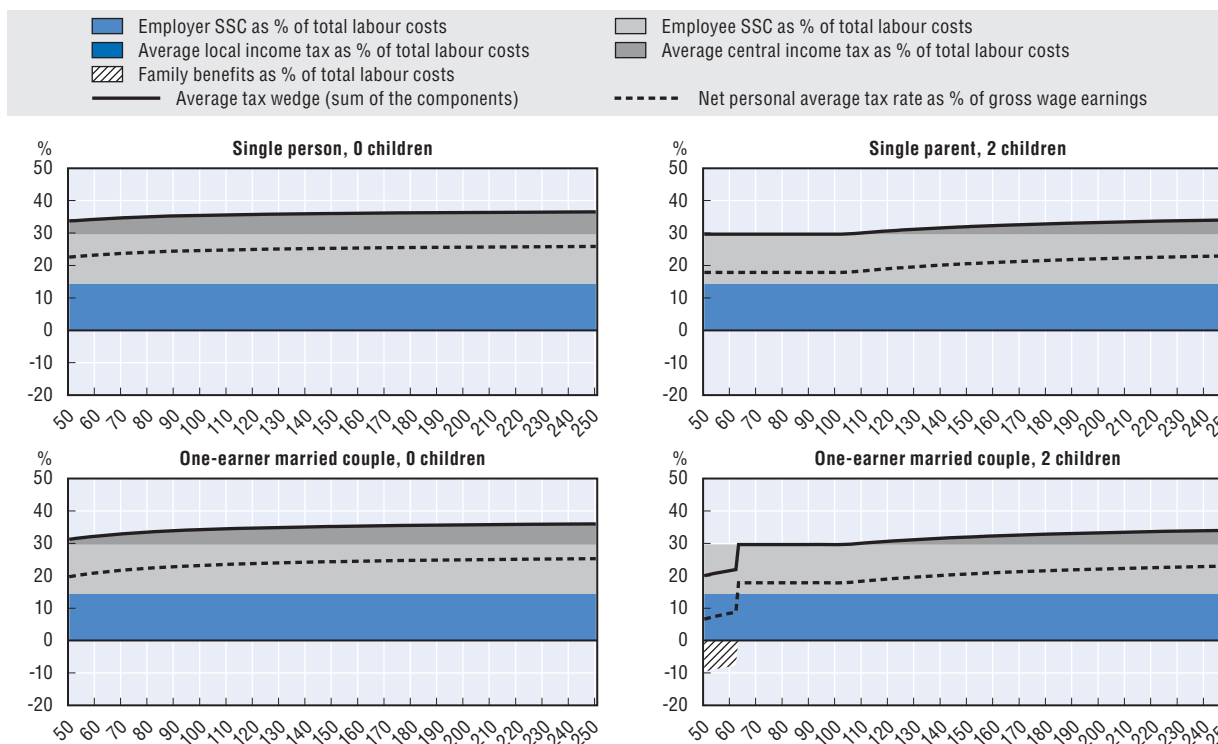
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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

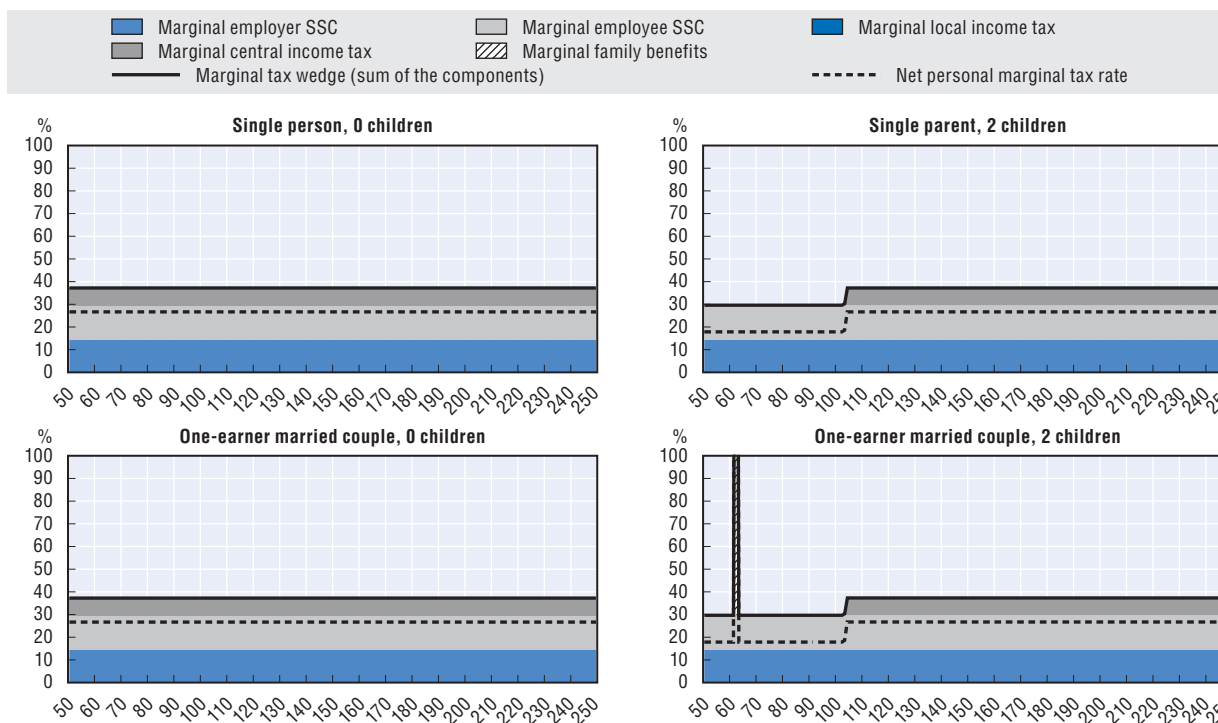
### Poland, 2012

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



StatLink <http://dx.doi.org/10.1787/888932785149>

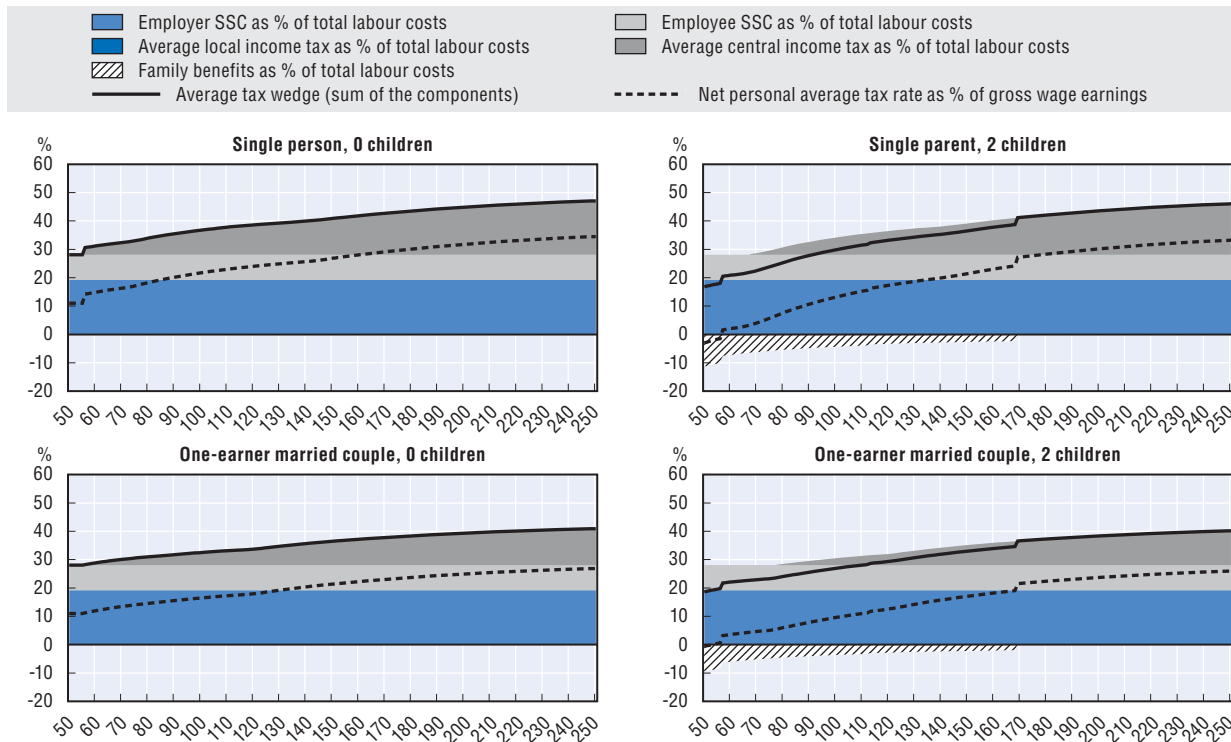
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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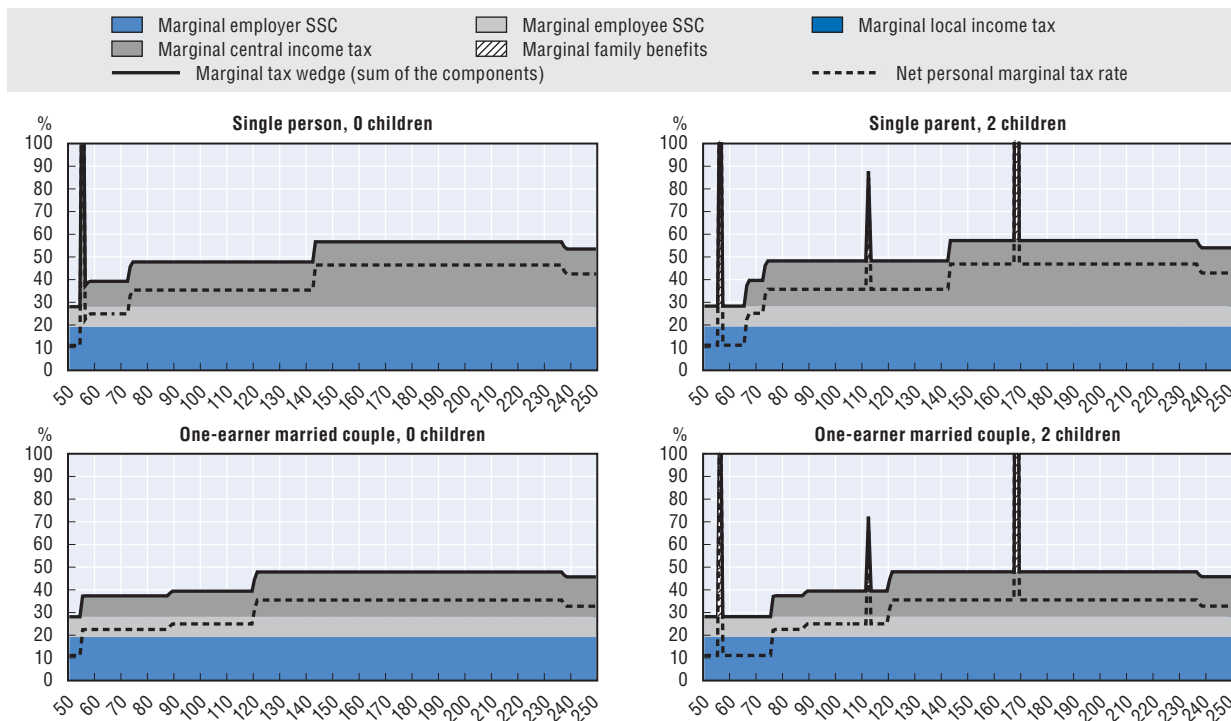
### Portugal, 2012

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



StatLink <http://dx.doi.org/10.1787/888932785187>

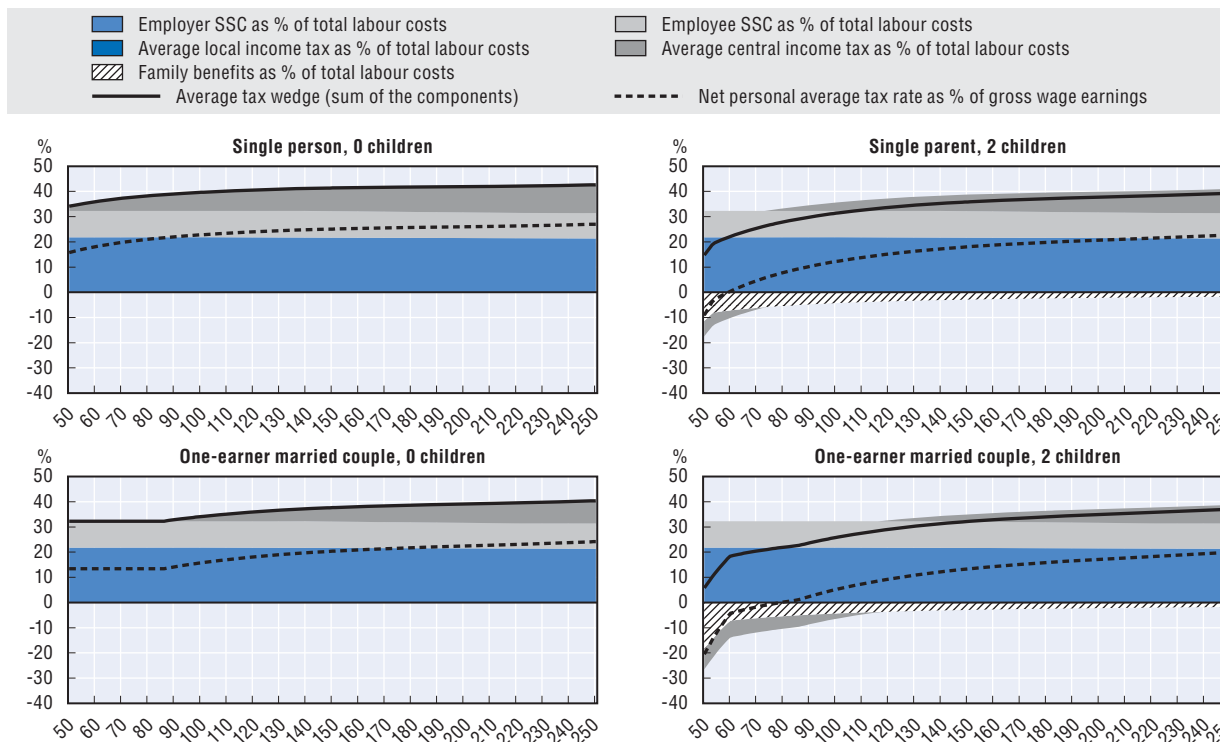
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



StatLink <http://dx.doi.org/10.1787/888932785206>

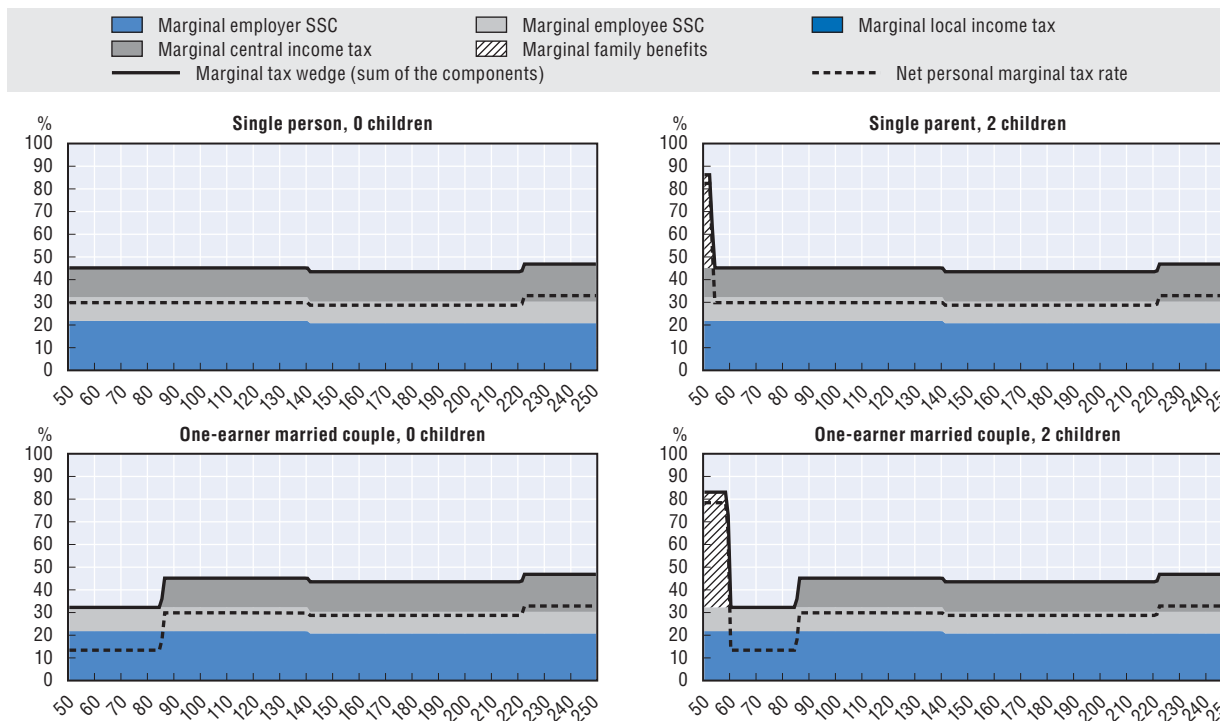
### Slovak Republic, 2012

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



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

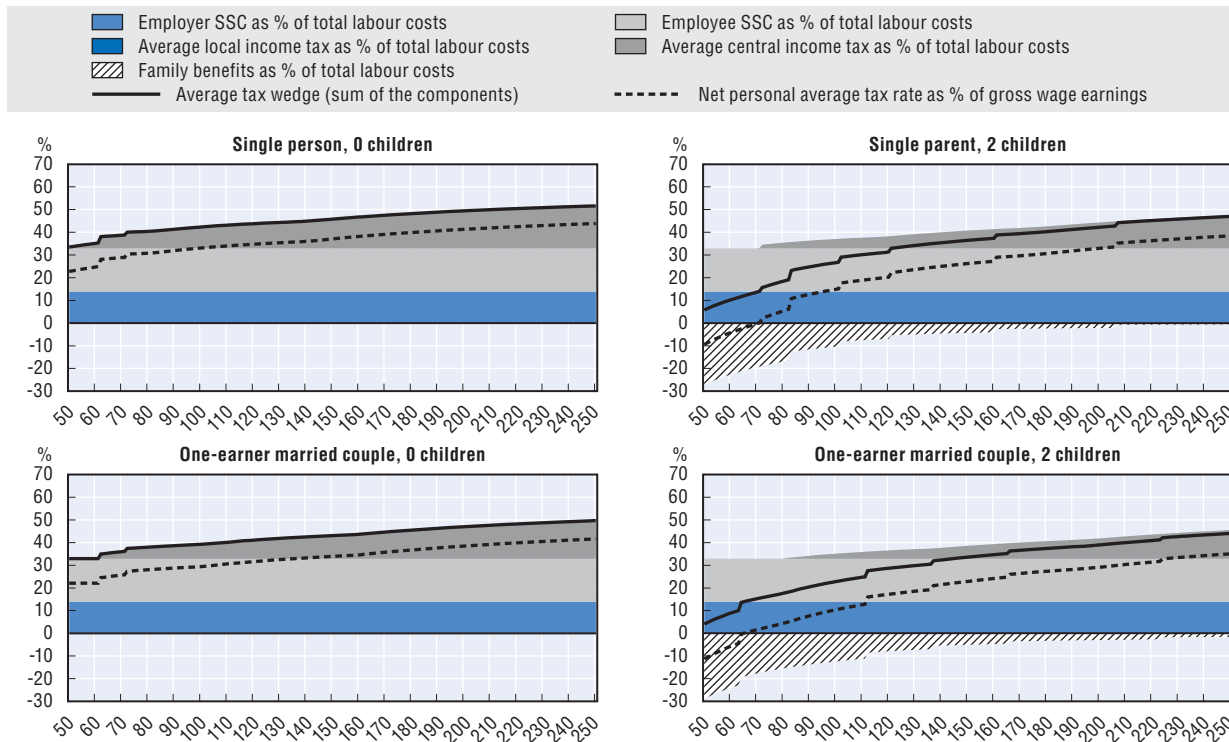
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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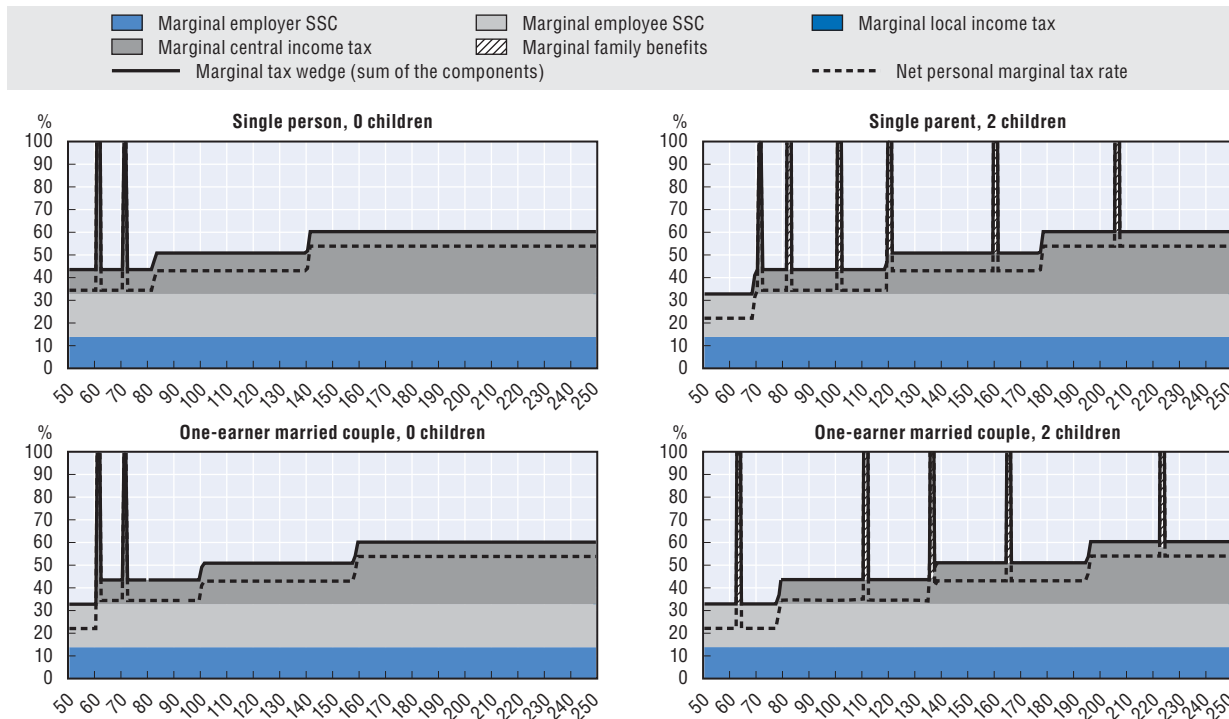
### Slovenia, 2012

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



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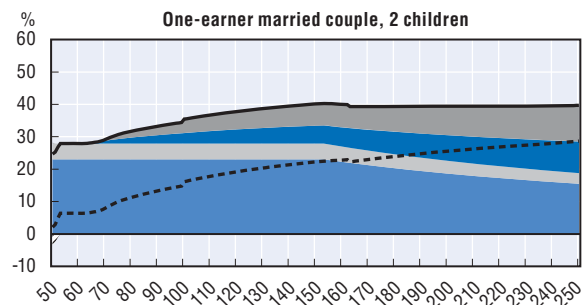
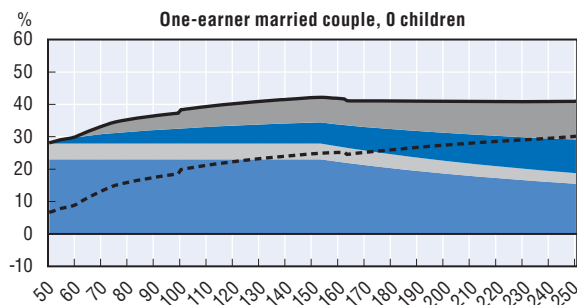
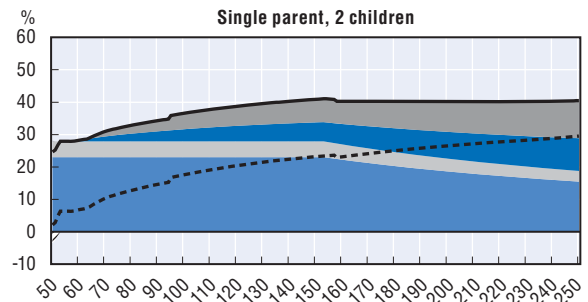
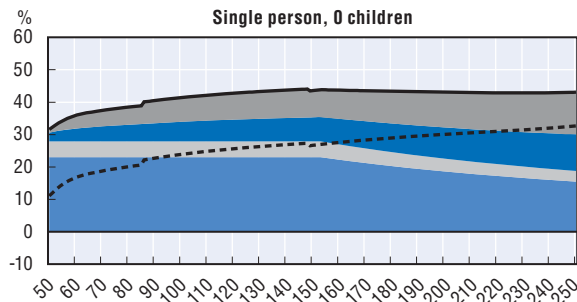
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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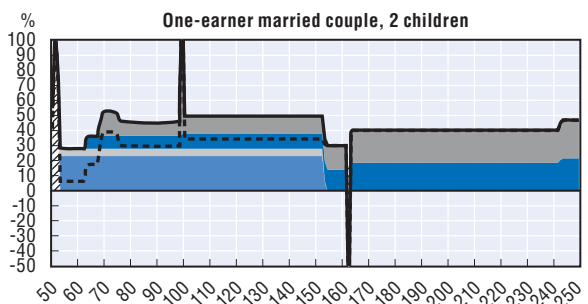
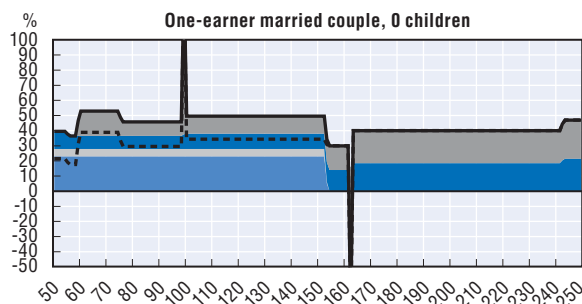
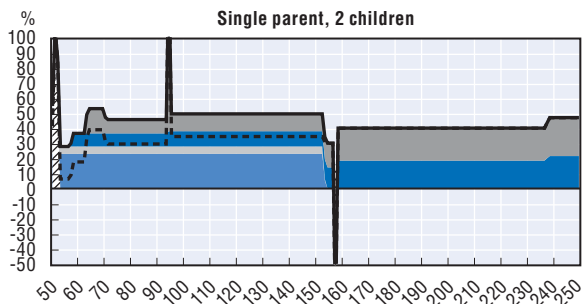
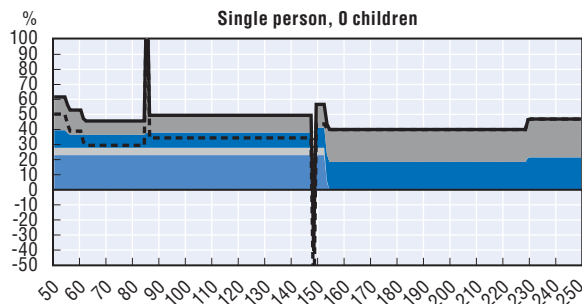
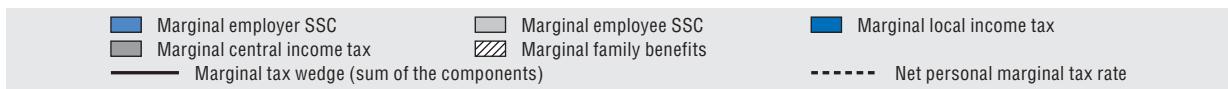
### Spain, 2012

**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**

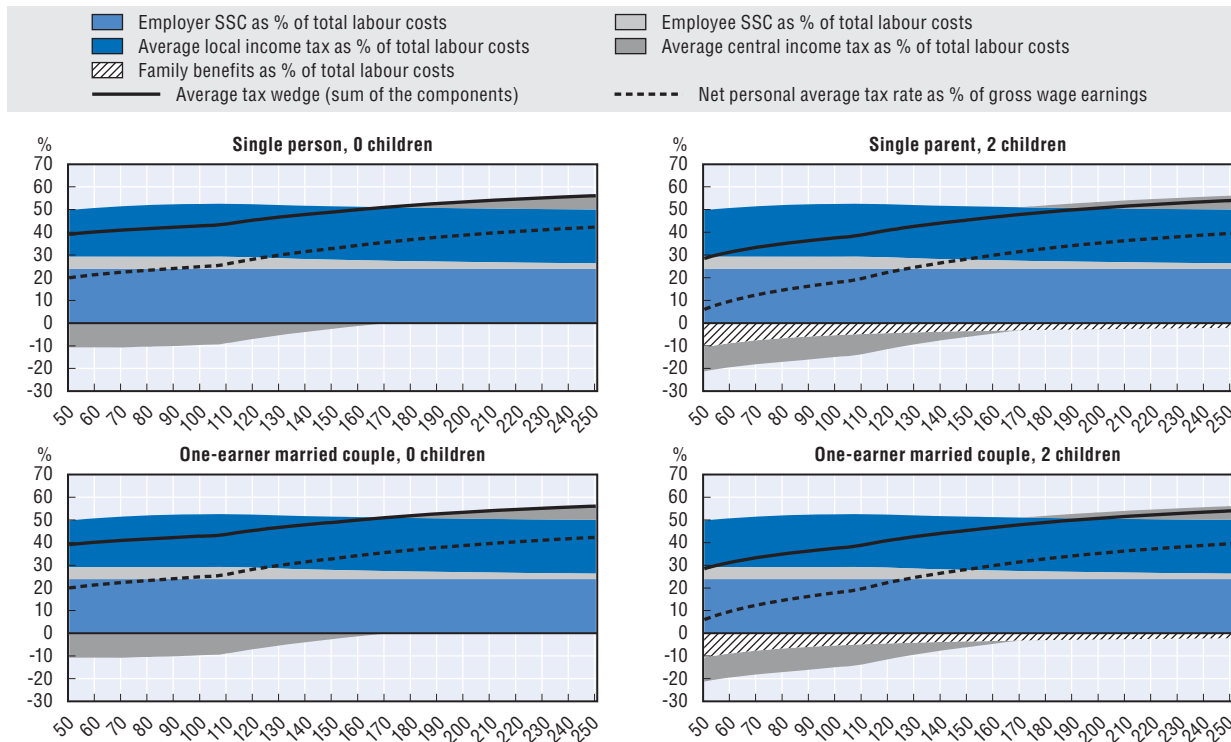


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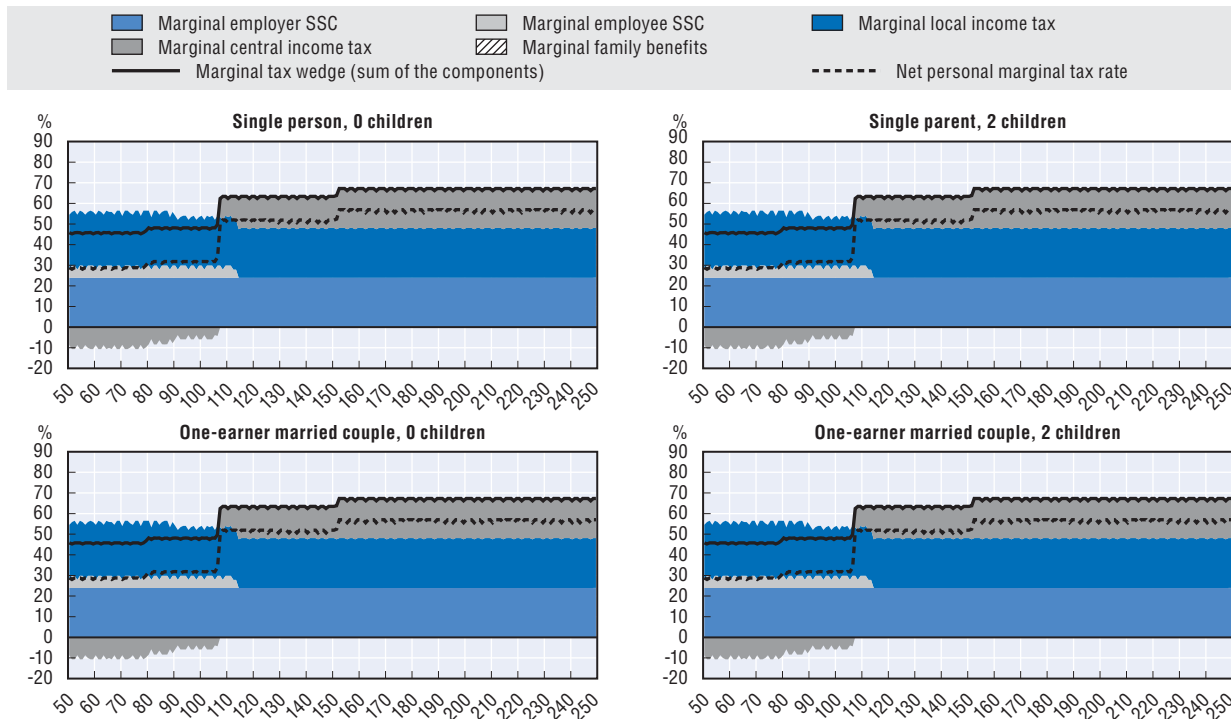
### Sweden, 2012

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



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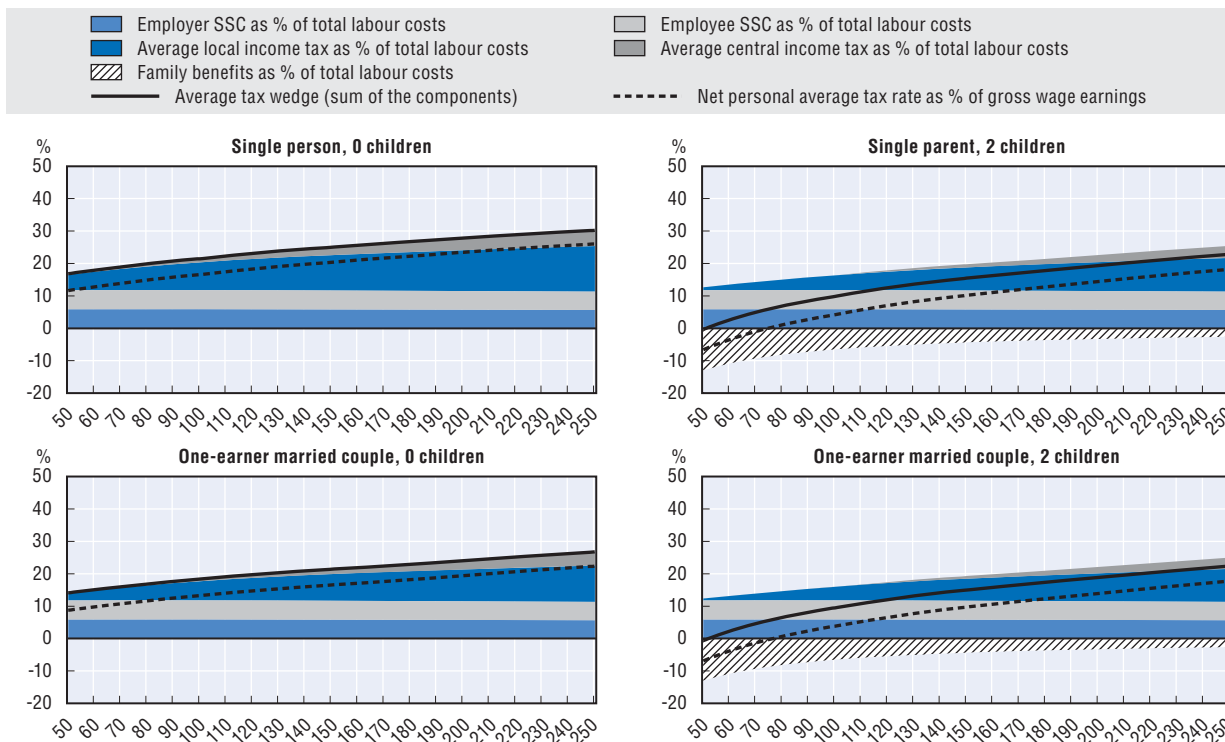
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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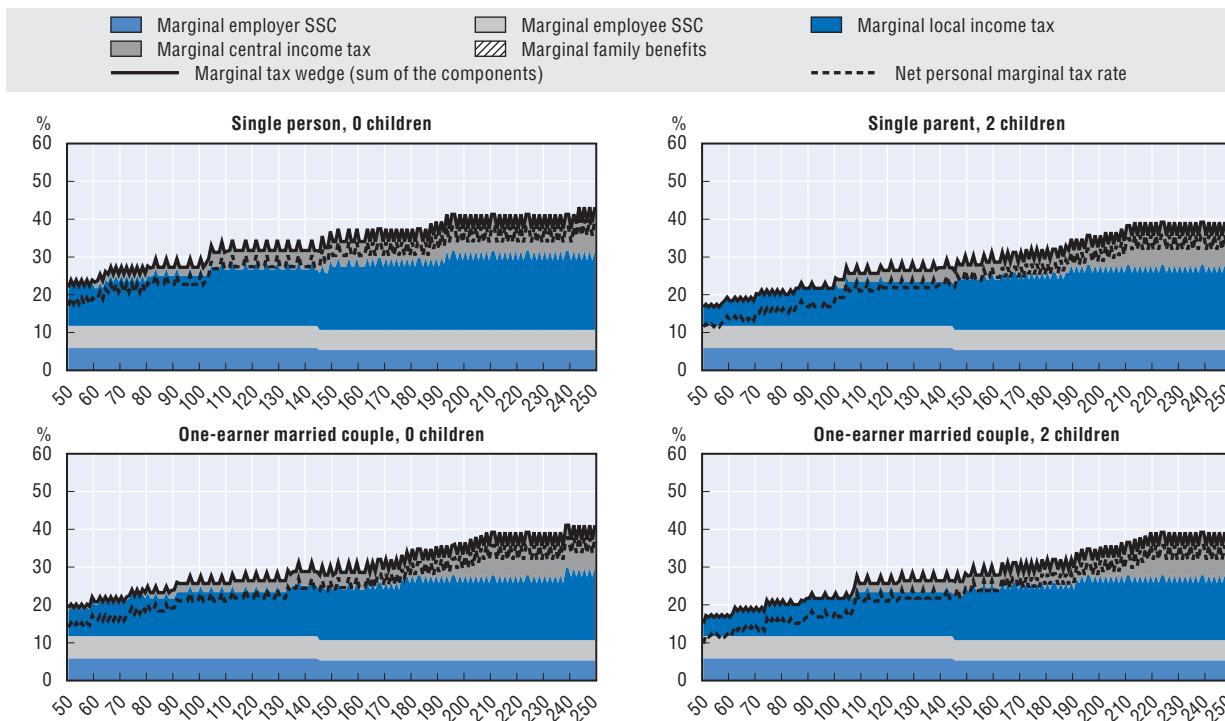
### Switzerland, 2012

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



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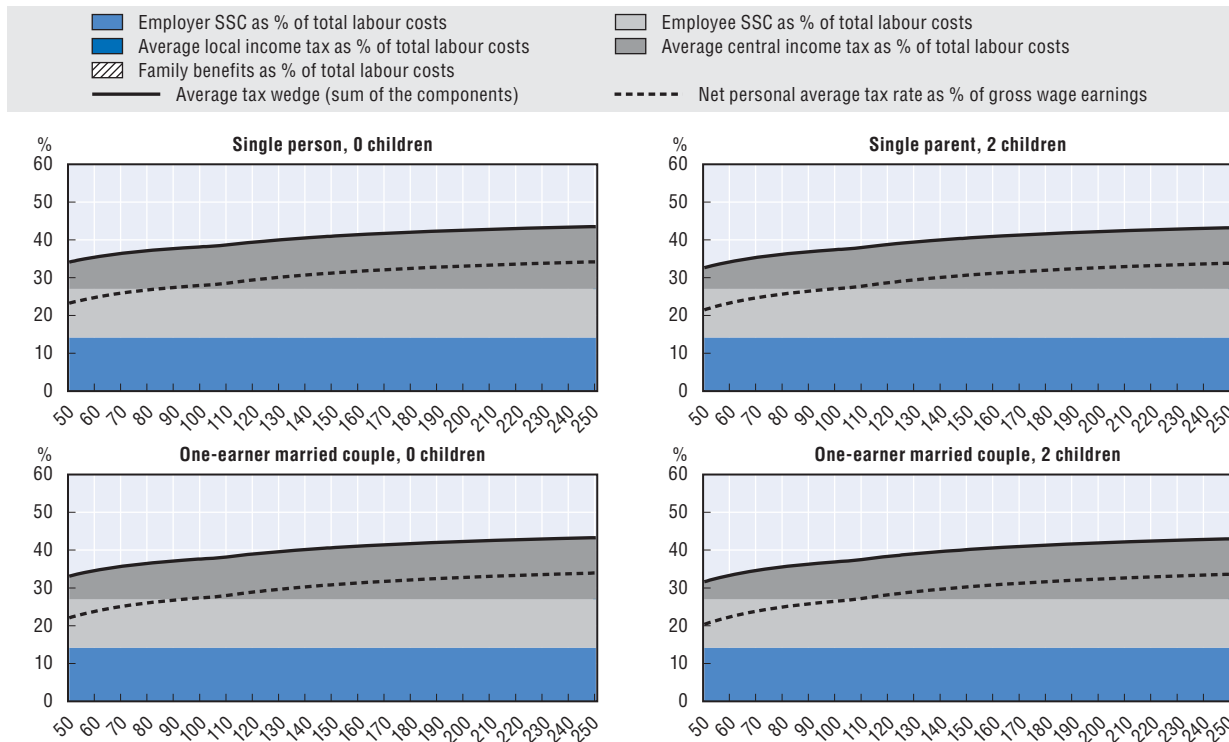
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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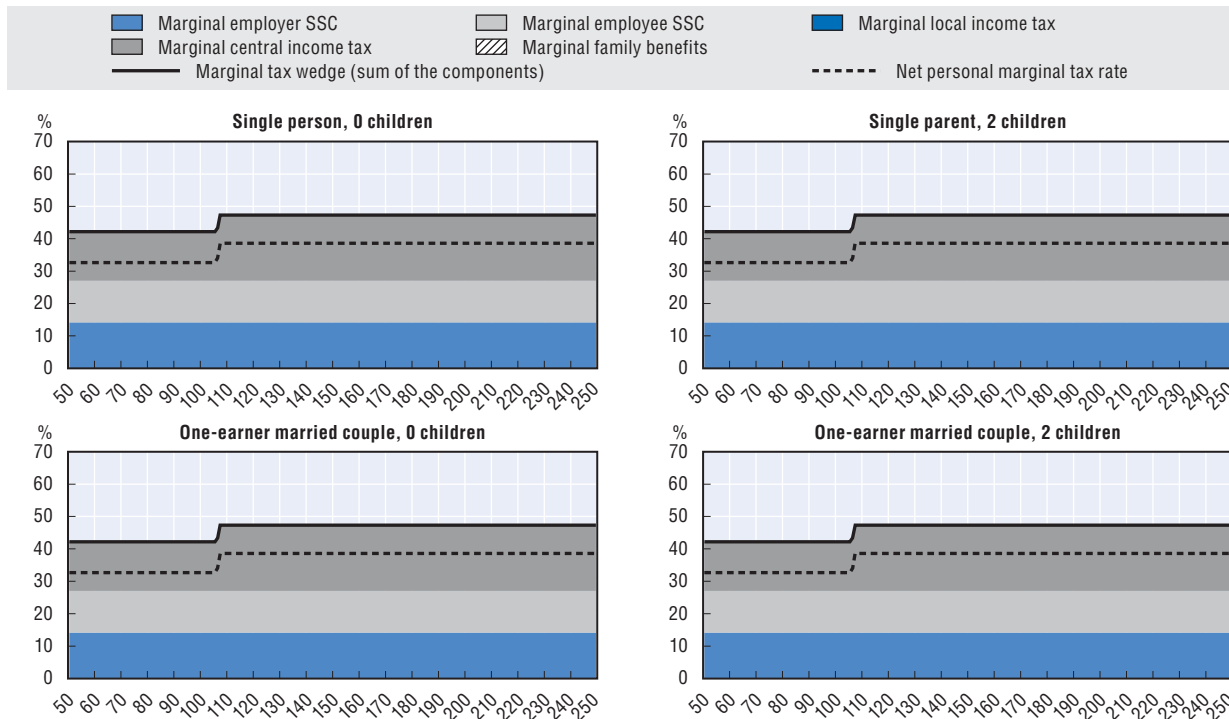
### Turkey, 2012

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



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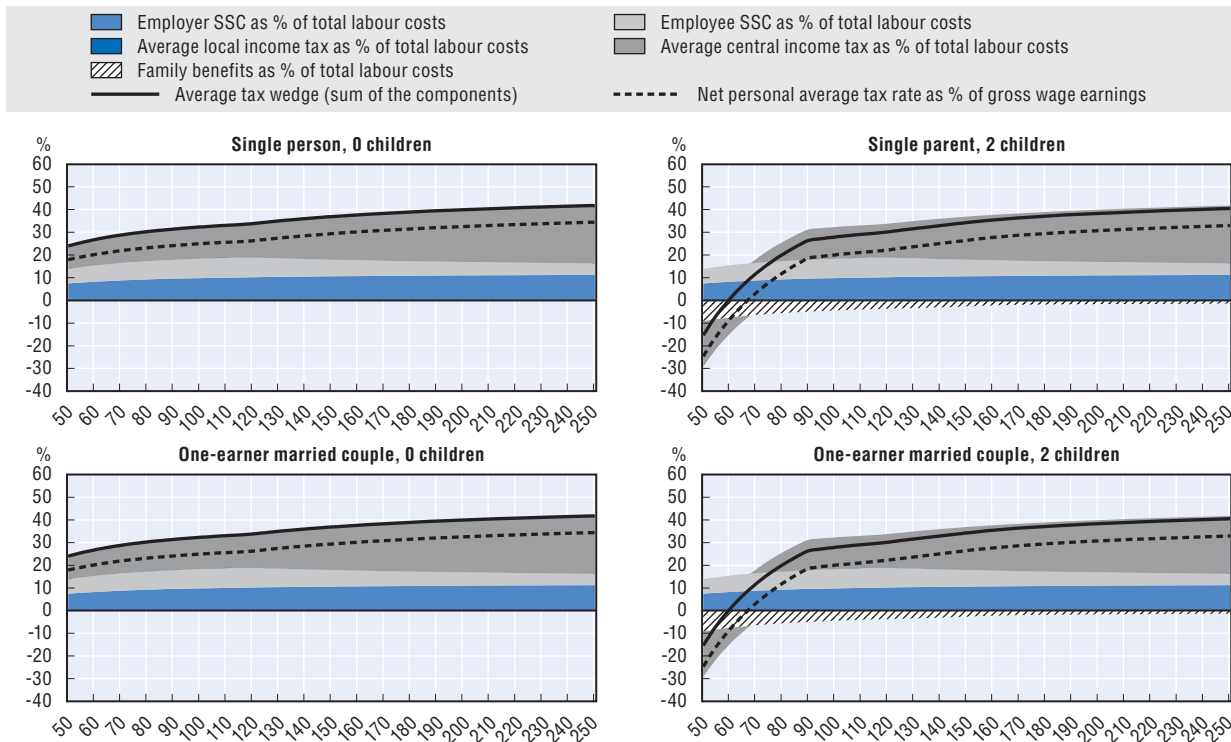
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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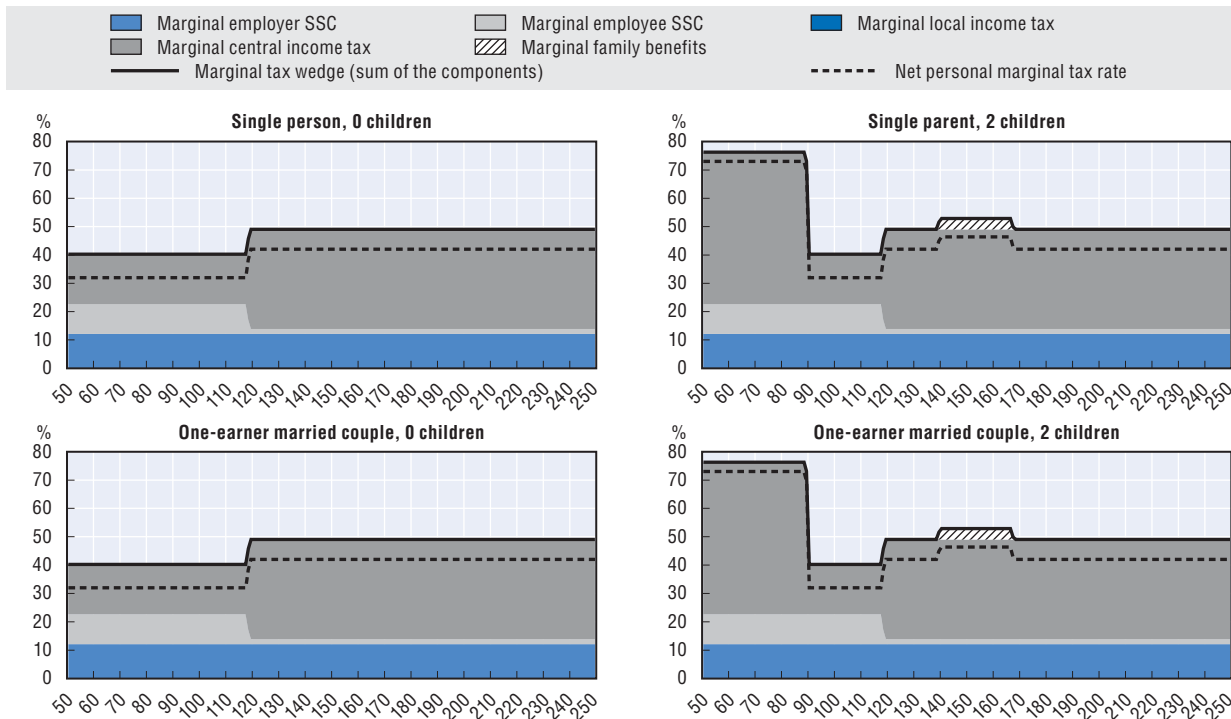
### United Kingdom, 2012

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



StatLink <http://dx.doi.org/10.1787/888932785377>

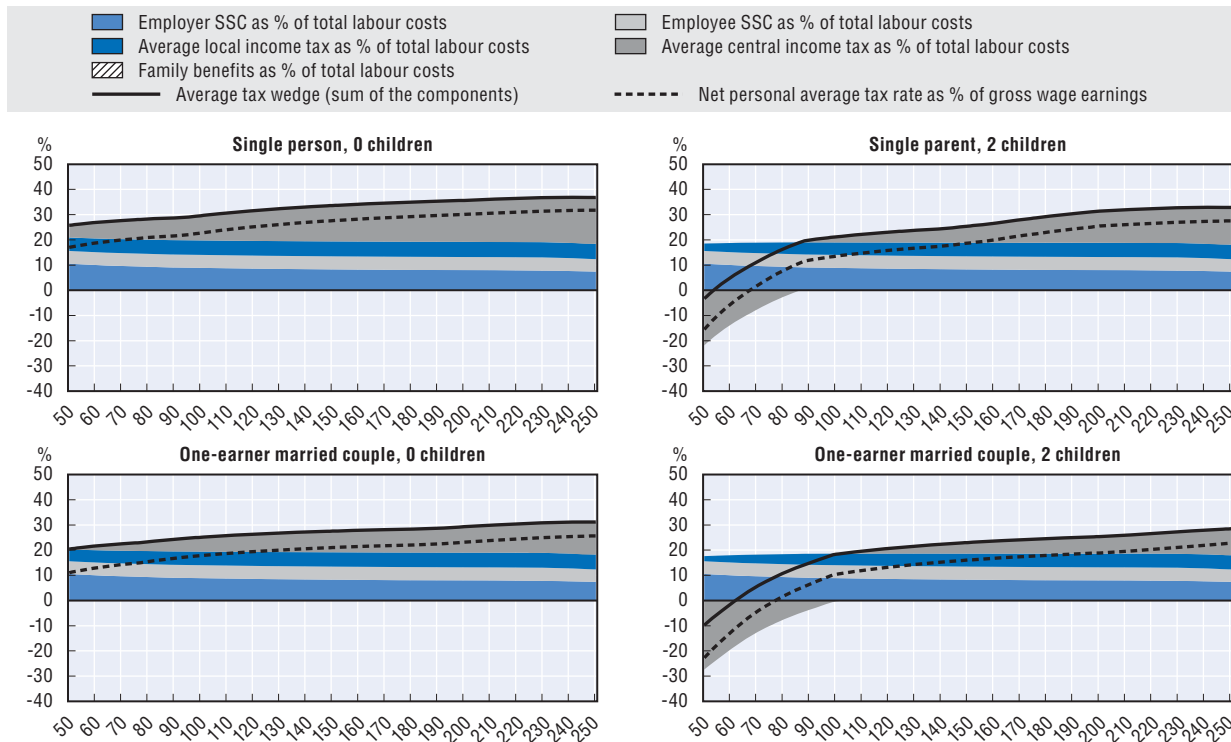
**Marginal tax wedge decomposition, by level of gross earnings expressed as a % of the average wage**



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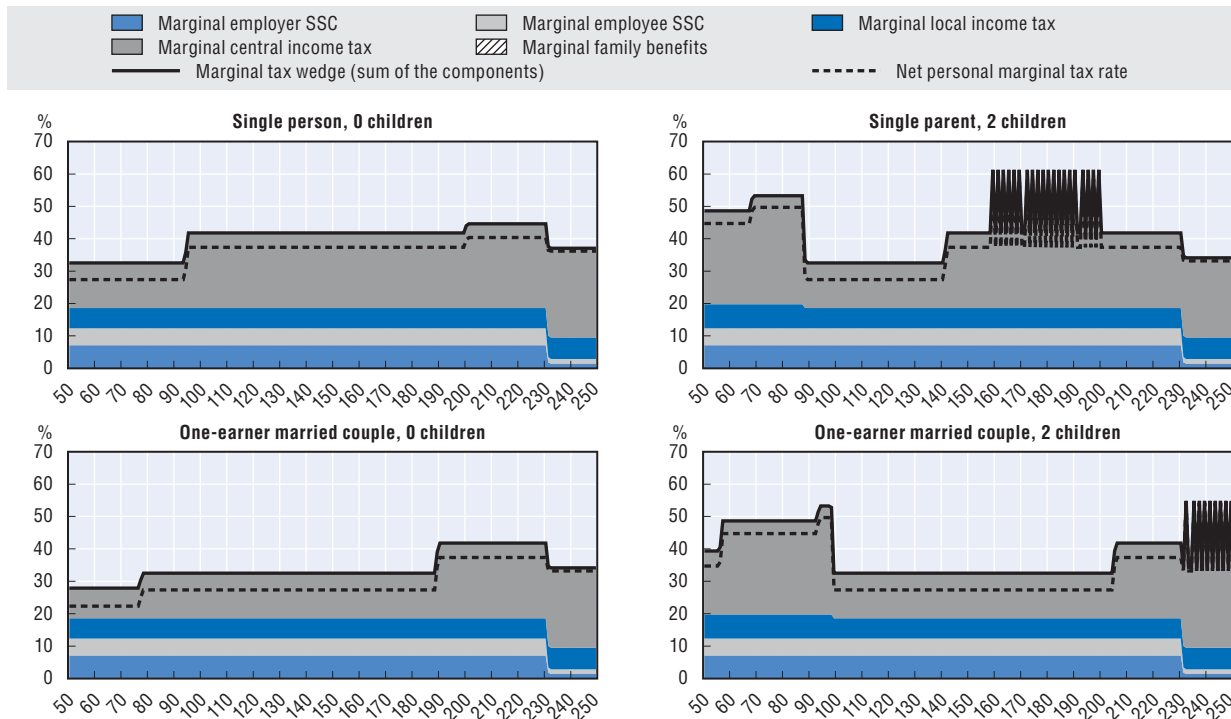
### United States, 2012

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

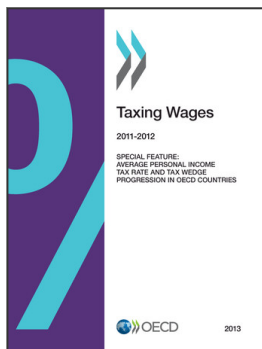


StatLink <http://dx.doi.org/10.1787/888932785415>

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



StatLink <http://dx.doi.org/10.1787/888932785434>



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